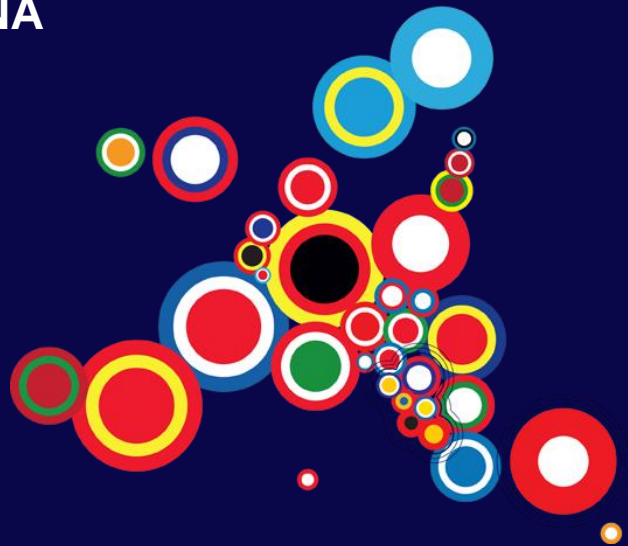




## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

### BOSNIA AND HERZEGOVINA

#### EU support for transport sector development



#### **Action summary**

The action will provide support to all key transport sector stakeholders in Bosnia and Herzegovina related to strengthening the capacity of transport sector institutions and developing transport infrastructure. It will support the preparation of future infrastructure investments through the provision of still missing technical documentation for priority transport projects. It will also support institutional and capacity development for the implementation of the sector strategy, for advancing the railway subsector reform, and continue the alignment with the EU *acquis*.

The proposed action will contribute to improvement of connectivity within the country, region and with the EU, improvement of safety and efficiency of transport services, and contribute to a higher competitiveness of the economy in BiH. Improved connectivity, being a key factor for economic growth and jobs creation, will also bring benefits for citizens in BiH as aspiring EU Member State even before accession in terms of economic development and of facilitating citizens' access to jobs and to better living standards.

<b>Action Identification</b>	
<b>Action Programme Title</b>	Annual Action Programme Bosnia and Herzegovina for the year 2017
<b>Action Title</b>	EU support for transport sector development
<b>Action ID</b>	2017/040-541.06
<b>Sector Information</b>	
<b>IPA II Sector</b>	Transport
<b>DAC Sector</b>	21010 Transport policy and administrative management
<b>Budget</b>	
<b>Total cost</b>	EUR 20 000 000
<b>EU contribution</b>	EUR 20 000 000
<b>Budget line(s)</b>	22.020102
<b>Management and Implementation</b>	
<b>Management mode</b>	Direct management
<i>Direct management:</i> <b>EU Delegation</b> <i>Indirect management:</i> <b>National authority or other entrusted entity</b>	EU Delegation to Bosnia and Herzegovina
<b>Implementation responsibilities</b>	EU Delegation to Bosnia and Herzegovina
<b>Location</b>	
<b>Zone benefiting from the action</b>	Bosnia and Herzegovina
<b>Specific implementation area(s)</b>	Bosnia and Herzegovina
<b>Timeline</b>	
<b>Final date for concluding Financing Agreement(s) with IPA II beneficiary</b>	At the latest by 31 December 2018
<b>Final date for concluding delegation agreements under indirect management</b>	N/A
<b>Final date for concluding procurement and grant contracts</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation
<b>Final date for operational implementation</b>	6 years following the conclusion of the Financing Agreement
<b>Final date for implementing the Financing Agreement (date by which this</b>	12 years following the conclusion of the Financing Agreement

<b>programme should be de-committed and closed)</b>			
<b>Policy objectives / Markers (DAC form)</b>			
<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	x
Aid to environment	<input type="checkbox"/>	x	<input type="checkbox"/>
Gender equality (including Women In Development)	x	<input type="checkbox"/>	<input type="checkbox"/>
Trade Development	x	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input type="checkbox"/>	x	<input type="checkbox"/>
Climate change adaptation	<input type="checkbox"/>	x	<input type="checkbox"/>

## 1. RATIONALE

### PROBLEM AND STAKEHOLDER ANALYSIS

The transport sector in Bosnia and Herzegovina (BiH) has been challenged by high scale war damages, lack of adequate maintenance of the infrastructure, change of the institutional set-up, low funding resources available for substantial interventions, undeveloped economy to generate required financing, 2014 large-scale floods consequences, etc. as well as commitments deriving from the Stabilisation and Association Agreement (SAA) and the EU. Limited volumes of travels generated by the slow growing economy make investments unattractive for the private sector. Enlargement Strategy could not be properly addressed under such conditions.

