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ANNEX I

to the Financing Agreement for the multiannual Operational Programme on transport in favour of the Republic of North Macedonia for 2024-2027

MULTIANNUAL OPERATIONAL PROGRAMME

This document constitutes the multiannual operational programme in terms of Article 110(2) of the Financial Regulation, and multiannual action plan in terms of Article 9 of IPA III Regulation and Article 23 of NDICI- Global Europe Regulation

ABBREVIATIONS

AA	Audit Authority
AADT	Annual Average Daily Traffic
AC	Alternating Current
ADR	Agreement concerning the International Carriage of Dangerous Goods by Road
BOQ	Bill of Quantities
BUR	Biennial Update Report
CBD	Convention on Biological Diversity
CFCD	Central Finance and Contracting Department
COVID-19	COVID-19 – Coronavirus Disease 2019
CSOs	Civil Society Organisations
DAC	Development Assistance Committee
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
DRR	Disaster Risk Reduction
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECTS	European Train Control System
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIP	Economic Investment Plan
ERP	Economic Reform Programme
ERTMS	European Rail Traffic Management System
ESF	European Social Fund
ETCS	European Train Control System
EU	European Union
EUD	European Union Delegation
FA	Financing Agreement
FIDIC	Fédération Internationale des Ingenieurs-Conseils
FFPA	Financial Framework Partnership Agreement
FS	Feasibility Study
GAF	Grant Application Form
GIS	Geographic Information System
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GSMR	Global System for Mobile Communication
IBs	Intermediate Bodies
IBFM	Intermediate Body for Financial Management
IBPM	Intermediate Body for Policy Management
ICJ	International Court of Justice
IFIs	International Financial Institutions
IM	Infrastructure Manager
IMBC	Indirect Management with Beneficiary Country
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
IRF	International Road Federation
ITS	Intelligent Transport System
JSC	Joint Stock Company
KPIs	Key Performance Indicators
LPI	Logistics Performance Index
MA	Managing Authority
MCA	Multi Criteria Analysis

MoEPP	Ministry of Environment and Spatial Planning
MOI	Ministry of Interior/ Ministry of Internal Affairs
MoTC	Ministry of Transport and Communications
NAO	National Authorising Officer
NBSAP	National Biodiversity Strategy and Action Plan
NDICI	Neighbourhood, Development and International Cooperation Instrument
NIPAC	National IPA Coordinator
NITS	National Intelligent Transport Strategy
NDC	Nationally Determined Contribution
NTS	National Transport Strategy
NIC	National Investment Committee
NITS	National Intelligent Transport Strategy
NOBO	Notified Body
NSA	National Safety Authority
OECD	Organisation for Economic Co-operation and Development
OJ	Official Journal
OP	Operational Programme
OPRD	Operational Programme for Regional Development
PAF	Performance Assessment Framework
PEFA	Public Expenditure and Financial Accountability
PESR	Public Enterprise for State Roads
PM	Particular Matter
PRAG	Practical Guide to contract procedures for EU external actions
RAM	Road Asset Management System
RRA	Railway Regulatory Agency
RSD	Railway Safety Directorate
SAA	Stabilisation and Association Agreement
SDG	Sustainable Development Goals
SEA	Secretariat for European Affairs
SEETO	South East Europe Transport Observatory
SMC	Sectoral Monitoring Committee
SOPT	Sector Operational Programme for Transport
SPP	Single Project Pipeline
SSO	State Statistical Office
STI	State Transport Inspectorate
SUMP	Skopje's Urban Mobility Plan
SWGs	Sector Working Groups
SWGT	Sector Working Group for Transport
SWOT	Strengths, Weaknesses, Opportunities and Threats
TAIEX	Technical Assistance and Information Exchange
TCT	Transport Community Treaty
TEN-T	Trans-European Transport Network
TOR	Terms of Reference
TSI	Technical Specifications for Interoperability
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	UN Framework Convention on Climate Change
UNSCR	United Nations Security Council Resolutions
WB	World Bank
WBIF	Western Balkans Investment Framework
WHO	World Health Organization

ZRSM	Railways of Republic of North Macedonia Transport JSC-Skopje (ZRSM Transport JSC – Skopje)
ZRSMI	Public Enterprise for Railway Infrastructure Railways of Republic of North Macedonia -Skopje

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1. Programme Synopsis

1.1. Programme Summary Table

Title	Multiannual Operational Programme on transport in favour of the Republic of North Macedonia for 2024-2027			
OPSYS	ACT-62457, JAD.1389990			
ABAC	ABAC Commitment level 1 number: JAD.1389990			
Basic Act	Financed under the Instrument for Pre-Accession Assistance (IPA III)			
Team Europe	No			
IPA III beneficiaries	Republic of North Macedonia			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR(S) INFORMATION				
Window and thematic priority	Window 3: Green Agenda and Sustainable Connectivity Thematic Priority: Transport, digital economy and society, and energy (100%)			
Sustainable Development Goals (SDGs)	Main SDG: SDG 9: Industry, Innovation, and Infrastructure Other significant SDGs and where appropriate, targets: SDG 11: Sustainable Cities and Communities - Target 11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities, and older persons. SDG 13: Climate Action - Target 13.2: Integrate climate change measures into national policies, strategies, and planning. SDG 3: Good Health and Well-being - Target 3.6: By 2030, halve the number of global deaths and injuries from road traffic accidents			
DAC code(s)	210: Transport and storage (100%): 21010: Transport policy and administrative management (5,3%) 21020: Road transport (63,5%) 21030: Rail transport (31,2%)			
Main Delivery Channel	Central government – 12001			
Targets	☒ Climate ☐ Gender ☐ Biodiversity			
Markers (from DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☒	☐	☐
	Aid to environment	☐	☒	☐

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	Gender equality and women's and girl's empowerment	☒	☐	☐
	Reproductive, maternal, new-born and child health	☒	☐	☐
	Disaster Risk Reduction	☐	☒	☐
	Inclusion of persons with Disabilities	☒	☐	☐
	Nutrition	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity	☒	☐	☐
	Combat desertification	☒	☐	☐
	Climate change mitigation	☐	☒	☐
	Climate change adaptation	☐	X	☐
Internal markers and Tags	**Policy objectives**	**Not targeted**	**Significant objective**	**Principal objective**
	Digitalisation	☒	☐	☐
	Tags	YES		NO
	digital connectivity	☐		X
	digital governance	☐		☒
	digital entrepreneurship	☐		☒
	digital skills/literacy	☐		☒
	digital services	☐		☒
	Connectivity	☐	☐	☒
	Tags	YES		NO
	digital connectivity	☐		☒
	energy	☐		☒
	transport	☒		☐
	health	☐		☒
	education and research	☐		☒
	Migration	☒	☐	☐
	Reduction of Inequalities	☒	☐	☐
	COVID-19	☒	☐	☐
BUDGET INFORMATION				

Amounts concerned	Budget line: 15.020201 Total estimated cost for 2024 – 2027: EUR 93 301 000 Total amount of EU budget contribution for 2024-2027: EUR 50 000 000 The contribution from the general budget of the European Union is split per year as follows: - For 2024 – EUR: 6 900 000 - For 2025 – EUR: 7 712 459 - For 2026 – EUR: 11 774 821 - For 2027 – EUR: 23 612 720 The contribution from the general budget of the European Union for the subsequent years is subject to the availability of appropriations for the respective financial years following the adoption of the relevant annual budget, or as provided for in the provisional twelfths system.
MANAGEMENT AND IMPLEMENTATION	
Implementation modalities (management mode and delivery methods)	**Indirect management with North Macedonia**
Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans [only for the Western Balkans]	Priorities: Transport Flagships: • I Connect East-West, • II Connect North-South
Final Date for conclusion of Financing Agreement	By **31 December 2025** at the latest
Decommitment deadline for each budgetary commitment	Budgetary commitment 2024: by 31/12/2029 Budgetary commitment 2025: by 31/12/2030 Budgetary commitment 2026: by 31/12/ 2031 Budgetary commitment 2027: by 31/12/ 2032
Indicative eligibility period	31/12/2033
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

1.2. Summary of the Programme

The Multiannual Operational Programme (OP) on transport for North Macedonia represents a comprehensive strategy dedicated to improving the country's transport sector while concurrently

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addressing significant objectives of environment, disaster risk reduction (DRR), climate mitigation and adaptation. This programme seeks to harmonise North Macedonia's transport policies and initiatives with the European Union's (EU) robust standards for a cohesive, sustainable transport network, aligning further with Chapter 14 transport policy and Chapter 21 TEN-T network, as one of the main outcomes. The OP is within the broader ambit of the National Transport Strategy (NTS) 2018-2030. This strategic integration reinforces North Macedonia's commitment to develop a globally coordinated transport sector seamlessly integrated into the Trans-European Transport Network (TEN-T), significantly bolstering the nation's economic, social, and environmental trajectory.

To align North Macedonia's broader development goals with a robust network of EU and international initiatives, the OP demonstrates a solid commitment to various key frameworks and plans. These include the IPA III Programming Framework[1], the 2022 Commission Report on North Macedonia[2], the Economic Reform Programme (ERP) 2023-2025[3], and the Economic Investment Plan (EIP) for the Western Balkans[4]. Additionally, by aligning with the Green Agenda for the Western Balkans[5] and the Five-Year Rolling Work Plan for the Development of the TEN-T in the Western Balkans[6], the OP ensures that North Macedonia's transport sector evolves in line with EU-wide standards. The OP upholds the principles of sustainable development and embraces the United Nations' Sustainable Development Goals (SDGs). It envisions fostering innovative and sustainable infrastructure, addressing climate change, enhancing community resilience, and promoting public health and well-being.

The OP on transport is centred on three main areas of support:

- *Rail Transport Infrastructure*: This pillar aims to strengthen the capacity, safety, efficiency, and sustainability of the North Macedonia railway transport infrastructure. The focus is primarily on Corridor X, including reconstructing and rehabilitating railway bridges on specific corridor sections and advancing rail safety, policy implementation, and alignment with EU regulation requirements, such as 4th railway package. These endeavours are guided by EU standards, demonstrating North Macedonia's commitment to align with EU requirements and contribute to environmental protection, climate resilience, and disaster risk reduction.
- *Road Transport Infrastructure*: This pillar is designed to uplift state road infrastructure, focusing specifically on sections A1, A2 and A4 on the TEN-T corridors X, Xd, and VIII. Three primary objectives underpin this commitment: enhancing these sections' resilience and safety standards, preparing comprehensive technical documentation and enhancing the capacity of national authorities related to the road sector, embedding best practices in road safety, maintenance, and asset management, while ensuring policy implementation and alignment with EU regulations. Ultimately, the aim is to implement infrastructure improvements per EU standards, thereby ensuring long-term benefits, efficient transportation while concurrently contributing to environmental objectives and enhancing climate resilience. Specific measures will be undertaken aimed at adapting road infrastructure to climate risks that may occur in local characteristics, such as those related of drought or heavy rainfall in particular.
- *Other Support*: The third pillar seeks to enhance the management of EU financial assistance in the transport sector and lay the groundwork for EU accession under Chapter 22. This involves improvement of management, implementation, and control of the EU financial assistance, including through the development of human capital. The objective is to ensure that the OP and

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[1] C(2021) 8914 final of 10.12.2021 on the Instrument for Pre-Accession Assistance (IPA III) Programming Framework for the period 2021-2027.
[2] SWD (2022) 337 of 12.10.2022
[3] https://finance.gov.mk/economic-reform-program/?lang=en
[4] COM (2020) 641 final of 6.10.2020
[5] SWD (2020) 223 final of 6.10.2020
[6] Five-year Rolling Work Plan for Development of the Indicative TEN-T Extension - Transport Community (transport-community.org)

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the OP authorities effectively manage IPA III funds in line with EU requirements and best practices.

The OP posits a comprehensive, forward-looking plan to evolve a modern, sustainable, and fully integrated transport infrastructure in North Macedonia. The successful execution of this programme is poised to catalyse regional economic development and social cohesion, thereby contributing directly to the country's overarching goal of EU accession. By meticulously aligning with the principles and objectives of NTS 2018-2030, the OP ensures that its transformative agenda is fully integrated within the broader national strategic framework, making for a holistic and synergistic development effort.

2. Sector(s) analysis

2.1. National Sectoral Policies and Context

North Macedonia is actively pursuing integration of its transport markets with the EU by ratifying the Treaty establishing the Transport Community between the Western Balkan countries and the EU, signed in October 2017. This Treaty aims to gradually integrate the transport market by aligning it with the EU *acquis* in transport, environment, public finance, and other relevant cross-cutting sectors.

NTS 2018-2030 aligns closely with significant EU policies, advocating for a harmonised transport sector that is globally compatible, integrated into the TEN-T, and underpins the country's economic, social, and environmental development. NTS also commits to reducing greenhouse gas emissions in line with the Paris Agreement and the European Green Deal[7]. The NTS acknowledges the impact of transport on climate change and aims to minimize emissions by adopting "green transport" principles. It primarily focuses on the sector's potential to mitigate climate effects.

NTS encourages the Government to implement the EU *acquis* as a crucial step towards EU integration and full membership. NTS and the national ERP are strategic documents that complement each other, underscoring the impact of transport infrastructure on economic development and climate change mitigation.

Covering all modes of transport except air transport, NTS envisages the development of a comprehensive road, rail, lake/port, and urban transport system by 2030. This system is intended to be fully integrated into the European TEN-T networks and guided by a sustainable transport policy. The strategy prioritises environmentally friendly, low-carbon transport systems, modal shifts, green mobility, logistics, transport safety, and the application of Intelligent Transport Systems (ITS) and digital technology.

The National Intelligent Transport Strategy (NITS), a component of the broader NTS, is designed to upgrade transport systems and infrastructure to meet European and international standards. The strategy is guided by four fundamental principles—safety, efficiency, sustainability, and interoperability—and caters to national needs and promotes progress across all objectives. This Strategy, which aims to span a decade, is yet to be adopted by the Government.

The Government recognises the importance of transport in the current phase of national development and its active integration into EU transport systems. In response, North Macedonia has committed to accelerating the construction of new transport infrastructure, implementing technological advances, and aligning its transport sector with EU regulations. This commitment includes enhancing the quality and effectiveness of public transport services.

To accomplish its strategic goals, North Macedonia must address substantial challenges, such as bolstering administrative and operational capacity across all modes of transportation, implementing rail reform, collecting data on road accidents, and adopting a strategic framework and Action Plan for ITS.

[7] COM(2019) 640 final of 11.12.2019

Additionally, the country must continue investing in modernising its railway and road infrastructure to meet EU requirements.

While North Macedonia faces challenges in the development of transport infrastructure, it must strike a balance between progress and maintaining environmental sustainability. Additionally, the country should adopt adaptive measures aimed at ensuring the sustainability of the transport system against the risks and natural phenomena associated with the ongoing climate change. Given the recognized threat coming from in particular transport sector to the country's rich natural heritage, particularly its significant biodiversity, measures are being actively implemented to mitigate these impacts.

To this end, the National Strategy for Nature Protection 2017-2027[8] , the Strategy and Action Plan for the Protection of Biodiversity 2018-2023[9] and the Long-term Strategy on Climate Action and Action Plan[10] have been put in place in order to address and integrate national approaches to the protection of the natural environment across economy, including the transport sector. They encompass clear national targets, actions and performance indicators for environment and climate protection.

North Macedonia has consistently showcased its commitment to addressing environmental and climate challenges at both national and international tiers. Central to its efforts is its robust engagement in crucial global climate initiatives. This includes its participation in the UN Framework Convention on Climate Change (UNFCCC), ratification of the Kyoto Protocol, association with the Doha Amendment and the Copenhagen Accord, and notable achievements within the Paris Agreement framework, specifically the Intended Nationally Determined Contribution (NDC) and the enhanced Nationally Determined Contribution (NDC) in 2021.

On an international level, North Macedonia has ratified key international conventions and agreements focused on protection of the environment, such as the Convention on biological diversity, the Convention on the conservation of European wildlife and natural habitats, the Ramsar Convention, the World Heritage Convention (UNESCO), etc. These ratified conventions showcase North Macedonia's commitment to integrating environmental concerns into its transport development, ensuring a sustainable approach that aligns with global standards and goals.

Looking ahead, the 2021-2027 period focuses on key priorities aligned with NTS and the country's IPA III Strategic Response, such as the development of rail and road connections to meet EU technical standards, fostering multimodal and sustainable transport systems, enhancing road and rail safety, promoting modal shifts, minimising environmental impact, advancing sector planning and development, and elevating transport sector integration into the EU transport area. The aim is to create high-quality, safe connections to neighbouring EU countries and the broader Western Balkans region while ensuring environmental sustainability and efficiency.

2.2. Legal Framework

Several key legislative pieces constitute the legal framework governing railway infrastructure in North Macedonia:

- *Law on Railway System*: "Official Gazette of the Republic of Macedonia" Nos 48/10, 23/11, 80/12, 155/12, 91/13, 163/13, 42/14, 130/14, 152/15, 31/16, 178/16, 64/18 and "Official Gazette of the Republic of North Macedonia" No 302/20. This law regulates the development of railway traffic and railway infrastructure, the organisation of the railway system, the manner and conditions for the execution of railway transport and the types of transport, the management, organisation, and protection of the railway infrastructure and access to the railway infrastructure, track access charges for the use of the railway infrastructure, the allocation of infrastructure capacities, the network statement, the establishment of an independent and

[8] Source: https://www.moepp.gov.mk
[9] https://www.cbd.int/doc/world/mk/mk-nbsap-v2-en.pdf
[10] https://klimatskipromeni.mk/

autonomous regulatory body, the allocation and types of concessions, the financing of railway infrastructure and services of public interest in railway passenger transport.

- *Law on Safety in the Railway System*: "Official Gazette of the Republic of Macedonia" Nos. 48/10, 23/11, 53/11, 158/11, 137/13, 163/13, 42/14, 166/14, 147/15, 193/15, 31/16, 52/16, 63/16, 71/16, 35/18, 64/18 and "Official Gazette of the Republic of North Macedonia" Nos. 22/20, 178/21. This law regulates the manner and conditions for ensuring safety in the railway system, which covers the system's safety requirements, including the safety management of the infrastructure and railway operator and the cooperation between the railway operator and the infrastructure manager.
- *Law on Interoperability in the Railway System*: "Official Gazette of the Republic of Macedonia" Nos. 17/11, 163/13, 147/15, 31/16 and "Official Gazette of the Republic of North Macedonia" No. 285/20. This law prescribes the conditions for achieving interoperability of the railway system in North Macedonia, which relate to the design, construction, reconstruction, overhaul, commissioning, operation, and maintenance of parts of the railway system, as well as professional qualifications, health and safety conditions of the personnel involved in the process and maintenance of the railway system.
- *Law on Contracts for Carriage by Rail*: "Official Gazette of the Republic of Macedonia" Nos. 55/07 and 148/11. This law regulates the rights and obligations arising from contracts for the carriage of passengers and goods in domestic and international rail traffic unless otherwise stipulated by an international agreement and passenger rights.
- *Law on Transportation of Dangerous Substances by Road and Rail Traffic:* "Official Gazette of the Republic of Macedonia" Nos. 92/07, 161/09, 17/11, 54/11, 13/13, 163/13, 38/14, 166/14, 116/15, 193/15, 31/16, 64/18 and "Official Gazette of the Republic of North Macedonia" No. 288/21.

The mentioned laws align with the Third Railway Package, guiding the operation and maintenance of railway infrastructure by various EU Directives and Regulations, notably: Council Directive 91/440/EEC, Directive 2001/12/EC, Directive 2004/51/EC, Directive 2007/58/EC, Council Directive 95/18/EC, Directive 2001/13/EC, Directive 2001/14/EC, DIRECTIVE 2004/49/EC, Council Directive 92/106/EEC, Regulation (EC) No 1370/2007, Directive 2007/59/EC, Directive 2008/110/EC, and repetition of Regulation (EC) No 1370/2007[11]

The following directives/regulations have been significantly incorporated in laws, such as Regulation 1370/2007 on public service contracts, Regulation (EC) No 1371/2007 on rail passengers' rights and obligations, and Directive 2008/57/EC on rail system interoperability.[12]

North Macedonia remains committed to further align its legislation with the EU *acquis*, including adopting technical specifications for interoperability (TSIs) and establishing an independent investigation body.

The management of the regional and national roads is regulated, among other things, by the following national legislation:

- The *Law on Road Transport* ("Official Gazette of the Republic of Macedonia" No. 68/04, 59/05, 127/06 114/09, 83/10, 140/10, 17/11, 53/11, 6/12, 23/13, 120/13, 163/13, 187/13, 42/14, 112/14, 166/14, 44/15, 97/15, 124/15, 129/15, 193/15, 37/16, 71/16, 64/18, 140/18, 163/18 and "Official

[11] Detailed descriptions of these directives and regulations can be found on the official website of the European Union.

[12] The implementation of these regulations and directives varies. For instance, Regulation 1370/2007's implementation began in 2007 with budgetary provisions for passenger transport loss compensation. The Regulation (EC) No 1371/2007 will take effect after North Macedonia's accession to the EU. The Law on Interoperability in the existing railway system is aligned with the Directive 2008/57/EC.

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Gazette of the Republic of North Macedonia" No.275/19, 67/22) regulates the conditions and how passengers and goods are transported in domestic and international road transport. It prescribes the terms for professional competency and financial stability, some of the conditions for access to the profession of the transport operator, as well as the terms and procedures for acquiring a licence for transporting passengers and goods by road. Several bylaws arising from the Law on Road Transport have been adopted.

- The *Law on Public /Roads* ("Official Gazette of the Republic of Macedonia" No. 84/08, 52/09, 114/09, 124/10, 23/11, 53/11, 44/12, 168/12, 163/13, 187/13, 39/14, 42/14, 166/14, 44/15, 116/15, 150/15, 31/16 71/16, 163/16 and "Official Gazette of the Republic of North Macedonia" No. 174/21)) regulates the conditions and the manner of construction, reconstruction, maintenance, protection, use, management, and funding of public roads, as well as the supervision of the enforcement of this Law. Among the most important issues regulating road categories; are competencies of road authorities; sources of funding and allocation of funds among the entities responsible for the road network; adoption of medium-term and annual programmes for construction, reconstruction, and maintenance of roads; competencies for granting concessions.
- The *Law on Road Transport Safety* ("Official Gazette of the Republic of Macedonia" No. 54/07, 86/08, 98/08, 64/09, 161/09, 36/11, 51/11, 27/14, 169/15, 226/15, 55/16,11/18, 83/18 and "Official Gazette of the Republic of North Macedonia" No. 98/19, 302/20, 122/21) determines the conditions which have to be met by the vehicles engaged in road transport, as well as the devices and equipment which have to be provided in the vehicles, dimensions, overall mass and axle weight of vehicles; the conditions for obtaining a driving permit and the form and application form for the driving permit, verification and technical control of the vehicles, registration of the vehicle and the application form for the traffic permit etc.
- *Law on Working Hours* ("Official Gazette of the Republic of Macedonia" No. 62/2005, 106/2008,161/2008, 114/2009, 130/2009, 50/10, 52/10, 124/10, 47/11, 11/12, 39/12, 13/13, 25/13, 170/13, 187/13, 113/14, 20/15, 33/15, 72/15, 129/15, 27/16, 120/18 and "Official Gazette of the Republic of North Macedonia" Nos.110/19, 267/20, 151/21) and mandatory rest times for mobile workers and the devices for international road transport regulates social aspects of road transport and the implementation of the digital tachograph's rules.
- Rules amending the rules for technical elements for the construction and reconstruction of public roads and road facilities (Official Gazette No. 84/08, 52/09, 114/09, 124/10, 23/11, 53 /11, 146/11, 9/17).
- Rulebook on the method of identification of public roads with an appropriate reference system and stationing (Official Gazette No. 32/09).
- Rulebook on measures for the maintenance of public roads, the method and deadlines for their execution, as well as the type and method of execution of activities for regular, winter, periodic and interventional maintenance of public roads (Official Gazette No.152/08).
- Rules amending the rules for the technical elements for the construction and reconstruction of public roads and road facilities (Official Gazette No. 31/10).
- Rulebook on the form and content of the identification forms of the state road inspectors and the authorized road inspectors of the municipalities, i.e., of the City of Skopje, as well as the manner of their issuance and revocation (Official Gazette No. 129/2008, 126/19).
- Rulebook on the method of protection of public roads (Official Gazette No.122/2010)
- Rules amending the rules for the method of protection of public roads (Official Gazette No. 113/2011).
- Rulebook on the form and content of the invitation for education and the way of conducting the education (Official Gazette No. 95/11).
- Rulebook on the method of distribution of funds to the municipalities, i.e., the City of Skopje, from the fee for the use of public roads for motor vehicles that the owners of the motor vehicles pay when registering the vehicles (Official Gazette No.129/08).

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- Rulebook on the criteria for determining the streets in populated areas that are considered part of a state road, as well as their maintenance (Official Gazette No.144/08).
- Rulebook on the manner, procedure and conditions under which the State Roads Agency (PESR) gives consent for the construction of a state road to another investor (Official Gazette No. 99/2011).
- Rulebook on the form and content of the request and the necessary documentation for obtaining the license for the removal of damaged vehicles and defective vehicles from the municipal and local roads for the territory of the respective municipality or the city of Skopje (Official Gazette No. 125/14).
- Rulebook on the form and content of the mandatory payment order (Official Gazette No. 7/16).
- Rulebook on the form and content of the delinquent payment order (Official Gazette No. 18/16).
- Decision on granting a concession for construction, reconstruction, maintenance, toll collection and use of part of the state roads in the Republic of Macedonia (Package 1) (Official Gazette No.134/09).
- Decision on granting a concession for construction, reconstruction, maintenance, toll collection and use of part of the state roads in the Republic of Macedonia (Package 2) (Official Gazette No.134/09).
- Decision on the amount and method of collection of the fee for road use (Toll) (Official Gazette No.118/19).
- Decision on the amount and method of payment of the fee for the use of public roads for motor vehicles and connected vehicles (Road Tax), (Official Gazette No.118/09).
- Decision on the amount of the fee for processing inscriptions and billboards in the protective belt of a state road, connecting an access road to a state road, installing installations in the trunk of a road and the road belt of a state road, construction and use of commercial facilities on which access to a public road outside the settlement is allowed, for excessive use of a state road, for emergency transportation and for damage to a state road and to the facilities on the road (Official Gazette No. 139/2008);
- Decision on the categorization of state roads (Official Gazette No. 133/2011, 20/12, 41/12, 107/13, 17/14, 190/14, 168/18, 69/19, 194/19, 208/19, 79/20, 225/21, 262/21, 56/22, 95/22, 288/22).
- Correction of the decision on the categorization of state roads (Official Gazette No.150/2011).
- Decision on amending the decision on the categorization of state roads (Official Gazette No. 133/11, 20/2012, 41/12, 107/13, 17/14, 190/14, 168/18, 69/19, 194/19, 208/19, 79/20, 225/21, 262/21, 56/22 and 95/22).
- Decree on establishing criteria for the categorization of public roads and their markings (Official Gazette No.13/2010).

