

ANNEX

MULTI-COUNTRY ACTION PROGRAMME FOR CONNECTIVITY FOR THE YEAR 2016 – PART II

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	2016/039-401
Total cost = EU Contribution	EUR 201 500 000
Budget line	22.020401 – Multi-country programmes, regional integration and territorial cooperation
Management mode/ Entrusted Entity	<p>Indirect management by the entrusted entities listed below:</p> <p>European Bank for Reconstruction and Development (EBRD); European Investment Bank (EIB); and Kreditanstalt für Wiederaufbau (KfW) for Action No 1 "Co-financing of Connectivity Projects in the Western Balkans 2016"</p> <p>European Investment Fund (EIF) for Action No 2 "Green for Growth Fund"</p> <p>Direct management by the European Commission for Action No 3 "Support to the Western Balkans Investment Framework for Technical Assistance for 2016"</p>
Final date for contracting including the conclusion of contribution arrangements/ delegation agreements	at the latest by 31 December 2017
Final date for operational implementation	<p>Action No 1: at the latest by 31 December 2025</p> <p>Action No 2: at the latest by 31 December 2023</p> <p>Action No 3: at the latest by 31 December 2022</p>
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 ICJ 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 for connectivity 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 Balkan 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 three regional actions that fall 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.

The focus of the 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 should be done in full respect of the relevant environmental acquis such as the Environmental Impact

¹ C(2014)4293, 30.06.2014

Assessment Directive (EIA), the Strategic Environment Assessment Directive (SEA) and Habitats and Birds Directives. Particular attention should also be paid on cumulative impacts at an early stage. A balanced energy mix should be carefully and strategically approached. Areas of high environmental values concerns, protected areas or Natura 2000 sites (or potential ones) should be avoided, whenever possible.

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 and impacts on the environment. 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).

List of Actions foreseen under the selected Priorities:

LIST OF PROJECTS	MANAGEMENT MODE	AMOUNT (IN EUR)
ACTION NO. 1: CO-FINANCING OF CONNECTIVITY PROJECTS IN THE WESTERN BALKANS 2016	INDIRECT	145 500 000
ACTION NO. 2: GREEN FOR GROWTH FUND	INDIRECT	20 000 000
ACTION NO. 3: SUPPORT TO THE WESTERN BALKANS INVESTMENT FRAMEWORK FOR TECHNICAL ASSISTANCE FOR 2016	DIRECT	36 000 000

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

Sector 9: Regional and territorial cooperation – Priority 3: Regional investment support

Action 1 Indirect management	Co-financing of Connectivity Projects in the Western Balkans 2016	Total EUR 145 500 000
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(1) Description of the Action, objective, expected results and key performance indicators

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).

2016 is the second 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 220 investment and technical assistance grants have been awarded for a total of EUR 510 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 irrespective 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 Steering Committee 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 contribution arrangement between the Commission, and the EBRD and the EIB, as WBIF's European Western Balkans Joint Fund (Joint Fund) Managers. The individual projects will subsequently be implemented by the lead IFIs participating in the WBIF and in the implementation of action 1 of this programme. The General Conditions of the Joint Fund, to which the Commission and the IFIs have formally adhered to, entrusts these IFIs with the tasks necessary to manage the implementation of the projects assigned to them by the WBIF Steering Committee.

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 action 1 is foreseen to take place in Q2 2017.

Objective:

The overall objective of the action is to contribute to the sustainable 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.

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.

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.

Projects proposed for financing under this Financing Decision:

The projects proposed for financing have been submitted to the WBIF under the first round of the call for proposals procedure. This list of projects is however only indicative and non-exhaustive. Other mature projects in the sectors of energy and transport which meet the relevant criteria may also be considered for co-financing.

The funds under this action will equally be used to cover the management fees for the Joint Fund Managers as regards the connectivity projects not committed yet co-financed under the Financing Decisions for the years 2015 and 2016 (max. EUR 5 615 000).

The following **energy** project is indicatively proposed for financing under this Financing Decision. Figures on total investment, loan amount and other sources of financing are also indicative.