The objectives set by the Transport Policy of BiH 2015-2030, towards the country's integration in the EU, following the Protocol on Land Transport built into the Stabilisation and Association Agreement are: ensuring institutional efficiency, ensuring financial sustainability, stimulating economic development, and addressing the environmental and social impacts. The Framework Transport Strategy of BiH of July 2016 considers the four main pillars of transport: infrastructure, services, regulation and technology, and sets out the actions to be undertaken to meet the objectives. Addressing these challenges requires numerous and large scale costly interventions. Regional initiatives, such as South-East Europe Transport Observatory (SEETO), resulted in agreements on an extension of the Trans-European Transport (TEN-T) Core Network to the Western Balkans region and with WB6 Connectivity agenda calls for improvement of links between the Western Balkans countries and the EU. In BiH an emphasis is on Corridor Vc. Consequently, improvement of the transport infrastructure, including the feeders to the core/comprehensive network, presents a key prerequisite for economic growth of the Region to enable potential accession to the EU. The WB6 Connectivity agenda, calls also for the implementation of connectivity reform measures to remove barriers, open markets and create a propulsive regulatory framework not later than year 2020.

The adoption of countrywide Framework Transport Policy in 2015 and Framework Transport Strategy of BiH in 2016 enabled use of IPA II support for priority activities in the sector.

The Framework Transport Strategy of BiH indicates as the key issues integration of transport infrastructure into European and regional transport corridors and further harmonization of regulation in the field of transport with the EU transport *acquis*. These would be addressed through actions in improving both transport infrastructure and institutional capacities.

Completion of the technical documentation is among the highest priorities in the sector, having in mind a very long implementation cycle (longer than IPA programme duration, in principle). Loan negotiations would be possible only when the technical documentation is fully completed. The EU has the past experience in this kind of assistance, and been already providing assistance for drafting conceptual designs and preliminary studies for specific sections on SEETO routes 2a, 2b, 3, and 9a, as well as on Corridor Vc. In order to bring the projects for those sections to full maturity, the next phase of preparation of technical documentation would be necessary, including preliminary and main design, revision, Environmental and Social Impact Assessments, Feasibility studies and Tender documents.

Also, as the safety of overall rail and road infrastructure in BiH is insufficient, causing much higher number of accidents and fatalities than the average in the EU, in particular in road traffic, the action will consider support in urgently needed steps for safety improvement.

BiH would have to make efforts in establishing the framework for opening of the railway market, and its supervising as required by the Connectivity agenda and the Transport Community Treaty, and further institutionally strengthen the area of railway safety and accidents investigation. Approximation of the legal framework with the EU legislation in the areas of intermodal and inland navigation transport, and improving of the strategic framework for all modes of transport in a coordinated manner would be a priority in the forthcoming period.

Bosnia and Herzegovina has addressed its considerable needs for investments in transport sector, based on the BiH Framework Transport Strategy, the SEETO work plans and the Connectivity Agenda., through the priority list of projects (Single Project Pipeline-SPP) endorsed by the National Investment Committee. However, this list would have to be subject to continuous update to take into account further development of the transport network in BiH, and limited available fiscal space to address growing needs for maintenance, reconstruction and construction. A radical rearrangement and re-categorisation of networks in line with the post-war setup would have to take place with no delay, to make the investments more targeted, effective and feasible. The capacity of institutions responsible for maintaining road and railway networks in Bosnia and Herzegovina would have to be increased to provide support for addressing these issues.

The main stakeholders which will be involved in the action implementation are the Ministry of Communication and Transport of BiH (MoCT BiH), the Entities Ministries (The Ministry of Transport and Communication of RS - MoTC RS and the Federal Ministry of Transport and Communications - FBiH MoTC), and Brčko District (BD) unit within BD Government. The list of key stakeholders includes BiH Directorate for Civil Aviation, BiH Air Navigation Service Provider, BiH Railways Regulatory Board, Railways Public Corporation (an inter-Entity coordination body established in accordance with the General Framework Peace Agreement (GFAP)), Navigation Authorities Ostrožac (Federation), Gradiska (RS) and Brčko (Kapetanije), and entity public enterprises in charge of infrastructure management and operations, namely Public Enterprise (PE) Roads of FBiH, PE for Roads of RS; PE Railways of FBiH, PE Railways of RS, and RS Agency for Traffic Safety. Additionally, in FBiH there are ten cantonal ministries whose competences cover regional roads and local transport services.

#### **OUTLINE OF IPA II ASSISTANCE**

This action will support two main groups of activities: preparation of future investments through provision of technical documents (main designs, tender documents, studies etc.), and institutional and capacity building for the implementation of the sector strategy, the reform of the railways subsector, and advancing alignment with the EU *acquis* in areas identified in the EC Country Report on BiH.