Indirectly, several key laws make up the legal framework governing environmental protection in North Macedonia:

- Law on Nature Protection ("Official Gazette of the Republic of Macedonia" No. 67/04, 14/06, 84/07, 35/10, 47/11, 148/11, 59/12, 13/13, 163/13, 41/14, 146/15, 39/16, 63/16, 113/18 and "Official Gazette of the Republic of North Macedonia" No. 151/21). This law emphasizes the safeguarding of biological and landscape diversity, both within and outside designated protected areas. It aligns with key EU directives, including those on the conservation of natural habitats, wild birds, and the regulation of trade in wild fauna and flora.
- Law on Environment ("Official Gazette of the Republic of Macedonia" No. 53/05, 81/05, 24/07, 159/08, 83/09, 48/10, 124/10, 51/11, 123/12, 93/13, 187/13, 42/14, 44/15, 129/15, 192/15, 39/16, 99/18 and "Official Gazette of the Republic of North Macedonia" No. 171/22). Central to transportation, this law sets out procedures for environmental impact assessment (EIA) and strategic environmental assessment (SEA). These assessments are crucial to ensuring transport construction projects do not harmfully fragment habitats.,

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2.3. Institutional setting, leadership, and capacity

The transport sector in North Macedonia encompasses a range of institutions working collaboratively to implement reforms. The Ministry of Transport and Communications (MoTC) spearheads the coordination of these institutions, formulating and executing national transport policies, strategies, and programmes in compliance with EU transport regulations, standards, and policies. The MoTC has actively participated in the Working Groups established within the Transport Community Treaty as part of its commitment to active collaboration and alignment with international standards. MoTC is accountable for administering an efficient and dependable transport system, while various transport authorities supervise road, rail, and other modes of transport. NTS 2018-2030 establishes a framework for decision-makers to ensure the sustainable development of the transport sector. The MoTC serves as the central and primary state authority in the transport sector, including road safety at the national level. It is also responsible for technical regulations and standards related to road design and construction and signalling. Tasked with developing and implementing transport policies, national strategies, and action plans, the MoTC oversees inspection and enforcement activities. The ministry carries out its responsibilities and duties as stipulated by the *Law on Organisation of State Administration Bodies*.

The Ministry of Interior (MoI) establishes and maintains a central registry of recorded accidents. The Traffic Police, under the jurisdiction of the MoI, handle law enforcement and traffic safety on the roads. MOI is also responsible for disaster risk reduction and emergency management. It is tasked with developing and implementing disaster risk reduction policies and plans, as well as coordinating the response to disasters. The MoI also plays a role in climate change adaptation efforts, particularly in the areas of early warning systems and disaster preparedness.

The Ministry of Environment and Spatial Planning (MoEPP) spearheads environmental protection, sustainable development, and climate change mitigation and adaptation, focusing on biodiversity, geo-heritage monitoring, and conservation. The Administration of Environment, housed within the MoEPP, maintains registers of protected areas and species, ensuring compliance with the Law on Nature Protection. Established in 2008, its primary goal is an integrated environmental system for North Macedonia. Additionally, the State Inspectorate of Environment and Nature oversees the application of measures to protect air, water, land, and biodiversity.

Transport authorities include:

- The **Public Enterprise for State Roads (PESR)**[13] operates as an independent legal entity and is accountable for its liabilities with its total assets. As the owner of national and regional road infrastructure, PESR is responsible for planning, constructing, reconstructing, maintaining, operating, and protecting state roads while monitoring and analysing their conditions.
- The **Public Enterprise for Maintenance and Protection of National and Regional Roads** manages and maintains the national road network. Its responsibilities include regular and winter maintenance of state roads, construction and installation of vertical and horizontal signalling, road protection, automatic and manual traffic counting, cadastre for roads and bridges, and providing information services regarding road conditions.
- The **State Transport Inspectorate (STI)** is the competent authority for inspecting passenger and freight transportation activities in domestic and international road transport. Operating independently from the Ministry of Transport and Communications, the STI's scope of activities encompasses inspection supervision in safe roads, infrastructure, road transport, and traffic arrangements on public roads, cable and ski-lifts. Additionally, it carries out immediate

[13] Founded on 03.01.2013 by Decision on founding No. 41-10147/1 of 28.12.2012 passed by the Government of the Republic of Macedonia, published in the Official Gazette of the Republic of Macedonia 6r.1 of 02.01.2013. The company is registered in the Central Register of North Macedonia with EMBS 6839673 and is a legal successor of the Agency for State Roads Skopje.

inspections to ensure compliance with laws and other regulations, taking administrative and other measures within its statutory powers.

- The **National Road Safety Council** functions as an advisory body to the National Assembly, focusing on promoting traffic preventive measures, monitoring and analysing developments in road traffic safety, and encouraging diverse, multi-sectoral, and multidisciplinary approaches to address issues related to road traffic safety. Nevertheless, institutional reform is underway, and a new Lead Road Safety Agency is being set up.
- The **Railway Transport in North Macedonia** is administered by two state-owned public enterprises, established in 2007 after separating a single company into two distinct entities. These are the Public Enterprise for Railway Infrastructure Railways of Republic of North Macedonia -Skopje (ZRSMI) and **Railways of Republic of North Macedonia** Transport JSC-Skopje.(ZRSM Transport JSC – Skopje)

Access to the railway infrastructure is overseen by ZRSMI and regulated by the *Law on the Railway System*. The ZRSMI approves access to the railway infrastructure by entering into an access agreement that complies with the *Law on Railway Systems* and ensures non-discriminatory practices. The rail market in North Macedonia is not yet fully liberalised. The national railway company, already licenced and certified, has exclusive access to the network and service facilities for domestic operations.

In line with the *Law on Safety in the Rail System*, the National Safety Authority (NSA) has been established. It is operational as the Directorate for Safety in the Rail System. This Directorate is an autonomous entity within the Ministry of Transport and Communications, responsible for ensuring safety across the railway network. It issues certificates and authorisations to all stakeholders involved in the railway sector. It should be noted, however, that an investigation body, as required by law, is yet to be established.

The Railway Regulatory Agency (RRA) has been established as a separate entity under the governance of the Parliament of North Macedonia, and it is functional.

NTS, ancillary reports, and the IPA Annual Report on Implementation of Financial Assistance for 2022 all highlight the administrative and human resource provisions of institutions within North Macedonia's transport sector as areas that need improvement. The primary challenges associated with NTS framework are fortifying administrative and operational prowess across all modes of transport and inspection bodies and increasing enforcement capacity to reduce fatalities along the road and rail infrastructure.

Chapters 14, 21, and 22 of the Stabilisation and Association Agreement (SAA) Subcommittee and the European Commission Reports[14] emphasise the need to strengthen institutional capacity to implement NTS effectively. A diagnostic analysis conducted in 2019 under the auspices of the World Bank's Public Expenditure and Financial Accountability (PEFA) programme emphasised the need for improved inter-institutional coordination, improved transport planning and monitoring, a more robust regulatory framework, and increased sector institutional capacity.

Addressing these challenges necessitates the creation of new job opportunities, the provision of relevant training, and the proper staffing of various units. Establishing a staff retention policy is critical for retaining experienced personnel and ensuring the effective execution of long-term transportation projects, programmes, and strategies.

The MoTC must also improve its administrative capacities to handle the obligations arising before and after the assessment mission envisaged in the treaty's protocol. Rapid intervention is required to build administrative capabilities and ensure NTS 2018-2030 is monitored and implemented effectively.

[14] https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/strategy-and-reports_en

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Furthermore, the EU accession negotiation process necessitates a more significant human resource complement, requiring an expansion of sector institutions' administrative capacity.

These capacities must be continuously assessed and improved to enhance sector institutions' administrative and human resource capacities. By doing so, North Macedonia's transport sector institutions can efficiently manage and regulate the transport sector, ensuring the successful implementation of transport reforms and alignment with EU standards.

2.4. Sector(s) and Donor Coordination

In North Macedonia, sector coordination is achieved by establishing Sector Working Groups (SWGs) as part of the IPA II requirements. These groups facilitate a comprehensive consultation process that aligns national priorities with the national strategies, budgets, and IPA objectives and funds. SWGs involve key stakeholders, such as relevant national authorities, donors, and civil society organisations, ensuring a coordinated approach to sector development.

SWGs hold decision-making meetings at least twice a year and technical meetings at least once a month. These gatherings serve as platforms for stakeholders to engage in discussions about sector development, evaluate the effectiveness of current policies, and assess the contributions of various donors to national sector priorities.

In the transport sector, the Sector Working Group for Transport (SWGT) serves as an inter-ministerial cooperation forum with a mandate for implementing tasks related to the formulation and implementation of national sector policies, including those relevant to EU integration and the coordination of donor assistance for the sector, particularly the European Union's IPA II programme.

The National Investment Committee (NIC) was established in 2015 to optimise the use of external funding sources through a targeted, systematised approach and a unified methodology. The National IPA Coordinator (NIPAC) and the Minister of Finance co-chair the NIC, and its primary duty is to support the strategic selection and prioritisation of infrastructure projects using a formally established methodology and the Single Project Pipeline. NIC meetings are held at least twice a year, with additional meetings organised as needed.

Development partners participate in the programming process by providing data on expected aid, procedures, regulations, and priority fields of intervention. They are informed about national priorities and the IPA programming process through SWGs. International Financial Institutions (IFIs) play a crucial role in financing and supporting development projects in the transport sector in North Macedonia. Specific IFIs involved in the transport sector include the World Bank, the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB) and the Export-Import (EXIM) Bank. These IFIs provide loans for various projects that address different aspects of the sector, such as modernising the road and railway network infrastructure and constructing motorways.

Other public bodies and civil society organisations (CSOs) participate in the IPA assistance programming process through SWG consultation mechanisms. In 2021, various donors, International Financial Institutions (IFIs), embassies, and CSOs attended these meetings. This coordination and integration of civil society into the process ensure transparency, broad participation of relevant partners and stakeholders, and effective collaboration for achieving NTS 2018-2030 objectives.

2.5. Mid-Term Budgetary Perspectives

According to the Revised Fiscal Strategy of North Macedonia for 2023-2025 (with prospects until 2027), the transport medium-term expenditure framework for North Macedonia (2022-2026) is designed to promote sustainable and inclusive growth. The framework focuses on implementing capital infrastructure projects in road and rail infrastructure, emphasising interconnectivity with neighbouring countries.

Significant investments are planned for road infrastructure to develop and construct key sections of Corridor VIII and Corridor X, along with other major highways. This includes upgrading the Tetovo-Gostivar section to motorway standards, the construction of motorway section Trebenishta-Struga-

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Kjafasan to improve regional connectivity, as well as the construction of motorway sections Gostivar-Bukojchani, and the Prilep-Bitola, which will be implemented within the contract signed with the consortium Bechtel & Enka by the Law on establishing public interest and nominating a strategic partner. An urban and essential project for a state road connecting Tetovo with Prizren will be developed to enhance links with Kosovo*.

Investments in road infrastructure will also be directed toward credit-funded projects, such as the construction of the eastern and western parts of Corridor VIII, the Skopje-Blace highway section (border with Kosovo), the improvement of road infrastructure between the city of Shtip and the city of Radovish road section, the National Road Programme, improvement of road section on Corridor Xd (financed within IPA) and the Project for Facilitation of Trade and Transport in the Western Balkans.

For railway infrastructure, funding is planned for constructing and rehabilitating the eastern part of the railway line - Corridor VIII towards Bulgaria. With EUR 280 million grant funds secured for the second and third phases, this project will strengthen regional ties and improve trade. The EIB and the EBRD have also confirmed that financing the Kichevo-border with Albania railway line project will commence, further enhancing connectivity with neighbouring countries.

The budget for these projects adheres to the "golden rule" of public finances[15], implying that the country is borrowing only for projects that will add value to the economy, accelerate growth, and enhance the living standards of its citizens. This budget is designed to mitigate the challenges of the global economic context, including the energy crisis and the effects of the COVID-19 pandemic, by cushioning the impact on living standards and companies' liquidity.

The budget deficit in 2023 is projected to be 4.6% of the projected GDP, which is 0.7 percentage points lower compared to the 2022 projection. The total revenues of the 2023 budget are projected to be higher by 14.8% concerning 2022, while expenditures are projected to be higher by 12.6% in relation to 2022.

The budget also includes measures to enhance the efficiency and effectiveness of the public revenue collection system, reduce tax evasion, and strengthen institutional coordination. It is expected to generate positive multiplier effects on medium-term economic growth and accelerate the real economic convergence towards the economy of the EU.

The framework also includes investments in road safety measures, traffic management, and modernising signalling systems at railway level crossings. These initiatives will improve infrastructure and ensure the transport network's safety and efficiency.

By focusing on these key transport infrastructure projects and collaborating with international financial institutions, bilateral creditors, and private sector capital, North Macedonia aims to boost its economic growth, create new job opportunities, and strengthen its position as a regional transport hub. This comprehensive approach to developing the transport sector will ultimately contribute to the nation's goal of achieving accelerated, inclusive, and sustainable economic growth.

For the current fiscal year (2023), the transport sector has been allocated a total budget of approximately EUR 292.6 million, representing 5.54 % of the national budget, according to data from the State Budget of North Macedonia 2023. This is the primary budget expenditure[16]. Including loans and donations[17], the total budget expenditure for the transport sector reaches approximately EUR 327 million.

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* 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.

[15] https://finance.gov.mk/2022/11/05/123-7/?lang=en

[16] https://finance.gov.mk/wp-content/uploads/2022/12/%D0%91%D0%A3%D0%8F%D0%95%D0%A2-2023-%D0%A1%D0%BB.-%D0%92%D0%B5%D1%81%D0%BD%D0%B8%D0%BA.pdf - State Budget of North Macedonia 2023, Budget expenditures by function, page 160, item 704.

[17] European Union (through the Instrument for Pre-accession Assistance – IPA III), international financial institutions (e.g., the World Bank and the EBRD), and bilateral donors.

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In the fiscal year 2023, the sector funding is expected to be divided as follows:

- Road infrastructure support: EUR 253.9 million[18]
- Railway infrastructure: EUR 38.7 million

2.6. Performance assessment framework

The Performance Assessment Framework (PAF) plays a critical role in overseeing the execution of IPA Programmes and gauging sector results, encompassing both overarching (impact) and specialised (outcomes) objectives. By employing SMART indicators, the PAF promotes transparent decision-making, monitors progress, and enhances national capabilities in strategic planning and sector-based programming and supervision.

Essential aspects of the PAF comprise:

- Strategic Documents: Utilising an extensive data set and SMART indicators to evaluate success, these documents enable national monitoring systems under IPA II to scrutinise policy objectives through PAFs.
- Sector-Based PAFs: By facilitating policy dialogue, steering sector reforms, and tracking a country's progress nationally and about the EU average and regional counterparts, these PAFs provide an analytical perspective on progress.
- Participatory Process: Involving pertinent stakeholders such as civil society organisations and international donors, this collaborative approach ensures a comprehensive understanding of the PAF and its objectives.
- PAF Web-Based Application: Developed with the SEA and EUD, this application [https://pafnorthmacedonia.mk/PAF/] permits consistent electronic data input, processing, and analysis.
- Data Collection and Verification: Appropriate sectors are assigned responsibilities for collecting and validating data for each indicator. Government decisions dictate responsibilities and deadlines for operating the PAF web-based application.
- PAF in IPA Programme Monitoring: Sector-level progress in Programmes/Actions is monitored by employing PAF. Indicators agreed upon with the European Commission/EU Delegation establish a system for gauging progress in alignment with evidence-based decision-making in policy formulation.
- Transposition of PAF Core Indicators: Incorporated into the country's IPA III Strategic Response, IPA III Action Documents, and Operational programmes, these indicators (including macro indicators within the IPA III framework) clearly define targets.
- Joint Monitoring Arrangements: Impact and outcome indicators, with established baselines and targets, are monitored jointly, ensuring logical sequencing of ideas and coherence. This includes PAF data usage by SWGs and PAF indicators reported in the IPA annual implementation reports.

The comprehensive PAF approach effectively supervises national sector/sub-sector strategies and sector results, fostering transparent decision-making and collaboration between authorities, donors, and civil society.

The MoTC oversees NTS's implementation, which is central to coordinating with national transport stakeholders. Their function includes gathering, processing, and disseminating relevant information and statistics, providing a holistic view of NTS implementation, and ensuring impacts.

[18] Road infrastructure investments: ~ EUR 243.9 million; Trade and transport facilitation project: ~EUR 2 million; Local roads project: ~EUR 8 million.

The SWGT collaborates in this process. As an inter-ministerial cooperation forum, the SWGT ensures transparency and broad participation in the execution of NTS, identifies potential issues and risks, and proposes rectifying measures.

In further assisting the monitoring process, the Department for European Union's Unit for Negotiations and Integration within, the MoTC, acts as a liaison and coordinator. It collaborates with SWGT, providing technical, administrative, communication, and coordination services. Essential tasks include collecting and analysing data, monitoring progress, and preparing annual reports.

Additionally, a key element in the monitoring mechanism of NTS is the forthcoming monitoring and reporting IT tool, being developed under the IPA II project, titled *"Development of Implementation Plan Under NTS 2028-2030 with System, Tool, and Capacity for its Monitoring."* This tool will enable precise monitoring and data collection relating to NTS 2018-2030 performance indicators and reporting procedures.

The State Statistical Office provides statistical information to assess the progress of NTS implementation against the defined monitoring indicators. Progress Reports[19], prepared by the Unit for Negotiations and Integration, will be evaluated by SWGT and presented to the Government to capture progress against policy performance indicators. Monitoring reports prepared with this data comprehensively assess the strategy's implementation, documenting obstacles encountered, changes introduced, and progress against objectives.

2.7. Socio-Economic Analysis (including SWOT analysis)

Geographical and Geological Overview

North Macedonia, as a small, open economy in the Western Balkans region, is a landlocked country in south-eastern Europe on the Balkan Peninsula. It borders Kosovo to the northwest, Serbia to the north, Bulgaria to the east, Greece to the south, and Albania to the west. Home to around 1.8 million people, the country's economy is largely driven by a robust services sector, encompassing tourism and IT services, with a relatively minor industrial sector.

North Macedonia has complex geological structure and tectonic structure and varied relief. Its diverse geographical landscape, rich in mountains and valleys, underlines the country's complex geological structure. Particularly, North Macedonia's terrain comprises around 40 mountains, with heights ranging from 50m to 2,753m (Korab peak). This unique topography contributes to geological concerns such as landslides, especially given the country's vulnerability to earthquakes. These natural characteristics present challenges, especially for transport infrastructure development.

The country's geology, stretching back to the Precambrian era, divides North Macedonia into four zones with three major fault lines. Its volcanic relief, consisting of conic peaks and volcanic tuff, is rich in polymetal ores.

Climate and Environment

The Ohrid-Prespa Transboundary Biosphere Reserve is an ecological marvel, hosting diverse habitats and wildlife, including the endangered Balkan Lynx. Water resources are unevenly distributed, with the western region receiving much higher precipitation than the central areas. Key water sources include Ohrid and Prespa Lakes. North Macedonia's wildlife is diverse, with over 22,500 recorded species. Insects dominate, but the country also hosts a plethora of birds, fish, mammals, reptiles, amphibians, and over 4,200 plant species.

According to the Ministry of Environment and Spatial Planning (MoEPP), nature of North Macedonia, in terms of geological values, is under direct and indirect threats mostly from: landslides; exploitation of mineral resources; erosion; landfills; immersion or of hazards arising directly or indirectly from

[19] 2 NTS progress reports have been prepared so far covering: 2018-2019 and December 2019-December 2021

climate change such as increased erosion, destruction of fossil glacial and periglacial forms, changes in the karst process, etc. Northern Macedonia has clearly identified major threats to individual environmental components such as: overloading of significant geological sites; abandoned mines or tailings dams[20].

In this context there is also several threats to:

- geodiversity (geology) that may affect transport system such as: landslides which can occur as a result of earthquakes, intense and long-lasting precipitation, or as a result of human activity, as well as erosion.
- geomorphology (such as landfill, hazard arising mechanical, chemical and biological pollution, geohazards caused by man).
- hydrology (such as floods as result of intensive rainfall increased the level of ground water)
- landscape diversity, such as fragmentation of forest landscapes is the result of the construction and operation of line infrastructure (especially highways), often associated with improper forest management (deforestation, erosion) and forest fires.
- biodiversity such as: the loss of natural habitats (their conversion) is most pronounced in aquatic habitats (marshes and swamps).

The country is vulnerable to climate change, especially to extreme weather events. North Macedonia regularly fulfils its reporting obligations under the UNFCCC, Kyoto Protocol and Paris Agreement. It has been praised as one of only 16 countries that are on track to honour their commitments under the Paris Agreement. Within the national plans on climate change, vulnerability and adaptation assessments have been prepared for the sectors of agriculture, forestry, water, health, biodiversity, crisis management, tourism and cultural heritage protection. These assessments serve as strategic documents for adaptation to climate change. However, legislation to specifically address climate change or an overall strategic document setting climate change priorities are lacking[21]. Coordination among the different ministries takes place in the National Climate Change Committee. Mitigation measures have been implemented in the energy sector, ranging from the introduction of energy audits to subsidies for energy efficiency measures in households. Because of the dominant use of domestic lignite for electricity production, the country has a potential for greenhouse gas (GHG) emissions reductions. Even though above-mentioned action has been taken and bearing in mind that Government plans on regular basis a budget directly or indirectly contributed to climate change mitigation measures[22], the policy framework and the human and technical capacities devoted to combatting climate still need brought attention in order to tackle the challenges posed by climate change.

Transport and Pollution

Transport is one of the main sources of air pollution in North Macedonia, along with industry, energy production, and domestic heating. This sector accounts for about 40% of the total emissions of nitrogen oxides (NOx), 20% of the total emissions of particulate matter (PM), and 10% of the total emissions of sulphur dioxide (SO2) in North Macedonia.[23]

The main transport modes contributing to air pollution are road vehicles, especially diesel cars and trucks, which emit high levels of NOx and PM12. Other transport modes, such as railways, aviation, and shipping, have lower impacts on air quality in North Macedonia.

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[20] Source: National Strategy for Nature Protection 2017-2030

[21] Source: UNECE North Macedonia Environmental Performance Reviews 3rd Review-Highlights

[22] According to Second Biennial Update Report on Climate Change as an example in 2017, 1.98 % of the State budget was devoted for climate change related expenditures

[23] Followed by: North Macedonia – air pollution country fact sheet 2022. Source: https://www.eea.europa.eu/themes/air/country-fact-sheets/2022-country-fact-sheets/north-macedonia-air-pollution

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Demographic and Economic Indicators

North Macedonia is grappling with demographic challenges affecting its socio-economic development, including an ageing population and a significant emigration rate. With over half a million citizens living abroad and near-zero population growth, these challenges are compounded by an unemployment rate of 14.4%[24] as of 2022.

In recent years, North Macedonia has achieved economic growth and macroeconomic stability, overcoming challenges such as high unemployment rates and low labour force participation, thanks to fiscal consolidation and structural reforms. However, the nation still grapples with substantial infrastructure development challenges, particularly in the transport sector, which hinders economic activity and regional integration.

According to the World Bank (WB)[25], North Macedonia's GDP experienced steady growth before the COVID-19 pandemic, with a 7.4% increase in 2021 after a contraction of 3.2% in 2020. The services sector, which contributes over 60% of total output, is the most significant component of the country's GDP. The International Monetary Fund (IMF)[26] forecasts that the country's GDP will grow by 3.6% in 2024, driven primarily by a rebound in domestic demand and an uptick in exports.

Transport Infrastructure Development

In the realm of transport infrastructure, the country has made strides in expanding its road and railway networks and enhancing connectivity with neighbouring countries. However, the country must still confront issues such as insufficient road and railway maintenance, traffic congestion, and limited public transport options.

Transport is a crucial sector for the socio-economic development of North Macedonia, as it plays a key role in facilitating trade, investment, and tourism. According to the World Bank, the transport sector's share of North Macedonia's GDP was 7.3% in 2020. This includes all transport-related activities, including the construction and maintenance of transport infrastructure, transportation services, and related activities, such as logistics and storage.

The Operational Programme for Regional Development (OPRD) 2007-2013 aimed to support sustainable development by improving transport infrastructure along the Pan-European Transport Network (Corridors VIII and X) with a financial allocation of EUR 109 million. It had four priority axes, including:

- Corridor X Motorway Completion,
- Upgrading and modernising the transport infrastructure,
- Improvement of environmental infrastructure,
- Technical assistance.

The 2014-2020 Sector Operational Programme on Transport pursued similar objectives, focusing on improving transport infrastructure and strategic reforms in the transport sector. It targeted the South East Europe Transport Observatory (SEETO) Comprehensive Road and Rail Network in North Macedonia. It had three priority actions: Rail Transport Infrastructure, Road Transport Infrastructure, Reforms, and Horizontal Sector Assistance.

