



EUROPEAN COMMISSION
Neighbourhood and Enlargement Negotiations

D - WESTERN BALKANS
The Director

Brussels,

DECISION
BY AUTHORISING OFFICER BY SUB-DELEGATION
TO AMEND A FINANCING DECISION
(NON-SUBSTANTIAL CHANGE)

Subject: Amendment No 1 to the Commission Implementing Decision C(2015)9089 final of 09/12/2015, CRIS decisions 2015/038-055 and 2016/038-727 Multi-country Action Programme for Connectivity 2015-2016 – Action No. 1

In my capacity as authorising officer by sub-delegation for the above mentioned financing decision, I authorise the revision of the costs to be covered by the EU contribution to the European Western Balkans Joint Fund for connectivity projects.

Due to the novelty of the action, the first connectivity investment grants approved by the WBIF Steering Committee need to be adjusted. The amounts of some of these grants require to be slightly revised as some costs were not originally reflected. The revised grant amounts will be approved by the WBIF Steering Committee on the occasion of its next session taking place in Frankfurt on 13 December. Due to the revision of the grants amounts, and the omission of administration fees, it is necessary to reorganise the distribution of the grants under the Financing Decisions, which requires the present amendment of the Multi-country Programme Connectivity 2015-2016.

This change has no impact on the nature and objectives of the action. It is necessary and justified from the operational point of view, in order to cover implementation costs and related management fees which were not originally included.

The amended Annex I to the financing decision and the Action Document are attached to this decision.

Genoveva Ruiz Calavera

ANNEX 1

MULTI- COUNTRY ACTION PROGRAMME FOR CONNECTIVITY 2015-2016

1 IDENTIFICATION

Beneficiaries	<i>Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro, Kosovo*, Serbia (hereafter referred to as IPA II beneficiaries)</i>
CRIS/ABAC Commitment references	2015/038-055 for year 2015 EUR 119 254 000 on budget line 22.020401
Total cost = EU Contribution	
Budget line	2016/038-727 for year 2016 EUR 36 000 000 on budget line 22.020401
Management mode/ Entrusted Entity	Indirect management by the entrusted entities listed below: European Bank for Reconstruction and Development (EBRD); European Investment Bank (EIB); Kreditanstalt für Wiederaufbau (KfW); World Bank Group (WBG); Council of Europe Development Bank (CEB) for Action No 1 "Co-financing of connectivity projects in the Western Balkans" Direct management by the European Commission for Action No 2 "Technical assistance to connectivity in the Western Balkans"
Final date for contracting including the conclusion of delegation agreements	For the budgetary commitment of year 2015 at the latest by 31 December 2016 For the budgetary commitment of year 2016 at the latest by 31 December 2017
Final date for operational implementation	Action No 1 : at the latest by 31 December 2024 Action No 2 : at the latest by 31 December 2021
Programming Unit	DG NEAR Unit D.5- Regional Cooperation and Programmes
Implementing Unit/ EU Delegation	DG NEAR Unit D.5- Regional Cooperation and Programmes

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the IJC Opinion on the Kosovo declaration of Independence

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 PRIORITIES SELECTED UNDER THIS ACTION PROGRAMME

This IPA II multi-country action programme is designed to respond to priority needs as identified in the multi-country indicative strategy paper 2014-2020 (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 strategy South East Europe 2020.

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 actions will be implemented in line with the priorities identified in the strategy paper but also in line with relevant EU policies, such as the Trans-European Transport Network (TEN-T) guidelines and the European Energy Security Strategy, which encourages the development of energy interconnections between candidate countries, potential candidates and the EU.

As pointed out in the strategy paper, the overall investment needs cannot be covered by public funds alone and require therefore blending of government funding, grants from the Instrument for Pre-Accession (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 Balkans alongside the EU, the International Financial Institutions (IFIs) and bilateral donors can identify, prepare and implement priority socio-economic investments through the pooling of expertise and financial resources.

In accordance with the strategy paper, this programme will deliver assistance via two regional actions that fall under heading 3 **"Regional investment support"** of the strategy paper.