The important challenge for BiH transport sector key stakeholders in terms of infrastructural development is achieving full maturity of the road and railway projects as a key step for further development of transport infrastructure on SEETO and TEN-T networks and corridors. This action will build upon the results of the ongoing IPA funded intervention which will deliver first phase technical documents for priority railway and road sections on the SEETO Core and Comprehensive networks, being the feasible conceptual designs and tender dossiers for forthcoming phases of implementation. It will deliver technical documentation and tender dossiers, as a precondition for presenting the respective transport projects to the IFIs and attracting provision of financial support, as well as technical documentation for safety improvement of overall road and railway infrastructure as one of the most important transport sector issues. Once the action delivers the needed documentation, the initiation of loan negotiations and application for substantial grant funds for co-financing investment projects in transport infrastructure is expected, with allocation of significant financial resources in the near future. So far, IFIs have not withdrawn their commitment to financing such interventions in BiH.

Also, through the implementation of the activities proposed by this action further institutional development and enhancement of capacities in terms of planning, managing transport policies, and implementation of approved infrastructural projects will be supported, and therefore further progress in the implementation of Connectivity Reform Measures in BiH will be enabled, at least for the most burning issues to be addressed with no delay.

The proposed action covering both infrastructural and institutional development of the sector provides direct benefit for all key stakeholders, and has the widest possible dissemination of benefits.

Once the betterment/reconstruction/improvement or construction works have been carried out the road and railway sections will provide fast and efficient transit of international and local traffic, savings in travel time of passengers and goods, savings in operating costs of vehicles/trains, mitigation of

environment and social impact on the existing transport network, savings in maintenance costs of infrastructure, and improved safety issues through reduced number of accidents.

All interventions are foreseen to be in line with the feasibility criteria, to enable full safety and functionality, but still to prevent ineffective spending that could be used for addressing of other priorities from their longlist in BiH.

This action will support the most urgent needs transport sector is facing in the EU accession process and regional integration process, where the SEETO and Connectivity agenda contribute to setting these priorities.

Two main results will be achieved through implementation of activities under this action: 1) Increased readiness for implementation of the selected priority railway and road projects and 2) enhanced capacity for managing transport policies, planning and implementation of selected infrastructural projects.

Some of the activities will build upon results obtained through previous projects and will take into account lessons learnt in previous assistance.

### **RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES**

The action will assist BiH, directly or indirectly to achieve significant progress in major part of the areas covered by the **Stabilisation and Association Agreement (SAA)** such as: fostering regional cooperation; promoting the free movement of goods; boosting economic growth and competitiveness; improving the quality of life of citizens; promoting creation of jobs and improving the region's transport infrastructure.

As suggested by **BiH 2016 Report** prepared by EC more efforts are needed to strengthen the financial and technical capacity of stakeholders in all transport sectors. In 2017 BiH should, among other issues, strengthen the regulatory framework and its coordination and administrative capacity to help ensure the country will continue to benefit from the Connectivity agenda. The action gives significant contribution to BiH transport sector to implement this EC recommendation.

The revised **Indicative Strategy Paper for Bosnia and Herzegovina 2014-2020** includes the Transport sector under its interventions, with possible IPA II support to further alignment with the EU legislation, improvement of administrative capacity for managing transport policies, identification of priority projects, improvement of transport infrastructure network, improvement of sustainability of transport projects, as well as support to the improvement of transport safety.

As underlined in **SEETO Five Year Multi-Annual Plan from 2016**, BiH along with other WB countries has faced additional requirements for acceleration of policy/regulatory reforms and legislation alignment with the EU *acquis*; and putting investments focus on key corridors and interconnectors. The requirements indicated in the SEETO plan are addressed by the action.

**South East Europe 2020 Strategy (SEE 2020)** emphasises that further integration of the SEE transport system in the European one remains a priority for the region over the long term, due to the fact that sustainable and accessible infrastructure can further improve business environment, and that providing efficient transport capacities is important for the economic competitiveness. The proposed action and its activities contribute to integration of BiH transport network into regional and EU networks, development of sustainability, accessibility of the infrastructure and its efficiency.

The **Economic Reform Programme BiH 2017-2019**, generally considering sustainable and competitive transport as a key challenge for BiH, puts the special emphasis to underdeveloped transport infrastructure in all modes of transport, as well as to inadequate institutional efficiency and financial sustainability of the system.

The action of IPA 2017 will directly contribute to the implementation of the Action Plan developed and adopted along with the **Framework Transport Strategy of BiH 2016-2030**. Also, almost all the interventions planned under this action are on the List of prioritized projects in Transport infrastructure on the Core network in Bosnia and Herzegovina (**Single Project Pipeline-SPP**).

