

ANNEX

Multi-country Action Programme for Connectivity for the years 2019-2020

1 IDENTIFICATION

Beneficiary	Republic of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Republic of North Macedonia, Republic of Serbia
Basic act: Total cost	Instrument for Pre-accession assistance (IPA II) EUR 728 086 177 (estimated) (EUR 721 302 276 in 2019; EUR 6 783 902 in 2020)
EU contribution:	EUR 184 600 000
CRIS/ABAC commitment references, EU Contribution and budget line	2019/041-953 EUR 182 880 000 from 22.020401 2020/042-275 EUR 1 720 000 from 22.020401 22.020401 – Multi-country programmes, regional integration and territorial cooperation Estimation for year 2020 is subject to the availability of appropriations for the respective financial year following the adoption of the relevant annual budget or as provided for in the system of provisional twelfths.
Method of implementation	Indirect management with: – European Bank for Reconstruction and Development (EBRD); – and European Investment Bank (EIB) as Managers of the European Western Balkans Joint Fund (EWBJF); through Contribution Arrangements for the Action ‘EU support to transport and energy connectivity projects in the Western Balkans 2019-2020’; EBRD, EIB and Kreditanstalt für Wiederaufbau (KfW) as lead International Financial Institutions (IFIs).
Final date for contracting including the conclusion of delegation/contribution agreements	For the budgetary commitment of 2019 at the latest by 31 December 2020; For the budgetary commitment of 2020 at the latest by 31 December 2021.
Indicative operational implementation period	108 months from the adoption of this Financing Decision.

* 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.

Formatiert: Deutsch (Deutschland)

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 PRIORITIES SELECTED UNDER THIS ACTION PROGRAMME

- Rationale for the selection of the specific priorities under this Programme

This Multi-country Action Programme for Connectivity for the years 2019-2020 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 (EUSAIR) and for the Danube region (EUSDR) – 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 government funding, 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

¹ C(2014)4293, 30.06.2014.

² https://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines_en

³ <https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/energy-security-strategy>

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 Balkans⁴’ (‘**Western 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 support the region’s socio-economic development and **transport and energy connectivity** within the region and with the EU. Increased funding in the fields is also 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.

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 EU has developed a wide **Connectivity Agenda** with many concrete measures that benefit citizens throughout the region with a focus on not only transport, but also energy, trade and digitalisation that will create stronger links within the Western Balkans as well as between the region and the EU 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. 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)⁵, the Strategic Environment Assessment Directive (SEA)⁶ and Habitats⁷, Birds⁸ Directives and the Water Framework Directive⁹. 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.

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

⁴ COM(2018) 65 final, 06.02.2018.

⁵ <http://ec.europa.eu/environment/eia/eia-legalcontext.htm>

⁶ <http://ec.europa.eu/environment/eia/sea-legalcontext.htm>

⁷ http://ec.europa.eu/environment/nature/legislation/habitatsdirective/index_en.htm

⁸ http://ec.europa.eu/environment/nature/legislation/birdsdirective/index_en.htm

⁹ <https://publications.europa.eu/en/publication-detail/-/publication/ff6b28fe-b407-4164-8106-366d2bc02343>

standards and connectivity reform measures such as aligning and simplifying border crossing procedures, road safety and maintenance schemes, unbundling and third party access.

- Overview of past and on-going EU's, other donors' and/or IPA II beneficiary's actions in the relevant sectors

Under the Connectivity Agenda, the EU provided the first EUR 200 million at the Western Balkans Summit in Vienna in August 2015 for ten priority projects, out of which eight were financed from the Multi-country IPA allocation (over EUR 140 million) and two from IPA Serbia allocation. This first financing was known as Round 'zero'. The 2016 follow-up (Round 1) included EUR 145.5 million for connectivity projects. Out of the EU support, over EUR 90 million was allocated to three rail projects, while the remaining funds were reserved for four transport projects from Bosnia and Herzegovina, which were technically screened positively, but were in the end not approved due to the lack of a transport strategy. The 2017 "connectivity agenda package" (Round 2) was endorsed at the Trieste Summit in July 2017 for a total grant size of EUR 144.5 million. From the Trieste package, the Commission Decision on Connectivity for the year 2017-2018 provided grant support to projects for a budget of EUR 104.87 million and IPA bilateral envelop financed a project in Serbia with grant size of EUR 49.6. In May 2018, the fourth connectivity agenda package (Round 3) was introduced at the Western Balkans Summits first in Sofia in May and later in London in July 2018. It provided more than EUR 190 million in EU grants to 11 transport infrastructure development projects (nine investment projects and two technical assistance grants). The fifth connectivity agenda package (Round 4), subject to the current Financing Decision, was endorsed in Poznan during the Western Balkans Summit on 4-5 July. The package includes six transport infrastructure projects and two energy infrastructure projects, with a total EU contribution of more than EUR 180 million and total investment cost exceeding EUR 728 million. After the approval by the Steering Committee of the WBIF expected in December 2019, together with the new package, **the total EU funds provided under the Connectivity Agenda, will reach 88% of the initial EUR 1 billion pledged in 2015.** The EU funds are expected to leverage investments with a total project cost exceeding EUR 3.2 billion.