While building on past initiatives, the new 2024-2027 Operational Programme on Transport is designed to further align North Macedonia's transport infrastructure with the EU acquis, pertaining to Chapter 14 and Chapter 21. This alignment is a key outcome of the programme and reflects North Macedonia's commitment to adhering to the common rights and obligations binding on all EU countries. This

[24]https://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat__PazarNaTrud__StapkiDrugiIndikatori/088_PazTrud_Mk_StapNev_ml.px/table/tableViewLayout2/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef

[25] Western Balkans Regular Economic Report: Spring 2022. World Bank, April 12th, 2022.

[26] https://www.imf.org/external/datamapper/profile/MKD

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programme also contributes to developing zero-emission mobility and more sustainable transport modalities to enhance the transport sector's competitiveness, sustainability, and regional integration. It emphasises environmental protection, energy security, and reducing external costs, such as environmental impact and congestion. By addressing infrastructure disparities and connectivity gaps, the programme fosters regional cohesion. It also tackles efficiency issues, particularly infrastructure and interoperability bottlenecks, thus improving the user experience. Special attention is given to the accessibility and transport needs of vulnerable groups, ensuring an inclusive transport environment. The programme is committed to developing a resource-efficient network, balancing infrastructure enhancement and environmental protection.

Aligned with NTS vision for 2030, North Macedonia aspires to establish a modern, integrated transport network that supports sustainable economic growth and ensures mobility for all citizens. This vision encompasses a well-maintained, safe, reliable, affordable, and accessible transport system that is resilient to emergencies and environmentally conscious. Practically, this indicates the development of infrastructure that can withstand extreme weather events and natural disasters, the promotion of public transport to reduce emissions, and the implementation of measures to minimize the environmental impact of transport infrastructure, such as noise reduction and biodiversity protection. These aspirations should translate into activities related to the planning and preparation of transport infrastructure projects. Specifically, through the development of analyses such as vulnerability assessments, it is possible to determine which climate hazards the project may be susceptible to, as well as to screen hazards for likelihood of occurrence or severity level, and in this context to precisely define the risk and select adaptive measures[27].

The transport system will comprise integrated road, rail, air, lake/port, and urban transport, governed by sustainable transport policies and leveraging ITS technologies. Adhering to international standards, EU guidelines, and directives, the transport networks will be integrated into the European TEN-T network.

Railway Infrastructure

On May 16, 2023, in Budva, Montenegro, a high-level understanding was signed between the EU and North Macedonia concerning the indicative maps of the trans-European transport network within North Macedonia. This agreement provisionally designates certain railway sections as part of what is proposed to be the Extended Core Network, pending the adoption of the TEN-T regulation, which is most likely to occur in Q1 2024.

North Macedonia's railway network is expansive and diverse, comprising 699 km of open line, 226 km of station and yard tracks, and 102 km of industrial tracks.

This network includes three main corridors: Corridor X, X-d, and VIII. The railway network density has been consistent at 36 km per 1000 square kilometres throughout 2015-2021[28], indicating a continued availability of rail transport infrastructure relative to the country's land area.

312.66 km of the open line network length is electrified. North Macedonia's railway is electrified with a 25 kV, 50 Hz AC overhead line system. This electrification is an essential step towards sustainable and efficient transportation, as it reduces reliance on fossil fuels and contributes to environmental protection.

[27] Based on practical, relatively simple and publicly available tools such as JASPERS guidelines: "The Basics of Climate Change Adaptation, Vulnerability and Risk Assessment"

[28] Main indicators of transport. PxWeb (stat.gov.mk)

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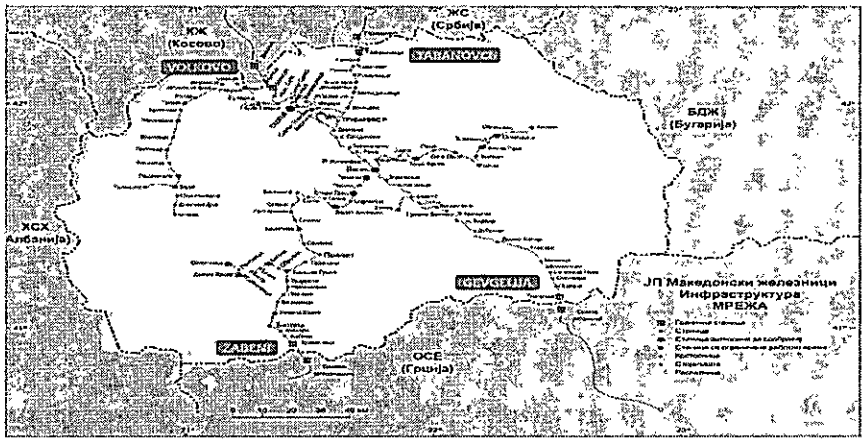

Figure 1: Railway network of North Macedonia, including border crossing points.

Most of the network is single-track, with only 103 kilometres of double track. This configuration is typical in regions with a relatively low rail traffic volume. However, those single tracks can cause delays when trains travelling in opposite directions collide. Passing loops are frequently installed at intervals along the line to mitigate this issue.

North Macedonia's railways are built to standard gauge (1435 mm). This is the most common track gauge in the world, facilitating international rail transport and compatibility with rail systems in neighbouring countries.

Railway signalling systems, including mechanical, electrical, and electronic systems, manage train movement and safety. Mechanical systems use physical signals like levers, electrical systems use electric signals to track circuits, and electronic systems use digital technology for real-time network information.

Train movement within the track's sections or 'blocks' is managed via automatic, semi-automatic, or manual block systems. Automatic systems are fully automated, with signals changing to 'stop' when a train enters a block. Semi-automatic systems are mostly automatic with provisions for manual operation, while manual methods are labour-intensive with manually controlled signals.

These systems collectively ensure that the railway network's safety and efficiency are regularly maintained to prevent failures.

The railway network of North Macedonia consists of stations and facilities crucial to its operation. There are 128 varied-sized stations and stops throughout the network where passengers board and alight, with key ones being in Skopje, Bitola, Kumanovo, and Gevgelija.

The network also includes essential facilities such as depots for storing and maintaining trains, maintenance facilities for substantial repairs, and freight terminals for goods handling and transfer. These stations and facilities ensure the efficient operation and maintenance of trains and effective transportation across the country.

Corridor X, a 215 km single electrified track, spans from the Serbian to the Greek border. Itis divided into three primary sections: Tabanovce – Skopje (49 km), Skopje – Veles (51 km), and Veles – Gevgelija (115 km). The electrification includes a single-phase system of 25 kV/50 Hz, from Tabanovce to Gevgelija, passing through Skopje and Veles. The maximum permissible train speed ranges from 65 to 100 km/h due to design parameters, although it may be limited to specific parts due to infrastructural constraints. Significant improvement projects are underway to address these issues, focusing on infrastructure, signalling, and telecommunication systems.

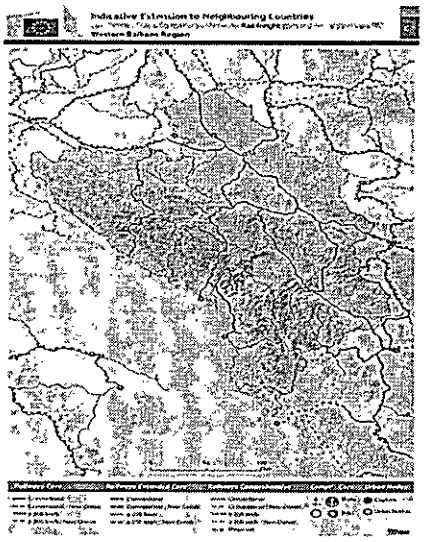

Figure 2 Indicative Extension Core/Extended Core/Comprehensive Network Rail Freight, Ports and Terminals

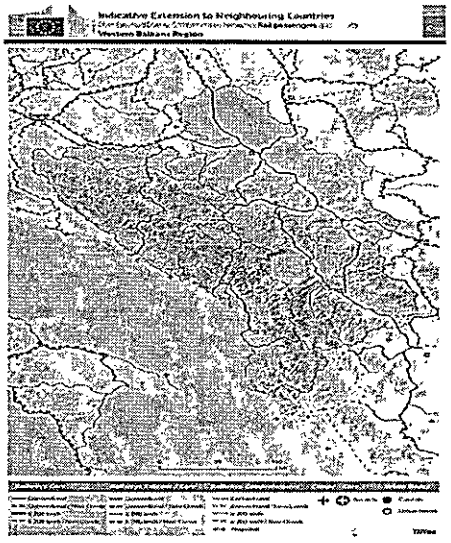

Figure 3 Indicative Extension Core/Extended Core/Comprehensive Network Rail Passengers and Airports

Disclaimer: The maps herein represent an updated network and are for indicative purposes only. As the relevant delegated acts have not been officially adopted by the European Commission, these maps are not recognized in an official capacity. All references to or use of these maps should acknowledge that their official status is pending the adoption of the aforementioned delegated acts.

Within the Single Project Pipeline's (SPP's) list of immature projects, there's a proposal to implement the European Train Control System (ETCS) level 1 across the entire Corridor X railway. This implementation will commence immediately upon completing the construction work on the Corridor VIII railway, following JASPERS's completion note and recommendations. Regarding the performance of the Global System for Mobile Communication (GSMR), considering its expected obsolescence by 2030, a new system operating on 5G technology is planned for installation on Corridor X and the eastern part of Corridor VIII.

The network includes 49 railway bridges and culverts along Corridor X, totalling 992 m in length. Most of these bridges, constructed six decades ago, are corrosion-resistant steel structures. Consequently, these bridges need new anti-corrosion protection, underscoring the importance of continuous maintenance and improvements on this critical transportation corridor. Despite regular maintenance, the condition of the bridges is concerning, posing tremendous safety risks mitigated with speed restrictions on certain parts.

Branch X-d of Corridor X runs from Veles via Prilep and Bitola to the Greek border (146 km). A section of this track, from Bitola to the Greek border, was recently reconstructed in 2019. An essential network component is this Corridor, which receives service from diesel-powered trains up to Bitola.

The East-West railway line, **Corridor VIII**, totals 339 km, with 152 km already built. It runs through Bulgaria, North Macedonia, and Albania, connecting the Bulgarian Port of Varna on the Black Sea with Albania's Port of Durres on the Adriatic Sea. Despite being under construction, Corridor VIII is already an integral part of North Macedonia's transport network, serving 62% of the country's population. The missing links in the east and west of Corridor VIII pose obstacles to international trade in the region. The completion of its connections with the Albanian and Bulgarian railway networks is anticipated after 2030.

All corridors are incorporated into the TCT Comprehensive/Core Network to the Western Balkans. This Core Network, which includes the Skopje – Kosovo border crossing, totals approximately 335 km and primarily encompasses the railway lines of Corridor X and the eastern part of the rail Corridor VIII. The western part of the rail Corridor VIII is proposed to become part of the Extended Core Network with a length of approx.—70 km, subject to the adoption of the TEN-T Regulation.

The network also connects with neighbouring countries via four border stations: Tabanovce with Serbia, Bogorodica and Zhabeni with Greece, and Volkovo near the border with Kosovo. The border crossing stations along Corridors X and X-d include one with Serbia (Tabanovce), two with Greece (Gevgelija and Kremenica), and one with Kosovo.

An analysis of North Macedonia's railway network indicates that while there has been progress in meeting international standards, substantial challenges must be addressed to foster regional integration. The TCT Comprehensive/Core Rail Network, spanning 530 km for the Comprehensive Network and 268 km for the Core Network, underscores the importance of rail infrastructure improvement to connect North Macedonia with its neighbours and facilitate the seamless movement of people and goods throughout the region.

A socio-economic analysis of rail transport infrastructure illuminates the need for improvements to align with international standards. While rehabilitation is underway on parts of the railway line along Corridor X, other features of Corridor X and other lines still necessitate modernisation and rehabilitation.

From 2016 on, North Macedonia's rail sector has displayed a dynamic trajectory. OECD statistics[29] show that while rail infrastructure capital experienced a slight dip from 2016 to 2019, it rebounded in 2021. This fluctuation indicates periods of limited investments and highlights the renewed focus on rail infrastructure development in 2021.

Investments in rail infrastructure experienced substantial growth in 2016 and 2017 (OECD statistics), attributable to specific projects and Government initiatives. However, these investments dipped in 2018 and 2019, only to rally again in 2020 and 2021.

Rail freight transport has increased in terms of nett/km. Still, as a percentage of total freight transport, it has remained stable at around 3% since 2016, hinting at a burgeoning demand for rail freight services and indicating that the rail sector still plays a crucial role in goods transport despite the challenges. Conversely, rail passenger transport has seen a downward trend since 2016. This dip could be due to factors such as limited-service quality, inadequate connectivity, competition from road transport, or evolving consumer preferences.

	Rail Passenger Transport by Year[30]	**Rail Freight Transport by Year[31]**	**Passenger Transport Demand[32]**		**Freight Transport Demand[33]**	
Year	**Passenger km (000)**	**Net tonne-km (000)**	**Passenger km, in 000 000**	**%**	**Tonne km, in 000 000**	**%**
2015	177 476	278 195	178	1.9	278	4.0
2016	82 910	221 986	83	0.9	222	3.1
2017	59 115	276 628	59	0.5	277	3.6
2018	63 232	307 156	64	0.5	307	2.8
2019	61 610	349 912	62	0.5	349	3.3
2020	25 253	342 223	25	0.2	341	3.1
2021	25 342	381 128	25	0.2	381	3.2

[29] https://stats.oecd.org/Index.aspx?QueryId=110768
[30] Rail passenger transport according to the type of transport, by years. PxWeb (stat.gov.mk)
[31] Rail transport of goods according to type of transport, by years. PxWeb (stat.gov.mk)
[32] Passenger transport demand, 1990-2021. PxWeb (stat.gov.mk)
[33] Freight transport demand, 1990-2021. PxWeb (stat.gov.mk)

Table 1: Rail Transport Demand, by Year

The rail network in North Macedonia ranks 90th out of 108 countries in the World Economic Forum and Competitiveness Rankings for Quality of Railway Infrastructure[34]. The country's transport infrastructure quality scores higher on average than other Western Balkan countries, with air transport receiving the highest score and railways the lowest.

From 2015 to 2021, the number of total railway accidents in North Macedonia has decreased, from 115 incidents in 2015 to 65 in 2021, with a few fluctuations. Notably, the most dramatic reduction occurred in accidents involving people caused by rolling stock in motion, excluding suicides. This category dropped from 78 incidents in 2015 to consistently lower figures in subsequent years. On the other hand, derailments have remained relatively steady over the years, indicating that this remains a persistent issue. Collisions were relatively rare, with only three incidents recorded over the seven years. Level-crossing accidents showed no clear trend but occurred relatively infrequently. The "Other" category, encompassing unspecified types of accidents, showed significant fluctuation, with the highest incidents in 2018. The data indicate an overall improvement in railway safety, though vigilance and safety measures should remain a priority.

Year[35]	Railway accidents - total	Collisions	Derailments	Level crossings accidents	Accidents to persons caused by rolling stock in motion, with exception of suicides	Fire in rolling stock	Other
2015	115	1	23	6	78	-	7
2016	88	1	16	14	12	-	45
2017	45	-	23	1	4	-	17
2018	97	1	17	3	14	-	62
2019	81	-	19	7	13	-	42
2020	61	-	18	5	10	-	28
2021	65	1	15	8	9	-	32

Table 2: Railway Accidents by Type, by Year

Between 2015 and 2021, the data shows a variable trend in the number of people killed and seriously injured in railway accidents in North Macedonia. The data indicates a general downward trend in total victims, with the highest number recorded in 2015 (187 victims) and the lowest in 2020 (83 victims). This implies that railway safety might have improved over the years. In terms of fatalities, the highest number was in 2015 (44 deaths), and it has decreased since then, with the lowest number of fatalities occurring in 2020 (18 deaths). The count of seriously injured victims also shows a downward trend over these years. The number of minor injuries has also decreased with slight year-to-year fluctuations. While railway accidents have generally declined, the data underscores the need for continued safety measures, especially concerning rolling stock in motion and level-crossing accidents.

Year[36]	Total victims	Seriously injured	Slightly injured	Killed
2015	187	15	128	44
2016	141	11	97	33
2017	85	7	53	25
2018	130	9	92	29

[34] https://www.theglobaleconomy.com/rankings/railroad_quality/
[35] Railway accidents by type, by years. PxWeb (stat.gov.mk)
[36] Killed and injured person by type and by category of persons in railway accidents, by years. PxWeb (stat.gov.mk)

Year[36]	Total victims	Seriously injured	Slightly injured	Killed
2019	110	10	74	26
2020	83	7	58	18
2021	92	8	62	22

Table 3: Railway Victims, by Year

Regarding safety, the 132 road crossings on two levels and 291 road-level crossings within the railway network are provided with adequate security measures. However, specific level crossings require an update.

The current state of the railway vehicle fleet, characterised by ageing and unsustainable vehicles, is alarming and requires immediate attention. The fleet's advanced age suggests that many vehicles may be operating past their prime, potentially causing increased breakdowns, accidents, and inefficient performance. This impacts the railway service's reliability and increases maintenance costs and safety concerns.

The recent amendments to the Law on the railway system[37] in North Macedonia have highlighted several critical needs for the development and maintenance of the railway infrastructure in line with EU standards, particularly the EU 4th Railway Package. This commitment aims to attract investments and ensure seamless integration into the European rail network.

Central to this commitment is the requirement to formulate a complete set of documentations related to the National program for the development of the rail infrastructure for a period of five years, including a multiannual maintenance plan and the necessary budget for rail maintenance. This is crucial as the National Program will determine the activities, implementation dynamics, and financial resources required for the construction, reconstruction, overhaul, and maintenance of the railway infrastructure.

In addition to infrastructure development, the emphasis is also on enhancing the competencies of the national railway authorities. By leveraging EU expertise, there's an endeavour to elevate management capabilities, align North Macedonia's railway regulations with EU stipulations, and institute a consistent culture of safety across all operations.

Further, the amended Law on Interoperability[38] necessitates the comprehensive adoption of the Technical Specifications for Interoperability (TSIs) into the country's legal framework.

Lastly, with the impending opening of the railway market and the entry of a second operator, there is a need to review and, if necessary, harmonize the existing legislation on track access charges with new EU regulations.

Liberalisation of train operations has not yet been realised, and improvements should be made in rail transportation conditions and services. More than ten years have passed since the former railway enterprise was divided into two independent entities. Yet, market liberalisation in railway transport and the entry of new operators still need to be realised, despite certain amendments to the respective laws in the procedure.

Enhancing the interconnection of transport modalities – encompassing road, rail, and airway systems – holds substantial potential for strengthening territorial unity and cooperation. This can be achieved by integrating national road and rail infrastructure with EU Corridors and the Comprehensive network

[37] Submitted to the Assembly of the Republic of North Macedonia for approval

[38] Law on Interoperability in the Railway System: "Official Gazette of the Republic of Macedonia" Nos. 17/11, 163/13, 147/15, 31/16 and "Official Gazette of the Republic of North Macedonia" No. 285/20. The most recent amendments submitted to the Assembly of the Republic of North Macedonia for approval

across the region. Although Skopje and Ohrid airports offer diverse passenger transport options, it is worth noting that a direct railway connection between them is currently lacking.

Intermodal transport, predominantly employed for international freight transit from the Port of Thessaloniki via the railway line along Corridor X, still needs to be fully developed. This gap, coupled with limited infrastructure and an overarching emphasis on transit, underscores the importance of fostering intermodal transport growth. Such development is key to fuelling socio-economic expansion and promoting sustainable freight transportation.

Prioritising improvements to intermodal infrastructure and allocating resources for railway maintenance could significantly boost the country's Logistics Performance Index (LPI), recorded at 3.10 in 2022[39]. The government acknowledges the need for green mobility and logistics, taking initiatives like Skopje's Sustainable Urban Mobility Plan (SUMP) and encouraging a shift from private to public transport, including shared transit. These efforts underline the commitment to a more environmentally efficient and inclusive transport system. Notably, adding a railway connection between Skopje and Ohrid airports would significantly contribute to this cause, enhancing the passenger experience and the broader effectiveness of the region's transport network. Moreover, the government plans to promote intermodal and multimodal transport and improve sustainable urban transport planning in major cities. Encouraging a shift from road to rail freight transport, expanding non-motorised modes, and developing intermodal transport are strategies aimed at reducing CO2 emissions and providing inclusive transportation for vulnerable populations.

While North Macedonia has made strides in enhancing its rail infrastructure, various reports[40] highlight the remaining challenges in infrastructure investment, regulatory harmonisation, and capacity building. For a more interconnected and efficient rail network, the country must prioritise securing funds for infrastructure upgrades, including modernising tracks, signalling systems, and rolling stock.

Regulatory harmonisation is integral to facilitating cross-border rail services and promoting regional integration. North Macedonia should persist in adopting EU standards and practices to align with EU regulations and technical standards.

NTS 2018-2030 highlights specific targets for North Macedonia's rail network, including the total length of constructed/reconstructed railway lines within the TCT Comprehensive /Core Network, the implementation status of the Transport Community Treaty, improvements in the Logistics Performance Index (LPI) for infrastructure, and advancements in the area of trans-European networks (chapter 21).

Additional targets encompass reducing CO2 emissions from transport fuel combustion, increasing the volume of goods transported by railway, constructing multimodal/intermodal nodes with terminals and platforms, reducing rail accidents, and decreasing the number of fatalities per million inhabitants on the National and Regional Road Network.

In the context of the railway infrastructure, North Macedonia's CO2 emissions data, as detailed by the Makstat Database, holds significant relevance[41].

The data illustrates a continual increase in greenhouse gas (GHG) emissions from the transport sector in CO2 equivalent (kt) from 2008 to 2025 under the basic scenario. Emissions rose from 1,390 kt in 2008 to a projected 2,427 kt in 2025. This represents a significant growth in emissions over the period,

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[39] Logistics performance index: Overall (1=low to 5=high) - North Macedonia | Data (worldbank.org)

[40] Transport Community Permanent Secretariat: Action Plans and the EU *Acquis* Progress Report, November 2022, the Revised Action Plan on Social and Passenger Rights *Acquis*, the Rail Action Plan for the Western Balkans, and the Five-Year Rolling Work Plan for Development of Indicative TEN-T Extension of the Comprehensive and Core Network in the Western Balkans, the NTS 2018-2030 Second Progress Report

[41] Projections of all GHG emissions for the sectors in CO2 - equivalent [kt] (basic scenario), by years. PxWeb (stat.gov.mk)

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indicating the rising impact of transport on the environment. The consistent upward trend underscores the need for substantial efforts to mitigate GHG emissions in this sector.

This data underscores the importance of efficient and sustainable transport infrastructure, including both railways and roads. Railways, being a more environmentally friendly mode of transport when compared to roads or air travel, can significantly reduce a country's overall emissions. Nevertheless, given the dominance of road transport, it is essential to also address the environmental impacts of the road sector. In order to reduce bottlenecks and the occurrence of traffic congestion, which contributes to an increase in greenhouse gas emissions, it is essential to take the necessary measures to improve the road infrastructure. Nonetheless, complementary to the system approach, measures such as promoting cleaner vehicles, implementing stricter emission standards, and enhancing public transport should help mitigate the negative effects of road transport. By investing in and promoting both rail and sustainable road transport, North Macedonia has the potential to curb its escalating emissions trend. Moreover, aligning with the European Union's environmental standards is necessary for North Macedonia's EU integration process. Hence, improvements in both railway and road infrastructure benefit the transport sector and are critical to the country's sustainability and integration goals.

While North Macedonia has made progress in developing its rail infrastructure, addressing challenges in infrastructure investment, regulatory harmonisation, and capacity building will be crucial for the country's rail network to reach its full potential and meet the targets outlined in NTS 2018-2030.

