ANNEX

to Commission Implementing Decision
adopting a Multi-country Action Programme for Connectivity for the year 2020

1 IDENTIFICATION

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>Western Balkans (Republic of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Republic of North Macedonia, Republic of Serbia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic act:</td>
<td>Instrument for Pre-accession Assistance (IPA-II)</td>
</tr>
<tr>
<td>CRIS/ABAC Commitment references and budget line:</td>
<td>2020/042-527 EUR 136 000 000</td>
</tr>
<tr>
<td></td>
<td>22.02 04 01 – Multi-country programmes, regional integration and territorial cooperation</td>
</tr>
<tr>
<td>Total cost:</td>
<td>EUR 450 000 000 (estimated)</td>
</tr>
<tr>
<td>EU Contribution:</td>
<td>EUR 136 000 000</td>
</tr>
<tr>
<td>Method of implementation</td>
<td>Indirect management with :</td>
</tr>
<tr>
<td></td>
<td>– the European Bank for Reconstruction and Development (EBRD);</td>
</tr>
<tr>
<td></td>
<td>– and the European Investment Bank (EIB)</td>
</tr>
<tr>
<td></td>
<td>as Managers of the European Western Balkans Joint Fund (EWBJF);</td>
</tr>
<tr>
<td></td>
<td>through Contribution Arrangements for the Action ‘EU support to transport and energy connectivity projects in the Western Balkans 2020’</td>
</tr>
<tr>
<td></td>
<td>EBRD, EIB, Kreditanstalt für Wiederaufbau (KfW), and the World Bank (WBG) as lead International Financial Institutions (IFIs).</td>
</tr>
<tr>
<td>Final date for contracting, including the conclusion of delegation/contribution agreements</td>
<td>at the latest by 31 December 2021</td>
</tr>
<tr>
<td>Indicative operational implementation period</td>
<td>108 months from the adoption of this Financing Decision.</td>
</tr>
</tbody>
</table>

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.
2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

- Rationale for the selection of the specific sectors under this programme:

This Multi-country Action Programme for Connectivity for the year 2020 is designed to respond to priority needs as identified in the Multi-country Indicative Strategy Paper 2014-2020 (as revised in 2018 and hereinafter referred to as Strategy Paper)\(^1\). The Strategy Paper establishes support for economic, social and territorial development as one of its main objectives. In order to promote a comprehensive approach to the economic development of the region by stimulating key long-term drivers of growth, the Strategy Paper refers to the targets set by the regional South East Europe 2020 strategy. In that perspective, the Strategy Paper identifies as a priority ‘investing in improved transport and energy interconnections’ within the region and with the European Union (EU)’.

The Programme will be implemented in line with the priorities identified in the Strategy Paper and with relevant EU policies, such as the Trans-European Transport Network (TEN-T) guidelines\(^2\) and the European Energy Security Strategy\(^3\), which encourages the development of energy interconnections between candidate countries, potential candidates and the EU.

The Programme is also in line with the EU macro-regional strategies for the Adriatic-Ionian region and for the Danube region – wherein several beneficiaries of the Instrument for Pre-Accession Assistance II (IPA II) participate – which have connectivity as one of the key priorities for cooperation between the Western Balkans and EU Member States.

As pointed out in the Strategy Paper, the overall investment needs cannot be covered by public funds alone and require therefore blending of own resources, grants from the IPA, loan financing and private capital. In addition to action undertaken at central level, regional level support is needed to enable and speed up investments in core projects which are relevant not only for the IPA II beneficiary where the investment takes place, but for the entire region and/or the interconnection to the Union. The Western Balkans Investment Framework (WBIF) demonstrated its value as a unique instrument for donor coordination and blending grants and loans. It has proven to be a successful forum for cooperation among all the stakeholders and a platform where the Western Balkan alongside the EU, the IFIs and bilateral donors can identify, prepare and implement priority socio-economic investments through the pooling of expertise and financial resources. As stipulated throughout the Strategy Paper, the WBIF will remain the main instrument for regional infrastructure investment support.

In accordance with the Strategy Paper, this Programme will deliver assistance via a regional action that falls under heading 3 ‘Regional investment support’ of the Strategy Paper. The funding of the transport and energy projects should be in compliance with State aid rules.