The Programme is in line with previous WBIF's financing of infrastructure projects in the Western Balkans, namely technical assistance (preparatory studies), further expanded since 2015 to co-financing of investments (construction). The **WBIF continues to serve as a forum for exchanging analysis on investment needs** in the transport, energy, social infrastructure, environment – and since the launch of the Digital Agenda for the Western Balkans in May 2018 – digital infrastructure sectors 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 national strategies to regional and macro-regional strategies and to provide technical assistance to projects on the lists established by the '**National Investment Committees**' (NICs) in order to bring them to maturity and make them 'bankable'. Starting with the

2015-2016 co-financing, the WBIF increased 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 Commission recognised the need to improve coordination and implementation of infrastructure projects in the Western Balkans, and has obtained consensus in the WBIF Steering Committee on **the new WBIF methodology and co-financing**, inclusive of approvals 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 prioritisation 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 possible level of complexity, and took into account EU Blending and External Cooperation Platform (EUBEC) recommendations. Coupled with ensured transparency of the WBIF structures, the 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 **South East Europe Transport Observatory**, the Transport Community and the **Energy Community** (EnC), support investments, in particular by setting up and implementing accompanying reform measures and preparation of infrastructure projects, 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, the **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.

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

The envisaged assistance to the **Multi-country Action Programme for Connectivity for 2018-2019** is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU¹⁰.

PRIORITY 3	Regional investment support	<i>EUR 184 600 000</i>
Action 1	<i>EU support to transport and energy connectivity projects in the Western Balkans 2019-2020</i>	<i>EUR 184 600 000</i>

(1) Description of the action, objective, 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). 2019 is the fifth 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.

¹⁰ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

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 governments of the Western Balkans. 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 2018, grants exceeding EUR 1 billion have been allocated for WBIF operations leveraging potential loans of EUR 5.5 billion, with the total estimated project value of EUR 18.3 billion.

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 national investment priorities, the IPA II beneficiaries have established 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 Steering Committee, 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 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 a basis for programming the allocation of IPA funds into the facility. Only positively assessed projects are included in the Financing Decision and are then submitted to the WBIF Steering Committee for approval. As member of the Steering Committee, the Commission confirms the projects covered by the Financing Decision for financing, except where certain conditions spelled out in the Financing Decisions under point 'Assumptions and Conditions' are not met by the relevant IPA II beneficiary (e.g. a sector strategy was not put in place).

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 European Western Balkans Joint Fund Managers, (i.e. the EIB and the EBRD). The implementing lead IFIs will be the EIB, the EBRD and KfW. Contracting for action 1 is foreseen to take place in the second quarter of 2020.

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 (GDP) 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 core network corridors 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 Financing Decision

The projects proposed for financing have been submitted to the WBIF under the fourth round of the call for proposals procedure. The following energy and 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 and subject to the Steering Committee's approval. The contributions from IPA II funds (indicated below) do not include implementation fees paid to the lead IFIs and the administration fees paid to the Fund Managers of the European Western Balkans Joint Fund (2%). The total EU contribution provided to the action will be also used to cover the implementation fees, the administration fees and, in special situation and subject to the WBIF Steering Committee's approval, to cover unexpected losses (contingencies).

Energy Projects:

1) WB-IG04-MKD-ENE-01 North Macedonia North Macedonia – Greece Gas Interconnection Pipeline
--

The objective of this investment project is the construction of a gas pipeline connecting North Macedonia and Greece. The pipeline will run from Gevgelija (at the border with Greece) to Negotino where it will connect to the Shtip-Negotino pipeline and the valve station, which has already been constructed. The project will provide access to various sources of natural gas, which will increase competitiveness of the natural gas market and ensure a stable energy supply in North Macedonia. This interconnection will allow North Macedonia to connect to the Trans Adriatic Pipeline (TAP), now under construction in Greece and Albania. TAP is part of the EU's Southern Gas Corridor,

which also comprises the South Caucasus Pipeline crossing Azerbaijan and Georgia, and the Trans Anatolian Pipeline. TAP will extend across northern Greece, Albania and the Adriatic Sea before reaching Italy's coast where it will connect to the Italian natural gas network.