## **LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE**

The absence of a countrywide sector strategy limited or prevented BiH from benefiting from IPA support to the transport sector. The Commission decided not to proceed with the assistance until this precondition is in place. Transport sector key stakeholders have learnt the lesson that meeting the respective EU requirements and standards is *conditio sine qua non* for further cooperation with the EU and for IPA support.

There is another lesson in terms of meeting requirements and preconditions. Namely, in case the proposed activity is not mature there are a lot of obstacles, slowdowns and delays during its execution phase. The rule learnt and followed during preparation of the action is: to check if all preconditions for the activity/action are in place and, if not to either timely fulfil missing preconditions or give up of activity/action proposal.

Cooperation and competence of key stakeholders' representatives are important for all quality aspects, both of programming and implementation phase. Based on the previous experiences it is important to have highly qualified, experienced, cooperative and committed staff in charge of IPA related issues.

BiH has division of competencies between different levels of government. A lesson learned is that respecting each level of competence at every step is of crucial importance for the smooth and successful implementation of the activities.

This action is follow up of the activities implemented or being implemented through IPA 2011 and 2012, which delivered studies and design documents for priority infrastructure projects in BiH.

## 2. INTERVENTION LOGIC

### LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
To ensure closer integration between BiH and the EU in the transport sector, also contributing to connectivity agenda priorities	Progress made towards meeting accession criteria in the transport sector WB transport logistics performance indicator	EC Reports on BiH SEETO MAP Reports World Bank Logistics Performance Indicator Report "Connecting to compete"	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
To support the development of transport sector institutions and infrastructure in BiH	Percentage of transport priority projects covered by this action where negotiations for investments have been initiated;  Progress made towards opening the transport market in BiH and transposition of EU <i>acquis</i> in the transport area	EC Reports on BiH  SEETO MAP Reports  Annual and final reports on implementation of the action	BiH remains committed to progressing in fulfilling SAA requirements Substantial progress in the implementation of the Connectivity Reform Measures in BiH Implementation of the approved WBIF projects in BiH BiH institutions' borrowing capacity allows contracting loans for future investment
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
Result 1: Increased readiness for implementation of the selected priority railway and road projects	1. Number of tender dossiers completed and ready for launching of works procurement for specific infrastructure interventions	EC Reports on BiH  Annual and final reports on implementation of the Framework Transport Strategy	Approved IPA projects will be implemented in accordance with planned schedule A functional sector coordination mechanism, including all relevant stakeholders, is in place to ensure complementarity of activities and to avoid overlapping or double financing.
Result 2: Enhanced capacity for managing transport policies, planning and implementation of selected infrastructural projects	2.1. Level of implementation of measures in the transport strategy and the annual financial value of projects in the action plans implemented  2.2. Regulatory measures in sub-sectors aligned with the <i>acquis</i> and legally enforced.	Relevant authorities' annual budgets	



## DESCRIPTION OF ACTIVITIES

To achieve **Result 1** “Increased readiness for implementation of the selected priority railway and road projects“, the following activities will be carried out within the action<sup>1</sup>:

1.1. Development of technical documentation for railway SEETO Route 9a:

1.1.1. Preparation of technical documentation (preliminary and main design documentation, and relevant studies, including Environmental and Social Impact Study and Feasibility Study, as well as Tender dossier for works tender) for reconstruction, including overhauling, electrification, telecommunications and signalisation, of SEETO route 9a railway section Srpska Kostajnica - Doboj – Petrovo (IEBL)-Tuzla -IEB–Brcko, indicative length 150km.

Conceptual design and preliminary studies, as well as the tender dossier for provision of preliminary and main design have been completed and delivered to the beneficiaries.

Route 9a is included in SEETO Multi-Annual Plan (MAP) 2016 extension of TEN-T core and comprehensive network

1.1.2. Preparation of technical documentation (conceptual designs, preliminary studies, and Tender dossier for preparation of preliminary and main design) for reconstruction / overhaul, including electrification, telecommunications and signalisation of railway sections:

i) Tuzla–Caparde (IEBL)-Zvornik (BiH / Republic of Serbia Border, including reconstruction of tunnel Krizevici), indicative length 45km, and

ii) Banja Luka-Novi Grad-Dobrljin (BiH/ Republic of Croatia Border), indicative length 105 km.

Route 9a is included in SEETO Multi-Annual Plan (MAP) 2016 extension of TEN-T core and comprehensive network.