1) Serbia Transbalkan Electricity corridor – Grid Section in Serbia
<p>The project covers: a) Section III - Upgrade of transmission network in Western Serbia at 400 kV voltage level between SS Obrenovac and SS Bajina Basta, i.e. new double 400 kV OHL SS Obrenovac – SS Bajina Basta, reconstruction of existing SS Obrenovac and SS Bajina Basta, 111 km; b) Section IV - New 400 kV interconnection between Serbia, Bosnia and Herzegovina and Montenegro, i.e. double 400 kV OHL between SS Bajina Basta, SS Visegrad (BiH), and SS Pljevlja (Montenegro), 84 km.</p> <p>Trans-Balkan Corridor will improve the functioning, reliability, and security of supply of the electricity markets in Serbia, Montenegro, Bosnia and Herzegovina, Romania and Italy, facilitate further integration and expansion of the 400kV network in the region, facilitate higher level of integration of renewable energy sources in the SEE region, and alleviate the congestion on the transmission system present in the flow direction from East to West in Serbia that restricts trade across the region and with Italy.</p>
<p>Investment: EUR 100.8 million Lead IFI: KfW Loan: EUR 75.8 million Grant from IPA II 2016: EUR 25 million (including TA) / EUR 22 million (excluding TA) Other sources of financing: tbd Grant percentage: 22.7% (including TA) / 20% (excluding TA)</p>

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

2) Serbia Orient/East-Med Corridor: Serbia – Bulgaria CXc Rail Interconnection
<p>The project covers the rehabilitation of the Sicevo to Dimitrovgrad railway track, including preparatory works for electrification and signalling and telecommunication systems. The project is complemented by two other investments: (i) Construction of the railway deviation around the City of Niš to the station in Sicevo, undertaken with assistance from 2011 IPA (EU) funding; (ii) Completion of electrification and signalling and communication works on the route from Niš to Sicevo and from there to Stanicenje and Dimitrovgrad, for which additional financial assistance will be sought from the Western Balkans Investment Framework in 2017.</p> <p>This project will upgrade 80 km of CXc railway track to TEN-T standards, including preparatory works for electrification and signalling and telecommunication systems. It will increase passenger and freight travel speed from 30 km/h to 120 km/h, as well as in freight capacity to 22.9 tonnes axle load, throughout the CXc Sicevo to Dimitrovgrad section.</p>
<p>Investment: EUR 84.4 million Lead IFI: EIB Loan: EUR 36.7 million Grant from IPA II 2016: EUR 43.6 million (including TA) Other sources of financing: EUR 4.1 million Grant percentage: 52%</p>

3) Albania | Mediterranean Corridor: Montenegro - Albania - Greece Rail Interconnection

This investment project concerns the rehabilitation of the Tirana - Durrës railway section and the construction of a new railway link to the international airport in the capital, including signalling and telecommunication systems. The project complements two other planned improvements on CVIII and R2 sections on the Mediterranean Corridor: (i) R2 Durrës – Vora – Shkodra – Hani Hotit/border with Montenegro section (140 km); (ii) CVIII Durrës – Vlore –Pogradec/border with the former Yugoslav Republic of Macedonia section (137 km). Once complete, these two additional sections will ensure interoperable and multimodal transport connections between Albania and the former Yugoslav Republic of Macedonia and Montenegro, as well further transport links with Greece and Bulgaria, along the Mediterranean Corridor.

The project will result in 34.5 km of railway track, from Tirana to Durrës, partly rehabilitated to modern, TEN-T standards, including signalling and telecommunication (but excluding electrification). New 7.4 km of railway track will be built between Tirana and Rinas international airport. The passenger and freight travel speed will increase from 60 km/h to 120 km/h, as well as in freight axle load to 22.9 tonnes, throughout the Tirana - Durrës section.

Investment: EUR 81.5 million | Lead IFI: EBRD | Loan: EUR 32.9 million | Grant from IPA II 2016: EUR 35.4 million (including TA) | Other sources of financing: EUR 13.2 million | Grant percentage: 43%

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

This investment project¹ will cover the rehabilitation of the Fushë Kosovë/ Kosovo Polje - Mitrovicë/Mitrovica rail section and associated railway stations to modern, TEN-T standards. Whereas it includes modern signalling and telecommunications, the project excludes electrification.