Estimated total investment: EUR 54.4 million	Lead IFI: EIB	Loan: EUR 39.6 million	Grant from IPA II (excluding fees): EUR 12.4 million	Own Contribution: EUR 1.4 million	Other sources of financing: EUR 1 million
--	---------------	------------------------	--	-----------------------------------	---

2) WB-IG04-SRB-ENE-01 | Serbia | Trans-Balkan Electricity Corridor: Obrenovac – Bajina Bašta Double Circuit 400 kV Overhead Line*

The objective of this investment project is the upgrade of the transmission network in Serbia, supplying a new double circuit 400 kV overhead line between Obrenovac and Bajina Bašta and reconstructing the existing substations at Obrenovac and Bajina Bašta with an upgrade of substation Bajina Bašta to 400 kV voltage level.

This project represents a strategic energy investment. Serbia lies in the middle of the Balkans and its transmission network forms a vital link between the transmission systems of the region. The project complements a larger EU initiative to establish a Trans-Balkan electricity transmission corridor between central Serbia and its connection with Romania and Bosnia and Herzegovina and Montenegro towards Italy. Serbia's electricity transmission network needs upgrading and expanding. One section, covering the existing overhead lines and substation equipment at Bajina Bašta and the overhead line to Obrenovac is in an extremely poor condition after 50 years of continuous service. There is also a need to develop a new 400 kV corridor to accommodate future projects and the development of electrical transmission systems not only in Serbia and the Western Balkans, but also those which will connect to North-East and South-East Europe.

**Financing for this project is dependent on the fulfilment of the related connectivity reform measure.*

Estimated total investment: EUR 59 million	Lead IFI: KfW	Loan: EUR 39.8 million	Grant from IPA II (excluding fees): EUR 12.8 million	Own Contribution: EUR 4.6 million	Other sources of financing: EUR 1.8 million
--	---------------	------------------------	--	-----------------------------------	---

Transport projects:

3) WB-IG04-BIH-TRA-01 | Bosnia and Herzegovina | Mediterranean Corridor (CVc): Putnikovo brdo 2 Tunnel (Entity Border Line RS/FBiH) – Medakovo Interchange Motorway Subsection

The objective of this investment project is the construction of approximately 8.5 km of new motorway on a subsection of the Mediterranean Core Network (Corridor Vc) in Bosnia and Herzegovina. With a total length of 700 km, Corridor Vc connects Central Europe, specifically Hungary and eastern Croatia, to Bosnia and Herzegovina and the Adriatic Sea. The longest part of the route (approximately 335 km) crosses Bosnia and Herzegovina, encountering geomorphologically demanding terrain and often requiring construction of tunnels and bridges.

The new road between the exit from Putnikovo brdo 2 tunnel and Medakovo interchange will shorten the travel distance within Bosnia and Herzegovina. This will improve overall traffic conditions along Corridor Vc, thus complementing other investments aimed at developing this strategic transport route. More than 95% of the transport of goods and passengers in Bosnia and Herzegovina is carried out by road.

Corridor Vc represents the first modern international route crossing the country. In terms of size of works and contribution to economic development, Corridor Vc-related projects represent the most significant investments in the country.

Investment: EUR 81.1 million	Lead IFI: EBRD	Loan: EUR 48 million	Grant from IPA II (excluding fees): EUR 15.6 million	Own Contribution: EUR 16.5 million
Other sources of financing: EUR 1 million				

4) WB-IG04-BIH-TRA-02 | Bosnia and Herzegovina | Mediterranean Corridor (CVc): Poprikuse – Nemila Motorway Subsection

The objective of this investment project is the construction of approximately 5.5 km of new motorway, including a 3.65 km twin tunnel at Golubinja on a subsection of the Mediterranean Core Network (Corridor Vc) in Bosnia and Herzegovina. With a total length of 700 km, Corridor Vc connects Central Europe, specifically Hungary and eastern Croatia, to Bosnia and Herzegovina and the Adriatic Sea. The longest part of the route (approximately 335 km) crosses Bosnia and Herzegovina, encountering geomorphologically demanding terrain, which often requires the construction of tunnels and bridges.