In February 2018, the Commission adopted a strategy for ‘A credible enlargement perspective for and enhanced EU engagement with the Western Balkans’ (‘Western

\(^{1}\) C(2014)4293, 30.06.2014.
\(^{2}\) https://ec.europa.eu/transport/themes/infrastructure/ten-t_en
\(^{3}\) https://ec.europa.eu/energy/topics/energy-strategy/previous-energy-strategies_en
Balkans Strategy"). Through six flagship initiatives, the Western Balkans Strategy sets out the EU’s unprecedented support to the transformation process in the Western Balkans, targeting specific areas of interest for both the EU and the Western Balkans. The flagship initiatives of the Western Balkans Strategy supports the region’s socio-economic development and transport and energy connectivity within the region and with the EU. Increased funding was foreseen and it will further enhance the economic integration within the region and with the EU. Better connections in the region will contribute to increased competitiveness, more sustainable economic growth and the security of supply. According to the February 2020 Commission Communication, in order to enhance the accession process the Commission will particularly consider how to bring forward investment, socio-economic integration, and strengthen connectivity as well as embrace the opportunities of the green economy. The Commission will present a Communication in this regard in 2020.

The Western Balkans have made the Connectivity Agenda one of their highest priorities, with a special emphasis on the preparation and financing of regional transport and energy infrastructure investment projects, but also on the implementation of technical standards and connectivity reform measures such as aligning and simplifying border crossing procedures, road safety and maintenance schemes, unbundling and third party access. Improving connectivity within the Western Balkans and between the Western Balkans and the EU is a key factor for growth and jobs, and it will bring clear benefits for economies and citizens.

The Connectivity Agenda launched in 2015 focuses on establishing and improving transport and energy infrastructure and networks, strengthening the region’s backbone of competitiveness. Since then, the focus of connectivity has been widened. The launch of the Digital Agenda for the Western Balkans has the objective of strengthening the digitalisation and improving digital connectivity through support provided to project preparation.

The Joint Communication setting out the EU’s vision for a new and comprehensive strategy to better connect Europe and Asia adopted in 2018 also enhances transport and energy connectivity in the neighbouring regions of the EU.

The implementation of the transport and energy projects should be done in full respect of the relevant environmental acquis such as the Environmental Impact Assessment Directive (EIA), the Strategic Environment Assessment Directive (SEA) and Habitats, Birds Directives and the Water Framework Directive. Particular attention should also be paid to cumulative impacts at an early stage. Implementation of projects in areas of high environmental values, protected areas or Natura 2000 sites (or potential ones) should be avoided, whenever possible.

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4 A credible enlargement perspective for and enhanced EU engagement with the Western Balkans, COM(2018) 65 final
5 Enhancing the accession process - A credible EU perspective for the Western Balkans, COM(2020) 57 final
6 JOIN(2018) 31 final
7 http://ec.europa.eu/environment/eia/eia-legalcontext.htm
8 http://ec.europa.eu/environment/eia/sea-legalcontext.htm
• Overview of past and on-going EU’s, other donors' and/or IPA II beneficiary's actions in the relevant sectors

The European Union has set aside up to **EUR 1 billion for the support of connectivity investment projects for the 2015-2020 period in 2015**. The WBIF Steering Committee (WBIF SC) approved so far EUR 880 million in grants to the transport and energy sector and leveraged more than EUR 3200 million investments.

The EU provided the first EUR 200 million in August 2015 for ten priority projects, out of which eight were financed from the Multi-country IPA allocation. This first financing was known as *Round "zero"*. The 2016 follow-up – *Round 1* – included EUR 145.5 million for connectivity projects. The 2017 connectivity package – *Round 2* – included grant support for EUR 144.5 million. One energy connectivity project in Serbia was retained for financing by the bilateral IPA envelope. In May 2018, the fourth connectivity package – *Round 3* – included more than EUR 190 million in EU grant support 11 transport infrastructure projects (nine investment projects and two technical assistance grants). The fifth connectivity package – *Round 4* – included six transport infrastructure projects and two energy infrastructure projects with a total EU contribution of more than EUR 180 million.

The sixth connectivity package – *Round 5* – will include a list of indicative projects for EUR 136 million EU grant financing. Depending on the final list of selected projects, the total investment cost of the endorsed project will be in the range of EUR 400-500 million.

After the approval by the WBIF SC of the projects indicatively listed in this Programme, **the total EU funds committed for the implementation of the Connectivity Agenda** will reach **101% of the EUR 1 billion pledged** in 2015. This means that the original EUR 1 billion pledge will be fulfilled by end of 2020. The EU funds are expected to leverage investments with a total project cost of almost EUR 4 billion after completion of the investments.