The focus of the 2015-2016 multi-country action programme rests to a large extent on tackling the **fundamentals first**, e.g. rule of law, democracy and good governance, including economic governance, as well as on the **connectivity agenda**.

Improving connectivity within the Western Balkans and between the Western Balkans and the EU will reinforce the integration within the region and with the EU, driving forward their European perspective, but will also, by being a key factor for growth and jobs, bring clear benefits for economies and citizens already before accession. Concretely, it means focusing investments on establishing and improving transport and energy infrastructure and networks, strengthening the region's backbone of competitiveness. The implementation of the transport and energy projects

¹ C(2014)4293, 30.06.2014

should be done in full respect of the relevant environmental acquis such as the Environmental Impact Assessment Directive and nature protection legislation.

The Western Balkans Six (WB6) has made the connectivity agenda one of its highest priorities, with a special emphasis on the preparation and financing of concrete regional infrastructure investment projects, but also on the implementation of technical standards and soft measures such as aligning and simplifying border crossing procedures, road safety and maintenance schemes, unbundling and third party access.

Because **transport** is vital to the growth and prosperity of its economy, the EU, in January 2014, adopted a new transport infrastructure policy to put in place a powerful European transport network across the 28 Member States. These new guidelines refocus transport financing on a tightly defined new core network, the Trans-European Transport Core Network (TEN-T core network), which will form the backbone for transportation in Europe's single market. It will remove bottlenecks, upgrade infrastructure and streamline cross border transport operations for passengers and businesses throughout the EU.

The EU is consuming and importing increasing quantities of **energy**. The acknowledgement of the advantages of coordinated action in such a strategic field has led to the adoption of common rules and strategies to pool Europe's efforts to secure the energy that it needs at an affordable price, while generating the least possible pollution. Climax of these initiatives, the EU adopted in February 2015 the Energy Union Strategy based on the three long-established objectives of EU energy policy: security of supply, sustainability and competitiveness. It is in the perspective of stronger security of supply and market integration that the EU set out in particular the target of 10% electricity interconnection by 2020, which is the minimum necessary for the electricity to flow and be traded between Member States. It should be noted that in the energy sector, financing priority has been given to projects that obtain the status of Projects of Energy Community Interest as stated in the Commission Decision of 7/8/2015 on establishing the Commission Proposal to the Ministerial Council of the Energy Community on the implementation of Regulation (EU) No 347/2013 of the European Parliament and of the Council on guidelines for trans-European energy infrastructure (C(2015) 5489 final).

DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

Sector 9: Regional and territorial cooperation. Priority 3: Regional Structures and Networks

Action 1	Co- financing of connectivity projects in the Western Balkans	Total EUR 144 900 000
Indirect management		EUR 108 900 000 from 2015
		EUR 36 000 000 from 2016

(1) Objectives, expected results, key performance indicators, description of the action

(1) (1) Objectives:

The overall objective of the action is to contribute to the socio-economic development and competitiveness of the Western Balkans and to improve connectivity within the Western Balkans and between Western Balkans and the EU.

The specific objective of the action in the energy sector is the development of a regional energy market in the Western Balkans, integrated into the EU energy market. The specific objective of the action in the transport sector is the implementation of the indicative extension of the TEN-T core network in the Western Balkans.

(1) (2) Expected Results:

Completion of the connectivity projects benefiting from co-financing of the EU will result in a more cost-efficient movement of goods and services in the Western Balkans, as well as between the region and the European Union. This will increase the region's competitiveness and job creation potential. It will also lead to greater energy security and better neighbourly relations. It is equally expected that this action will contribute to GDP growth and have a positive effect on the human development index.

Energy projects:

The specific objective of the action in the energy sector is to facilitate integration of power systems in the Western Balkans, integrate them 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. Ultimately, these investments then help build bridges between the Western Balkans and peoples in the region.

Transport Projects:

Once completed, the core network corridors will provide quality 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 remove bottlenecks, promote interoperability, and build missing cross-border connections.

(1) (3) 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.
- Completed electricity transmission lines, gas pipelines, roads, railways etc.