The project is being implemented in three phases with the rehabilitation and upgrading of the following sections: section Fushe Kosova / the former Yugoslav Republic of Macedonia border/boundary (phase 1); section Fushe Kosova / Mitrovica (phase 2); and section Mitrovica / Serbian border/boundary (phase 3). Phase 1 benefited from WBIF investment grant in 2015, while the 2016 allocation refers to phase 2.

The phase 2 project will result in 35 km of railway track and 5 railway stations upgraded to modern, TEN-T standards, on the Fushë Kosovë/Kosovo Polje to Mitrovicë/Mitrovica R10 route. The passenger and freight travel speed will increase from 20 km/h to 100 km/h as well as freight axle load to 22.5 tonnes.

Investment: EUR 42.3 million | Lead IFI: EBRD, EIB | Loans: EUR 8.6 million (EBRD); EUR 9.2 million (EIB) | Grant from IPA II 2016: EUR 18.2 million (including TA) | Other sources of financing: EUR 6.3 million | Grant percentage: 43%

5) The former Yugoslav Republic of Macedonia | Corridor VIII: the former Yugoslav Republic of Macedonia – Bulgaria Rail Interconnection

The project concerns the construction of 34 km rail line between Beljakovce to Kriva Palanka, which is a second section of the eastern part of the Rail Corridor VIII. It is part of the “missing link” of around 89 km rail on Corridor VIII in between Skopje and the border with Bulgaria. The new railway lines, both first and second section, will be electrified and meet the EU technical specifications for interoperability. The design speed of the line is 100km/h.

The project will reduce regional travel time between Kumanovo and Kriva Palanka by rail to approximately 35 minutes against current travel time of approximately 50 minutes by road, and increase the transport volume of freight and passengers against road. Once the third and last section of the rail towards Bulgaria is completed, the railway link to the Black Sea would be shorter by approximately 200 km, and to Istanbul by approximately 150 km.

Investment: EUR 153.77 million | Lead IFI: EBRD | Loan: EUR 78.94 million | Grant from IPA II 2016: EUR 69 million (including TA) | Other sources of financing: EUR 5.83 million | Grant percentage: 45%

6) Bosnia and Herzegovina | Mediterranean Corridor (CVc): Bosnia and Herzegovina – Croatia Road Interconnection (I)

The Project involves the construction of a 6.9 km motorway subsection on Corridor Vc between settlements Ponirak and Donja Gracanica. This subsection is divided into two parts taking into consideration the commitment of EIB and EBRD.

Part I: Ponirak – exit of Tunnel Zenica, length 2.8 km of road including one bridge and one Tunnel length 2.4 km

Part II: Exit Tunnel Zenica – Donja Gracanica (entrance to Tunnel Pecuj), length 4.1 km of road including 2 tunnels, 4 viaducts, and access road to the Zenica town with bridge.

The construction of this subsection will reduce travel time, introduce savings in vehicle operation costs and increase road safety. It will increase accessibility and promote regional as well as local economic development by increasing the average annual daily traffic to more than 23% and connect the existing state road M17 with Corridor Vc.

Investment: EUR 149 million | Lead IFI: EBRD, EIB | Loans: EUR 50 million (EBRD); EUR 76 million (EIB) | Grant from IPA II 2016: EUR 19 million (including TA) | Other sources of financing: EUR 4 million | Grant percentage: 13%

7) Bosnia and Herzegovina | Mediterranean Corridor (CVc): Bosnia and Herzegovina – Croatia Road Interconnection (II)

This project concerns the 6 km of Corridor Vc – Johovac - Doboj jug from Interchange Johovac to Interchange Rudanka (including both interchanges). Interchange Johovac is T-type interchange which will connect two major motorways: Banja Luka-Doboj and Corridor Vc. Motorway Johovac-Doboj jug (south) is designed with two, divided by central median, single carriageways each consisting of two-lane width of 3.75 m and an emergency lane width of 2.50 m. The road will also cross the railway line in one part by a bridge. Johovac interchange connects two motorways, whereby interchange Rudanka facilitates the access between the main road network, motorway and the city of Doboj.