1.2. Development of technical documentation for railway in Corridor Vc / Mediterranean Corridor Šamac - Sarajevo:

1.2.1. Preparation of technical documentation (preliminary and main design documentation, and relevant studies, including Environmental and Social Impact Study and Feasibility Study, as well as Tender dossier for works tender) for construction/reconstruction, including overhauling, electrification, telecommunications and signalisation, of:

- prevaillingly double track railway section Maglaj–Jelina-Zenica–Podlugovi, indicative length 120km

- railway connection between Corridor Vc and Mostar International Airport, indicative length 1km.

Corridor Vc is included in SEETO Multi-Annual Plans (MAPs) 2016 and Framework Transport Strategy.

Conceptual design and preliminary studies, as well as the tender dossier for provision of preliminary and main design is completed and under delivery to the beneficiaries. This activity brings the project to full technical maturity for starting the implementation cycle.

1.2.2. Review and upgrade of technical documentation (main designs) for reconstruction / overhaul, including electrification, telecommunications and signalisation, and provision of tender dossier for works for railway sections:

i) Šamac – IEBL – Srpska Kostajnica, indicative length 60 km,

ii) Doboj - Rjecica (IEBL) – Maglaj, indicative length 21 km, and

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<sup>1</sup> Order of the activities does not reflect the order of priorities.

iii) Podlugovi – Sarajevo, indicative length 24 km.

Corridor Vc is included in SEETO Multi-Annual Plans (MAPs) 2016 and Framework Transport Strategy..

Main designs and studies were completed under IPA National and WBIF facilities, but need a revision due to time elapsed from the time of completion. This activity brings the project to full technical maturity for starting the implementation cycle.

1.3. Development of technical documentation for removal of the bottleneck in railway traffic at the railway section Ivan - Bradina in Corridor Vc / Mediterranean Corridor, indicative length 68km.

Corridor Vc is included in SEETO Multi-Annual Plans (MAPs) 2016 and Framework Transport Strategy..

Conceptual design and preliminary studies, as well as the tender dossier for provision of preliminary and main design are completed and under delivery to the beneficiaries. This activity brings the project to full technical maturity for starting the implementation cycle.

1.4. Development of technical documentation, namely preliminary and main designs, road safety audit, Environmental and Social Impact Study, Feasibility Study and Tender dossier for execution of works) for betterment of SEETO road route 2b, section Sarajevo (interchange Stup) – IEBL Trnovo – IEBL – Foča (Brod na Drini – interchange), indicative length of the section of 74km.

Route 2b is included in SEETO Multi-Annual Plans (MAPs) 2016 extension of TEN-T core and comprehensive network and Framework Transport Strategy.

Conceptual design and preliminary studies, as well as the tender dossier for provision of preliminary and main design are completed and under delivery to the beneficiaries. This activity brings the project to full technical maturity for starting the implementation cycle.

1.5. Development of technical documentation, namely preliminary and main designs, road safety audit, Environmental and Social Impact Study, Feasibility Study and Tender dossier for execution of works for:

1.5.1. Betterment of road section on SEETO road route 2a, namely sections:

- i) Ugar (IEBL)–Banja Luka, indicative length 67 km, and
- ii) Ugar (IEBL)-Jajce-Donji Vakuf-Lašva, indicative length 113 km.

Route 2a is included in SEETO Multi-Annual Plans (MAPs) 2016 extension of TEN-T core and comprehensive network and Framework Transport Strategy.

Conceptual design and preliminary studies, as well as the tender dossier for provision of preliminary and main design are completed and under delivery to the beneficiaries. This activity brings the project to full technical maturity for starting the implementation cycle.

1.5.2. Construction of high speed road sections on SEETO road route 2a, namely sections:

- i) Motorway section Banja Luka Bypass motorway indicative length 17 km.
- ii) Expressway sections Vitez bypass, indicative length 4km

Route 2a is included in SEETO Multi-Annual Plans (MAPs) extension of TEN-T core and comprehensive network and Framework Transport Strategy.

Conceptual design and preliminary studies, as well as the tender dossier for provision of preliminary and main design are completed and under delivery to the beneficiaries. This activity brings the project to full maturity for starting the implementation cycle.

1.6. Assistance to relevant stakeholders in comprehensive identification, mapping of and treatment recommendations for critical spots (black spots and railway level crossings) and hazardous sections in terms of safety improvement of the existing on land transport infrastructure taking into account overall road and railway networks in BiH (study and project documentation: conceptual design and preliminary studies, including Tender documentation for execution of the interventions designed under the project).