The new subsection between Poprikuše and Nemila, including the twin tunnel and the interchange, represents a closing portion of a larger motorway section of more than 23 km in length, connecting the industrial areas and the towns of Zenica and Žepče. The project will establish the link between the subsections already built, complementing other Corridor Vc investments and improving overall traffic conditions along the route. More than 95% of the transport of goods and passengers in Bosnia and Herzegovina is carried out by road. Corridor Vc is the first modern international route to pass through the country. In terms of size of works and contribution to economic development, Corridor Vc-related projects represent a significant investment in the country.

Estimated total investment: EUR 188.3 million	Lead IFI: EBRD	Loan: EUR 84.3 million (EBRD) 60 million (EIB)	Grant from IPA II (excluding fees): EUR 41.2 million	Other sources of financing: EUR 2.8 million
---	----------------	--	--	---

5) WB-IG04-BIH-TRA-06 | Bosnia and Herzegovina | Mediterranean Corridor (CVc): Rudanka Interchange (Kostajnica) – Putnikovo Brdo 2 Tunnel (Entity Border Line RS/FBiH) Motorway Section

The objective of this investment project is the construction of 5.2 km of motorway on a subsection of the Mediterranean Core Network (Corridor Vc) in Bosnia and Herzegovina. With a total length of 700 km, Corridor Vc connects Central Europe, specifically Hungary and eastern Croatia, to Bosnia and Herzegovina and the Adriatic Sea. The longest part of the route (around 335 km) goes through Bosnia and Herzegovina.

The construction of a new subsection from the Rudanka (Kostajnica) interchange to Putnikovo brdo 2 tunnel (entity border) is one of the most important and complex investments on Corridor Vc in Bosnia and Herzegovina as it involves two tunnels and creates a prerequisite for the construction of a bypass around the city of Doboj. This would mean a bypass from *Republika Srpska* entity to the Federation of Bosnia and Herzegovina entity midway through a tunnel.

More than 95% of the transport of goods and passengers in Bosnia and Herzegovina is carried out by road. Once completed, this subsection will connect two major motorway projects (Corridor Vc and Banja Luka-Doboj motorway on Route 2a, both part of the TEN-T Core network). It is expected that 1 million people in the central and northern

parts of Bosnia and Herzegovina will benefit from this investment, of which some 200,000 directly.		
Estimated total investment: EUR 164.1 million	Lead IFI: EBRD	Loan: EUR 123.2 million
Grant from IPA II (excluding fees): EUR 37.9 million	Own Contribution: EUR 3 million	

6) WB-IG04-KOS-TRA-02 | Kosovo | Orient/East-Med Corridor: General Rehabilitation of Railway Route 10 - Signaling and Telecom for Phase 1 and Phase 2 (Border with North Macedonia – Hani i Elezit – Fushe Kosove – Mitrovica)

The Orient East-Med Corridor crosses 148 km of Kosovo, from North to South and constitutes Kosovo's sole connection to the wider region by rail (R10). Route 10 forms part of the Core Network Corridors of the Trans European Transport Network (TEN-T) extension into the Western Balkans and the South East Europe Transport Observatory's (SEETO) Comprehensive Network. The entire track is in poor condition, with serious structural constraints that limit traffic to 30-70km/h. The rehabilitation and modernisation of the entire route is being implemented in three phases; Hani i Elezit/Deneral Janković-Fushë Kosovë/Kosovo Polje (Phase 1), Fushë Kosovë/Kosovo Polje-Mitrovicë/Mitrovica (Phase 2) and Mitrovicë/Mitrovica-Leshak/Lešak (Phase 3). The objective of this investment project is the installation of signalling and telecommunication equipment at Phase 1 and Phase 2 of the route. R10 is Kosovo's only international rail link and the rehabilitation and modernisation of this line is a key priority for its economic growth and future development. The successful implementation of this project will also benefit regional and EU railway operations that will use this line for passenger and freight transport.

Estimated total investment: EUR 56.1 million	Lead IFI: EBRD	Loan: EUR 12.4 million (EBRD), 12.4 million (EIB)
Grant from IPA II (excluding fees): EUR 26.8 million	Own Contribution: EUR 4.5 million	

7) WB-IG04-MKD-TRA-01 | North Macedonia | Orient/East-Med Corridor (CX): Tabanovce Railway Joint Border Station and Access Road

The Orient/East-Med Corridor runs between Salzburg in Austria and Thessaloniki in Greece. On its main course, it branches out to Serbia and North Macedonia. The rail route in North Macedonia is 215 km long and operational with several sections already renovated. In February 2015, the Minister for Transport and Communications of North Macedonia and the Minister for Construction, Transport and Infrastructure of Serbia agreed to establish a joint border station in Tabanovce - on the territory of North Macedonia, and facilitate border crossing procedures between the two countries. Subsequently, the European Commission approved EUR 655,000 for the preparation of all project-related documentation.