SWOT Analysis – Rail Transport

STRENGTHS	WEAKNESSES
1. Availability of Single Project Pipeline based on MCA methodology. 2. Strategic Corridor Connections: The country benefits from the strategic alignment of Corridors X, X-d, and VIII, which serve as crucial conduits for the international transit of goods and passengers. 3. Infrastructure Enhancement Efforts: Rehabilitation initiatives, such as the recent reconstruction of the section from Bitola to the Greek border, are underway to upgrade the existing rail infrastructure. 4. Resurging Investments: The years following 2019 have seen a resurgence in capital investment in the rail sector, underscoring a renewed commitment to rail development. 5. Progress in EU Regulatory Alignment: Significant strides have been made towards harmonising North Macedonia's railway legislation with EU standards and requirements, including adapting EU technical specifications and formulating new railway-specific laws. 6. Commitment to Infrastructure Rehabilitation: A focus on the partial rehabilitation of Corridor X has contributed to an overall enhancement in the rail network's infrastructure quality. 7. Alignment with the National Transport Strategy: The government's commitment to improving rail infrastructure aligns with the	1. Outdated Infrastructure: The rail network features ageing structures like bridges and culverts along Corridor X, which require modern anti-corrosion measures for longevity and specific improvements related to maintaining safety and stability. 2. Restricted Train Velocity: Maximum permissible speeds on Corridor X are limited to 65-100 km/h due to design parameters. On specific parts of the network, there is a speed restriction due to infrastructural constraints. 3. Ageing Fleet: The railway vehicle fleet is ageing and unsustainable, necessitating modernisation. 4. Limited Electrification: With only 312.66 km of the total open track line network length electrified, opportunities for environmentally friendly and efficient rail operations are constrained. 5. Safety Concerns at Crossings: Road crossings are provided with adequate security measures; however, specific level crossings require an update. 6. Absence of Airport-Rail Connection: The lack of a railway link between Skopje and Ohrid airports and the main passenger station restricts the intermodal connectivity. 7. Insufficient Multimodal Integration: The rail network's lack of comprehensive integration with other transport modes restricts efficient movement of goods and passengers.

strategic objectives of NTS, reinforcing the potential for successful interventions. 8. Technological Upgrades: Projects to advance signalling and telecommunication systems are in motion, indicating an ongoing commitment to modernising the country's rail system; active use of RIAMS technology, being the only country in the WB6 to use it. 9. Implementation of recent amendments to the Law on the railway system and the Law on Interoperability in the Railway System, indicating the government's commitment to railway infrastructure development and maintenance	8. Corridor VIII Connectivity Gaps: Unlinked sections in the east and west of Corridor VIII obstruct international trade flows in the region. 9. Dwindling Passenger Traffic: The decreasing trend in passenger rail transport since 2016 underscores concerns regarding service quality and connectivity. 10. Limited capacity for planning, implementing, maintaining and evaluating rail infrastructure along with potential political, bureaucratic, or technical hurdles, may inhibit new railway law implementation and EU regulation harmonisation.
OPPORTUNITIES	**THREATS**
1. Corridor VIII Completion: The anticipated completion of Corridor VIII is expected to enhance regional connectivity and bolster international trade. 2. Infrastructure Upgrades: The government's refocused attention on rail infrastructure investment in 2021 opens avenues for infrastructure enhancements, including the modernisation of tracks, signalling systems, and rolling stock. 3. Feasibility Studies: Conducting comprehensive feasibility studies for modernising railway lines and signalling systems and promoting multimodal integration can substantially improve the overall efficiency, effectiveness and safety of the rail network. 4. TCT Network Integration: The inclusion of Corridor X and the western part of Corridor VIII in the TCT Comprehensive/Core Network presents opportunities for increased regional integration. 5. Regulatory Alignment: Synchronising the transport legislation of North Macedonia with the EU *acquis* and standardising national technical norms with EU directives and TSIs could streamline cross-border rail services and promote regional integration. 6. Regional Cooperation: Strengthening regional ties with neighbouring countries and persisting in the adoption of EU standards will ease cross-border rail services, spurring economic growth and integration. 7. Emphasis on Sustainability: The National Transport Strategy 2018-2030's aim to curtail CO2 emissions from transport fuel combustion encourages the pursuit of environmentally friendly initiatives,	1. Liberalisation Hurdles: Despite the division of the former public railways enterprise over a decade ago, market liberalisation remains incomplete, potentially stunting the growth and competitiveness of the rail sector. 2. Regulatory Delays: The implementation of new railway laws and harmonisation with EU regulations may encounter delays due to political, bureaucratic, or technical obstacles. 3. Railway infrastructure is not of sufficient quality to handle the liberalisation of the rail transport market and respond to the needs of the market and the timely arrival of goods and passengers. 4. Resistance to Change: There may be resistance to liberalisation and competition within the rail transport sector, posing additional challenges. 5. Safety Risks: The existence of 132 two-level road crossings and 291 level road crossings with outdated security measures present substantial safety risks. 6. Slow Infrastructure Progress: Despite ongoing rehabilitation and modernisation efforts, progress has been sluggish, with only 32% of the TEN-T network indicator achieved. 7. Incomplete Corridors: Unfinished sections of Corridor VIII and insufficient regional cooperation obstruct international trade and restrict potential regional connectivity. 8. Development Delays: The projected completion of Corridor VIII is not due until after 2030 by all concerned countries, which could limit the anticipated benefits of increased connectivity and trade. 9. Funding Challenges: Economic constraints and competing priorities may complicate the

including investing in electrification and modern rolling stock. 8. Enhancing Safety Measures: The installation of advanced signalling equipment, fortification of level crossing security, and strict adherence to safety norms can significantly improve railway safety. 9. Intermodal Transport Expansion: The potential for intermodal transport development, particularly concerning international freight transit from the Port of Thessaloniki via the railway line along Corridor X, is vast. 10. Funding Opportunities: Prioritising funds from international donors, the EU and IFIs could support infrastructure upgrades and the construction of intermodal transport hubs. 11. New Rail Links: Developing new rail connections to Varna (Bulgaria) in the east and Durrës (Albania) in the west could further enhance regional integration and stimulate economic growth. 12. Encouraging Rail Use: Promoting the use of rail over road transport for both passengers and freight could alleviate congestion, minimise environmental impact, and foster the development of a sustainable transport system. 13. Increase in budget allocation for regular maintenance related to the respective amendments of national laws. 14. Incentives for rail track maintenance employees. 15. Infrastructure Standards: Efforts to comply with international safety and infrastructure standards could enhance regional integration and economic growth. 16. Market liberalization with the entry of a second operator and the opportunity to align national legislation and standards with EU regulations and standards. 17. 18. With the pending liberalisation of the railway market in 2023 market strategies should be developed to attract a greater amount of transport of goods and passengers via railway. 19. Potential for promoting green transportation options, enhancing climate resilience of the transport infrastructure, and contributing to global efforts to reduce CO2 emissions	securing of funds necessary for infrastructure upgrades, modernisation, and multimodal integration. 10. Economic Changes: Shifts in the global and regional economies could impact the availability of funding and the prioritisation of railway infrastructure projects. 11. Regional Competition: Neighbouring countries may enhance their own rail networks and attract international trade and investment, diminishing the potential benefits of the railway network of North Macedonia. 12. Environmental Threats: The upward trend of CO2 emissions from 2003 to 2020 threatens the environmental sustainability efforts of North Macedonia. 13. Competition from Other Modes: Other transport modes, such as road or air transport, could pose a significant threat to the competitiveness of the rail sector, especially given the current high competition from road transport and the limited quality of rail passenger services. 14. Potential delays in preparing necessary documentation and adopting TSIs, and challenges in harmonizing existing legislation with new EU regulations. 15. Potential impacts of climate change on the transport infrastructure (e.g., extreme weather events causing damage to infrastructure), and the challenges associated with transitioning to greener transportation options

Road Transport

The road infrastructure in North Macedonia consists of local roads (approximately 14410 km), state road networks (906 km), and motorways (228 km). Since 2016, the national state roads have aligned

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with the TEN-T Corridors and the Comprehensive/Core European Road network, covering 850 km and 513 km, respectively. The TEN-T Core Network Corridors run along a north-south axis via Corridors VIII and X/X-d, facilitating movement within the country and connecting to regional neighbours and Europe. The favourable geographical location of the country has contributed to the development of international traffic on axes that run North-South (Corridor X, including branch X-d) and East-West (Corridor VIII) as part of the Comprehensive Network, which is part of the TEN-T.

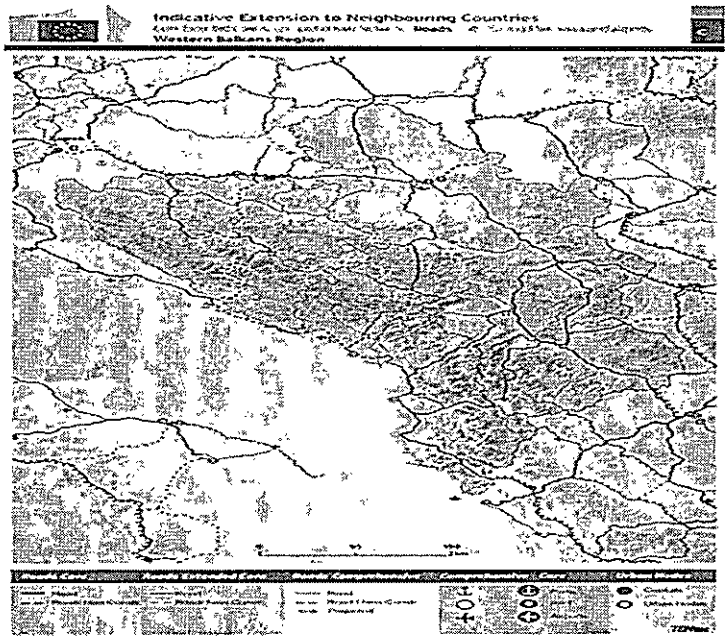

Figure 4: Indicative Extension Core/Extended Core/Comprehensive network Roads, ports rail-roads terminals and airports

Disclaimer: *The map herein represents an updated network and are for indicative purposes only. As the relevant delegated acts have not been officially adopted by the European Commission, this map is not recognized in an official capacity. All references to or use of this map should acknowledge that their official status is pending the adoption of the aforementioned delegated acts.*

On May 16, 2023, in Budva, Montenegro, a high-level understanding was signed between the EU and North Macedonia concerning the indicative maps of the trans-European transport network within North Macedonia. This agreement provisionally designates certain road sections as part of what is proposed to be the Extended Core Network, pending the adoption of the TEN-T regulation, which is most likely to occur in Q1 2024.

The Comprehensive Road network has 850 km lengths, and the Core Road network consists of 513 km of roads passing through the territory of North Macedonia.

The road infrastructure along the EU Corridor X passing from Serbia to Greece is already constructed as a motorway, except the existing road section Katlanovo – Veles on Corridor X going on the right carriageway, which is not built according to motorway standards. Corridor VIII connects the Adriatic with the Black Sea, and the road infrastructure along Corridor VIII is only 37% constructed according to motorway standards. Corridor X-d is a sub-section of Corridor X beginning in Veles via Bitola ends

at the border crossing with Greece. This road is 117 km long, and the whole section is a highway with one traffic line for each direction.

Comprehensive Network	km	Core Network	km
Corridor VIII	298	Coridor VIII	298
Corridor X	195	Corridor X	195
Corridor Xd	117	Route 6a)Kosovo border-Skopje)	20
Route 6a (Kosovo border –Skopje)	20		
Route 8 (Podmolje – Bitola)	78		
Route 10 (Miladinovci – Shtip –Novo Selo)	142		
Total Comprehensive Network	850	Total Core network	513

Table 4: Comprehensive/Core Road Network passing North Macedonia

There are **14 road border crossings** with the neighbour countries:

- 3 with Greece,
- 3 with Bulgaria,
- 2 with Serbia,
- 2 with Kosovo,
- 4 with Albania.

The public road network in North Macedonia comprises 14,182 km of roads. The abovementioned road network is divided into the following categories/types:

Category/Type	Km
Motorways	242
National roads	911
Regional	3771
Local/municipal roads	9258
Total public roads	14182

Table 5: Length of categories of roads

The most significant road network, including motorways, and national and regional roads with a total length of 4924 km, is managed by the PESR.

Each of the 80 municipalities in North Macedonia is responsible for managing local/municipal roads. These roads encompass a combination of rural routes that connect villages and towns, as well as streets within urban areas and villages. On average, most municipalities oversee approximately 100 kilometres of local roads.

The country is intersected by two main Trans-European Network Corridors:

- Corridor VIII (east-west)
- Corridor X (north-south)

Regional roads provide access to the main transport corridors and the national road network. The local roads are greatly important for the local economic development, attracting new investments, small businesses and agricultural activities throughout the country. According to the current legislation, the PESR is responsible for managing, constructing, reconstructing, maintaining, and protecting the state road assets in North Macedonia.

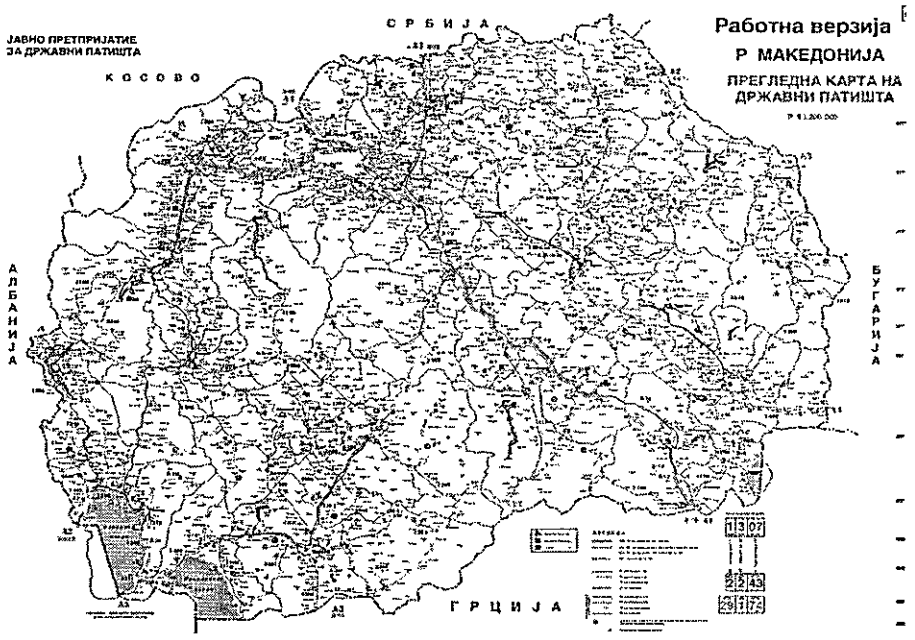

Figure 5: National Road Network of North Macedonia[42]

The operation and maintenance (OEM) of state/national roads are predominantly financed for the most part, with funds from the motorway toll revenues. This includes:

- Receipts from road tax imposed as an annual levy per vehicle registered in North Macedonia.
- Percentage of excise duty tax from fuel sales.
- Other types of revenues, such as income from issuing circulation permits for oversized and overload vehicles.

PESR is responsible for managing, planning, and implementing activities related to the road network, including development and maintenance, annually. The toll collection system and traffic management activities are carried out on behalf of PESR. The enterprise also handles the planning and execution of construction, extension, and major rehabilitation projects.

Activities supporting road management include:

- Inventory of the network,
- Carrying out periodic technical condition measurements,
- Carrying out traffic volume measurements,
- Carrying out random road safety inspections.

PESR utilises various systems for planning activities on the road network, including:

- Road Asset Management System, which incorporates a GIS module for road asset inventory,
- Other RAMS modules, such as BMS or PMS, are in the implementation phase,
- Traffic model operated using VISSUM software (owned by MoTC),
- Road accident data (owned by the Ministry of Internal Affairs).

[42] Source: http://mtc.gov.mk/

Maintenance activities, such as routine, periodic and winter, are carried out using the following resources:

- The Public Enterprise for Maintenance and Protection of National and Regional Roads,
- Service providers (private companies) contracted by PESR. This applies specifically to lower-category roads.

Technical Condition of the Roads

The technical condition of roads in North Macedonia varies across the country. Some roads are in good condition, while others need repair and rehabilitation. According to the World Road Statistics 2020 report by the International Road Federation (IRF) 2018, approximately 45% of North Macedonia's entire road network was in good condition, while 28% was in fair condition, and 27% was in poor condition.

The current measurement data co-located by PESR within the RAMS indicate the following:

- Significant damage to the road infrastructure of motorways, especially on the sections of the most heavily trafficked A1, A2 and A4 motorways.
- Typical types of damage occurring on these sections are transverse cracks, spalling, potholes, ruts, and unsatisfactory roughness parameters.
- In addition, the locally damaged and obstructed drainage system should be pointed out.

An important element of the technical condition is the ageing road safety infrastructure, such as road safety barriers, which do not meet modern requirements and EU standards. In recent years, PESR has implemented guardrails according to the EN1317 standard during the reconstruction and construction of new road sections.[43]

Average daily traffic

According to available data, the Annual Average Daily Traffic (AADT) on major roads in North Macedonia ranges from around 4,000 to over 40,000 vehicles per day, depending on the specific road segment. For example, the AADT on the Skopje-Tetovo highway, a significant road in the country, is estimated to be around 25,000 vehicles per day.

Similarly, available data shows that the AADT on motorways in North Macedonia ranges from approximately 12,000 to over 40,000 vehicles per day, depending on the specific section of the motorway. For example, the AADT on the A1 motorway, which connects Skopje and the northern border with Serbia, is estimated to be around 23,000 vehicles daily. It is important to note that these figures may vary depending on the specific year and period of measurement and any recent changes or developments in the transport network.

The available data indicate that the AADT on major roads and motorways in North Macedonia has gradually increased as the country's economy and population continue to grow. For example, between 2015 and 2018, the AADT on the A1 motorway increased from around 16,000 vehicles per day to about 23,000 vehicles per day. Similarly, between 2015 and 2018, the AADT on the A2 motorway increased from about 8,000 to around 12,000 vehicles per day. However, it is essential to note that these figures

[43] EN 1317 is a European standard that specifies requirements and testing methods for road restraint systems, also known as road safety barriers or crash barriers. The standard is titled "Road restraint systems - Part 1: Terminology and general criteria for test methods" and is part of a series of standards under the EN 1317 series.

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may vary depending on the specific year and period of measurement and any recent changes or developments in the transport network.[44]

Regarding traffic volumes for individual road categories, the highest volume of traffic, including heavy vehicles with a permissible gross weight of more than 3.5 tons (HGV) is observed on motorway sections primarily located in Corridor X and the connection of Corridors X and VIII in the Skopje metropolitan area.

Specifically, the AADT for motorway sections is as follows:

- A1 Miladinovci – Petrovac 2019 to 2022 average is 8716 HGV per day: Average: 1210 heavy vehicles/day for the period 2019 to 2022.
- A2 Miladinovci – Hipodrom 2019 to 2022 average is 14 580 HGV per day: Average: 2057 heavy vehicles/day for the period 2019 to 2022.
- A4 Petrovac – Hipodrom 2019 to 2022 average is 16715 HGV per day: Average: 1473 heavy vehicles/day for the period 2019 to 2022.

Safety

According to the available data from the World Health Organization (WHO), in 2019, North Macedonia had a road traffic fatality rate of 60. per 1 mln population, and this rate is higher than the European average of 44 per 1 mln. The same data shows that in 2019, North Macedonia had 168 road traffic deaths. Of these, 106 were drivers, 23 were passengers, 20 were pedestrians, and 19 were motorcyclists.

Regarding age groups, the highest number of road traffic deaths in North Macedonia in 2019 occurred in the age group 25-64 years, with 90 deaths. The age group with the second highest road traffic deaths was 15-24 years, with 32 deaths. Furthermore, the WHO data reveals that most road traffic fatalities in North Macedonia are males. In 2019, 131 males died in road traffic accidents, compared to 37 females.

Overall, road safety remains a significant challenge in North Macedonia, and the Government and relevant stakeholders are continuing to implement measures to improve road safety and reduce the number of accidents and fatalities on the country's roads.

According to the data from the SSO of North Macedonia, the number of road traffic accidents, injuries, and fatalities in the country in the years 2019, 2020, and 2021 were as follows:

Year	Number of accidents	Number of injured	Number of fatalities
2019	6,346	9,033	235
2020	5,175	6,922	184
2021	5,261	6,939	160

Table 6: number of road traffic accidents, injuries, and fatalities in the country in the years 2019, 2020, and 2021

Comparative analysis of the road safety situation within the region based on the provided data:

Regional Partner	Fatalities per million 2019	Fatalities per million 2020	Fatalities per million 2021	Fatalities per million 2022
Albania	80	63	69	59

[44] Sources: European Bank for Reconstruction and Development (EBRD) "Western Balkans Investment Framework - Transport Infrastructure Projects" report from June 2018 and the "North Macedonia: Country Diagnostic" report from April 2020., Ministry of Transport and Communications of North Macedonia, such as the "Master Plan for Transport in North Macedonia 2018-2030" report from December 2018, "Assessment of the Environmental and Social Impacts for the Construction of Two Sections of the A1 Motorway and Two Sections of the A2 Motorway in North Macedonia," which was published by the EBRD in 2018.

Regional Partner	Fatalities per million 2019	Fatalities per million 2020	Fatalities per million 2021	Fatalities per million 2022
Bosnia and Herzegovina	74	69	74	
Kosovo	60	43	59	59
Montenegro	76	77	88	118
North Macedonia	**63**	**60**	**56**	**65**
Serbia	77	71	75	81
Western Balkans	73	66	70	[45]

Table 7: Number of fatalities per million inhabitants for the period 2019-2022

The percentage changes in the table are based on the rate per million inhabitants.

Regional Partner	Year 2019	Year 2020	Year 2021	Year 2022	% change 2021/2022
Albania	227	181	197	164	-17%
Bosnia and Herzegovina	261	244	263		
Kosovo	113	81	111	106	-5%
Montenegro	47	48	55	73	33%
North Macedonia	**132**	**125**	**116**	**120**	**3%**
Serbia	534	492	521	553	6%
Western Balkans	1314	1171	1255		

Table 8: Number of fatalities for 2019-2022 and change in percentage for 2021/2022

It should be noted that an annual programme of road construction and development, including motorway construction, is currently being carried out by PESR.

During the investment process, the needs and requirements of environmental protection, including social security, are taken into account to minimise the impact of the investment on environmental changes. To this end, several technical solutions are used, such as water treatment ponds, animal passes, fences, etc.

Based on the data, the following observations can be made regarding fatalities per million inhabitants; North Macedonia.has been consistently below the regional average since 2019.

According to Eurostat data, the road transport network density in North Macedonia was lower than the EU average in 2019. The average traffic level in main road corridors does not present high congestion, except near the borders with Bulgaria and Greece. The motorisation rate in North Macedonia increased by 36% from 2010 to 2020, but this was the second-lowest increase among Western Balkan countries.

From 2016 to 2021, there were 22,659 accidents in North Macedonia, resulting in 826 deaths and 35,619 serious injuries (Makstat Database[46]). Despite a decrease in fatalities since 2016, the rate of deaths per million population remains higher than the EU-27 average. The EU aims to halve the number of mortal victims registered in 2021 by 2030.

[45] Source: Transport Community Treaty

[46] State Statistical Office of North Macedonia: MAKSTAT Database. https://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat__Transport__PrevezeniPatnic iStoki

Passenger transport in North Macedonia primarily relies on cars (Makstat Database), with a low percentage of passengers using rail transport compared to the EU. Conversely, the rate of bus passengers is more than twice as high as in the EU. Regarding freight transport, nearly 97% is done by road, despite a more balanced split between road and rail transport 30 years ago (Makstat Database).

North Macedonia is developing a comprehensive ITS strategy to align with technological advancements and promote sustainable and efficient mobility. Investments in the road sector have improved network conditions, but capacity issues are expected by 2030 in some sections.

The air pollution from transport is mainly concentrated in urban areas, where traffic congestion and low vehicle standards worsen the situation. Skopje, the capital city of North Macedonia, is one of the most polluted cities in Europe, with annual average levels of PM2.5 exceeding the WHO guideline by four times. Therefore, North Macedonia, in order to prevent excessive emissions of pollutants, must also properly manage the assets of the road infrastructure to prevent the occurrence of traffic congestion phenomena. It must also provide robust condition to reduce the vulnerability of road infrastructure to natural hazards resulting from global climate change.

In order to adapt the roads of North Macedonia to exposure for climate change related hazards the following measures are being considered:

- For **increasing temperatures and heat waves**, it is considered using more heat-resistant materials, such as modified asphalt or concrete, that can withstand higher temperatures and prevent cracking or rutting. Also planting trees and vegetation or installing solar panels along the roads, which can reduce the urban heat island effect and provide renewable energy as well.
- For **changing precipitation patterns and droughts**, road infrastructure needs to be adapted by improving the drainage and irrigation systems, such as installing permeable pavements, rain gardens, or bioswales, that can capture and store rainwater and reduce runoff and flooding.
- For more **frequent and severe floods, landslides, and storms**, should be adapted by increasing the elevation and reinforcement of bridges, culverts, and embankments, that can prevent or reduce the damage from water inundation and erosion. Roads can also be protected by installing barriers, such as dikes, levees, or gabions, that can divert or absorb the impact of water or debris flows.

North Macedonia must allocate sufficient resources for regular maintenance and rehabilitation, also, in rural areas where road condition is often subpar. The road vehicle fleet is old and unsustainable, requiring progressive fleet renewal. Border passing times for commercial vehicles at international border crossings need infrastructure and customs facilities improvements.

North Macedonia is working to harmonise its transport legislation with the EU law, reflecting its dedication to infrastructure improvement and alignment with European standards. The country has made progress in synchronising road transport legislation with EU laws by implementing the Road Transport Law. To comply with EU regulations, North Macedonia should implement passenger rights legislation in all modes of transport, to fully align the ITS Directive, and introduce relevant national laws. Adopting digital solutions and technological advancements in mobility and transport can enhance efficiency, improve road safety and contribute to the reduction of greenhouse gas (GHG) emissions.

Simultaneously, North Macedonia is grappling with specific challenges in enhancing road safety, implementing road policies, and aligning with the EU regulation requirements of the Transport Community Treaty (TCT). The state road infrastructure necessitates a comprehensive strategic plan for its development and maintenance over the coming decade, as stipulated by the Law on Public Roads. Additionally, technical assistance is required to align the national legislation with the Directive 2004/54/EC, which includes classifying tunnels according to the ADR convention. There is also a need for technical assistance in implementing EU legislative on tariffs, crisis measures, and hired vehicles. These challenges highlight a broader need for capacity building, expert support, and guidance for the relevant authorities in North Macedonia. Addressing these challenges will not only enhance road safety and infrastructure but also ensure alignment with the EU regulation requirements of the TCT, ultimately contributing to a more efficient, safer and sustainable road transport system in North Macedonia.

North Macedonia should continue participating in regional initiatives to improve traffic management, road safety, and environmental sustainability. Improving accessibility and quality of the national transport infrastructure network and transport services is a priority, as is ensuring the socio-economic and financial feasibility of transport development projects and initiatives.

The country is committed to upgrading infrastructure, as demonstrated by NTS 2018-2030 and the Second National Strategy 2015-2020. Following NTS 2018-2030, North Macedonia prioritises upgrading infrastructure, harmonising transport legislation with EU law, and reducing road accident victims. Measures include enhancing road surfaces, funding safety initiatives, and implementing ITS.

North Macedonia has made progress in road infrastructure and safety, as indicated by reports and action plans from the Transport Community. However, further efforts are needed in areas such as road maintenance and rehabilitation, road safety initiatives, and the full implementation of ITS.