The Programme is in line with previous WBIF financing of infrastructure projects in the Western Balkans, namely technical assistance (preparatory studies), further expanded since 2015 to co-financing of investments (construction). **WBIF continues to serve as a forum for exchanging analysis on investment needs as well as the framework for blending grants with loans**, thus achieving significant leverage of the scarce public funds. It is confirmed as the appropriate mechanism to link beneficiary strategies to regional and macro-regional strategies and to provide technical assistance to projects on the lists established by the NICs in order to bring them to maturity and to make them "bankable". Starting with the 2015-2016 co-financing, WBIF evolved its previous financial assistance, and included co-financing of construction, which proved to be a positive evolution of EU's assistance to the Western Balkans.

The European Commission recognized the need to improve coordination and implementation of infrastructure projects in the Western Balkans, and has obtained consensus in the WBIF SC on **the new WBIF methodology and co-financing**, inclusive of approval of the IFIs, the IPA II beneficiaries, and the donor countries. The new methodology and co-financing strengthened the ownership principle, with "National IPA Coordinators" (NIPACs) responsible for prioritization of projects via the NICs and **single project pipelines** (SPPs), and in the future responsible for sending in applications for co-financing. At the same time, the new methodology tried to keep the procedures at
the lowest level of complexity as possible, and took into account EU Blending and External Cooperation Platform recommendations. Coupled with ensured transparency of the WBIF structures the new methodology enabled continuity of projects from the WBIF pipeline.

In line with the Multi-country Strategy Paper, and in order to increase the impact of the EU's financial support, co-financing via the Multi-country IPA is, therefore, concentrating on the areas where regional investments are most needed to meet the European perspective and tailored to take into account the capacities of the IPA II beneficiaries to meet these needs. Assistance under regional programmes is directed towards areas where similar or joint efforts by several IPA II beneficiaries are needed, and where energy and transport investments will produce a positive connectivity impact in several IPA II beneficiaries.

The existing regional structures: the Transport Community and the Energy Community support investments, in particular by setting up and implementing accompanying reform measures as well as overall transposition and implementation of the EU acquis.

The Joint Assistance to Support Projects in European Regions (JASPERS) offers support to the IPA II beneficiaries to develop, manage and review the quality of their infrastructure projects, making them eligible for IPA funding.

In the framework of the WBIF, the Infrastructure Project Facilities (IPFs) complement JASPERS in supporting the beneficiaries in preparation of project documentation (feasibility studies, preliminary and detailed design, environmental impact assessment, tender dossiers, etc.).

The Commission also has a special connectivity technical assistance facility Technical Assistance to Connectivity in the Western Balkans (CONNECTA), which is currently operational and the objective of which is to complement the IPFs and further speed up project preparation in the digital, energy and transport sectors, as well as support energy and transport Connectivity reform measures.

When implementing the Action Programme, it will be guaranteed that there is no overlap, but complementarity with the existing instruments and with bilateral IPA programmes. This is ensured by the participation of geographical and horizontal units of the Commission and EU Delegations in the screening process of all WBIF applications. Also, the Commission is systematically communicating and informing the geographical units and EU Delegations through a dedicated WBIF network and regular meetings and/or video conferences.

Given the fact that public funds are scarce, there is a clear need to concentrate investments, as well as policy and regulatory efforts, on key corridors and interconnectors. By injecting substantial additional funds, this Action Programme shall boost progress on these connectivity priorities. Moreover, for each project application under the current package, the beneficiaries were required to review impacts of the envisaged investments on their fiscal space and the sustainability of the public debt.
List of Actions foreseen under the selected Sectors/Priorities:

<table>
<thead>
<tr>
<th>LIST OF ACTIONS</th>
<th>MCSP PRIORITY / FLAGSHIP</th>
<th>MANAGEMENT MODE</th>
<th>AMOUNT IN EUR (EU CONTRIBUTION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 - EU support to transport and energy connectivity projects in the Western Balkans 2020</td>
<td>Regional investment support / FLAGSHIP 4</td>
<td>Indirect With entrusted entity</td>
<td>136 000 000</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>136 000 000</td>
</tr>
</tbody>
</table>

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

The envisaged assistance is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU12.

<table>
<thead>
<tr>
<th>PRIORITY 3</th>
<th>Regional investment support</th>
<th>EUR 136 000 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action 1</td>
<td>EU support to transport and energy connectivity projects in the Western Balkans 2020</td>
<td>EUR 136 000 000</td>
</tr>
</tbody>
</table>

(1) Description of the Action, objectives, expected results and key performance indicators

- Description of the action and objectives

The action will support the development of infrastructure in the Western Balkans by financing a share of investment costs in connectivity projects (transport and energy). 2020 is the sixth year when IPA funds will be made available to support the development of infrastructure not only through technical assistance aimed at project preparation, but most importantly through financing of a share of the actual investment costs. This decision was a crucial step of the Commission towards supporting the Western Balkans to cope with the lack of fiscal space and favour economic development as a response to the continuous stagnation of the economies.