To achieve **Result 2** “Capacity for planning and managing transport policies, implementation of approved infrastructural projects enhanced” the following activities will be carried out within the action (in close coordination with the Secretariat of the Transport Community Treaty):

2.1. Support to MoCT BiH, MoTC RS, FBiH MoTC and other relevant stakeholders to review and upgrade strategic documents and mechanisms for their implementation (including project prioritization, budgetary planning, as well as monitoring and evaluation of the strategies) with the aim to develop a single harmonised and prioritised action plan, with a timeline, responsibilities for implementation, and costs. Sources of funding are identified and related national contributions are planned and included in relevant authorities' annual budgets.

2.2. Support to MoCT BiH, MoTC RS, FBiH MoTC and other relevant stakeholders to accelerate relevant legislation alignment with the EU *acquis* modes of transport, such as Intermodal/Combined/Multimodal transport and waterborne transport This activity will assist in establishing, where relevant, and increasing capacities of the respective institutions at both the state and entity level.

2.3. Support to BiH Railways Regulatory Board, and other relevant stakeholders, in order to address the issue of regulation and supervision of future open railway market and railway safety and accidents investigation issues.

The total budget estimated for all the activities listed in this paragraph exceeds the present Action Document's total budget of €20 million. The reason for including more activities than what can actually be supported by the available budget is to make them eligible for financing, in case savings are realised on tenders, or if some activities reach maturity before others. Activities will be supported by this AD according to relative priority, maturity and availability of financial resources up to a maximum €20 million.

All the activities will be carried out with respect to constitutional setup of BiH, distribution of competences and provisions of current legislation.

## **RISKS**

Assumptions relevant to all components of the action:

- ✓ BiH remains committed to progressing in fulfilling SAA requirements
- ✓ Substantial progress in the implementation of the Connectivity Reform Measures in BiH
- ✓ Implementation of the approved WBIF projects in BiH
- ✓ BiH institutions' borrowing capacity allows contracting loans for future investment
- ✓ A functional sector coordination mechanism, including all relevant stakeholders, is in place to ensure complementarity of activities and to avoid overlapping or double financing.

### Condition:

- The Transport Community Treaty is signed by BiH at the latest by the time of signature of this Financing Agreement.

Risk	Mitigating measures	Risk probability		
		H	M	L
No progress in fulfilling SAA requirements	Established and operational coordinating mechanism in BiH, policy dialogue through the relevant SAA sub-committee			X
Slow progress in the implementation of the Connectivity Reform Measures (CRMs) in BiH	Regular meetings of the Working groups established for implementation of CRMs in BiH  Active cooperation and engagement of Working groups in activities related to support to CRMs implemented by SEETO, Connecta, EBRD...		X	
Slow implementation of the approved WBIF projects in BiH	Improved coordination between relevant stakeholders in BiH and regular exchange of information with the EC			X
Late implementation of approved IPA projects	Active engagement of all relevant stakeholders in addressing issues raised during implementation			X

## **3. IMPLEMENTATION ARRANGEMENTS**

### **ROLES AND RESPONSIBILITIES**

Taking into consideration the institutional setup in the BiH transport sector, competencies are divided between institutions at the state and entity level and Brčko district. The MoCT BiH is responsible for international and inter-entity transport and infrastructure, preparation and development of strategic and planning documents in accordance with its competences, activities regarding control of unimpeded transport in international transport, civil aviation and civil air transport control, coordination in implementation of major road projects (e.g. Motorway in Corridor Vc). On the entity level, ministries for transport and communications are responsible for transport and infrastructure in the territory of respective entities, preparation and development of entity strategic and planning documents in accordance with their competences, coordination in implementation of infrastructure projects within the entities. Cantons of FBiH have their own Governments whose competences cover regional roads, local transport services within the Canton territory and urban transport. Department of Public Affairs of the Brčko district has competences for different transport issues among which inland navigation has particular relevance.

Other relevant institutions responsible for different modes of transport in BiH are:

- i. in road sector: Public company (PC) Motorways of FBiH, PC Road of FBiH, PC Roads of RS, PC Motorways of RS, Agency for Traffic Safety RS, Road Safety Council of Brcko District, PE Brcko Roads in Brcko District;
- ii. in railway sector BiH Railways Public Corporation, Public Enterprise (PE) Railways of FBiH, PE RS Railways;

- iii. inland waterways: International Sava River Basin Commission; PE Port of Brcko;
- iv. air transport: BiH Air Navigation Services Agency, Four international airports: Sarajevo, Banja Luka, Tuzla, Mostar.

The key stakeholders are expected to be actively engaged in the whole process of the action implementation. The Steering Committee, consisting of all relevant stakeholders involved in this action, will be established at the beginning of the action implementation.

#### **IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING**

The action will be implemented under direct management by the EU Delegation in Bosnia and Herzegovina. This is an indicative list of contracts, which would provide continuity of the EU assistance in the sector, based on the projects (specifically conceptual designs) completed, or to be completed in the course of 2017:

For Result 1: up to seven service contracts (for activity 1.1., 1.2., 1.3., 1.4., 1.5.1, 1.5.2., 1.6.)