The objective of this investment project is the construction of a joint railway border station in Tabanovce, including an access road. Strategically, it is one of the most important border crossings for both North Macedonia and Serbia, as well as for transportation from Central Europe to Turkey and Central Asia.

transportation from Central Europe to Turkey and Central Asia.		
Estimated total investment: EUR 5.7 million	Lead IFI: EBRD	Loan: EUR 2.4 million
Grant from IPA II (excluding fees): EUR 2.7 million	Own Contribution: EUR 0.3 million	
Other sources of financing: EUR 0.3 million		

8) WB-IG04-MKD-TRA-02 | North Macedonia | Orient/East-Med Corridor (R6a): Blace – Skopje (Stenkovec Interchange) Motorway Section

The objective of this investment project is the construction of a 12.5 km motorway subsection from Stenkovec interchange to Blace, implemented in two phases of which the first one is in an advanced stage and the second one is currently being prepared for the works expected to start next year. This road is part of the indicative extension of the TEN-T Core Network (Orient/East-Med Corridor) in the Western Balkans and it is directly connected to EU Corridor VIII (Bulgaria-North Macedonia-Albania) and to Corridor X (Serbia-North Macedonia-Greece). It is a particularly relevant section given the fact that the motorway on Kosovo's side is operational since the end of May 2019.

The overall objective of the project is to upgrade the existing road to a motorway standard and to establish faster and safer connectivity route along state road A4 (Route 6a), improving the backbone network of the country and the overall transport connectivity in the region.

Once this section is completed, the A4 state road will be at the level of a motorway/express road for 130 km (68% of its 190 km).

This investment has a vital role in the economic and social development of the north-western region of North Macedonia. Trade flows in the region are expected to increase significantly. This will indirectly create jobs in many sectors from both sides of the border. Local communities along the upgraded road will also benefit from better access to healthcare, education and social activities.

Estimated total investment: EUR 119.5 million | Lead IFI: EBRD | Loan: EUR 73.1 million | Grant from IPA II (excluding fees): EUR 26.6 million | Own Contribution: EUR 17.8 million | Other sources of financing: EUR 2 million

(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;¹¹
- There will be a continued governments' commitment towards the European path – 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.

¹¹ 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 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). This implementation entails that the entrusted entities shall be responsible in particular 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.

Implementation of the action will be entrusted to the European Western Balkans Joint Fund Managers (EIB and EBRD) through Contribution Arrangement(s). The entrusted entities will implement the action in close coordination with the lead International Financial Institutions (IFIs) of the projects:

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

The General Conditions of the European Western Balkans 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 envisaged entities have been selected using the following criteria: demonstrated experience in implementing infrastructure projects and length of cooperation under the WBIF.

The above IFIs 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, 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 EWBIF management, while together with the other IFIs, they have been also participating in the

operational and decision-making structure of the WBIF and the implementation of technical assistance aimed at the preparation of investment projects.

Short description of the tasks entrusted to the entity

Under the Contribution Arrangement and the General Conditions of the Joint Fund, the tasks will be entrusted as described below.

Tasks entrusted to the Joint Fund Managers

The EBRD and the EIB are 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

Co-financing of major infrastructure projects includes loan(s) signed between an 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 to the lead IFIs those tasks that 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 Steering Committee 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.

(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.

3. INDICATIVE BUDGET TABLE

MULTI-COUNTRY PROGRAMME

2019				2020				Total Financing Decision
	EU Contribution**	IPA II beneficiary or other third party co- financing*	Total expenditure		EU Contribution**	IPA II beneficiary or other third party co- financing*	Total expenditure	
Priority 3 Regional investment support				Priority 3 Regional investment support				
Action 1: EU support to transport and energy connectivity projects in the Western Balkans 2019- 2020	182 880 000	538 422 276	721 302 276	Action 1: EU support to transport and energy connectivity projects in the Western Balkans 2019-2020	1 720 000	5 063 902	6 783 902	184 600 000
TOTAL 2019	182 880 000	538 422 276	721 302 276	TOTAL 2020	1 720 000	5 063 902	6 783 902	184 600 000

* provided by loans signed by IFIs, national contributions and/or other contributions

** the amount includes the implementation fees (paid to lead IFIs), administrative fees (paid to Joint Fund 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, 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 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.