To support the implementation of the Connectivity Agenda with a total EU pledge of EUR 1 billion for the period 2015-2020, around EUR 100 000 000 - 150 000 000 per year of regional IPA II funds have been earmarked for co-financing connectivity projects for the period 2015-2020. The Western Balkans Investment Framework has been identified as the most suitable instrument to implement these funds and to ensure efficient fund allocation. Introduced in 2009, as a regional investment platform, the WBIF supports socio-economic development of the Western Balkans in line with the priorities of the EU perspective through the provision of financing to crucial, priority infrastructure investments, and technical assistance for strategic investments. Thus WBIF enhances overall coordination of assistance. It also maximises the impact of grant financing by using it to leverage lending by IFIs on priority strategic investments as they are identified by the Western Balkans.

The WBIF is a joint facility, which pools resources from various sources, namely from IPA and bilateral donors, IFIs, and the Western Balkans partners. Grant resources are pooled together into a joint fund and used to support operations for which loans are provided by the partner IFIs. The WBIF blends grants and loans through the Joint Grant

and Joint Lending Facilities to provide financing and technical assistance to strategic investments. The European Western Balkans Joint Fund (EWBJF) pools most donor funds. By the end of 2019, grants exceeding EUR 1.3 billion have been allocated for WBIF operations leveraging potential loans of EUR 6.1 billion, with the total estimated project value of EUR 20.8 billion.

The WBIF is governed by a Steering Committee (WBIF SC) and a Project Financiers’ Group (PFG). The WBIF SC is the highest decision making body and provides strategic guidance on the operations of the WBIF; it approves grant operations and takes final decisions related to the project selection. The Project Financiers’ Group is responsible for screening and assessing grant support requests, which it later submits to the WBIF SC for approval. Both bodies are composed of representatives of the Commission (permanent co-chair), the IFIs, bilateral donors and the IPA II beneficiaries.

Selection and approval of priority investment projects within the WBIF

In order to achieve an increased transparency on investment needs and investment priorities, the IPA II beneficiaries have established National Investment Committees (NICs) (or equivalent structures). The composition of the NICs can vary, but broadly speaking they are composed of relevant line ministries, other central non-ministerial institutions, bilateral donors, the European Commission and the IFIs (as observers). The role of the NICs is to support the preparation of a single project pipeline in each IPA II beneficiary. This project pipeline should include all priority investments, irrespectively of the source of finance. Its purpose is to help increase ownership at the central level and transparency in the way projects are selected, but also lead to better coordination of resources. The NICs define and manage the prioritised single project pipelines in all IPA II beneficiaries.

Call for proposals are launched by the WBIF SC, leading to proposals from these single project pipelines twice a year in the case of technical assistance grants and once a year in the case of investment grants. Following a consultation process that takes place within the framework of the NICs, selected priority investment projects that are suitable / eligible to receive co-financing are submitted by the IPA II beneficiaries to the PFG, where they are subsequently assessed and further developed at technical level. The assessment is carried out by the Commission and the IFIs and includes the verification of a series of eligibility criteria. Once the PFG has positively assessed the projects, an indicative list of investment projects is established, which serves as a basis for programming the allocation of IPA funds into the facility. Only positively assessed projects (indicative list as presented below) are included in the Financing Decision and are then submitted to the WBIF SC for approval.

The main activity financed under this Action consist in the construction of energy and transport infrastructure projects, via grant-loan arrangements between the European Commission and the IFIs involved in the WBIF. This will be done through the signature of contribution arrangements with the EWBJF Managers, (i.e. the EIB and the EBRD). The implementing lead IFIs can be the EIB, the EBRD, the KfW and the WBG. Contracting for action 1 is foreseen to take place in the second quarter of 2021.

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13 In 2016 the World Bank (WBG) adhered to the General Conditions of the European Western Balkans Joint Fund (the “Fund”), acknowledging that it is not yet in a position to confirm its adherence to Article 5.15 of the General Conditions. The Parties of the Adherence agreement Ares(2016)312998 still need to reach an agreement on Article 5.15 of the General Conditions in writing.
**Objective:**
The overall objective of the action is to reinforce the sustainable socio-economic development and competitiveness of the Western Balkans.