SWOT Analysis – Road Transport

Strengths	Weaknesses
1. Availability of Single Project Pipeline based on MCA methodology, 2. Alignment of national trunk roads with TEN-T Corridors and the Comprehensive/Core European Road network, 3. A well-established organisational and business model for the management of road infrastructure based on the revenues from road tax, toll collection, fuel excise tax (30%) and other incomes earmarked for road construction, reconstruction, rehabilitation, maintenance and protection of state roads, managed by a state-owned enterprise - PESR, 4. Road Asset Management System is implemented and used, including a geo-spatial inventory module and systems for the planning of road pavement rehabilitation measures (PMS) and implementation of (BMS)[47] is in an advance stage, 5. Commitment to upgrading infrastructure network through evidence-based and data driven Road Asset Management System, 6. Planning of activities based on 1-year and 5-year programmes for road construction, reconstruction, rehabilitation, maintenance, and protection of state roads, 7. Existence of a legal mandate for the development and maintenance of state road infrastructure 8. Progress in motorway construction of Road Corridor VIII, and upgrading of remaining	1. Lower road transport network density than the EU average, 2. Higher rate of deaths per 1 million population from road accidents compared to the EU-27 average, 3. Inadequacies of infrastructure projects designed for vulnerable road users including people with disabilities, pedestrians, cyclists (Vulnerable Road user's), 4. the observed increasing tendency in the number of deaths and injured persons in traffic accidents, 5. Inadequate maintenance and rehabilitation of roads, particularly in rural areas, 6. The alignment with sector related EU directives and the enactment of EU legislation on road tunnel safety, infrastructure safety, tolling, tariffs, crisis measures, and hired vehicles have not yet been fully reflected in national regulations. 7. Old and unsustainable road vehicle fleet, 8. Limitations in availability of standard technical specifications for construction work execution and acceptance within road authorities may lead to quality inconsistencies, and risk of project delays or cost overruns. 9. Underdeveloped infrastructure on roads to support the development of low-carbon mobility, including charging infrastructure for electric vehicles, 10. Insufficient capacity and capabilities in government and local authority

[47] https://webgis.roads.org.mk/webgis/#/map

sections on Road Corridor X to motorway standards, 9. Adoption of comprehensive ITS strategy for sustainable and efficient mobility, 10. Progress in alignment of EU directives for Road transport sector into a national legislation, 11. Functional Entity (State Transport Inspectorate) for the Control of road construction works traffic. 12. Established National Road Safety Council, 13. Current regime: overloaded heavy vehicles, control of the toll payment of road users, the road transport of goods and passengers, 14. Established Single project pipeline for Road infrastructure, 15. Efforts to improve Road transport efficiency, 16. Established electronic toll collection system on Road Corridor X and Motorway Miladinovci – Shtip and under implementation on Road Corridor VIII, 17. Implementation of instalment of certain number of weighs in motion units, in progress.	administrations administering the road transport sector likewise road safety auditors or ITS experts, 11. Part of the equipment to carry out regular inspections and tests of the quality and wear of road infrastructure components and materials is outdated, 12. The existence of bottlenecks which cause congestion and increase travel time and hamper transport and logistical operations, 13. Lack of supporting infrastructure to facilitate other travel needs such as parking and rest areas, etc., 14. Deficiencies in environmental protection infrastructure such as fauna, flora, soil, air (oil separators, proper drainage systems, fences, etc.), 15. Insufficient measures to ensure that the road infrastructure is resistant to natural phenomena associated with climate change, e.g., subsidence as a result of heavy rainfall, indicating a lack of climate vulnerability and risk assessment followed by adaptation measures. 16. Insufficient terrain investigations during the project preparation stage (geotechnical, etc.)Lack of qualified supervising engineers, especially in area of Quality control and Quality Assurance, not sufficient data on floods and erosion areas, and maintenance issue.
Opportunities	**Threats**
1. Construction of new and modernisation of existing road sections on the Core and comprehensive network, providing quality and safe TEN-T connections with neighbouring EU Member States and the wider region in the Western Balkans, 2. the implementation of a harmonised model for road infrastructure safety management in accordance with the spirit of Directive 96/2008, including the setting up of road safety risk assessment procedures, safety audits and inspections, could contribute to a fall in the number and seriousness of road accidents, 3. Support multimodality and sustainable transport systems through stronger integration of various transport modes and promoting modal shift for road users, 4. Advancement of sector planning and development through preparation of sector	1. Level of road safety remains a concern, 2. Increasing motorization rate and demand for road transportation may exacerbate capacity issues and place additional strain on the road network, 3. Lack of timely and effective implementation of proposed projects may hinder progress in infrastructure improvement and alignment with European standards, 4. The compromised quality of constructed infrastructure, a sub-optimal maintenance model and a compromised approach to selecting and prioritising treatments can lead to a too rapid loss of service levels and deterioration of the road infrastructure, 5. Emerging overloaded transport causing premature deterioration of road surfaces, 6. Insufficient resources allocated for regular maintenance and rehabilitation of roads,

and project documentation and capacity building, 5. Implementation of measures for improvement of road safety on Corridors X, Xd, and VIII, 6. Participation in regional initiatives to enhance traffic management, road safety, and environmental sustainability, 7. Adoption of digital solutions and technological advancements in mobility and transport to increase efficiency and contribute to road safety.	7. Challenges in implementing passenger rights legislation in all modes of transport, fully transposing the ITS Directive, and introducing relevant national laws, 8. Economic constraints and competing priorities that may impact the allocation of funds for infrastructure upgrades, maintenance, and modernisation, 9. Possible lack of interoperability between ITS systems at the interface between inter-urban roads and those operating or being implemented in the cities/municipalities, 10. low utilisation of the potential of deployed ITS.

Summary of SWOT analysis for the transport sector

Strengths

- Strategic location as a gateway between Europe and Asia.
- A relatively well-developed road network connecting major cities and neighbouring countries.
- The main road networks are in acceptable condition, with existing high-speed segments.
- Developed an education system related to transport and civil engineering qualifications.
- Low labour costs, which can make transport services more affordable.
- Increasing trend of foreign direct investment in the country, which may create opportunities for transport sector development.
- Establish a national single strategic project pipeline based on the Multi Criteria Analysis (MCA) methodology for its selection.
- Established national outcomes and Key Performance Indicators (KPIs).

Weaknesses

- Inadequate maintenance of transport infrastructure, particularly roads and railways, can result in safety hazards and inefficiencies.
- Unsatisfied level of road safety.
- Poor condition of the railway infrastructure negatively influences the speed and comfort of travel and the attractiveness of goods transport.
- Insufficient regulatory framework and institutional capacity to ensure compliance with EU transport standards and regulations.
- Limited connectivity between different transportation modes can lead to logistical challenges.
- Cross-border delays.
- Little quality and array of services in road transport operations.
- High levels of air pollution and greenhouse gas emissions from the transport sector can negatively impact public health and the environment.

Opportunities

- Increasing demand for transport services due to economic growth and expanding trade networks.
- Potential to improve transport infrastructure through EU-funded projects and other international partnerships.
- Growing demand for sustainable transport solutions, such as electric vehicles and public transport systems, can create new business opportunities.
- Potential to integrate the transport sector with other sectors, such as tourism and logistics, to promote economic development.

- Coordinated IFI policy for transport project alignment.
- Access to the EU pre-accession instrument for developing transport infrastructure and capacity building.

Threats

- Competition from neighbouring countries with more advanced transport infrastructure and services.
- Dependence on fossil fuels for transport may become increasingly costly and environmentally unsustainable in the long run.
- Political instability and economic uncertainty can affect foreign investment and economic growth in the country.
- Rapidly changing technological developments in the transport sector may require significant investments in new equipment and infrastructure.
- Transport infrastructure may be increasingly vulnerable to climate change over time.
- Logistics and freight companies prefer alternative transit routes.
- Strict rules and procedures for the implementation of EU-funded programmes.

3. Overall Objective and Specific Objectives of the Operational Programme

The Overall Objective (Impact)

To enhance regional economic development and social cohesion through a modern, sustainable and well-integrated transport infrastructure in North Macedonia.

The Specific Objective (Outcome) in the Area of Support 1- Rail Transport is

To strengthen railway infrastructure capacity, safety, efficiency, sustainability and climate resilience by EU technical standards.

The Specific Objective (Outcome) in the Area of Support 2 - Road Transport is

To improve safety, efficiency, climate resilience, and sustainable connectivity of road transport infrastructure on sections of TEN-T Corridors X, Xd, and VIII.

The Specific Objective (Outcome) in the Area of Support 3 - Other Support is

To increase the readiness of North Macedonia for EU accession negotiations under Chapter 22.

3.1. Coherence with the IPA III Programming Framework and with the specific policy instruments of the enlargement process

The OP on transport aligns with **Chapter 14 and Chapter 21 of the EU acquis,** and the **IPA III Programming Framework,** specifically targeting Thematic Priority 2 on transport, digital economy, and energy within the Green Agenda and Sustainable Connectivity Window 3. The OP focuses on upgrading and constructing transport infrastructure to meet EU standards, which aligns with the requirement of IPA III to pair investments with regulatory reforms for sustainable returns.

The OP effectively addresses the key challenges and recommendations outlined in the **EC 2022 Report on North Macedonia**, specifically those detailed in Chapter 14: Transport Policy and Chapter 21: Trans-European Networks. The program targets urgent needs such as administrative and operational capacity building, sectoral reforms, market liberalization, and development of the TEN-T network and the Transport Community Treaty action plans. It is directly aligned with the Report's specific recommendations to strengthen the capacity of inspection bodies, develop enforcement capacity, implement connectivity reform measures, open up the rail transport market, harmonize the legal framework with the Trans-European Network Regulation, and mobilize sufficient resources to implement the Transport Community Treaty. By focusing on these critical areas of concern, the OP serves as a proactive and targeted response to the identified needs, ultimately aiming to promote significant improvements in North Macedonia's transport sector.

Furthermore, the OP aligns with the conclusions and recommendations of the **Stabilisation and Association** Sub-Committee on Transport, Environment, Energy, and Regional Development. It reflects the committee's emphasis on enhancing operational and administrative capacity across transport modes, improving road safety, and promoting education and awareness.

The OP also supports the **ERP** 2023-2025 objectives, contributing to human capital growth, the green transition, and increased competitiveness of national companies. It aligns with the **Economic Investment Plan (EIP)** goals for the Western Balkans, stimulating economic growth and supporting EU integration.

In line with the **Green Agenda** for the Western Balkans, the OP promotes sustainable and efficient transport infrastructure, facilitating the transition towards a greener, low-carbon transport system in North Macedonia. It also contributes to the **Five-Year Rolling Work Plan for the Indicative TEN-T Extension** in the Western Balkans, enhancing connectivity within the region and with the EU.

The OP aligns with the **Action Plans of the Transport Community Permanent Secretariat,** supporting connectivity, safety, and efficiency in the Western Balkans' transport systems. It contributes to the expansion of the TEN-T network to the Western Balkans and aligns with the **TEN-T Regulation, Core, and Comprehensive Network.**

Furthermore, the OP aligns with the **Sustainable and Smart Mobility Strategy**[48], promoting safety, efficiency, sustainability, and readiness for investment and implementation. This EU strategy aims to create a sustainable, intelligent, resilient transport system. The OP's emphasis on safety, efficiency, sustainability, and readiness for investment and implementation aligns with the objectives of this strategy, contributing to the development of a smart and sustainable mobility system in North Macedonia.

Additionally, the OP incorporates a comprehensive approach to environmental objectives, disaster risk reduction, climate mitigation, and adaptation. It includes measures to reduce greenhouse gas emissions, enhance climate resilience of roads and rail, and implement biodiversity-positive measures. Specifically, the OP aims to reduce the environmental impact of transport systems, contributing to Sustainable Development Goal 13 (SDG on Climate Action). It also includes a condition on biodiversity-positive measures, although further information and elaboration on this aspect will be provided in the implementation phase.

The OP significantly contributes to the United Nations' SDGs, with a central focus on SDG 9: Industry, Innovation, and Infrastructure. Enhancing regional economic development and social cohesion through a modern, sustainable, well-integrated transport infrastructure, the OP fosters resilient infrastructure, promotes inclusive and sustainable industrialisation, and facilitates innovation. Additionally, the OP contributes to SDG 11 (Sustainable Cities and Communities) by providing safe, efficient, and sustainable transport systems. It also supports SDG 3 (Good Health and Well-being) by focusing on improving safety and efficiency and SDG 13 (Climate Action) by aiming to reduce the environmental impact of transport systems.

A complementary aspect of the OP is the strengthening of the capacity and capabilities of responsible management, including, among other things, the transfer of knowledge and experience and good practises of European Union Member States in areas such as adaptation of transport infrastructure to climate change, disaster risk reduction measures, management of transport infrastructure safety, etc.

4. Operational Features of the Programme

4.1. Interaction of the programme with IPA III annual action plans or measures and

[48] SWD(2020) 331 final

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interventions from other donors/International Financial Institutions

The OP is strategically designed to leverage and enhance the progress made by various ongoing and planned initiatives. It builds upon their achievements and addresses complementary aspects to ensure a cohesive approach. This alignment with initiatives such as the IPA annual and multiannual action programmes, the Western Balkans Investment Framework (WBIF), and projects financed by EU Member States, other donors, or IFIs maximises synergies and ensures efficient utilisation of resources. By capitalising on these existing initiatives, the OP aims to achieve greater effectiveness and optimise the outcomes of its actions. Currently, the **IPA II Sector Operational Programme for Transport 2014-2020** from the previous financial perspective is under implementation.

WBIF Projects[49] relevant for the sector:

- Investment: Orient/East-Med Corridor: Construction of Rail Corridor VIII in North Macedonia, Kumanovo - Kriva Palanka Sections
  Status: Implementation
  Completion (est): 30 Dec 2025
- Investment: Orient/East-Med Corridor: North Macedonia – Kosovo Road Interconnection, Blace – Skopje (Stenkovec Interchange) Motorway Section
  Status: Implementation
  Completion (est): 31 Dec 2025
- Investment: Orient/East-Med Corridor: North Macedonia – Serbia Rail Interconnection, Tabanovce Joint Border Station
  Status: Tender Preparation
  Completion (est/tentive): 30 Sep 2024
- Investment: Orient/East-Med Corridor (Rail CX): Modernisation of Tabanovce - Gevgelija Railway Line
  Status: Preparation
  Completion (est): n/a
- Investment: Comprehensive Network: Modernisation of Skopje - Kichevo Railway Line on Corridor VIII
  Status: Preparation
  Completion (est): n/a
- Investment: Orient/East-Med Corridor: North Macedonia – Bulgaria CVIII Road Interconnection, Kriva Palanka – Deve Bair Section
  Status: Implementation
  Completion (est): 31 May 2023
- Investment: Orient/East-Med Corridor: North Macedonia – Albania CVIII Road Interconnection, Bukojchani – Kichevo Subsection
  Status: Preparation
  Completion (est): 31 Dec 2026
- Investment: Orient/East-Med Corridor: North Macedonia – Bulgaria CVIII Rail Interconnection, Kriva Palanka – Border with Bulgaria Section
  Status: Preparation
  Completion (est): 14 Dec 2025
- Regional (Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro, Serbia) Update of the Regional Transport Study (REBIS)
  Investment: Regional Transport Study (REBIS)

[49] https://wbif.eu/wbif-projects

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Status: Completed

- Regional Connectivity Networks Gap Analysis
  Investment: Regional Connectivity Networks Gap Analysis
  Status: Completed
- Submitted for GAF approval:
  Support for deployment of the ITS on highway A1 (Corridor 10)
  Construction of the Express Road A2 Kriva Palanka-Stracin

World Bank Projects relevant for the sector:

- Local Roads Connectivity Project (2019-2025)
- Modernisation of the road network infrastructure in North Macedonia (2014-2023)
- Western Balkan Trade and Transport Facilitation Project (2019-2025)

EBRD Projects relevant for the sector:

- Modernisation of the road network infrastructure in North Macedonia (2014-2023)
- Construction of motorways linking the capital of Skopje with the border of Kosovo

This OP considers experiences gained through the past projects and programmes and lessons learnt from their successes and challenges. It also benefits from WBIF projects focusing on cross-border connectivity, enhancing regional economic development and integration. Alignment with WB and EBRD projects ensures adherence to EU standards and best practices, promoting economic growth and sustainability. The OP avoids overlaps with existing or planned projects to optimise benefits and reinforce outcomes. By aligning with the strategic objectives of the IPA III 2021-2027, it promotes a coordinated approach to transport infrastructure development. It integrates efforts across various sectors, including energy, environment, healthcare, and employment.

A robust coordination mechanism through SWG Transport ensures seamless interplay between initiatives, facilitating dialogue and information exchange among responsible institutions. The OP also recognises the importance of combining grants with loans for significant infrastructure investments, collaborating with bilateral/multilateral institutions and IFIs like the WB and EBRD. This collaborative financing model integrates investments with ongoing programmes and reforms.

Overall, the OP leverages past experiences, aligns with strategic objectives, and promotes coordination and collaboration to optimise resources and achieve sustainable transport infrastructure development in North Macedonia.

4.2. Description of the Programme

4.2.1. Intervention Logic

The **Overall Objective/(Impact)** of the Operational Programme on transport is to enhance regional economic development and social cohesion through a modern, sustainable and well-integrated transport infrastructure in North Macedonia.

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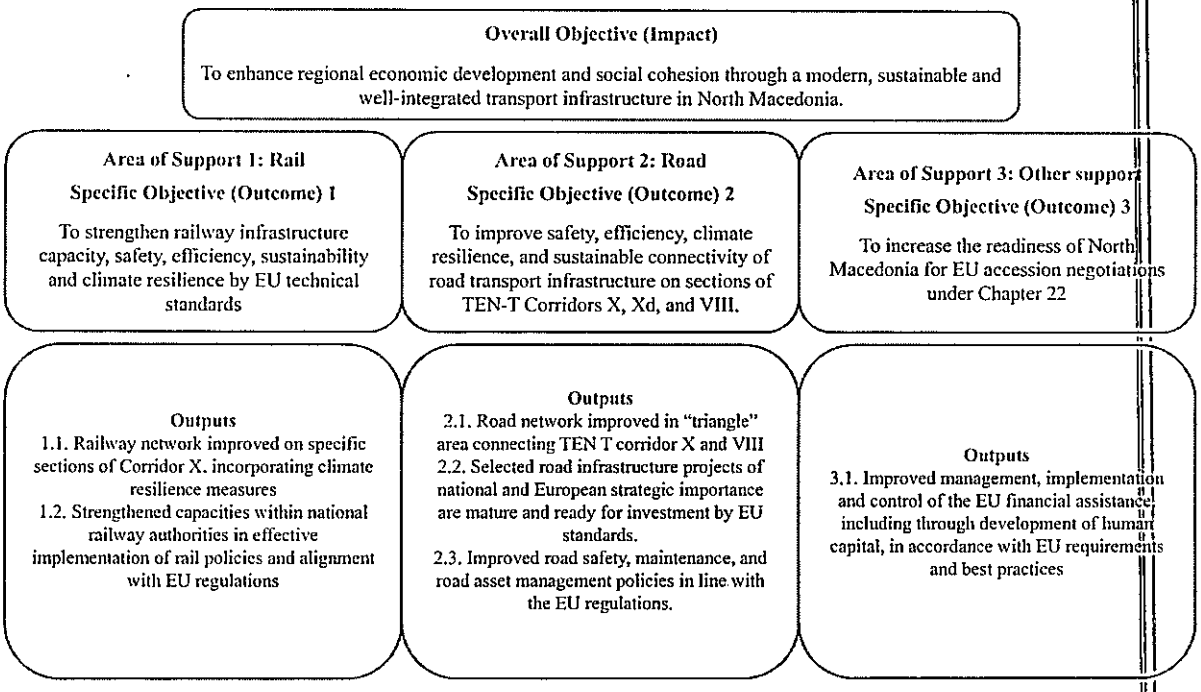

Area of support 1: Rail Transport

The **Specific Objective (Outcome) 1** is:

To strengthen railway infrastructure capacity, safety, efficiency, sustainability and climate resilience by EU technical standards.

The **Outputs** to be delivered contributing to the corresponding Specific Objective (Outcome) 1 are:

1.1. Railway network improved on specific sections of Corridor X, incorporating climate resilience measures.
1.2. Strengthened capacities within national railway authorities in effective implementation of rail policies and alignment with EU regulations.

Area of support 2: Road Transport

The **Specific Objective (Outcome) 2** is:

To improve safety, efficiency, climate resilience and sustainable connectivity of road transport infrastructure on sections of TEN T corridors X, Xd, and VIII.

The **Outputs** to be delivered contributing to the corresponding Specific Objective (Outcome) 2 are:

2.1. Road network improved in "triangle" area connecting TEN T corridor X and VIII.
2.2. Selected road infrastructure projects of national and European strategic importance are mature and ready for investment by EU standards.
2.3. Improved road safety, maintenance, and road asset management policies in line with the EU regulations.

Area of Support 3: Other support

The **Specific Objective (Outcome) 3** is:

To increase the readiness of North Macedonia for EU accession negotiations under Chapter 22.

The **Outputs** to be delivered contributing to the corresponding Specific Objective (Outcome) 3 is:

3.1. Improved management, implementation and control of the EU financial assistance, including through development of human capital, in accordance with EU requirements and best practices.

4.2.2.Detailed Description of Each Area of Support

Area of Support 1 – Rail Transport

Rationale: From a strategic perspective, focusing on rail transport infrastructure presents an excellent opportunity to enhance North Macedonia's socio-economic potential, environmental sustainability, and climate resilience. The proposed activities within this support area are carefully designed to address existing challenges and untapped opportunities within the country's railway network while also contributing to environmental objectives, climate mitigation, and adaptation. The objective is strengthening railway infrastructure capacity, safety, efficiency, sustainability and climate resilience to meet EU technical standards (Outcome 1).

The recent government-approved amendments to the Law on the railway system, currently under Assembly consideration, are a crucial step forward. They mandate a five-year National Program outlining the activities, dynamics, and financial resources needed for the maintenance and development of new and existing railway infrastructure. The Public Enterprise for Railway Infrastructure of North Macedonia as railway infrastructure Manager (IM) needs to develop a maintenance plan, concluding a contract with the Government for fund distribution, including credits, loans, and other resources. Additionally, the amended Law on Interoperability in the Railway System requires the Minister of Transport and Communications to adopt interoperability technical specifications, proposed by the Directorate for Safety in the Railway System. With the upcoming market opening and entry of a second operator, reviewing and harmonizing existing track access charges legislation with new EU regulations is essential for a smooth transition and effective operation aligned with international standards.

Building on the findings of the SWOT analysis, it became evident that the rehabilitation of bridges on Railway Corridor X is an urgent matter that requires attention. This initiative tackles critical weaknesses, such as outdated infrastructure and safety concerns related to ageing steel bridges prone to corrosion and bridges in unstable locations vulnerable to undermining and climate-induced hazards. Upgrading anti-corrosion protection and reconstructing critical bridges will modernise the infrastructure, alleviate speed restrictions, enhance safety and improve climate resilience. This strategic investment ensures compliance with international standards and mitigates potential threats, including traffic interruptions and hazards posed by deteriorated bridges and contributes to climate adaptation objectives. The project takes advantage of the country's strengths, such as extensive network coverage, strategic corridor connections, and the government's commitment to infrastructure rehabilitation and environmental sustainability. Additionally, it capitalises on opportunities for infrastructure upgrades, regulatory alignment, improved safety measures and enhanced climate resilience.

These initiatives will enhance connectivity, stimulate economic growth, foster regional integration and contribute to environmental sustainability and climate resilience. By prioritising environmentally friendly rail operations, they align with North Macedonia's sustainability goals and contribute to the global effort of reducing CO2 emissions, enhancing climate resilience, and promoting biodiversity as identified in the SWOT analysis.

Applicable EU Legislation[50]

- Trans-European Transport Network (TEN-T), as established by Regulation (EU) 1315/2013
- Regulation 2016/758 amending Regulation (EU) No 1315/2013

[50] Due to the large number of various regulations, the list above provides selected examples of the most significant Acquis only.

- Regulation (EU) No 1300/2014 of 18 November 2014 on the technical specifications for interoperability relating to the accessibility of the Union's rail system for persons with disabilities and persons with reduced mobility (TSI)
- Regulation 1371/2007 for the rights of passengers in rail transport
- Regulation (EU) 2021/782 on the rail passengers rights and obligations
- Regulation (EU) 2019/771 on the interoperability of the European rail system
- Regulation (EU) 2016/796 on the European Union Agency for Railways and repealing Regulation (EC) n° 881/2004
- Directive (EU) 2016/797 on the interoperability of the rail system within the European Union (Recast of Directive 2008/57/EC)
- Directive (EU) 2016/798 on railway safety (Recast of Directive 2004/49/EC)
- Regulation (EU) 2016/2338 amending Regulation (EU) 1370/2007, which deals with the award of public service contracts for domestic passenger transport services by rail ('PSO Regulation')
- Directive 2016/2370/EU amending Directive 2012/34/EU, which deals with the opening of the market of domestic passenger transport services by rail and the governance of the railway infrastructure ('Governance Directive')
- Regulation (EU) 2016/2337 repealing Regulation (EEC) 1192/69 on the normalisation of the accounts of railway undertaking
- Regulation (EU) 2016/2376 on the establishment of a European Rail Traffic Management System (ERTMS)

Outcomes (Specific Objectives)

Strengthened railway transport infrastructure capacity, safety, efficiency, sustainability and climate resilience by EU technical standards.

Typologies of Outputs

To achieve the stated outcome within this area of support, two outputs will be accomplished:

Output 1.1: Railway network improved on specific sections of Corridor X, incorporating climate resilience measures.

Output 1.2: Strengthened capacities within national railway authorities in effective implementation of rail policies and alignment with EU regulations.

Impact, Outcome, and Output Indicators

Type of indicator	Indicator	Baseline	Target	Source of verification
Impact	Logistic Performance Index (LPI) – Infrastructure [51]	2,47 (2018)	≥3.2 (2030)	Source: lpi.worldbank.org/international/global
	GHG emissions from transport; (Kt kiloton of CO2 equivalent emissions)	1,714 (2015)	≤1,400 (2030)[52]	Biennial Update Report (BUR) Ministry of Environment and Physical Planning

[51] Perception of the quality of trade and transport-related infrastructure, e.g. Ports, railroads, roads, information technology

[52] According to the monitoring indicators defined in the NTS 2018-2030, the target for 2030 is an 18.6% reduction relative to the value in the 'Do Nothing' scenario.