For Result 2: up to three service contracts (for activity 2.1., 2.2., 2.3.)

For evaluation: one service contract.

### **4. PERFORMANCE MEASUREMENT**

#### **METHODOLOGY FOR MONITORING (AND EVALUATION)**

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this action or its components based on the rules of the EU. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines on linking planning/programming, monitoring and evaluation<sup>2</sup>. In addition, the action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

The evaluation of the action and/or its activities will be financed from the financial allocation of this action document.

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<sup>2</sup>[https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial\\_assistance/phare/evaluation/2016/20160831-dg-near-guidelines-on-linking-planning-programming-vol-1-v0.4.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial_assistance/phare/evaluation/2016/20160831-dg-near-guidelines-on-linking-planning-programming-vol-1-v0.4.pdf)

## INDICATOR MEASUREMENT

Indicator	Baseline (value + year) (2)	Target 2020 (3)	Final Target (2020) (4)	Source of information
<b>Indicators for the Overall objective</b>				
Progress made towards meeting accession criteria (EC) in the transport sector	Some level of preparations	Moderately prepared	Moderately prepared	EC Reports on BiH SEETO MAP Reports
WB transport logistics performance indicator	2.6 (2017)	2.7	2.7	World Bank Logistics Performance Indicator Report
<b>Indicators for the Specific objective</b>				
Percentage of transport priority projects covered by this action where negotiations for investments have been initiated	0 (2017)	30	30	EC Reports SEETO MAP Reports Annual and final reports on implementation of the action
Progress made towards opening the transport market in BiH and transposition of EU <i>acquis</i> in the transport area	Limited progress (2017)	Preparations for market opening and level of alignment with EU <i>acquis</i> improved	Preparations for market opening and level of alignment with EU <i>acquis</i> improved	EC Reports on BiH
<b>Results indicators</b>				
1. Number of tender dossiers completed and ready for launching of works procurement	0 (2017)	All tender dossiers foreseen in the action are completed	All tender dossiers foreseen in the action are completed	Annual and final reports on implementation of the action Tender dossiers
2.1. Level of implementation of measures in the strategy and annual financial value of projects in the action plans implemented	Capacities of relevant authorities are insufficient for implementation and monitoring of the strategy (2017)	Relevant authorities have sufficient capacities to implement and monitor the strategy: increase in annual financial value of projects in the action plan implemented	Relevant authorities have sufficient capacities to implement the strategy: increase in annual financial value of projects in the action plan implemented	EC Reports on BiH Annual and final reports on implementation of the Framework Transport Strategy
2.2. Regulatory measures in sub-sectors aligned with the EU <i>acquis</i> and legally enforced	Limited progress	Improved level of alignment in key subsectors	Improved level of alignment in key subsectors	EC reports on BiH

## 5. SECTOR APPROACH ASSESSMENT

Following the adoption of the Framework Transport Policy for BiH, Council of Ministers of BiH adopted in July 2016 Framework Transport Strategy (FTS) and Action Plan (Official Gazette No. 71/16), enabling the country to apply for IPA II funds.

FTS is focused on development of sustainable transport sector in BiH for the period 2015-2030 and sets out the actions and programmes to be undertaken in future period. FTS has been developed considering the institutional competence and including all relevant stakeholders in BiH in sector of transport.

Shift to a sector wide approach in Transport sector would be possible once the documents are thoroughly reviewed and improved accordingly, in particular to provide for a single prioritised and valued list of projects, and the matching plan for provision of funds necessary for implementation of the strategy, as well as a performance monitoring framework.

In the context of the Connectivity Agenda, EU required for establishment of the institutional framework for prioritisation of infrastructure projects in Western Balkan countries. In 2015 BiH has established National Investment Committee (NIC) as a platform for prioritisation of the infrastructure projects in BiH. In December 2015 NIC has adopted Single Project Pipeline (SPP) as a list of prioritised projects in transport infrastructure on the core and comprehensive network in BiH, based on the methodology for selection and prioritization of infrastructure projects in BiH.

In terms of donor coordination, funds for transport infrastructure development are provided primarily in the form of loans from the EC and IFIs such as the EIB, the EBRD, the World Bank, and also from the bilateral donors, but with the EU as the only strategic grant provider in the sector, in particular for preparation of high-scale investment projects. Donors active in Transport sector meet with representatives of BiH authorities more or less regularly, to coordinate donor activities and discuss progress in implementation of reforms, differently in each of sub-sectors within the sector. However, sector wide donor coordination mechanism in this Sector still does not exist, since the meetings with donors are ad hoc, project based and mostly bilateral. Donors active in the Transport Infrastructure sector regularly attended the Donor Coordination Forum (DCF) meetings hosted by the BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid (MOFT/SCIA).