The specific objective of the action is to improve connectivity within the Western Balkans and between the Western Balkans and the EU.

The action will contribute to a more cost-efficient movement of goods and services in the Western Balkans, as well as between the region and the European Union and to an increased energy security. Indirectly, this will improve the region's competitiveness and job creation potential, and will also lead to better neighbourly relations. It is equally expected that this program will contribute to the gross domestic product growth, increased trade flows within the Western Balkans and with the EU and an improvement of the human development index. The action is also expected to have a positive effect on air quality (especially in larger and industrially developed cities). Ultimately, these investments then help build bridges between the peoples in the region.

**Energy Projects:**
In the energy sector, the programme will facilitate the integration of power systems in the Western Balkans, integrate these systems into the EU energy market, increase security of supply, and diversify energy sources. The Commission focuses investment efforts on projects that respond to pressing needs and are mature enough for swift implementation.

**Transport Projects:**
Once completed, the indicative extension of the TEN-T core network will provide quality and safe transport services for citizens and businesses with seamless integration within the region, as well as between the region and the EU. The priority projects will help reduce travel times, remove bottlenecks, promote interoperability, and build missing cross-border connections.

- Expected results and key performance indicators
  
  Completion of the energy and transport connectivity projects benefiting from co-financing of the EU.

**Key performance indicators:**
- Development of a regional energy market in the Western Balkans, integrated into the EU energy market;
- Implementation of the indicative extension of the TEN-T core network into the Western Balkans;
- Number of energy and transport infrastructures completed (transmission lines, gas pipelines, roads, railways, etc.);
- Value of trade in goods and services (EUR million).

**Projects proposed for financing under this Programme**
The projects proposed for financing have been submitted to a call for proposals procedure launched by the WBIF. The project list included in this Programme includes the positively screened and assessed energy and transport projects out of which a number of transport and energy projects will be proposed for endorsement later this year. This financing decision will provide financing to the projects endorsed as 6th
Connectivity Agenda package in the second half of 2020 (subject to availability of funding). The final selection is based on criteria related to relevance and maturity.

Figures on total investment, loan amounts and other sources of financing are also indicative and subject to WBIF SC approval. The contributions from IPA II funds (indicated below) include the implementation fees (max 4%) paid to the lead IFIs. In addition, the EU will pay administration fees paid to the Fund Managers of the EWBJF (max 2%).

The total EU contribution provided to the action will be used to cover the EU grant support to the projects proposed for financing (together with implementation fees, the administration fees) and in special situation and subject to WBIF SC approval to cover unexpected losses (contingencies).

**Energy Project:**

<table>
<thead>
<tr>
<th>1) WB-IG05-ALB-ENE-01</th>
<th>Albania</th>
<th>Electromechanical Rehabilitation of Fierza Hydropower Plant</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Albania is dependent on hydropower for electricity generation, which accounts for more than 60% of Albania’s energy consumption. Fierza is one of the three hydropower stations in the upper Drin River, a 1,350 MW cascade that holds more than ⅔ of Albania’s total electricity capacity and 90% of the domestic electricity production. This can also be exported across the region in times of overcapacity. The hydropower station was built almost 40 years ago and requires urgent work to maintain and extend the operation of the equipment. This investment project will replace the four generators, two turbine runners, and the electro-mechanical network of the plant. The project will have a minimal impact on the environment during implementation as it involves only the replacement of existing equipment. A pre-feasibility study and detailed technical analysis of the investments have already been developed.</td>
</tr>
<tr>
<td>Estimated total investment[^{14}]: EUR 42.66 million</td>
<td>Lead IFI: KfW</td>
<td>Loan: EUR 27.2 million</td>
</tr>
<tr>
<td>IPA II grant (including implementation fee): EUR 8.55 million</td>
<td>Own Contribution: EUR 7.11 million</td>
<td>Investment co-financing rate[^{15}]: 20%</td>
</tr>
</tbody>
</table>