Outcome 1	Rail accidents per year	97 (2018)	≤ 23 (2030)	Makstat[53]
	Rail transport of goods by net tonne-k	349,912 (2019)	≥ 624 870 (2030)	Eurostat[54]
Output 1.1	Number of bridges reconstructed/upgraded	0 (2023)	≥ 15 (2030)	ZRSMI Reports Project implementation reports
Output 1.2	Degree of preparedness in rail transport (Chapter 14), measured by advancements made within a specific reporting period	Moderately prepared (2022)	Fully prepared (2030)	Commission Reports

Type of Activities

Output 1.1. Railway network improved on specific sections of Corridor X, incorporating climate resilience measures.

[1] Reconstruction/ rehabilitation of the railway bridges on Railway Corridor X – major project

Description of Eligible Activities, including Major Projects

Activities focuses on the reconstruction and upgrading of railway bridges in Corridor X, followed by testing and design preparation of the related structures. It involves consultancy services for design and supervision, focusing on comprehensive project documentation for critical bridges. This includes reviewing existing technical data, monitoring bridge conditions, conducting load tests, and exploring potential design improvements.

Key responsibilities encompass updating traffic studies, conducting feasibility analysis, and assessing environmental impacts. The project also involves bridge condition analysis, reconstruction design for damaged bridge parts, anti-corrosion protection for steel bridges and strengthening climate resilience. The aim is to reconstruct/upgrade the most critical bridges or fully construct the most critical bridges.

The project will operate under the terms of FIDIC[55] contracts, aiming to minimise potential delays. The land acquisition may be necessary based on the chosen scenario from the feasibility study.

A technical audit will be integral to the project, ensuring correct design, construction, and completion. This impartial review will prevent project delays, cost overruns, and non-compliance with EU regulations, thus ensuring all technical, environmental and quality standards are met.

Eligible Activities

- Review the existing documentation for bridge structures, and check the current system of bridge monitoring,
- Testing bridges under trial load,

[53] Source: http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat__Transport__SoobrakajniNesreki/125_Trans_Mk_ZelSN_ang.px/?rxid=6263d405-f656-4350-a635-777e57b54850

[54] Source: https://ec.europa.eu/eurostat/data/database?node_code=ttr00006 (Select// Tables by themes /Transport/Railway transport /Goods transport by rail, Select/ Million tons kilometres)

[55] FIDIC stands for "Fédération Internationale des Ingénieurs-Conseils" or "International Federation of Consulting Engineers". It's an international organisation that develops standard contracts and guidelines for the consulting engineering and construction industry.

- Preparation of comprehensive project documentation at the level of detailed design for railway bridges,
- Revision of the detailed design and potential improvements during the construction phase,
- Preparation of the tender dossier according to PRAG,
- Support with technical expertise during the tender evaluation process,
- Reconstruction, rehabilitation, or full construction of the most critical bridges,
- Designer consultancy services,
- Supervise the construction works to ensure compliance with the technical specifications and quality standards.

Delivery Methods

- Service contract for technical audit, project preparation including detail design, design review and supervision for the reconstruction/ rehabilitation of the railway bridges on Railway Corridor X, including support in preparing the works tender dossier and tendering process.
- Works contract for the reconstruction, rehabilitation, or full construction of the most critical bridges

Selection criteria

- Selected in the Single Project Pipeline
- Compliance with EU and national policies
- Maturity of the project
- Impact of the project

End Recipients and Target Groups

The end recipient of the assistance is the Public Enterprise for Infrastructure Railways of Republic of North Macedonia – Skopje (ZRSMI).

Target groups of the assistance include:

- Railway Users include passengers and businesses that rely on the railway to transport goods. The railway network's improved quality, efficiency, safety and climate resilience will benefit them,
- Railway Operators and Maintenance Staff: The people who operate and maintain the railway will benefit from upgraded and modernised infrastructure that aligns with EU technical standards,
- Local Communities: Communities around the railway line will potentially benefit from the improved transport infrastructure, which could influence local economic development, connectivity and climate resilience.

Conditions

- All project documents, including the Feasibility Study, Cost-Benefit Analysis and Detail Design, are developed in accordance with EU standards. This encompasses all aspects of the project, from initial assessments, climate risk assessment, environmental and social impact evaluations, to detailed technical specifications and tender documentation.
- For projects with an estimated budget of more than EUR 15 million, Major Applications are prepared in line with the respective IPA Financing Agreement, as required by the Ministry of Transport and Communications and the Ministry of the Environment and Spatial Planning.
- Climate risk assessment is incorporated into the integrated into the project preparatory phase, scope of work for contractors and utilised to identify potential climate risks and integrate climate adaptation measures into the technical design specifications.
- The project integrates biodiversity interests, by conducting comprehensive environmental and biodiversity assessments, consulting with environmental specialists during the planning and design phases, and implementing measures to restore and protect natural habitats affected during the reconstruction/rehabilitation.

- Tender dossiers stipulate environmental practices such as using recycled materials, the contractors must reduce waste, and minimisation of carbon emissions to reduce the project's carbon footprint.
- The "green procurement" elements should be considered for advancing EU Green Deal-related policies.

Output 1.2: Strengthened capacities within national railway authorities in effective implementation of rail policies and alignment with EU regulations.

[2] Harmonisation with EU Railway Legislation has enhancement of rail safety measures and management capacities within National Railway Authorities

Description of Eligible Activities

The Activity is aimed to upgrade national railway transport legislation and to strengthen national institutional capacities, inter alia, through the approximation of regulations of North Macedonia to the relevant Union acquis to meet the commitments undertaken by North Macedonia under the EU-North Macedonia Stabilisation and Association Agreement.

Activity will focus on enhancement of rail safety, policy implementation, and alignment with EU regulations (in particular EU 4th Railway Package). This involves a comprehensive approach that includes the preparation of a full set of documentations for the development and maintenance of the rail infrastructure, alignment of technical specifications for interoperability (TSIs) into national legislation, and a review of track access charges by the infrastructure manager. Specifically, it requires the development of a five-year National Program and multi-annual maintenance plan with the necessary budget allocation, a Multi-Annual Contract between the Infrastructure Manager and the Ministry of Transport and Communications, and the adoption of interoperability technical specifications proposed by the Directorate for Safety in the Railway System. Furthermore, with the impending opening of the railway market and the entry of a second operator, there will be a need to review and, if necessary, harmonize the existing legislation on track access charges with new EU regulations. Collectively, these activities aim to strengthen the capacity of the railway infrastructure in North Macedonia by ensuring safety, efficiency, and alignment with EU regulations and standards, which is crucial for stimulating economic growth, fostering regional integration, enhancing environmental sustainability and climate resilience, and ultimately contributing to the global effort of reducing CO2 emissions and promoting biodiversity.

Moreover, it is necessary to ensure the strengthening of the capacities of employees of the management of rail institutions, to provide them with expert advice, training programs, including first-hand transfer of experience from their counterparts from EU member states including climate change risk assessments and relevant adaptation measures.

Eligible Activities

- Technical assistance and institutional capacity building: this includes providing expert support, guidance, and training programs for relevant authorities, study visits and peer learning, enabling them to effectively implement and enforce rail safety regulations.
- Alignment with EU regulatory requirements, policy and legislative support: assistance in the development, adoption and implementation of national legislation and regulations.
- Provision of technical equipment, where justified.

Delivery Methods

- Grant contract (Twinning)
- Service and supply contracts.

Selection Criteria

- Activities and support align with the EU acquis and are reflected in the TCT requirements and other relevant policy instruments, which is essential for enhancing rail safety, policy implementation, and alignment with EU regulation requirements.

End Recipients and Target Groups

The end recipient of the assistance are relevant units of MoTC together with Public Enterprise for Railway Infrastructure of the Republic of North Macedonia – Skopje (ZRSMI).

The target groups will include all stakeholders involved in or affected by the transport sector of North Macedonia.

Conditions

- The program's activities and support are contingent on North Macedonia's continued commitment to EU integration and the implementation of the required reforms and legislation.
- Institutions and organizations receiving support must demonstrate a commitment to ensuring the long-term sustainability of the reforms undertaken.
- Co-financing from the national budget available particularly for procurement of equipment

Area of Support 2 – Road Transport Infrastructure

Rationale: The proposed interventions and projects in the road transport infrastructure of the OP are the result of a comprehensive analysis of social, economic, and SWOT factors unique to the region. These interventions are designed to tackle identified needs and challenges, improve road network infrastructure, enhance road safety, and promote sustainable mobility in North Macedonia.

The SWOT analysis provides valuable insights into the strengths, weaknesses, opportunities, and threats of the road transport sector in North Macedonia. Based on this analysis, the following specific interventions have been proposed:

1. Rehabilitation of State Road A1, A2, and A4:
   - These roads have been selected for rehabilitation due to their strategic importance and high traffic volumes, particularly in the Skopje Metropolitan area.
   - The rehabilitation will focus on improving these corridors' safety, efficiency, and connectivity, addressing the deteriorating condition of the road surfaces and infrastructure.
   - By upgrading these roads, the interventions aim to enhance regional connectivity, facilitate economic growth, and improve travel conditions for motorists.
2. Construction of State Road A3, Section Bitola – Border Crossing Medzitlija, from KM.0+000,00 to KM. 22+620,00 – New Route at the Level of Expressway (as reserve project):
   - This new expressway will improve the road's capacity, reduce travel times, and enhance safety along this vital transportation route.
   - The new expressway will improve connectivity between North Macedonia and Greece, promoting trade and tourism.
3. Comprehensive Technical Documentation, assistance in obtaining necessary permits and tender dossier preparations. The intervention focuses on preparing and developing comprehensive technical documentation and obtaining the required licenses for road infrastructure projects.
   - Preparatory studies, technical documentation and tender documentation for Expressway A2 and the construction/upgrading of the Katlanovo-Veles right carriageway on Corridor X, Stracin-Romancove and Design for Rehabilitation of state road A1, section Gevgelija – Greece border (Bogorodica) (right carriageway)
   - The aim is to ensure compliance with EU standards and regulations, align North Macedonia's road infrastructure with international best practices, and achieve readiness for implementation.

4. Strengthening the capacities of national authorities in managing construction, road safety, maintenance and road assets, as well as building awareness of the adaptation of road infrastructure to climate change. Together with implementation of EU standards and policies: This includes preparing a ten-year strategic road asset management plan for state road development and maintenance and obtaining the necessary technical assistance for transposing EU standards into national regulations. These actions are crucial for aligning North Macedonia's road infrastructure with international best practices and EU regulations, ultimately ensuring a safer, more efficient road network.

In the background of each intervention is carefulness for environmental protection:

- The interventions prioritise environmental protection and sustainability throughout the planning and implementation process.
- The interventions aim to improve safety and efficiency by rehabilitating and upgrading roads, indirectly reducing vehicle emissions and promoting fuel efficiency.
- Proposed interventions shall consider the needs of people with reduced mobility, such as older people, child stroller users and people with disabilities such as vision, deafness and wheelchair users.
- Using comprehensive project documentation and adherence to EU standards ensures that environmental and energy efficiency considerations (also green-procurement elements) will be integrated into the road infrastructure development, minimising the ecological impact of transportation activities.

By implementing these interventions, proposed within this area of support aims, the country can achieve the following:

- Enhancement road safety, reducing accident rates and improving the overall safety performance of the road network.
- Improved efficiency and connectivity, facilitating smoother traffic flow and reducing congestion on key corridors.
- Strengthened regional economic development by enhancing transportation links, promoting trade, and attracting investments.
- Aligning with EU standards and regulations ensures compatibility and harmonisation with European road networks.

Applicable EU Legislation

- Regulation 1315/2013 on guidelines for the development of the TEN-T network
- Regulation 2016/758 amending Regulation (EU) No 1315/2013
- Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law')
- Directive 2010/40/EU on the framework for the deployment of intelligent transport systems in the field of road transport and for interfaces with other modes of transportation – This directive sets out requirements for the deployment of intelligent transport systems, including those related to road transport, to improve the efficiency, safety, and environmental performance of transport.
- Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds
  Directive 2008/96/EC on Road Infrastructure Safety Management Directive
- Directive 2004/54/EC of the European Parliament and of the Council of 29 April 2004 on minimum safety requirements for tunnels in the trans-European road network,
- Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora

Outcomes (Specific Objectives)

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Improved safety, efficiency, climate resilience, and sustainable connectivity of road transport infrastructure on sections of TEN-T corridors X, Xd, and VIII.

Typologies of Outputs

Output 2.1: Road network improved in "triangle" area connecting TEN T corridor X and VIII.

Output 2.2: Selected roads transport infrastructure projects of national strategic importance mature and ready for investment by the EU standards.

Output 2.3: Improved road safety, maintenance, and road asset management policies in line with the EU regulations.

Impact, Outcome, and Output Indicators

Type of indicators	Indicator	Baseline	Target	Source of verification
Impact	Logistic Performance Index (LPI) – Infrastructure (Perception of the quality of trade and transport related infrastructure, e.g., Ports, railroads, roads, information technology)	2.47 (2018)	≥3.2 (2030)	Source: lpi.worldbank.org/international/global
	GHG emissions from transport; (Kt kiloton of CO2 equivalent emissions)	1,714 (2015)	≤1,400 (2030)	Biennial Update Report (BUR) Ministry of Environment and Physical Planning
Outcome 2	Road fatalities[56] (number of road fatalities over population, 1,000,000)[57]	74.69 (2018)	≤38 (2030)	Makstat[58]
Output 2.1	Length of state road carriageways rehabilitated (in km)	0 (2023)	47.6 km (2028)	Project implementation reports
	Length of state road A3 section Bitola-border crossing point with Greece upgraded (in km) **(Reserve list)**	0 (2023)	22.6 (2029)	

[56] EC indicator calculated as ratio N of fatalities happened during the year and divided to the absolute number of population (millions) at the end of respected year = N fatalities/ millions of habitants

[57] According to the monitoring indicators defined in the NTS 2018-2030, the target for 2030 is a 50% reduction relative to the baseline value.

[58] Source of numerator: http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat__Transport__SoobrakajniNesreki/325_Trans_MK_T_48_en.px/?rxid=b14b7e4a-3c41-447f-93fa-e9eba26a7167

Source of the denominator: http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat__Naselenie__ProcenkiNaselenie/115_Popis_RM_1Star_Dec_eng.px/?rxid=a1e36641-ae7d-44a4-a868-ed8fb90eef27

Output 2.2	Number of project documentation packages completed[59]. (Including road safety and green procurement elements)	0 (2023)	3 (2028)	Project implementation reports
Output 2.3	Degree of preparedness in road transport (Chapter 14), measured by advancements made within a specific reporting period	Moderately prepared (2022)	Fully prepared (2030)	Commission Reports

Type of Activities

Output 2.1: Road network enhanced through rehabilitation of "triangle" area connecting TEN T corridor X and VIII.

[1]_Rehabilitation of Corridor X - VIII connection motorways A1, A2, and A4 in the area of "Skopje Triangle" (Miladinovci–Petrovec, Miladinovci – Hipodrom, Hipodrom – Petrovec) – major project.

Description of Eligible Activities, including Major Projects

The main objective of the project is to improve the condition of the motorways A1, section Miladinovci – Petrovec, A2, section Miladinovci – Hipodrom, A4, section Hipodrom--Petrovec, and to provide a safe, reliable, and comfortable transport system for the users. The project also aims to enhance the connectivity between Corridors 8 and 10, as well as to improve the transport performance index of North Macedonia.

46.6 km of motorways are planned for rehabilitation, focusing on roadways, junctions, and drainage systems. This initiative aims to improve road conditions, enhance safety, reduce travel time, and smoother traffic flow. Throughout the project implementation, great emphasis will be placed on minimising the environmental impact and ensuring the well-being of surrounding communities. To achieve this, the project will adopt environmentally friendly practices, including using recycled materials, waste reduction measures, and minimising carbon emissions during construction activities.

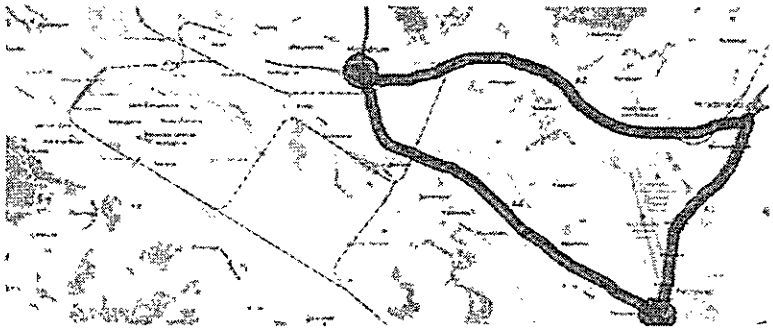

Figure 2 Project location

Due to the broad and comprehensive scope of the project, the implementation will be split into:

Rehabilitation of Corridor X - VIII connection, motorway A1, section Miladinovci – Petrovec - The rehabilitation of motorway A1, section Miladinovci – Petrovec, is a crucial infrastructure project to improve road safety, traffic flow, and connectivity in North Macedonia. The project will cover the right and left carriageways of the motorway and the Petrovec interchange, with a total length of 7.5 km for the right carriageway and 7.7 km for the left carriageway. The project also includes rehabilitating all

[59] This indicator measures the progress in the development of project documentation for the targeted road segments

ramps at the Petrovec interchange, with a total length of 3.6 km. The primary (detailed) design for the rehabilitation of the section was prepared in 2020.

The total length of covered carriageways and ramps: **18.8 km**

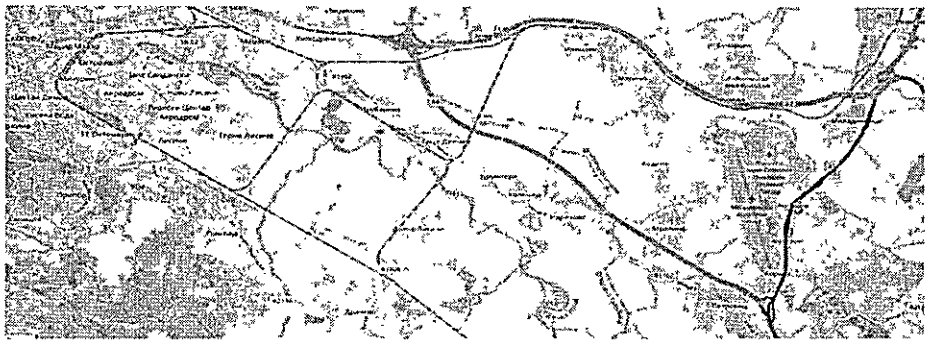

Figure 6 Lot 1 location

Rehabilitation of Corridor X - VIII connection, motorway A2, section Miladinovci – Hipodrom - The project aims to rehabilitate the main alignment of Motorway A2, Section Miladinovci - Hipodrom, which is approximately 25 km long. The length of the primary alignment is 10.4 km, while the length of the ramps of the Hipodrom interchange is about 8.6 km. The rehabilitation will include upgrading the existing carriageway to meet modern safety standards, repairing or replacing damaged structures and improving drainage systems. The project will also involve the installation of new safety barriers, crash cushions, road markings, and signage. The basic (detailed) design for the rehabilitation of the section was prepared in 2020.

The total length of roadways to be rehabilitated: **19 km.**

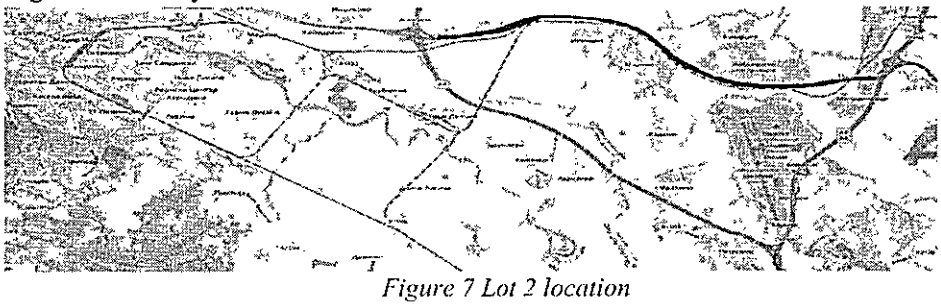

Figure 7 Lot 2 location

Rehabilitation of Corridor X - VIII connection, motorway A4, section Hipodrom – Petrovec - The Rehabilitation of Motorway A4, section Hipodrom – Petrovec, involves the rehabilitation of the central alignment of the motorway in a length of 8.8 km. The project includes the review of existing design, execution of rehabilitation works based on current conditions, and supervision of the works. The project aims to enhance road safety, increase traffic flow, and improve travel time along the corridor. The primary (detailed) design for the rehabilitation of the section was prepared in 2020.

Toral length of the motorway to be rehabilitated: **8.8 km.**

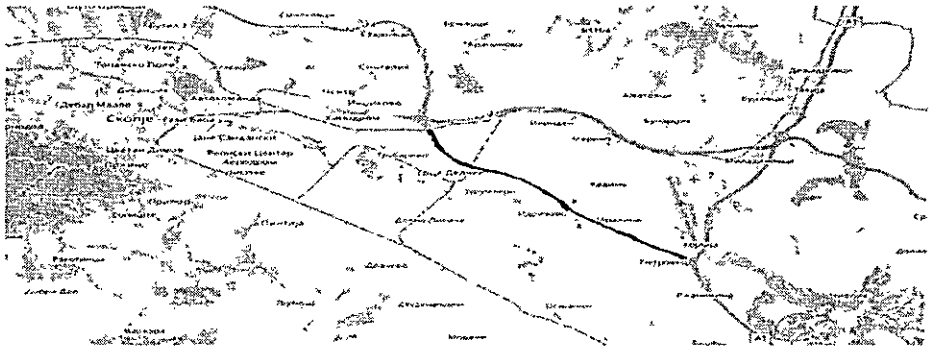

Figure 8 Lot 3 location

Eligible Activities

- Review of the existing design and assessment of its feasibility,
- Preparation of tender dossier and conducting tender evaluation process according to PRAG
- Support with technical expertise for preparation of specifications and updating of Bill of Quantities (BoQ)
- Performing rehabilitation works, including road resurfacing, repair of road structures and bridges, installation of new road markings and traffic signs, guardrails, and crash cushions.
- Performing environmental mitigation measures, such as soil erosion control,
- Supervision of the construction works to ensure compliance with the technical specifications and quality standards.

Delivery Methods

- **Service contract(s)** for design review, together with technical support for the preparation of specifications and updating of BoQ and supervision of construction works for all 3 lots (sub-activities)[60]
- **Works contract(s)** in three lots:
  - Rehabilitation works on the main alignment and interchanges of motorway A1, section Miladinovci – Petrovec,
  - Rehabilitation works on the main alignment and interchanges of motorway A2, section Miladinovci – Hipodrom,
  - Rehabilitation works on the main alignment and interchanges of motorway A4, section Hipodrom - Petrovec

Selection Criteria

- Included in the Single Project Pipeline
- Compliance with EU and national policies
- Maturity of the project
- Impact of the project
- Relevance to the objectives of the National Transport Strategy and the purposes for the TEN-T network, priorities and goals of the IPA III Programming Framework
- Priority of the project for the improvement of traffic flow on the most strategic road system in North Macedonia,
- Cost and time saving of the project due to gradual deterioration of the road assets (failure to carry out rehabilitation works promptly may result in accelerated deterioration of the functional parameters of the motorway)

End Recipients and Target Groups

The end recipient of the assistance is Public Enterprise for State Roads. Rehabilitating the motorways and interchanges will increase the quality and durability of the road infrastructure, which will result in lower maintenance costs for PESR in the long run. A well-maintained road with a longer lifespan will

[60] Due to the urgent nature of the project, related to the progressive deterioration of the covered road sections, the priority is to start the rehabilitation works as soon as possible. Accordingly, the Beneficiary has decided that the appointment of a consultant to carry out the work related to the gap assessment and verification of the detailed design and preparation of the TOR for the rehabilitation works will be implemented and financed outside the OP. Given the abovementioned issues of steadily deteriorating technical and safety conditions, the goal is to ensure readiness to launch the rehabilitation and supervision services tender immediately after signing the IPA financing agreement.

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also reduce the need for frequent and costly repairs, thus reducing the overall asset costs for PESR. Additionally, the increased safety and improved traffic flow resulting from the rehabilitation may lead to reduced emergency services and medical care costs and lower costs associated with traffic accidents and delays. Overall, the reduction of asset costs for PESR can be seen as a positive long-term benefit of the project.

Target groups of the assistance include:

- Road users: The primary beneficiaries of the project are the road users who use the A1, A2 and A4 motorways, particularly the rehabilitation works that will improve the condition of the carriageway, making it smoother and safer to drive on.
- Local communities: The project will benefit the local communities living along the motorways by improving their access to transportation and reducing travel time, making it easier for them to access markets, services, and employment opportunities.
- Freight and logistics companies: Rehabilitating the selected motorways will also benefit freight and logistics companies by providing them with a more reliable and efficient transportation route, reducing operating costs and improving their competitiveness.

Conditions

- PESR shall initiate the procedure for updating the SPP.
- PESR shall ensure that all project documents related to the rehabilitation works are elaborated in line with EU requirements.
- The project documents must also respect the special requirements deriving from national legislation and relevant standards requested by the legislation, including by-laws.
- For a project with an estimated budget of over EUR 15 million, PESR must ensure that Major Applications are prepared in the template prescribed with the respective IPA Financing Agreement, as MoTC and EUD require.
- PESR and Public Enterprise for maintenance and protection of national and regional roads should ensure the project result will remain sustainable over the long term, both financially and environmentally, through appropriate maintenance standards (routine and periodic) should be applied.
- The Ministry of Finance/MoTC/PESR should ensure a stable multiannual domestic financial contribution.
- Project Implementation Unit to be established.
- The works will be carried out under a temporary traffic regime approved by the Ministry of Interior Affairs and MoTC. Heavy traffic on the motorway may require temporary road closures or diversions, leading to disruptions in traffic flow and increased travel times. That's why an appropriate traffic management plan should be elaborated, duly consulted, and deployed.
- A road safety audit will be performed.