(1) (4) Description of the Action:

The action will support the development of infrastructure in the Western Balkans by financing a share of the investment costs in connectivity projects (transport and energy).

2015 is the first year in which 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 the financing of a share of the actual investment costs. This decision was a crucial step by the Commission towards supporting the Western Balkan beneficiaries to cope with the lack of fiscal space and favour economic development as a response to the continuous stagnation of the economies.

Around EUR 100-150 million 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 (WBIF)** has been identified as the most suitable instrument to implement these funds and to ensure efficient fund allocation.

Introduced in 2009 as a regional tool for EU enlargement, the WBIF supports socio-economic development and EU accession across the Western Balkans through the provision of financing and technical assistance for strategic investments. Since its launch the WBIF has developed a pipeline of priority investments in the Western Balkans valued at approximately EUR 13.5 billion. More than 180 grants have been awarded for a total of EUR 316 million.

The WBIF is a joint facility, which pools resources from various sources, namely from IPA and bilateral donors; International Financial Institutions (IFIs), and the governments of the Western Balkans. Grant resources are pooled together into a joint fund and are used to support operations for which loans are provided by the partner IFIs.

The WBIF increases the region's capacity to finance crucial infrastructure and priority investments, in line with accession priorities, and 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 Balkan beneficiaries.

The WBIF is governed by a Steering Committee (SC) and a Project Financiers' Group (PFG). The Steering Committee 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 Steering Committee 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 the national 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 national 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 includes all priority investments irrespectively of the source of finance and its purpose is to help increase ownership at the national 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.

Twice a year, a call for proposals is launched by the WBIF SC leading to proposals from these single project pipelines. Following a consultation process that takes place within the framework of the NICs, selected priority investment projects which are suitable/ eligible to receive co-financing are submitted by the IPA II beneficiaries to the Project Financier's Group, 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 basis for programming the allocation of IPA funds into the facility and is then submitted to the WBIF Steering Committee for approval. Finally, the approved list of projects is confirmed by the Commission for financing.

Implementation:

This action will be implemented under indirect management through the signature of a co-delegation agreement between the Commission and the five² IFIs participating in the WBIF. The co-delegation agreement aims at entrusting the five IFIs with the tasks necessary to manage the implementation of the projects assigned to them by the SC. In case negotiations to conclude a co-delegation agreement fail, the action will be implemented through indirect management by signing individual delegation agreements with the IFIs for the projects and the amounts as identified in the table below.

The grant funds (Commission and bilateral donors) are pooled in a joint fund and are managed by the EBRD and the EIB, as joint fund managers. The grant funds are then disbursed to the lead IFIs, responsible for the management of the implementation of the individual projects. The lead IFIs sign agreements with the IPA II beneficiaries for the grant from the Joint Fund. They also sign separate loan agreements. The IPA II beneficiaries add the national contribution and start with the implementation of the investment project. This means carrying out procurement award procedures for the total project amount; signing procurement contracts with final contractors and implementing the contracts under the supervision and responsibility of the respective lead IFI. Contracting for activity 1 is foreseen to take place in Q1 2016³.

² The Council of Europe Development Bank (CEB) and the World Bank Group (WBG) are not directly participating in the implementation of action 1 of this programme. They are however members of the WBIF and will be signing the co-delegation agreement.

³ The use of IPA II 2016 funds are subject to the availability of the appropriations provided for in the draft budget for 2016 after the adoption of the budget for that financial year or as provided for in the system of provisional twelfths.

Projects proposed for financing under this Financing Decision:

As the single project pipelines are not yet finalised in all IPA II beneficiaries, exceptionally, under this Financing Decision the projects proposed for financing were already consulted and agreed upon by all WBIF stakeholders and are to be considered final. They will be presented to the SC for information purposes only.

The funds under this action will equally be used to cover the management fees for the tasks entrusted to the Joint Fund Managers described below (up to an amount of EUR 1.258.200).

The following energy projects are proposed for financing under this Financing Decision. Figures on total investment, loan amounts and other sources of financing are indicative only.