**Transport projects:**

<table>
<thead>
<tr>
<th>2) WB-IG05-ALB-TRA-01</th>
<th>Albania</th>
<th>Mediterranean Corridor: Tirana Bypass</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>This investment project involves the construction of a 21.5 km bypass around the city of Tirana. The bypass is part of two road corridors that cross Albania: the Adriatic-Ionian Corridor, which will connect Trieste in Italy with Kalamata in Greece, and Corridor VIII, which links North Macedonia and the Albanian mainland to the Port of Durrës and the Adriatic Sea. The new bypass will be located in the most populated region, which is also the backbone of Albania’s road network. It will connect the already built Tirana – Durrës and Tirana Elbasan motorways. Once in operation, it will reduce traffic congestion, pollution, and road accidents in Tirana, as well as facilitate the flows of transit traffic from other parts of Albania. The project is at the design stage, with the detailed environmental and social impact assessment and tender documentation being developed.</td>
</tr>
<tr>
<td>Estimated total investment: EUR 150.88 million</td>
<td>Lead IFI: EBRD</td>
<td>Loan: EUR 109.21 million</td>
</tr>
<tr>
<td>IPA II grant (incl. impl. fee): EUR 32.61</td>
<td>Own Contribution: EUR 7.34 million</td>
<td>Other sources: EUR 2.45 million</td>
</tr>
</tbody>
</table>

\[^{14}\] Fees are not calculated in the total investment cost.

\[^{15}\] Investment co-financing rate applies only on the hard part (supplies and works, including contingencies) of the projects, and it is aligned with the maximum co-financing thresholds applicable as per WBIF Vademecum March 2020
### 3) WB-IG05-BIH-TRA-01 | Bosnia and Herzegovina | Mediterranean Corridor: Mostar South – Kvanj Tunnel Vc Motorway Subsection

This investment project involves the construction of a 9.2 km motorway on the Mostar South – Pocitelj section of the Mediterranean Core Network (Corridor Vc). It is the thirteenth pledge made by the EU on the same Corridor since 2015, with the aim of connecting Bosnia and Herzegovina to Hungary and Croatia, and to the Adriatic Sea.

With a total length of approximately 335 km, Bosnia and Herzegovina contains the longest section of Corridor Vc – 92 km have already been built and open to traffic, and a further 56.7 km is under construction. The present subsection will connect to the Kvanj Tunnel – Buna and Buna – Pocitelj subsections. Buna – Pocitelj subsection is under construction as part of another EU-funded project, while the work on the Kvanj Tunnel – Buna subsection is due to start by the end of this year.

The project will be implemented under a design-build contract. The preliminary design has been developed, and the updating of the environmental impact assessment study and land expropriations are at the final stage.

**Estimated total investment:** EUR 79.56 million | **Lead IFI:** EBRD | **Loan:** EUR 53.57 million | **IPA II grant (incl. impl. fee):** EUR 16.41 million | **Own contribution:** EUR 9.94 million | **Inv. co-financing rate:** 20%

### 4) WB-IG05-BIH-TRA-07 | Bosnia and Herzegovina | Mediterranean Corridor: Samac – Doboj – Rjecica Vc Railway Section

This investment project will rehabilitate and upgrade to TEN-T standards 98 km of railway on the Mediterranean Core Network Corridor (Corridor Vc). The aim is to connect Bosnia and Herzegovina to Hungary and Croatia and thus to the Adriatic Sea.

The entire track on the Samac – Doboj – Rjecica railway section is in poor condition, with serious structural constraints that limit traffic to 20-70 km/h. The project will replace or rehabilitate outdated switches, tracks and trackbed, culverts, overhead contact lines, platforms and stops. The project will be implemented under a design-build contract. The main design, environmental and social impact assessment, planning documentation and environmental permit are already in place. The new development will not have an adverse social or environmental impact as the facilities will be built on the route of the existing railway.

**Estimated total investment:** 150.1 EUR million | **Lead IFI:** EBRD (Co-financier EIB) | **Loan:** EUR 40 million and 40 million | **IPA II grant (incl. impl. fee):** EUR 70.18 million | **Other sources:** EUR 1.4 million | **Inv. co-financing rate:** 44,3%

### 5) WB-IG05-BIH-TRA-08 | Bosnia and Herzegovina | Rhine/Danube Corridor: Deniming the Right Bank of the Sava River

The Rhine-Danube Core Network Corridor connects Germany to Ukraine and the Black Sea. Its extension into the Western Balkans is mostly associated with the River Sava (apart from the Danube stretches which are jointly managed by Serbia with Hungary and Romania).

This project involves the demining of 40 km of the right bank of the River Sava in Bosnia and Herzegovina, to comply with safety and navigability requirements.

It is part of the Sava and Drina River Corridors Integrated Development Programme. This programme targets investments on strengthening capacity for integrated river basin management and development through improved transport connectivity, flood protection, and landscape management. These improvements will help the Sava meet current and expected transport demand over the project’s planning horizon of 25 years.