Construction of the motorway in Corridor Vc is supported by the analysis for the existing road network, bottlenecks, road accidents, high operation costs and forecast of traffic growth. Estimated increase of the AADT to up to 50% in this project will contribute to the objective of the economic development.

Investment: EUR 420 million | Lead IFI: EBRD, EIB | Loans: EUR 185 million (EBRD); EUR 160 million (EIB) | Grant from IPA II 2016: EUR 69 million (including TA) | Other sources of financing: EUR 6 million | Grant percentage: 16%

8) Bosnia and Herzegovina | Reconstruction and Modernisation of the River Port of Brcko

This project concerns several segments to be executed under Phase 1: a) Construction of railway track to Brcko harbour on the section of harbour crane path; b) Reconstruction of industrial railway track on the line from the Port of Brcko to the Train station Brcko Novo and reconstruction of connections to industrial zone; c) Construction of the asphalt plateau with drainage of rainfall; d) Reconstruction of the access road from Bijeljinska cesta to the Port of Brcko; e) Supply and installation of portal (harbour) crane.

The Port of Brcko will play a central role in providing interconnectivity with the land-based transport modes (road, rail) and is an essential transit point for cargo traffic flows to and from the heavy industries in Bosnia and Herzegovina. With an expected increase in cargo volume by 25% after the rehabilitation of the Port of Brcko, the project will have a significant positive influence on regional economic growth and trade facilitation.

Investment: EUR 10.5 million | Lead IFI: EBRD | Loan: EUR 7 million | Grant from IPA II 2016: EUR 3.5 million (including TA) | Grant percentage: 33%

Summary table with the indicative allocation for Action 1

	Country/ Project	Grant from IPA II 2016	Loan	Other sources	Investment (Total expenditure)
1	Serbia - Transbalkan Electricity corridor – Grid Section in Serbia	25.00	75.80	tbd	100.80
2	Serbia - Orient/East-Med Corridor: Serbia – Bulgaria CXc Rail Interconnection	43.60	36.70	4.10	84.40
3	Albania - Mediterranean Corridor: Montenegro - Albania - Greece Rail Interconnection	35.40	32.90	13.20	81.50
4	Kosovo - Orient/East-Med Corridor: the former Yugoslav Republic of Macedonia – Kosovo – Serbia R10 Rail Interconnection	18.20	17.80	6.30	42.30
5	The former Yugoslav Republic of Macedonia - Corridor VIII: the former Yugoslav Republic of Macedonia – Bulgaria Rail Interconnection	69.00	78.94	5.83	153.77
6	Bosnia and Herzegovina - Mediterranean Corridor (CVc): Bosnia and Herzegovina – Croatia Road Interconnection (I)	19.00	126.00	4.00	149.00
7	Bosnia and Herzegovina - Mediterranean Corridor (CVc): Bosnia and Herzegovina – Croatia Road Interconnection (II)	69.00	345.00	6.00	420.00
8	Bosnia and Herzegovina - Reconstruction and Modernisation of the River Port of Brcko	3.50	7.00	0	10.50
	Indicative estimated budgets for the projects	282.70	759.57		1042.27
		27.1%	72.9%		100%
	Indicative budget allocated to Action 1	139.885	375.848		515.733
	Management fees for JF managers for the years 2015 and 2016	5.615	-		5.615
	Total indicative budget for Action	145.500	375.848		521.348

(2) Assumptions and conditions

Assumptions:

- 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
- 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)
- EIA and possibly SEA carried out and completed

Conditions:

- Governments must identify credible sector strategies and set up National Investment Committees, or similar, and establish single project pipelines
- EIA procedure must be adequately applied before the project implementation

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) 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 lead IFIs through a Contribution Arrangement under the Joint Fund:

- European Investment Bank (EIB)
- European Bank for Reconstruction and Development (EBRD), and
- Kreditanstalt für Wiederaufbau (KfW).

The entrusted entities shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, 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 the expenditure incurred in the implementation of the programme.

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 and the KfW 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.

A contribution arrangement will be signed between the Commission, and the EBRD and the EIB, as Joint Fund Managers. The individual projects will subsequently be implemented by the lead IFIs participating in the WBIF and in the implementation of action 1 of this programme (EIB, EBRD and

KfW). The General Conditions of the Joint Fund, to which the Commission and the IFIs have formally adhered to, entrusts these IFIs with the tasks necessary to manage the implementation of the projects assigned to them by the WBIF Steering Committee.