<p>1) Albania Albania – the former Yugoslav Republic of Macedonia Power Interconnection (I): Grid Section in Albania</p>
<p>The project shall implement the Albanian part of the 400 kV transmission line Albania – the former Yugoslav Republic of Macedonia (Elbasan - Bitola), the 400 kV transmission line Elbasan - Fier as part of the East-West power transmission corridor and the new substation Elbasan 3 to interconnect the new infrastructure with the existing transmission system of Albania.</p>
<p>Investment (EUR): 70 million Lead IFI: KfW Loan: 50 million Grant from IPA II Connectivity 2015-2016 (including TA) 2016: 14,294 million Other sources of financing: 6 million</p>
<p>2) The former Yugoslav Republic of Macedonia Albania – the former Yugoslav Republic of Macedonia Power Interconnection (II): Grid Section in the former Yugoslav Republic of Macedonia</p>
<p>Construction of a new single circuit 400kV overhead transmission line from the Bitola 2 Substation to Ohrid Substation (both in the former Yugoslav Republic of Macedonia); construction of a new single circuit 400kV overhead line from Ohrid substation to the connection point at the Albanian border; construction of a 400kV/110 kV substation in Ohrid; extension of the Bitola 2 Substation.</p>
<p>Investment (EUR): 49 million Lead IFI: EBRD Loan: 37 million Grant from IPA II Connectivity 2015-2016 (including TA) 2015 (including TA): 12,245 million</p>
<p>3) Montenegro Trans-Balkan Electricity Corridor (I): Grid Section in Montenegro</p>
<p>The 220kV system which connects Western Serbia to Montenegro has been in service for more than 50 years and is nearing the end of its useful life. In addition, the 220 kV connection from Bosnia and Herzegovina to Serbia (in the direction of Montenegro) will be insufficient to support projected future electricity trading between these three countries.</p>
<p>The project will thus facilitate trade across the whole of the region and with Italy via an undersea cable; it will contribute to the stability and security of the electricity system across the region. It is a priority Project of Energy Community Interest (PECI). The proposed grant relates only to the</p>

Montenegro part of the project.

Investment: EUR 127 million | Lead IFI: EBRD, Loan IFI: KfW | Loan: EUR 25 million | Grant from IPA II Connectivity 2015-2016 (including TA)2015: EUR 25.54 million | Other sources of financing: 77 million

4) Serbia | Trans-Balkan Electricity Corridor (II): Grid Section in Serbia

The project Transbalkan corridor - Internal line - New 400 kV OHL between SS Kragujevac (Serbia) - SS Kraljevo (Serbia) with the upgrade of SS Kraljevo (Serbia) to 400 kV voltage level is part of a wider project to further transition to 400 kV voltage in central and western Serbia.

This project will improve the security of supply of electricity for approximately 1.05 million domestic customers, it will also reduce network losses with an expected annual saving of EUR 380,000 approximately.

Investment: EUR 28 million | Lead IFI: KfW | Loan: EUR 14.27 million | Grant from IPA II Connectivity 2015-2016 (including TA)2015 (including TA): EUR 6.6-7546 million | Other sources of financing: 7.13 million

The following transport projects are proposed for financing under this Financing Decision. Figures on total investment, loan amounts and other sources of financing are indicative only.

5) Bosnia and Herzegovina | Mediterranean Corridor (CVc): Road Interconnection, Bosnia and Herzegovina – Croatia

The border crossing and the cross-border bridge are the missing link in the existing motorway construction project, which is currently underway in both Bosnia and Herzegovina and Croatia. The application for WBIF Grant from the side of Bosnia and Herzegovina is supplementary to the corresponding financing on the Croatian side, envisaged from Regional Funds (Cohesion Fund (European Structural and Investment (ESI) Funds). The motorway section Svilaj - Odžak is a part of Corridor Vc on the northern Bosnia and Herzegovina border. The length of the section on Bosnia and Herzegovina is ca. 11.3 km. This section includes the border crossing and the bridge Svilaj, as well as 10 km of motorway. The section has two interchanges: Svilaj and Odžak.