**Estimated total investment:** EUR 48.93 million | **Lead IFI:** World Bank | **Loan:** EUR 40.93 million | **IPA II grant (incl. impl. fee):** EUR 8 million | **Inv. co-financing rate:** 19,8%
### 6) WB-IG04-BIH-TRA-05 | Bosnia and Herzegovina | Mediterranean Corridor: Kvanj Tunnel – Buna Ve Motorway

This investment project involves the construction of a 5.2 km motorway on the Mostar South – Pocitelj section of the Mediterranean Core Network (Corridor Vc). It is the fourteenth pledge made by the EU on the same Corridor since 2015, with the aim of connecting Bosnia and Herzegovina to Hungary and Croatia, and to the Adriatic Sea.

With a total length of approximately 335 km, Bosnia and Herzegovina contains the longest section of Corridor Vc – 92 km have already been built and open to traffic, and a further 56.7 km is under construction. The present subsection will connect to Mostar South – Kvanj Tunnel and Buna – Pocitelj subsections, the latter being constructed as part of another EU-funded project.

The project will be implemented under a design-build contract. The preliminary design and the environmental and social impact assessment have already been developed. Land ownership issues have also been resolved, and expropriations, where needed, are under way.

**Estimated total investment:** EUR 106.34 million  
**Lead IFI:** EIB  
**Loan:** EUR 83.62 million  
**IPA II grant (incl. impl. fee):** EUR 21.11 million  
**Own Contribution:** EUR 2.05 million  
**Inv. co-financing rate:** 20%

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### 7) WB-IG05-KOS-TRA-03 | Kosovo | Orient/East-Med Corridor: Kosovo – Serbia Road Interconnection, Pristina – Merdare Section

The Orient/East-Med Core Network Corridor in Kosovo and Serbia includes the Pristina – Niš (Serbia) E80/R7 road section. Strategically linked to Corridors IV and X, this road connection is of significant importance for freight and passenger transportation in the Western Balkans as it is the region’s shortest route from the Port of Durrës on the Adriatic, to South-Eastern and Central Europe as well as to the Black Sea.

This project will build a 27 km-long dual carriageway motorway from Pristina to Merdare. It is the second out of three road sections of the Pristina – Merdare – Niš (Serbia) motorway to receive financing under the Connectivity Agenda.

The project will be implemented under a design-build contract. The feasibility study, preliminary design, and environmental and social impact assessment are already in place. The route has been designed to avoid residential areas as far as possible and resettlement will be kept to a strict minimum.

**Estimated total investment:** EUR 204.7 million  
**Lead IFI:** EBRD (Co-financier EIB)  
**Loan:** EUR 77 million and 77 million  
**IPA II grant (incl. impl. fee):** EUR 38.76 million  
**Own Contribution:** EUR 7.55 million  
**Other sources:** EUR 5.19 million  
**Inv. co-financing rate:** 19.98%

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### 8) WB-IG05-MNE-TRA-01 | Montenegro | Orient/East-Med Corridor: Montenegro – Serbia Rail Interconnection, Bar – Vrbnica Railway Line

This project will rehabilitate ten steel bridges as well as eight tunnels on the northern section of the Bar – Vrbnica railway route which connects Montenegro with Serbia. It is the third project on the same route to receive financing under the Connectivity Agenda since 2015.

The electrified Bar – Vrbnica railway opened to traffic in 1976. While initially designed for 80 trains a day travelling at 75-100 km/hour and accommodating axle loads of 22.5 tonnes, the number of trains has halved in the meantime and both speed and cargo loads have substantially declined. Safety incidents and accidents, as well as interruptions in service have considerably increased. This project specifically targets structural and safety improvements.

The project is at the design stage, with the detailed design for bridges and environmental and social impact assessment already in place. The rehabilitation works will be performed along the existing railway and will not have any adverse environmental or social impact.

**Estimated total investment:** EUR 40.21 million  
**Lead IFI:** EIB  
**Loan:** EUR 18 million  
**IPA II grant (incl. impl. fee):** EUR 20.13 million  
**Other sources:** EUR 2.5 million  
**Inv. co-financing rate:** 50%
Total financing needs EUR 211.348.645,07 plus EUR 4.559.144,52 implementation fee. Available budget under the current Action EUR 136 000 000 (including administration fee max 2%).