Under the Contribution Arrangement and the General Conditions of the Joint Fund, 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 and the KfW.

Based on the Contribution Arrangement and the General Conditions of the Joint Fund, 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 WBIF Steering Committee. 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 General Conditions of the Joint Fund.

Action 2 Indirect management	Green for Growth Fund (GGF)	Total EUR 20 000 000
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(1) Description of the Action, objective, expected results and key performance indicators

Description of the Action:

This action aims at securing continuation of the EU investments in the Green for Growth Fund (GGF). The action is also to ensure continued delivery of technical assistance to the GGF beneficiary intermediaries. This will be achieved in particular through an extension of the European Commission trusteeships with the European Investment Fund (EIF) for the Green for Growth Fund (GGF) and its TA Facility (GGF TAF).

The growth of the GGF within the WB6 shall contribute to overcome the current challenges by providing long-term financing instruments – both to financial institutions and directly to renewable energy projects and non-financial Partner Institutions. Additionally, the GGF TAF shall support local financial institutions in developing energy efficiency (EE) and renewable energy (RE) financing as a sustainable field of business. All activities are conducted in line with the Fund's goal of enhancing energy savings and reducing CO₂ emissions.

GGF provides medium to long-term financing for energy efficiency and renewable energy to strong and reputable commercial banks, micro-finance institutions, leasing companies, and other non-bank financial institutions committed to the Fund's energy saving objectives. The funds provided by the GGF are used for on-lending to sub-borrowers such as households, household associations, small and medium enterprises, large business, municipalities, public sector entities, and renewable energy projects. As of 30 June 2016, the Fund is invested in 12 financial institutions in all six WB6 beneficiaries.

The Fund offers direct financing in all forms of capital with a strong focus on senior debt. This includes financing through or with banks (co-financing) for established technologies such as solar thermal and photovoltaic, hydro, biomass, geothermal, and wind. The GGF works with reputable, local and international developers that are willing to bring equity into a project. In addition to providing long-term capital, the Fund is working to ensure that these projects are developed according to the highest international environmental and social standards.

Objective:

The overall objective is to foster sustainable economic development and prosperity in South East Europe through the provision of development financing for Energy Efficiency, Renewable Energy projects and micro-finance.

The specific objective is to support institutions in the Western Balkans in developing a competitive and transparent energy efficiency and renewable energy market compliant with the requirements of the Energy Community Treaty, and to achieve energy savings and/or carbon emission reductions.

Expected results:

Contribution to National Energy Efficiency Action Plans (NEEAPs) of Western Balkan partner beneficiaries; GGF financing on-lent to finance eligible investments; Skills transfer and local capacity building.

Key performance indicators:

- Annual reduction of energy consumption in MWh/year and CO2 emissions in tons/year;
- Number of partner institutions in energy specific lending (including energy efficiency and renewable energy) and associated technical assistance projects.

(2) Assumptions

- Steadiness of the banking sector and its lending activity
- Stability of capital and monetary market, in particular in terms of currency and interest rate risk from its financial instruments
- Sufficient capacity of the partner institution to deliver impact over the medium- to long-term
- Management buy-in at the partner institutions so as to integrate the green energy product into the institution's strategy
- Where possible, SEA should be carried out at planning level
- In case of investments or projects' support, EIA and Appropriate Assessment (AA) should be carried out at an early stage

(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 European Investment Fund (EIF).

The EIF is the EU dedicated risk finance institution and as such possesses unique experience in developing and implementing EU financial instruments, in particular it has as the current trustee in the Funds a distinctive track record.

Tasks entrusted to the entity:

The EIF will manage the participation of the European Commission in GGF, in line with the Fund mission as specified in the article of Incorporation. In particular, this refers to subscription of shares, supervision and management services, shareholder representation, Board of Directors representation. In addition, the EIF informs the European Commission which decisions of the shareholders meetings require European Commission approval, as well as communicates on activities of the Investment Committee, as defined in the Trusteeship Agreement. The EIF provides the European Commission with semi-annual progress reports on the Fund, with information on the EIF management activities and evolution of the Fund operations, as well as with financial reports. Lastly, the EIF conducts annual monitoring missions, and organises the semi-annual meetings with the European Commission.