Investment: EUR 109 million | Lead IFI: EIB | Loan: EUR 45 million | Grant from IPA II Connectivity 2015-2016 (including TA) 2016: EUR 22-25.0966 million | Other sources of financing: 42 million

6) Bosnia and Herzegovina | Mediterranean Corridor (R2a): Road Interconnection, Bosnia and Herzegovina – Croatia

~~Cross-border bridge in Gradiska over the Sava River in one component of an overall investment on the Banja Luka-Zagreb motorway, on the Northern border between Bosnia and Herzegovina and Croatia.~~

~~The bridge is the missing link on the existing motorway project which is (on Bosnia and Herzegovina side) completed and in operation from November 2011. The IPA grant from the side of Bosnia and Herzegovina is coordinated with the corresponding financing on the Croatian side, envisaged from regional funds (Cohesion Fund (European Structural and Investment (ESI) Funds).~~

~~Investment: EUR 34.4 million | Lead IFI: EIB | Loan: EUR 10.8 million | Grant from IPA II 2015: EUR 6.8 million | Other sources of financing: 16.8 million~~

7) Kosovo | Orient/East-Med Corridor (R10): Rail Interconnection, the former Yugoslav Republic of Macedonia – Kosovo – Serbia

The EBRD is considering providing a sovereign loan to the Kosovo to be on-lent to Infrastructure of Kosovo Railways JSC. The loan would finance the urgent rehabilitation and upgrading of SEETO's Rail Route 10 within Kosovo. The route is 148 km long and spans from the border/boundary with Serbia in the north of Kosovo (Leshak station) to the border/boundary with the former Yugoslav Republic of Macedonia (Hani i Elezit station).

The project will be implemented in three phases with the rehabilitation and upgrading of the following sections: section Fushe Kosova/the former Yugoslav Republic of Macedonia border (phase 1); section Fushe Kosova/Mitrovica (phase 2); and section Mitrovica/Serbian border (phase 3).

This railway line is the only operational railway link connecting Kosovo's domestic network to

the international network. The line is part of the "core network corridor" and the Comprehensive Network of the South East Europe Transport Observatory (SEETO) and the project will support Kosovo's integration to the regional and European markets. The proposed loan and grant relate to phase 1 only.

Investment (EUR): 80.9 million | Lead IFI: EBRD, EIB | Loans: 19.2 million x 2 | Grant from IPA II ~~Connectivity 2015-2016 (including TA)~~2015 (including TA): ~~38.539.3116~~ million | Other sources of financing: 23.2 million

87) Montenegro | Orient/East-Med Corridor (R4): Rail Interconnection, Montenegro – Serbia

Rehabilitation of structures and signaling modernisation on 2 sections of the railway line between the port of Bar and the Serbian border at Vrbnica:

- Phase 1 (2015-2017) Replacement of signaling covering about 9 km of line, in the station Podgorica, as well as reconstruction of about 5.3 km of concrete bridges.
- Phase 2 (2016-2019) Replacement of signaling covering about 11 km of line, in the station Bar

Investment: EUR 40 million | Lead IFI: EIB | Loan: EUR 20 million | Grant from IPA II ~~Connectivity 2015-2016~~2015: EUR 20,4 million

(2) Assumptions and conditions

- Agreement of the IPA II beneficiaries on the priorities to address (e.g. PECCI's list, pre-identified projects on the indicative extension of the TEN-T core network) and the methodology (e.g. TEN-T guidelines)
- Sufficient administrative capacity in the IPA II beneficiaries
- Governments must identify credible sector strategies and set up National Investment Committees, or similar, and establish single project pipelines
- Political commitment to the action and ownership of the action's outputs from IPA II beneficiaries
- Continued government commitment towards EU integration process
- Coordination of energy reform measure by the Energy Community Secretariat (ECS)

(3) Entities entrusted with budget implementation tasks and short description of the tasks entrusted to the entities

Implementation of the Action will be entrusted to the following International Financing Institutions through the signature of a co-delegation agreement with these institutions:

- European Investment Bank (EIB)
- European Bank for Reconstruction and Development (EBRD),
- Council of Europe Development Bank (CEB),
- Kreditanstalt für Wiederaufbau (KfW), and
- World Bank Group (WBG).