Cooperation and coordination between different government levels in transport sector exists but is not on a satisfactory level and it is carried out on *ad hoc* basis. Further strengthening of cooperation within the county and lacing with the entities is of great importance for successful coordination in all modes of transport sector. The capacities of the state level and entity ministries for strategic planning exist, but need to be further improved, as well as the roles of the MoCT BiH, MoTC RS, FBiH MoTC and other relevant stakeholders that participate in the sector and donor coordination, and regional coordination with the EU member states.

Strategic planning and public expenditure monitoring in BiH is performed through the elaboration of the Public Investment Programme (PIP), as an instrument for identification, formulation and monitoring of projects funded from or with participation of public funds - budget, credits and donations. The relevant ministries of finance in BiH prepare PIPs for different levels of government, and the consolidation of three PIPs into one is done by the State Ministry of Finance. However, budgetary planning practice needs to be further enhanced, which requires close cooperation between the competent ministries of communications and transport at all levels in BiH and the corresponding ministries of finance in the near future. Budgetary planning practice needs to be enhanced, which requires close cooperation between the Ministry of Transport and the Ministry of Finance in the near future.

The Ministry of Finance is the main borrower in the sector and sub-contract resources to the entities for implementation. Entities finance the in-country infrastructure while the cross-border infrastructure is also financed by the State level. The current legislation defines the manner in which subsidiary contracts are concluded for the implementation of the international loan arrangements, transferring the obligations to the relevant entity ministries.

## **6. CROSS-CUTTING ISSUES**

### **GENDER MAINSTREAMING**

The impact of the action is considered to be beneficial for both men and women. Gender mainstreaming will be ensured in all aspects whenever possible, e.g. composition of various implementing, administrative or supervising bodies, gender sensitive language etc. All collected data in the studies and analyses within the action – where applicable – will be sex disaggregated.

### **EQUAL OPPORTUNITIES**

Equal opportunity principles and practices in ensuring equitable participation and non-discrimination within the action will be guaranteed.

### **MINORITIES AND VULNERABLE GROUPS**

Participation in the action activities will be guaranteed on the basis of equal access regardless of racial or ethnic origin, religion or belief, disability, sex or sexual orientation.

### **ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)**

Civil society will be involved in the implementation of projects planned within this action. Civil society is expected to be actively involved in the consultation process during development of project documentation (particularly in Environmental Impact Assessments) and related public hearings, according to applicable law. To the extent possible, the action will also support the involvement of the civil society in monitoring the implementation of the current strategy.

### **ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)**

The action will contribute to the environment protection, as the Environmental Impact Assessments and Studies will be part of the main project documentation which will be drafted throughout this action.

Climate change action is an increasingly important area for the Western Balkans regarding the countries obligations under the accession process and the increasing importance attached to climate change issues by the European Union (EU) and the International Financial Institutions (IFIs).

Climate action relevant budget allocation: EUR 0
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## **7. SUSTAINABILITY**

After the technical documentation is completed the relevant Public Companies will provide all necessary permits, approvals including urban planning and environmental permits, and finally the construction permits. They are also responsible for preparation of detailed land expropriation studies. In this way, all the preconditions for obtaining domestic and/or international funding and beginning of construction works will be in place. Once the institutional building part of this action is implemented, all the institutions involved will continue using the methodology and approach developed by the consultants engaged in the action implementation. Proposals for upgrade of relevant legislation which are expected through the action will be used and further elaborated by the competent ministries in BiH.

In the process of developing legislation or policy documents as part of this action, the procedures applied in the country, especially those related to (fiscal/ regulatory) impact assessments, public consultations, inter-ministerial coordination, will be ensured. Fast-track legislative adoption procedures shall be discouraged unless in case of true emergencies. All relevant stakeholders, including the civil society, shall be enabled to participate in the process.

Trainings that are carried out as part of this action and involve a large number of representatives of different public administration institutions should preferably be organised in close cooperation with the relevant training institutions for public administration, when possible.

## **8. COMMUNICATION AND VISIBILITY**

Communication and visibility will be given high importance during the implementation of the action. The implementation of the communication activities shall be funded from the amounts allocated to the action.

Kick-off event, press conferences and press releases etc. will be organized on a regular basis, especially at the very beginning of the action and selected activities implementation. Presentations of designed solutions will be held publically, including local communities in areas where sections of the infrastructure covered by this action are geographically placed.

All necessary measures will be taken to publicise the fact that the action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the European Commission (DG NEAR) will have to be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.