Action 3 Direct management	Support to the Western Balkans Investment Framework for Technical Assistance for 2016	Total EUR 36 000 000
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(1) Description of the Action, objective, expected results and key performance indicators

Description of the Action:

Technical assistance is most largely requested for the preparation of project documentation (such as pre-feasibility studies, general designs, feasibility studies, preliminary designs, financing plans, cost-benefit analysis, tariffs plans, environmental impact assessments, detailed designs, etc.), thus bringing infrastructure projects to maturity for investment co-financing.

Technical assistance may however also be provided during the implementation phase, for the preparation of tender dossiers and for the supervision of works, providing therefore support throughout the project cycle.

Objective:

The overall objective is to support the sustainable socio-economic growth of the Western Balkans by developing infrastructure through the WBIF.

The specific objective is to improve number of quality of priority infrastructure investment projects ready for implementation and successfully implemented in transport, environment, energy and social sectors; to enhance cooperation and coordination between IFIs, beneficiaries, bilateral donors and regional organisations; to exchange of skills and knowledge; and to increase loans leveraged with grants.

Expected results:

Preparation and implementation of priority infrastructure investment projects, at regional and national levels, in particular in energy and transport, but also in environment and social sectors.

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;
- Spotting of market development, cross-border balancing, and allocation of capacities.

(2) Assumptions

- Capacity to borrow from Beneficiaries remains;
- Recovery from the crisis allows further development and creates further loans demand;
- Political stability in the region;
- WBIF continues to receive support from the different partners;
- NIPACs present multiple good projects for financing;
- FIs availability to provide loans remains high in the region.

(3) Implementation arrangements for the Action

Direct management by DG NEAR/D.5

Essential elements of the action (for direct management):

Grant – Direct grant award title: Support to the Western Balkans Investment Framework for Technical Assistance for 2016

a) Objectives and foreseen results:

The action will provide technical assistance for the successful preparation and implementation of major investment projects. In particular, it will support investment projects with a regional dimension, which are priorities for the IPA II beneficiaries in the Western Balkans.

The action will contribute to bring the beneficiaries priority investment projects to maturity by preparing all documentation for implementation, making the projects eligible for Financial Institutions' loans and/or further EU financing. The action will also offer technical assistance during the implementation phase, providing support throughout the project cycle.

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

Article 125 (7) of the Financial Regulation stipulates that grants may be awarded without a call for proposals to the EIB or the European Investment Fund for actions of technical assistance. In such cases Articles 131(2) to (5) and 132(1) shall not apply.

c) Name of the beneficiary: European Investment Bank (EIB)

d) Eligibility criteria: Not applicable

e) The essential selection criteria are financial and operational capacity of the applicant.

The award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

f) Indicative amount of the grant: EUR 36 million

g) Maximum rate of EU co-financing:

The maximum possible rate of EU financing will be 100% of the total cost of the action. In accordance with Article 192 of the Financial Regulation, for EU visibility reasons, it is essential that the EU is the sole donor for the action.

h) Indicative date for signing the grant agreement: Q1 2017

3 BUDGET

3.1 INDICATIVE BUDGET TABLE

2016				
	EU Contribution	Co-financing*	Management Mode	Total expenditure
Priority: Regional Investment Support				
2016/039-401 Action 1 **	145 500 000***	375 848 000	IM	521 348 000
2016/039-401 Action 2 **	20 000 000	60 000 000	IM	80 000 000
2016/039-401 Action 3	36 000 000	0	DM	36 000 000
TOTAL	201 500 000	435 848 000		637 348 000

DM - Direct management

IM - Indirect management

* provided by loans signed by IFIs, national contributions and/or other contributions (Action 1)
provided by other investors (Action 2)

**entrusted entity – EIB, EBRD and KfW (Action 1)
entrusted entity – EIF that manages the participation of the European Commission in GGF (Action 2)

*** the amount includes the management fees for the Joint Fund managers

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 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.

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.