All the above IFIs have been long standing partners in the inception, realisation and implementation of the WBIF. Over the five years of operation of the WBIF, the EIB, the EBRD, the CEB, KfW and the World Bank Group have in partnership with the Commission successfully prepared and implemented infrastructure projects and demonstrated the capacity to be entrusted with the implementation of the Action. The EIB and the EBRD in particular have undertaken the role of the WBIF Joint Fund management, while together with the other IFIs have been participating in the operational and decision making structure of the WBIF and the implementation of Technical Assistance, whose aim has been the preparation of investment projects.

Under the Co-delegation Agreement the following tasks will be entrusted:

Tasks entrusted to the Joint Fund Managers:

The EBRD and the EIB will be the managers of the joint fund. They will be responsible for the same tasks as already identified in the general conditions of the joint fund, in particular:

- Managing IPA Funds through the joint fund;
- Disbursing funds from the joint fund to the lead IFIs;
- Channelling funds recovered from lead IFIs;
- Compiling reports on the joint fund;
- Collecting reports from lead IFIs and submitting these reports to Commission/PFG/SC.

Tasks entrusted to the Lead IFIs:

The co-financing of major infrastructure projects includes loan(s) signed between the IPA II beneficiary and a lead IFI. The lead IFIs are the EIB, the EBRD, the CEB, the KfW, and the World Bank Group.

Under the co-delegation agreement the Commission delegates those tasks to the lead IFIs which are necessary to manage the implementation of the grants covering projects assigned to them by the Steering Committee (SC). These entrusted tasks would typically include:

- Managing the implementation of the projects approved by the SC under the lead IFIs own rules and procedures;
- Assuming responsibility and accountability for the funds disbursed to them by the joint fund managers including recovery;
- Providing reporting according to the requirements defined in the co-delegation agreement.

Action 2	Technical Assistance to Connectivity in the Western Balkans	EUR 10 354 000 from 2015
Direct management		

(1) Description of the action, objective, expected results and key performance indicators

Description of the action: The action will provide technical assistance focused on connectivity, in the transport and energy sectors, in order to accelerate the implementation of these measures. The Action will offer support to:

- prepare priority connectivity infrastructure investments projects, ensuring their technical and economic viability, in order to bring them to maturity for investment co-financing, and flag the connectivity projects ready to be implemented in the short and medium terms for the next national or multi-country programming exercises; provide support for the preparation and implementation of short and medium terms regional reform measures in the transport sector (component 1);
- and preparation of the regional electricity market initiative, in particular establishment of a regional power balancing mechanism and assisting the WB6 contracting parties to establish national power exchanges (or to be serviced by the power exchange of another contracting party) (component 2).

Additional activities in the frame of the above described action may be considered at a later stage, should new needs be identified to stimulate further progress on the connectivity agenda as long as they do not alter the objectives expected results and key performance indicators mentioned hereunder.

Objectives: To contribute to the socio-economic development and competitiveness of the Western Balkan region and to improve the connectivity between the Western Balkan region and the EU.

Expected Results:

- Preparation of transport and energy priority infrastructure investments projects identified in the work programmes as key for the connectivity agenda
- Identification of measures to establish a regional power market

Key performance Indicators:

- Development of a regional energy market in the Western Balkans, integrated into EU energy market
- Implementation of the indicative extension of the TEN-T core network into the Western Balkans
- Number of transport and energy infrastructure investments projects brought to maturity, in line with DG NEAR requirements for investment co-financing
- Spot market development, cross-border balancing, allocation of capacities

(2) Assumptions and conditions

- Agreement of the IPA II beneficiaries on the priorities to address (e.g. PECCI's list, pre-identified projects on the indicative extension of the TEN-T core network) and the methodology (e.g. TEN-T guidelines)
- Sufficient administrative capacity in the IPA II beneficiaries
- Set up of National Investment Committees, or similar / establishing Single Pipelines of Projects
- Political commitment to the action and ownership of the action's outputs from IPA II beneficiaries
- Continued government commitment towards EU integration process
- Coordination of energy reform measure by the Energy Community Secretariat (ECS)

(3) Implementation arrangements for the Action:

Direct management by DG NEAR/D.5

(3a) Essential elements of the action (for direct management)

Component 1

Procurement:

Component 1 will be implemented through a service contract which should be signed during Q2 2016, following a call for tenders.