(2) Assumptions and conditions

The main assumptions are the following:

- The beneficiaries will remain politically committed – level of risk: low;
- There will be local ownership of the action outputs – level of risk: low;
- Financial sustainability will be guaranteed for an efficient operation and maintenance of the infrastructures – level of risk: low;\(^\text{16}\)
- There will be a continued governments' commitment towards the European perspective – level of risk: low;
- There will be sufficient administrative capacity in the beneficiaries – level of risk: low.

The financing of the infrastructures under the WBIF is subject to the approval and implementation of the necessary institutional and regulatory reform measures, in particular linked to connectivity. This is the main existing risk and, as it happened in the past, should a beneficiary delay its progress in the reform process, the European Commission reserves its right to put the relevant project on hold.

The main pre-condition for the implementation are the following:

- There will continue to be an agreement of the beneficiaries on the priorities to address (e.g. Projects of Energy Community Interest; pre-identified projects on the indicative extension of the TEN-T core network) and the methodology (e.g. applying the Union guidelines for the TEN-T);
- National Investment Committees, or similar coordination mechanisms and single project pipelines are established;
- Environmental Impact Assessment and possibly Strategic Environmental Assessment are carried out and completed in line with EU standards.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities:

Indirect management with international organisations

This action may be implemented in indirect management with the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), as the European Western Balkan Joint Fund (EWBJF) Managers.

This implementation entails that the entrusted entities shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of

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\(^{16}\) The sustainability of the WBIF investment is guaranteed through the involvement of the beneficiaries in the process, from selecting the projects, through preparing and submitting the applications to implementation. Beneficiaries are engaged in ensuring sustainability, adjusting legislation and procedures, acquiring finances for continuation of investments and maintaining the achieved results.
the expenditure incurred in the implementation of the programme. In particular, EIB and EBRD will be entrusted with the following tasks:

- Managing IPA Funds through the EWBJF; disbursing funds from the EWBJF to the lead IFIs; channelling funds recovered from lead IFIs;
- Compiling reports on the EWBJF;
- Collecting reports from lead IFIs and submitting these reports to Commission, PFG or WBIF SC.

The envisaged entities have been selected using the following criteria: demonstrated experience in implementing infrastructure projects and length of cooperation under the WBIF. EIB and EBRD have been long-standing partners in the inception, realisation and implementation of the WBIF. Over the 10 years of operation of the WBIF, the EIB and EBRD have, in partnership with the Commission, successfully prepared and/or implemented infrastructure projects and demonstrated the capacity to be entrusted with the implementation of the action.

The entrusted entities will implement the action in close coordination with the lead IFIs of the projects;

- the EIB,
- the EBRD,
- the KfW and
- the WBG.

The General Conditions of the EWBJF, to which the Commission and the IFIs have formally adhered, entrust these IFIs with the tasks necessary to manage the implementation of the projects assigned to them by the WBIF SC.

(4) Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.
### Indicative Budget Table – Multi-Country Action Programme

<table>
<thead>
<tr>
<th>Priority 3 Regional Investment Support</th>
<th>Method of implementation</th>
<th>Entrusted entity (if known)</th>
<th>Total EU contribution (EUR)**</th>
<th>Other third party contribution (EUR)*</th>
<th>TOTALS (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action 1: EU support to transport and energy connectivity projects in the Western Balkans 2020</td>
<td>Direct management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Indirect management with entrusted entity</td>
<td>EIB and EBRD as Managers of the EWBJF; EBRD, EIB, KfW, WBG as lead IFIs.</td>
<td>136 000 000</td>
<td>314 000 000</td>
<td>450 000 000 (estimated)</td>
</tr>
<tr>
<td>TOTALS</td>
<td>136 000 000</td>
<td>136 000 000</td>
<td>314 000 000</td>
<td>450 000 000 (estimated)</td>
<td></td>
</tr>
</tbody>
</table>

* estimation including loans signed by IFIs, beneficiary contributions and/or other contributions
** the amount includes the implementation fees (paid to lead IFIs), administrative fees (paid to EWBJF managers), and contingencies (covering unexpected losses)
4 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Indicative Strategy Paper.

In the specific context of indirect management by IPA II beneficiaries, NIPACs will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by the European Commission (DG NEAR) and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by Sectoral Monitoring committees, which will ensure a monitoring process at sector level.

5 EVALUATION

The financing of the evaluation shall be covered by another financing decision.

Having regard to the importance and nature of the actions, mid-term, final or ex-post evaluation(s) might be carried out for this action or its components via independent consultants, through a joint mission, contracted by the Commission, or via an implementing partner.

The European Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the IPA II beneficiaries and other key stakeholders. The implementing partner and the European Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the IPA II beneficiaries, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the action.