[2] Construction of Corridor X-d, section Bitola – border crossing Medzitlija, from km.0+000,00 to km. 22+620,00 expressway – reserve major project

Description of Eligible Activities, including Major Projects

This project activity's objective is constructing new expressway A3, section Bitola – Medzitlija (border crossing with Greece). The project will include the construction of a new route with a length of 22.62 km, from km.0+000.00 to km. 22+620.00. The basic and infrastructural designs for construction were already prepared in 2022.

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The total length of a new road to be constructed: **22.62 km.**

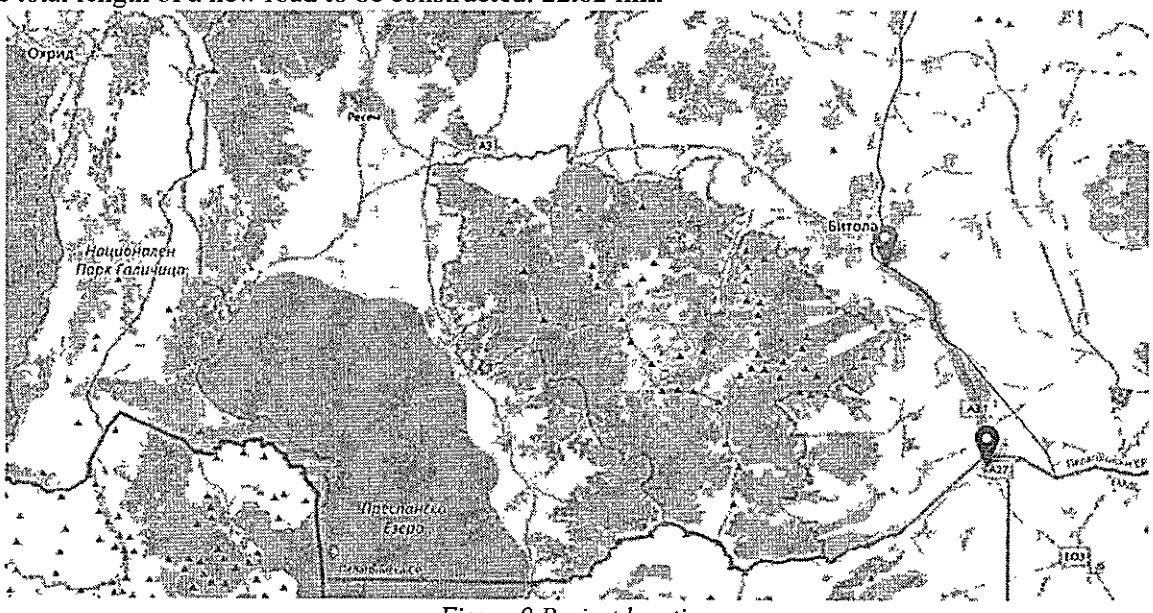

Figure 9 Project location

Eligible Activities

- Review of the detailed design together with road safety audit and obtaining necessary permits, technical support for preparation of specifications and updating of BoQ.
- Performing land expropriation for the new route according to the Land Acquisition Plan
- Preparation of tender dossier and conducting the tender procedure in line with PRAG
- Construction of the new route to the parameters of an expressway based on FIDIC Conditions of Contracts
- Supervision over the construction process

Delivery Methods

- Service contract for preparatory studies, design and performing a gap analysis of detail design, obtaining necessary permits, and technical support for preparing specifications and updating BoQ and conducting supervision services.
- Works contract for the construction of the expressway

Selection Criteria

- Selected in the Single Project Pipeline
- Compliance with EU and national policies
- Maturity of the project
- Impact of the project
- This road section is located on Corridor X, Branch Xd

End Recipients and Target Groups

The end recipient of the assistance is Public Enterprise for State Roads (PESR).

Target groups of the assistance include:

- International and local communities, especially citizens and businesses of Bitola and the surrounding areas. The project will benefit the local communities living along the A3 expressway by improving their access to transportation and reducing travel time, making it easier for them to access markets, services, and employment opportunities.

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- Freight and logistics companies: Construction of the A3 expressway will also benefit freight and logistics companies by providing them with a more reliable and efficient transportation route, reducing operating costs and improving their competitiveness.

Conditions

- PESR must ensure that all project documents, such as the Feasibility Study, Cost-Benefit Analysis, Environmental Impact Assessment, Road Safety Audits and Detail Design, are elaborated in line with EU requirements.
- The project documents must also respect the special requirements deriving from national legislation and relevant standards requested by the legislation, including by-laws.
- The National Authorities should also fully secure the necessary funds for land acquisitions and expropriations.
- PESR will also need to ensure that site acquisition (land expropriation) activities are ongoing and completed before the commencement of the project or have a plan of expropriation activities for achieving it before the issuance of the Taking-Over Certificate as required by the Construction Law. They must undertake all necessary actions to make the site available for project implementation and grant the Works Contractor access to the area immediately after the contract is signed.
- For a project with an estimated budget of over EUR 15 million, PESR must ensure that Major Applications are prepared in the template prescribed with the respective IPA Financing Agreement, as MoTC and DEU require.
- PESR shall include a climate risk assessment into the contractor's scope of duties. The Study should be utilised to identify potential climate risks and integrate climate adaptation measures into the technical design requirements.
- PESR shall ensure that the project will integrate biodiversity interests, enhance biodiversity, and reinforce Natura 2000 and habitat connectivity.
- PESR should define in the TORs requirements for the works contractors' environmentally friendly practices such as sustainable resource utilisation, materials optimisation and use of recyclables, thus reducing the quantities of waste generated at the site as well as reducing carbon footprint by applying CO2 emissions reduction and sustainable energy consumption practices.
- PESR will consider the needs of people with reduced mobility, such as the elderly, child stroller users and people with disabilities such as vision, deafness, and wheelchair users. Respected dialogue with local associations of people with disabilities and local communities will be conducted during preparatory works.
- Road safety impact assessment and road safety audit will be performed.

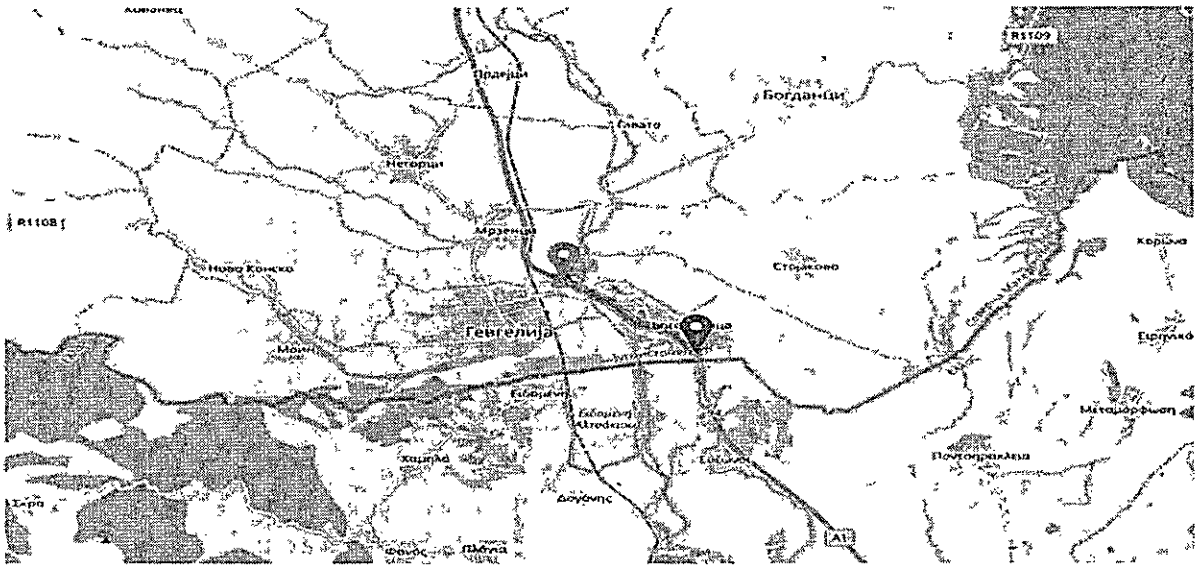

Figure 12 Orientation of Project corridor

Output 2.2: Selected roads transport infrastructure projects of national strategic importance mature and ready for investment by the EU standards.

[1] Design for Rehabilitation of state road A1, section Gevgelija - Greece border (Bogorodica) (right carriageway)

Description of Eligible Activities, including Major Projects

The project aims to prepare the design documentation for rehabilitating the right carriageway of the state road A1, section Gevgelija - Greece border (Bogorodica), **an approximate length of 4.5 km**. The project includes rehabilitating the existing motorway section due to damages during the operation period. In addition to the rehabilitation, the project also consists of a road safety audit and traffic management plan.

Eligible Activities

- Conducting surveys and geotechnical investigations,
- Conducting environmental and social impact assessments to identify any potential risks or impacts of the project.
- Conduction road safety audit
- Developing the primary design documentation, including technical drawings, specifications, and cost estimates
- Performing Traffic Management Design,
- Consulting with stakeholders, including local communities, businesses, and government agencies, to gather input and ensure that their needs and concerns are considered in the design process.
- Elaboration of the tender dossier for the procurement of works based on PRAG.

Delivery Methods

- Service contract(s)

Selection Criteria

- Selected in the Single Project Pipeline
- Level of compliance with EU and national policies
- Maturity of the project
- Impact of the project
- Priority for the network condition and safety

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End Recipients and Target Groups

- The end recipient of the assistance is PESR, which will be responsible for using the main design documentation to carry out the future construction.

Conditions

- The Detailed Design for structures and civil engineering works should be prepared according to the requirements of the relevant national legislation and to the EU legislation, including all necessary technical reports, drawings, and documents.
- The required tender documentation should be prepared according to the EU procurement procedures (according to the latest PRAG procurement procedures).
- PESR will consider the needs of people with reduced mobility, such as older people, child stroller users and people with disabilities such as vision, deafness, and wheelchair users. Respected dialogue with local associations of people with disabilities and local communities will be conducted during preparatory works.
- Road safety impact assessment and road safety audit will be performed.

[2] Feasibility studies and development of comprehensive technical documentation for the construction of Corridor VIII Section Stracin-Romanovce and Construction/Upgrading of Corridor X Section Katlanovo-Veles Right Carriageway of Motorway A1[61])

Description of Eligible Activities, including Major Projects

Preparation of the comprehensive technical documentation for section Expressway **A2 Section Stracin-Romanovce**, with an approximate length of **33 km** along Corridor VIII. Activities will include Pre-feasibility study, Traffic Study, Feasibility Study with Cost-Benefit Analysis, Environmental and Social Impact Assessment in the first stage, and the second stage Detailed Design for the expressway, Road Safety Audit, Tender documentation, and an updated Elaboration of Land Acquisition Plan. This section is part of Corridor VIII, about 33km.

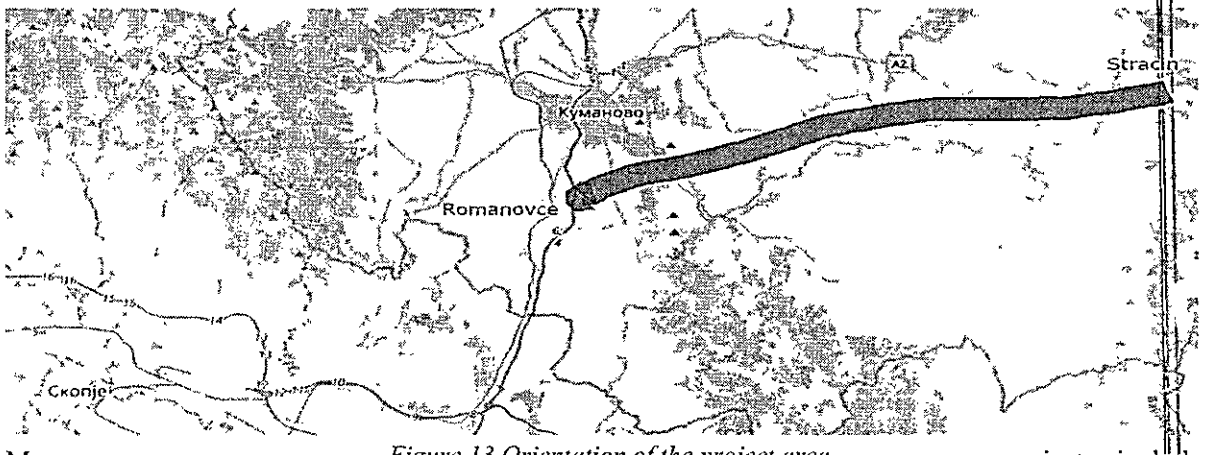

Figure 13 Orientation of the project area

Moreover, project includes preparation documentation for the construction of section of **A1 motorway Katlanovo-Veles** with an approximate length **23 km** of the right carriageway of this motorway located on Corridor X. Section is in the central part of North Macedonia along the Vardar valley. The project documentation will include a Traffic Study, Feasibility Study with Cost-Benefit Analysis, Environmental and Social Impact Assessment in the first stage, and in the second stage Detailed Design to full motorway standards, Road

[61] The Project is divided in two phases. As per Phase 1 covers preparation of Feasibility Study is considered as priority. Whereas Phase 2 consists of development remaining comprehensive technical documentation is considered as a reserve project.

Safety Audit, Tender documentation, Elaboration of Land Acquisition for new right carriageway (single carriageway with two driving lanes and one stopping lane). This section is part of the Corridor X in the central part of the country (along Vardar valley). The existing right carriageway of the section Katlanovo – Veles may serve in future as an alternative road.

Eligible Activities

- Conducting surveys and geotechnical investigations,
- Pre-feasibility study, Traffic surveys, Feasibility Study with Cost-Benefit Analysis in particular
- Conducting environmental and social impact assessments to identify any potential risks or impacts of the project,
- Conduction road safety audit,
- Developing the main design documentation, including technical drawings, specifications, and cost estimates (second stage)
- Elaborating/updating of Land Acquisition Plan,
- Performing Traffic Management Plan,
- Obtaining necessary permits,
- Consulting with stakeholders, including local communities, businesses, and government agencies, to gather input and ensure that their needs and concerns are taken into account in the design process.
- Elaborating tender dossiers for procuring works based on PRAG and FIDIC standards.

Delivery Methods

- **Service contract(s)** for preparation of Pre-Feasibility Study, Traffic Surveys, Feasibility Study with Cost-Benefit Analysis and EIA, Climate Change Analysis, Detailed Design (Main and Infrastructure Designs), EIA, Road Safety Audit and Land Acquisition Elaborates for both abovementioned sections.

Selection Criteria

- Selected in the Single Project Pipeline
- Level of compliance with EU and national policies
- Maturity of the project
- Impact of the project
- Priority for the network safety and contribution to international and regional traffic level of service

End Recipients and Target Groups

- The end recipient of the assistance is PESR, which will be responsible for using the feasibility study and technical design documentation to carry out the future construction.

Conditions

- The Cost Benefit Analysis should be prepared according to the Guide to Cost-Benefit Analysis of Investment Projects – Economic appraisal tool for Cohesion Policy 2014-2020, published by the European Commission.
- The Detailed Design for structures and civil engineering works should be prepared according to the requirements of the relevant national legislation and the EU legislation, including all necessary technical reports, drawings, and documents.
- The required tender documentation should be prepared according to the EU procurement procedures (according to the latest PRAG procurement procedures) and the FIDIC rules.
- PESR shall include a climate risk assessment into the contractors' scope of duties. The Study should be utilised to identify potential climate risks and integrate climate adaptation measures into the technical design requirements.

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64

- PESR shall ensure that the project integrates biodiversity interests, enhances biodiversity, and reinforces Natura 2000 and habitat connectivity.
- PESR should define in the TORs requirements for the works contractors' environmentally friendly practices, such as using recycled materials, reducing the number of waste and minimising carbon emissions shall be applied to reduce the carbon footprint of the Project.
- Green procurement measures should be applied to the Tender Dossier for construction works.
- PESR will consider the needs of people with reduced mobility, such as the elderly, child stroller users and people with disabilities such as vision, deafness, and wheelchair users. Respected dialogue with local associations of people with disabilities and local communities will be conducted during preparatory works.
- Road safety impact assessment and road safety audit will be performed.

Output 2.3: 2.3. Improved road safety, maintenance, and road asset management policies in line with the EU regulations.

[1] Capacity building for road safety, maintenance and asset management and climate change adaptation together with, implementation of road policy and alignment with the EU regulations.

Description of Eligible Activities

Firstly, it includes the preparation of a Strategy for the development and maintenance of state roads (Strategic Asset Management Plan). This strategy, which is outlined in Article 13 of the Law on Public Roads and adopted by the Assembly of Republic of North Macedonia, will delineate the goals and basic tasks for the development and maintenance of state roads over a ten-year plan. Secondly, the activity involves obtaining technical assistance for the preparation of a draft text of a relevant law that will be aligned with the particular the Directive 2004/54/EC on minimum safety requirements for tunnels in the trans-European road network, including the classification of tunnels according to the ADR convention (ADR 2023 Vol.1 - 1.9.5). Lastly, it encompasses obtaining technical assistance for the Regulation on Tariffs and crisis measures and the Directive on Hired vehicles, thereby facilitating the implementation of EU legislative in these areas. Together, these steps will not only enhance road safety and infrastructure but will also ensure alignment with the EU regulation requirements of the TCT, thereby contributing to a more efficient and safer road transport system in North Macedonia.

The activity aims to fortify the capacity of North Macedonia's road sector authorities through a comprehensive approach that covers regulatory alignment with EU standards, skill and knowledge enhancement, and improvements in road asset management, climate resilience, and road safety management. Core activities include the creation of a ten-year Strategic Asset Management Plan for state roads, as outlined in Article 13 of the Law on Public Roads, enhancement of maintenance standards and securing technical expertise to draft laws that align with EU Directives, such as the Directive on tunnel safety and the directive on road infrastructure safety management. The project also aims to develop regulations on tariffs/tolls and crisis measures. In terms of human capital, targeted training and mentorship programs will be implemented to elevate the staff's skills and knowledge to EU best practices. Should a Road Safety Leading Agency be finalized, resources will be allocated for its effective establishment or enhancement. Overall, the project is designed to improve road safety, facilitate North Macedonia's integration into EU road sector frameworks—especially in alignment with the TCT action plans—and create a more resilient, efficient, and knowledgeable road management community. An immanent part of the activity will also be the development of standard technical specifications for the execution, quality assessment and acceptance of construction work, inter alia for preliminary works, laying/bedding of roads, bridge structures and tunnels, road furniture, environmental protection facilities, etc.

Eligible Activities

- Technical assistance and institutional capacity building: this includes providing expert support, guidance, and training programs, study visits and peer learning for the relevant authorities, enabling them to effectively implement and enforce road asset management with focus on

maintenance, road safety management and adaptation of road infrastructure to risks related to climate change.

- Alignment with EU regulations, good practices, policy and legislative support: assistance in the development, adoption, and implementation of national regulations, including the preparation of a ten-year strategic plan for state road development and maintenance (Strategic Asset Management Plan).
- Developing standard technical specifications for execution and acceptance of construction works
- Provision of technical equipment, where justified.

Delivery Methods

- Grant contract(s) (Twinning) and/or service contract(s)
- Service and supply contracts

Selection Criteria

- There is corresponding legislation in the acquis.
- Activities and support align with the EU acquis and are reflected in the TCT requirements and other relevant policy instruments, which is essential for enhancing road safety and road asset management, policy implementation, and alignment with EU regulations and practices.

End Recipients and Target Groups

- The end recipient of the assistance are MoTC and PESR,
- The target groups will include all stakeholders involved in or affected by the transport sector of North Macedonia including Public Enterprise for Maintenance and Protection of National and Regional Roads.

Conditions

- The program's activities and support are contingent on North Macedonia's continued commitment to EU integration and the implementation of the required reforms and legislation.
- Institutions and organizations receiving support must demonstrate a commitment to ensuring the long-term sustainability of the reforms undertaken.
- Co-financing from the national budget available particularly for procurement of equipment

Area of Support 3 – Other Support

Rationale: Managing IPA III funds in North Macedonia's transport sector is a complex task that requires coordination among multiple authorities and structures. NTS, supplementary reports, and the IPA Annual Report on Implementation of Financial Assistance for 2022 emphasise the need for significant improvements in administrative capabilities and human resources within these entities.

The IPA Department within the MoTC is the designated Managing Authority (MA) for transport-related programmes. The Intermediate Bodies for Policy Management (IBPMs) and the Intermediate Body for Financial Management (IBFM) assist in project preparation, tendering, contracting, and financial decisions, while ensuring compliance with the IPA III Decree and established guidelines. However, the authorities that will implement the OP in Indirect Management by Beneficiary Country(IMBC) have different level of experience, which may impede effective project management and implementation. To address this, tailored technical assistance is necessary, focusing on the specific needs of the MA and IBs and drawing from previous operational programmes and other technical assistance facilities.

As highlighted by the relevant Stabilisation and Association Agreement (SAA) Subcommittee and the Commission Reports, institutional capacity-building assistance is essential. This viewpoint is consistent with the World Bank's Public Expenditure and Financial Accountability (PEFA) programme's 2019 diagnostic analysis. To overcome these challenges, generating new employment opportunities, providing targeted training, and implementing a robust retention policy are necessary. This is crucial for retaining experienced employees and ensuring the successful execution of long-term projects,

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programmes, and strategies in the transport sector. To address insufficient visibility and communication, strategic efforts must increase stakeholder engagement and support. This will be accomplished through visibility and communication initiatives to ensure the programme's benefits are widely understood.

Transparency and accountability are essential to the management of EU financial assistance. Consequently, effective operation of the existing OP's monitoring and reporting mechanisms is essential, necessitating vigilant tracking of progress, performance evaluation, and identifying areas for improvement by the MA and IBPMs. In addition, standard procedures for monitoring IPA programmes, forming Sectoral Monitoring Committees (SMCs) and providing technical assistance, will be supporting these efforts.

Therefore, this area of support shall provide overall technical support to the IPA structure in the implementation of the OP, thus increasing capacity and capabilities for planning and managing EU and other donors' funds supporting the environment and climate sector and establishing the ground for the future management of the European Structural and Investments Funds.

Applicable EU Legislation

- The recommendations of the Commission Report Chapter 22: *Regional Policy and Coordination of Structural Instruments* focus on strengthening preparations for participation in the European Social Fund (ESF). This includes enhancing capacities within state bodies to ensure they are ready to manage the Fund effectively, which are planned to be addressed by the type of activities foreseen under this area of support.
- Supporting Public Administrations in EU Member States to Deliver Reforms and Prepare for the Future (Commission Staff Working Document SWD (2021/101).
- EU Public Administration toolbox.

Outcomes (Specific objective):

Increased readiness of North Macedonia for EU accession negotiations under Chapter 22.

Typologies of Outputs

Output 3.1: Improved management, implementation and control of the EU financial assistance, including through development of human capital, in accordance with EU requirements and best practices.

Impact, Outcome, and Output Indicators

	Indicator	Baseline	Target	Source of verification
Impact	Logistic Performance Index (LPI) – Infrastructure (Perception of the quality of trade and transport related infrastructure, e.g., Ports, railroads, roads, information technology)	2.47 (2018)	≥3.2 (2030)	Source: lpi.worldbank.org/international/global
	GHG emissions from transport; (Kt kiloton of CO2 equivalent emissions)	1,714 (2015)	≤1,400 (2030)	Biennial Update Report (BUR) Ministry of Environment and Physical Planning
Outcome 3	% of EU funds absorbed under the OP	0 (2023)	≥90% (2033)	Annual reports on programme implementation

Output 3.1	Number of completed OP projects.	0 (2023)	≥12 (2033)	Annual reports on programme implementation
	Staff turnover rate[62]	0 (2023)	≤ 10% (2028)	Annual reports on programme implementation.

Type of activities

Output 3.1: Improved management, implementation and control of the EU financial assistance, including through development of human capital, in accordance with EU requirements and best practices.

Effective management of IPA III funds in the transport sector requires well-coordinated cooperation between various authorities and strict adherence to established policies and procedures. The proposed interventions aim to address the obstacles faced by OP structure and authorities to ensure the successful implementation of the programme. By providing customised technical assistance, enhancing visibility and communication, and ensuring proper management and oversight of major projects, the authorities can effectively manage EU financial assistance for the transport sector in North Macedonia.

This support area is intended to provide comprehensive technical assistance to the MA and IBs. The objective is facilitating their roles in initiating, implementing, monitoring, controlling, and promoting OP operations by EU-level legislation and best practices.

In addition to contributing to implementing a pipeline of projects aligned with the OP 2024-27 objectives, technical assistance services under this support area will support fund absorption through advisory and capacity-building measures. The continuous development and consolidation of the OP's management, communication and visibility, monitoring and evaluation, audits and verifications, is a key objective of this technical assistance.

Eligible activities include the provision of expert support throughout all phases of programme implementation including capacity-building activities, technical support for MA and IBs/end recipients to improve their project preparation, procurement and contract management skills; quality assurance vis-à-vis ex-post control; assistance in improving the control environment; and OP evaluation, which entails the recruitment of an independent evaluator(s).

Establishing a robust retention policy is essential for successfully implementing long-term projects, programmes, and strategies in the transport sector. Retaining experienced staff significantly contributes to maintaining continuity and consistency in project execution. In this regard, a portion of EU funds may be used to support employee retention initiatives if eligible and by specific EU funding rules. This will make their roles more rewarding, fostering professional growth and satisfaction and increasing staff retention. This will be achieved by implementing salary support scheme that aims to retain experienced staff, which significantly contributes to maintaining continuity and consistency in project execution.

Delivery Methods

- This output will be delivered through technical assistance, grants, and supply contracts.

Selection Criteria

[62] Staff Turnover Rate (%) = (Number of staff who left the organisation during the period (year)/ Average number of staff during the period(year)) x 100. "Number of staff who left the organisation during the period" can be calculated by looking at the number of departures (whether voluntary or involuntary) over a specific period, such as a financial year. The "average number of staff during the period" is typically calculated by adding the number of staff at the start of the period to the number of staff at the end, and then dividing by two.