- a) the **global** budgetary envelope reserved for procurement: EUR 9 354 000
- b) the indicative number and type of contracts: One service contract
- c) indicative time frame for launching the procurement procedure: Q1 2016

Component 2:

Grant - Direct grant award title: Direct grant to the Energy Community Secretariat aiming at assisting the national authorities with the implementation of soft measures and technical standards:

a) Objectives and foreseen results:

- spot market development: support to abandon legal, contractual and regulatory barriers and to adopt action plans for phasing out price regulation, cooperation agreements with at least one European Partner Organisation
- cross-border balancing: support to introduce comprehensive and fair balance responsibility and market based balancing, implementation of cross-border balancing reserve procurement
- regional capacity allocation: support for the allocation of capacities by the Coordinated Auction Office in South-East Europe (SECAO) on all borders in SEE and between all neighbouring contracting parties. Also, agreement between all South-East Europe (SEE) Transmission System Operators (TSOs) to establish a coordinated capacity calculator.

b) justification for the use of an exception to calls for proposals:

Article 190 (1)(f) of the Rules of Application on account of its technical competence, its high degree of specialisation. The Energy Community has a key coordination role at regional level to oversee the implementation of the EU Energy Community Treaty in the Western Balkans, which is directly linked to the characteristics of this component.

- c) the name of the beneficiary: Energy Community (EnC)
- d) indicative amount of the grant: EUR 1 000 000
- e) maximum rate of EU co-financing: full EU financing identified

The maximum possible rate of EU financing will be 100% of the total cost of the action. Full financing of the action is essential for the action to be carried out for visibility reasons.

Indicative date for signing the grant agreement: Q1 2016

3 BUDGET

3.1 INDICATIVE BUDGET TABLE

	2015				2016			
	EU Contribution	Co-financing*	Total expenditure		EU Contribution	Co-financing*	Total expenditure	Total
Priority: Regional Investment Support								
038-055-IM** Action 1	108 900 000	250 900 000 270 000 000	359 800 000 378 900 000	038-727 – IM** Action 1	36 000 000	443 000 000 889 100 000	125 100 000 179 000 000	144 900 000
038-055-DM Action 2	10 354 000	0	10 354 000	Action 2	0	0	0	10 354 000
TOTALS 2015	119 254 000	250 900 000 270 000 000	370 154 000 389 254 000	TOTALS 2016	36 000 000	443 000 000 889 100 000	125 100 000 179 000 000	155 254 000

DM - Direct management

IM -- Indirect management

* provided by loans signed by EIB, EBRD, KfW; national contributions and/or other contributions

**entrusted entity International Financing Institutions that participate in the WBIF EIB, EBRD, KfW, WBG, CEB

4 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

DIRECT MANAGEMENT:

Part of this programme shall be implemented by direct management by the Commission / by the Union Delegations in accordance with article 58(1)(a) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Procurement shall follow the provisions of Part Two, Title IV Chapter 3 of the Financial Regulation No 966/2012 and Part Two, Title II, Chapter 3 of its Rules of Application.

Grant award procedures shall follow the provisions of Part Two Title IV Chapter 4 of the Financial Regulation No 966/2012 and Part Two Title II Chapter 4 of its Rules of Application.

Under the Financial Regulation, Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

The European Commission may also use services and supplies under its Framework Contracts concluded following Part One of the Financial Regulation.

INDIRECT MANAGEMENT:

Part of This programme shall be implemented by indirect management with entrusted entities other than the IPA II beneficiary in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

The general rules for procurement and grant award procedures shall be defined in the relevant delegation agreements between the European Commission and the entrusted entity implementing such action.

5 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the European 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 European 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 (Multi-) Country Indicative Strategy Paper.

In the specific context of indirect management by IPA II beneficiaries, National IPA Coordinators (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 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.