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- Relevance of the operations and their added value for the smooth implementation of the OP.

End Recipients and Target Groups

- NIPAC office, Management structure, AA, MA and IBs, directly involved in managing IPA III funds in the transport sector.

Conditions

- A retention plan for the IPA structures will be adopted before launching the salary support scheme and its implementation monitored. DG NEAR/EU Delegation will assess if all the requirements are met to provide reasonable assurance of the effectiveness of the support scheme. Specific conditions may be set to be met prior to its entry into force.
- Adoption of the legal base for the retention policy measures.
- Staff concerned will be directly recruited (or seconded) to IPA III OP structure (MA, IBPMs (including PERS and ZRSMI) and IBMF, to execute tasks related to the management and implementation of IPA III 2024-2027 OP and it will be supported with duly documented decisions of competent institutions.
- Period of employment and/or secondment will not exceed the final date of eligibility of IPA III 2024-2027 OP laid down in its Financial Agreement signed..

4.2.3.Indicative List of major projects per each area of support

A Major Project comprises a series of works, activities, or services. It is intended to accomplish a definite and indivisible task of a precise economic or technical nature, which has identified goals, and which has a total cost exceeding EUR 15 million as specified in Article 16(6) of the Financial Framework Partnership Agreement (FFPA) and the respective financing agreement between the Commission and North Macedonia.

The indicative list of major projects is as follows:

Rail Transport

Project title:	**Reconstruction and upgrading of railway bridges on Corridor X** – priority project
Area of support	No 1/Railway Activity No 1.1.1.
Lead Project Beneficiary:	Ministry of Transport and Communications (MoTC) as the MA and Public Enterprise for Railway Infrastructure Railways of Republic of North Macedonia -Skopje (ZRSMI) as IBPM and end recipient
Institution that is the author of the project proposal	Public Enterprise for Railway Infrastructure Railways of Republic of North Macedonia - Skopje (ZRSMI)
Location/Map	Corridor 10 marked in red below.

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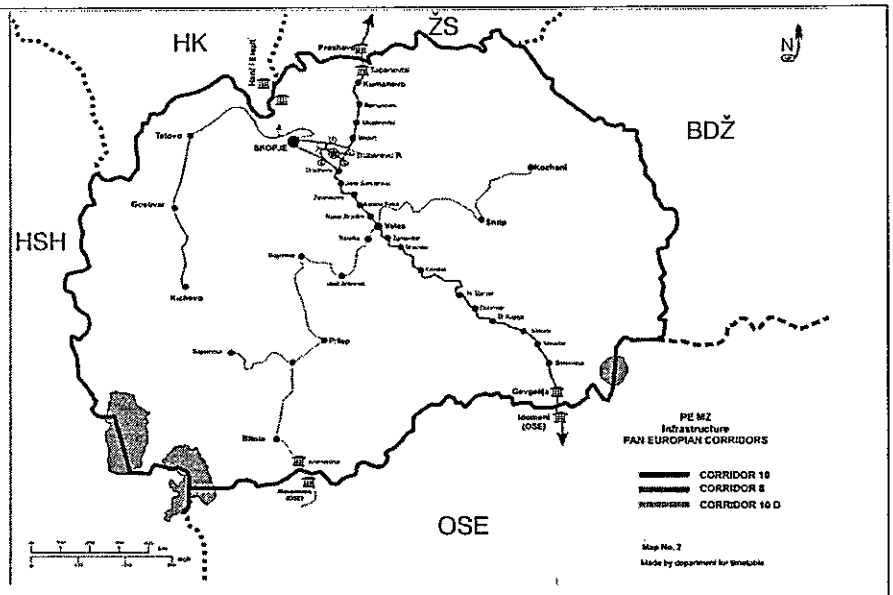


Brief description of its aim and intended results

Activity 1.1.1 aims to reconstruct and rehabilitate railway bridges along Corridor X. This includes testing and designing the related structures.

The main objective of this project is to update the infrastructure, with a specific focus on older bridges that need improvements to meet international standards for safety, durability, stability, and compliance. The process entails thorough testing, preparation of designs, and reconstruction and upgrading of the relevant structures.

The project aims to achieve several results, such as enhancing the safety and efficiency of the railway system, increasing transportation speeds, and ensuring greater compliance to international safety, quality and environmental standards. The success of this project is expected to enhance the strategic Corridor X connections of the country, thereby promoting economic growth, regional connectivity and environmental sustainability.

The railway line of Corridor X has a total of 49 bridges and culverts spanning a distance of 992 meters. Most of the bridges were constructed with steel structures six decades ago, making them susceptible to corrosion. All the steel bridges along Corridor X require new anti-corrosion protection. Based on the available data, it appears that the anti-corrosion protection was applied using alkyd-based coatings approximately 25 to 40 years ago. Still, the specific coating type and manufacturer cannot be determined with certainty.

The 49 railway bridges and culverts can be categorised into three groups based on their lengths and spans:

Group 1 includes bridges that have significant length and spans, which may require new conceptual solutions and detailed design projects for new design solutions.

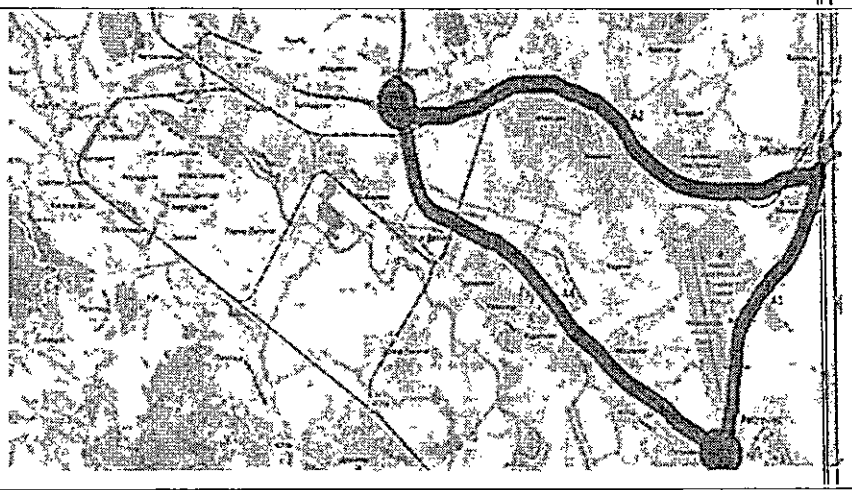
Group 2 includes bridges with short lengths and small spans that can be designed directly for detailed design or for rehabilitation purposes.

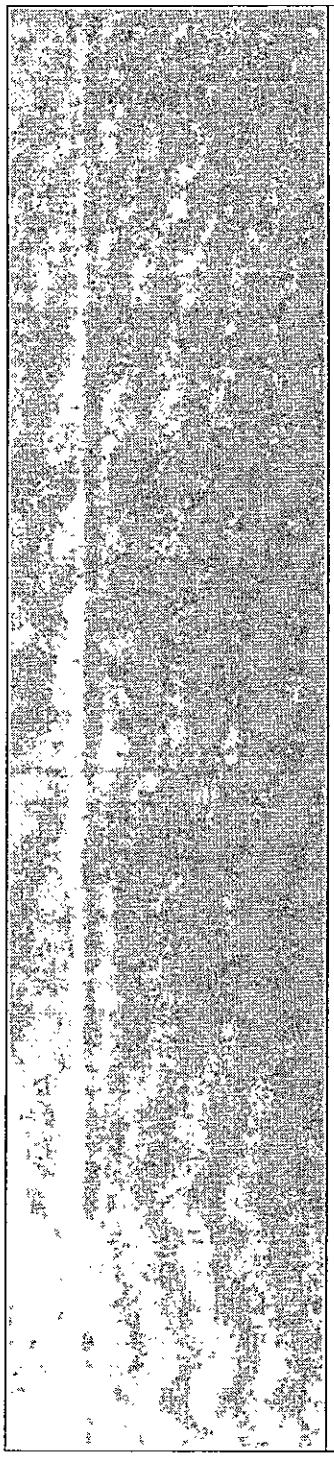
Group 3 includes culverts that can be used as typical buildings without requiring any special design considerations.

	Due to safety concerns, the maximum speed allowed on these bridges is 30 kilometres per hour, which increases travel time and, consequently, transportation costs. This activity involves the provision of design and supervision engineering services for the major project. Their responsibilities include, but are not limited to, the preparation of comprehensive project documentation at the level of detailed design for the most critical railway bridges. This includes revisions to the detailed design and potential construction-phase enhancements. Existing technical documentation for bridge structures will be reviewed by the Consultant, along with the monitoring system. In addition, they will conduct tests on all bridges on Corridor X under trial load, including those tested within the past three decades and deemed to meet the D4 category - 8 tonnes per linear metre, prioritising the most important ones for the development of project documentation. Other responsibilities include updating traffic studies and forecasts, conducting a feasibility study with cost-benefit analysis, conducting environmental and social impact assessments, developing a project analysis on bridge condition, and preparing a detailed design for the rehabilitation of damaged bridge components based on the results of the project analysis. In addition, the main design for the implementation of anticorrosion protections on all steel bridges will be developed, along with the production of all required documentation for the Detailed Design and tender documentation for the appropriate works. This body of work focuses on the rehabilitation or reconstruction of the most critical bridges. In accordance with the terms and conditions of FIDIC contracts, the selected Consultant will also serve as Engineer, with the goal of minimizing potential delays during the construction phase. Land acquisition may be required depending on the scenario selected from the Feasibility Study (FS). A technical audit will be incorporated into the project plan to guarantee the correct design, construction, and completion. This will provide an objective review of the technical aspects of the project, from design and construction to completion and handover. The technical audit will play a crucial role in preventing project delays, cost overruns, and noncompliance with EU regulations and guidelines, thereby ensuring that the project meets all technical and quality requirements.
Project Value and funding sources	**Total: EUR 28.750.000,00** **Technical audit, project preparation including detail design, design review and supervision – EUR 4.750.000,00** **Reconstruction/upgrade works – EUR 24.000.000,00 Funding sources:** **EU IPA III contribution: EUR 14.615.000,00** **National/State budget co-financing: EUR 14.135.000,00** *The cost estimate assumes that between 10 and 15 bridges will require reconstruction or upgrading, with the possibility that some bridges will need to be constructed from the ground up.*

Implementation period	**2025-2030**
Stage of preparation	Draft ToR for service contract for the railway projects for 21 July 2021; data from maintenance sector. Regarding documentation specifically required by the EU: It is not necessary to provide a pre-feasibility study or traffic forecasts for variants or a feasibility study for the railway bridges as they are already operational and situated on Corridor X. The maintenance sector within ZRSMI is the source of information for this project. The development of the cost-benefit analysis report and environmental impact assessment study will be carried out under the future designer's mandate. The development of these crucial elements will fall under the scope of the service contract for design, tender dossier preparation, and construction supervision of this major project. All work will be carried out in accordance with national legislation. The ERTMS/ECTS system is currently not in place, but it will be installed upon the completion of the construction of the eastern part of railway corridor VIII. As for technical documentation and permits in line with regulations on railways and construction: Conceptual, preliminary, and general designs are complete, dating back to 1968–2008, as the bridges are operational. ZRSMI was in charge of these tasks. Prior to 1968, ZRSMI completed a land acquisition plan. However, additional land might be required if new bridges are to be constructed. Prior to 2008, ZRSMI completed a Review of the General Design: Report of Revision. An environmental impact assessment study was also completed as Corridor X is fully operational. Several documents and permits are still to be completed, including the Detailed Design, Traffic Management Design, Technical Control of the Detailed Design, Construction Permit, Environmental Permit, Land Acquisition/Expropriation Permit, Tender Dossiers for Construction Works, and Tender Dossier for Supervision. ZRSMI, the future designer/engineer for this major project under the Service Contract for Design, Tender Dossier Preparation, and Construction Supervision, and a future revision body/ Notified Body (NOBO)will collaborate to complete these tasks between 2025 and 2027. It's worth noting that some responsibilities, such as obtaining construction and environmental permits, will depend on the accepted contract amount and could be delegated either to the designer or the engineer.
Maturity level	MODERATE

Area of Support 2 - Road Transport

Project title:	**Rehabilitation of Rehabilitation of Corridor X - VIII connection motorways A1, A2, A4 in the area of "Skopje Triangle" (Miladinovci–Petrovec, Miladinovci – Hipodrom, Hipodrom – Petrovec)** – priority project
Area of support	No 2/Roads
Lead Project Beneficiary:	Lead: Ministry of Transport and Communications. And Public Enterprise for State Roads (PESR).
Institution that is the author of the project proposal	Public Enterprise for State Roads (PESR)
Location/Map	
Brief description of its aim and intended results	The main objective of the project is to improve the condition of the motorways **A1, section Miladinovci – Petrovec, A2, section Miladinovci – Hipodrom, A4, section Hipodrom--Petrovec**, and to provide a safe, reliable, and comfortable transport system for the users. The project also aims to enhance the connectivity between corridors 8 and 10, as well as to improve the transport performance index of North Macedonia. **46.6 km of motorways rehabilitated, include**: roadways, junctions, and drainage and by that improved road conditions, increased safety, reduced travel time, and smoother traffic flow. The project also is expected to be implemented in a way that minimizes the impact on the environment and the surrounding communities by using "Green procurement" standards aimed at reducing of carbon footprint by incorporating environmentally friendly practices such as using recycled materials, reducing waste, and minimising carbon emissions during construction works. The main objective is to improve the condition and to provide a safe, reliable transport system for the users and to enhance connectivity between corridors 8 and 10 within the area of "Skopje Triangle", as well as to improve the transport performance index of North Macedonia by performing the following: **<u>Rehabilitation of A1 Miladinovci-Petrovec</u>** This is a road section of the Pan European Road Corridor X, placed in the central region of the country, and it is a section that connects North Macedonia with Greece and Serbia.



The rehabilitation covers the right and left carriageways and the Petrovec interchange. The total length for repair of the right carriageway is 7.5 km, while the length of the left is 7.7 km. The total length of all ramps at the interchange Petrovec foreseen for rehabilitation is 3.6 km. The basic (detailed) design for the rehabilitation of the section was prepared in 2020 by PROSTOR DOO Kumanovo and revised by the Faculty of Civil Engineering - Skopje.

The project includes rehabilitation of the existing motorway section on both carriageways. This part of the Corridor has to be rehabilitated due to the damages caused during the operation period.

The total length of covered carriageways and ramps: **18.8 km**

Major concerns to be addressed:

- **Deterioration of the road pavement**: The current condition of the road surface is deteriorated due to age and volume of heavy traffic, leading to roughness, cracks, potholes, and other forms of damages.

  Technical condition visual:

  IRI:[63]

  Section: Petrovec – Miladinovci: Average IRI = 1.79

  Section: Miladinovci – Petrovec: Average IRI = 2.39

- **Safety concerns:** Deteriorated technical condition of the road surface poses safety risks to motorists, particularly during inclement weather or high traffic volume periods and high volume of heavy traffic (HGV).

  Number of accidents: 2018: 22

  Number of killed: 2018: 4

  Number of heavily injured: 2018: 7

  Number of slightly injured: 2018: 33

  Number of persons not injured: 2018: 14

- **Traffic congestion:** The capacity of the motorway is currently limited due to the road surface condition, which leads to increased travel time and delays for commuters and cargo transport, congestion and delays are common, particular at the Petrovec interchange.

  AADT: (2018-2022):

  2019: 11 254 vehicles/day;

[63] IRI stands for International Roughness Index. It is a measurement used to assess the roughness or unevenness of a road surface. The IRI is calculated based on the vertical deviations of a vehicle travelling along the road, typically using specialised equipment such as a profilometer. IRI provides a numerical value that quantifies the roughness of the road surface. It is commonly used as a standard measure for evaluating road conditions and determining the need for maintenance or rehabilitation. Higher IRI values indicate a rougher road surface, affecting vehicle comfort, safety, and fuel consumption. IRI is measured in meters per kilometre (m/km) or inches per mile (in/mi). It is a useful tool for road management agencies and engineers to prioritise maintenance and plan road improvement strategies to ensure smoother and safer driving conditions.

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2020: 6185 vehicles/day;

2021: 8823 vehicles/day

2022: 8602 vehicles/day.

- **Inadequate drainage**: The existing drainage system is insufficient, causing water accumulation on the road surface, which further damages the pavement and reduces safety

Rehabilitation of A2 Miladinovci-Hopodrom

This activity aims to rehabilitate the motorway A2, section Miladinovci - Hipodrom, including the rehabilitation of the Hipodrom interchange. The Hipodrom interchange serves several road connections, including Kumanovo - Bypass, Veles - Bypass, Bypass - Kumanovo, Bypass - Veles, Bypass - Skopje, Veles - Skopje, Kumanovo - Veles, Skopje - Veles, and Veles - Kumanovo. The length of the main alignment is 10.4 km, while the length of the ramps of the Hipodrom interchange is about 8.6 km.

Total length of roadways to be rehabilitated: **19 km**

Major concerns to be addressed:

- **Deterioration of the road pavement**: The current condition of the road surface is deteriorated due to age and volume of heavy traffic, leading to roughness, cracks, potholes, and other forms of damage.

  Technical condition visual:

  PCI average for left carriageway: 15,00

  PCI average for right carriageway: 12,00

  According to ASTM D6433

  IRI: IRI_{100} right carriageway: 2,35 m/km

  IRI_{100} left carriageway: 1,95 m/km

- **Safety concerns**: Deteriorated technical condition of the road surface poses safety risks to motorists, particularly during inclement weather or high traffic volume periods and high volume of heavy traffic (HGV).

  Number of accidents: 2018: 21

  Number of killed: 2018: 4

  Number of heavily injured: 2018: 7

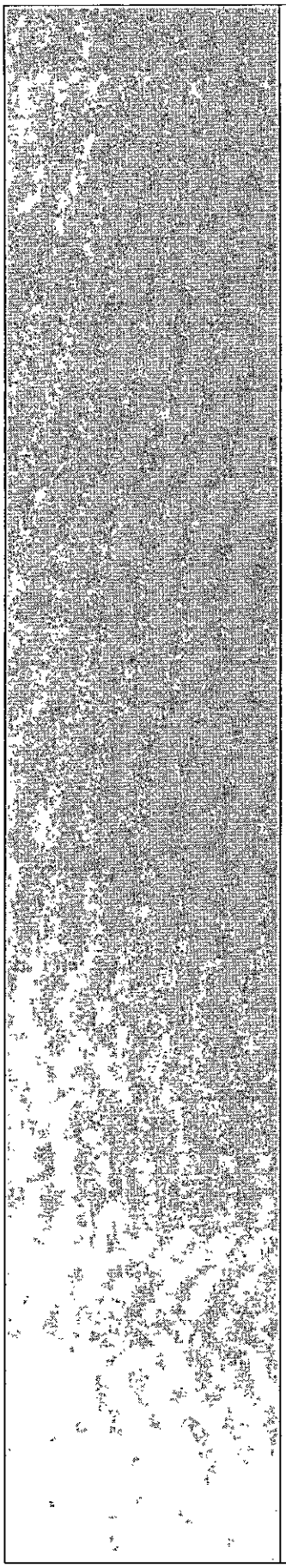
  Number of slightly injured: 2018: 33

  Number of persons not injured: 2018: 8

- **Traffic congestion**: The capacity of the motorway is currently limited due to the road surface condition, which leads to increased travel time and delays for commuters and cargo transport, congestion and delays are common, particularly at the Hipodrom interchange.

  AADT: (2018-2022)

  2019: 15836 vehicles/day;



2020: 11751 vehicles/day;

2021: 15241 vehicles/day;

2022: 15493 vehicles/day

- **Inadequate drainage**: The existing drainage system is insufficient, causing water accumulation on the road surface, which further damages the pavement and reduces safety.

Rehabilitation of A4 Hipodrom Petrovec

This involves the rehabilitation of the main alignment of the motorway in a length of 8.8 km. The project includes the review of existing design, execution of rehabilitation works based on current conditions, and supervision of the works.

The total length of the motorway to be rehabilitated: **8.8 km.**

Major problems to be addressed through this project:

- **Deterioration of the road pavement**: The current condition of the road surface is deteriorated due to age and volume of heavy traffic, leading to roughness, cracks, potholes, and other forms of damage.

  Technical condition

  Section: Petrovec - Hipodrom: Average IRI = 2.07 m/km

  Section: Hipodrom – Petrovec: Average IRI = 2.12 m/km

- Safety concerns: Deteriorated technical condition of the road surface poses safety risks to motorists, particularly during inclement weather or high traffic volume periods.

  Number of accidents: 2018: 35

  Number of killed: 2018: 8

  Number of heavily injured: 2018: 12

  Number of slightly injured: 2018: 47

  Number of persons not injured: 2018: 20

- **Traffic congestion:** The capacity of the motorway is currently limited due to the road surface condition, which leads to increased travel time and delays for commuters and cargo transport.

  AADT: (2018-2022)

  2019: 18658 vehicles/day;

  2020: 13349 vehicles/day;

  2021: 16445 vehicles/day;

  2022: 18406 vehicles/day

- **Inadequate drainage**: The existing drainage system is insufficient, causing water accumulation on the road surface, which further damages the pavement and reduces safety.

The basic design for rehabilitation of three sections was prepared in 2020 by PROSTOR DOO Kumanovo. Revised by the Faculty of Civil Engineering - Skopje.

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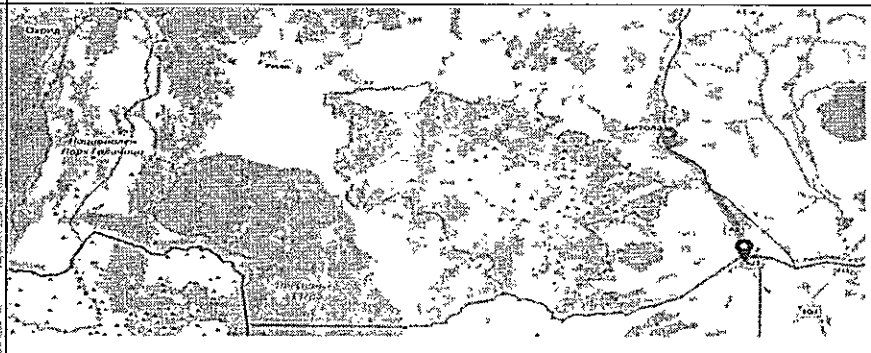
	The project includes rehabilitation of the existing motorway section on both carriageways. This part of the Corridor has to be rehabilitated due to the damages caused during the operation period. **Scope of activities to be perform within this project:** • Review/gap-analysis of the existing design and assessment of its feasibility, preparing detail design include road safety audit and traffic management plan, obtaining all necessary permits, • Preparation of tender dossier and conducting tender evaluation process according with PRAG and public procurement legislation of North Macedonia. • Support with technical expertise during the tender evaluation process • Performing rehabilitation works of the right and left carriageways, • Performing rehabilitation works of all ramps at the Petrovec and Hipodrom interchanges, • Upgrade and repair of existing drainage systems along the motorway. • Improvement of road markings and signage, installation of new safety guardrails ad crash cushions, • Performing environmental mitigation measures, such as soil erosion control, Supervision of the construction works to ensure compliance with the technical specifications and quality standards. The rehabilitation of selected sections would lead to increased road safety, reduced time travel, increased level of comfort for the road users and lower emission of CO_2 due to the more constant speed of the drivers. **The estimated duration of the project is expected to be 24 months.** Performing the rehabilitation works on each of sections will require close coordination and planning of the temporary traffic organisation/scheme, due to the high demand to minimize inconvenience and maintain the desired level of traffic flow. It should be mentioned that the road works will be carried out also in road junctions, so it is possible that the intersections will be temporarily closed to traffic, and it will be necessary to establish detours through alternative roads.
Project Value and funding sources	**Total EUR 52.300.000** Construction works EUR 50 300 000 Preparatory and Supervision EUR 2 000 000 **Funding sources:** EU contribution EUR 26 150 000 National co-financing EUR 26 150 000
Implementation period	**2025 - 2029**
Stage of preparation	Based on the information provided, it seems that the project is well prepared. The fact that the basic design (which includes a detailed design, in accordance with legislation of North Macedonia) for the rehabilitation of the section was prepared suggests that the project has received some level

	of expert input. Additionally, the design documentation has been already revised by the Faculty of Civil Engineering –Skopje, which further indicates that the project has undergone a thorough review process. This indicates that there may be additional work required to ensure that all EU required standards have been properly addressed. To ensure that all relevant EU standards are incorporated to the design, a dedicated Gap Analysis should be considered. This would help to identify any potential issues or gaps in the project design and address them before the procurement phase. Nevertheless, without more detailed information about the project, such as the budget, timeline, and potential challenges, it is difficult to make a more comprehensive assessment of the state of preparation.
Maturity level	**HIGH**

Project title:	**Construction of state road A3, section Bitola – border crossing Medzitlija, from km.0+000,00 to km. 22+620,00 – new route at the level of expressway** – reserve project
Area of support	No 2/Roads
Lead Project Beneficiary	Lead: Ministry of Transport and Communications. and Public Enterprise for State Roads (PESR).
Institution that is the author of the project proposal	Public Enterprise for State Roads (PESR)
Location/Map	
Brief description of its aim and intended results	This project aims to upgrade and improve the state road A3, section Bitola - border crossing with Greece in Medzitlija, to the parameters of an expressway, including the construction of a new route with a length of 22.62 km, from km.0+000,00 to km. 22+620,00. The specific objective is to construct a new 22.62 km route at the level of an express road, resulting in increased road safety, reduced travel time, increased comfort for road users, and lower CO2 emissions. The Public Enterprise for State Roads will carry out the project in coordination with the Ministry of Transport and Communications and Public Enterprise for Maintenance and Protection of National and Regional Roads. The project will involve design review and detail design, land acquisition and expropriation, preparation of tender dossier, conducting the tender procedure in line with PRAG, performing construction works of the new route based on FIDIC standards, and supervision over the construction process. The intended

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result of this project is a safer and more efficient road network that meets the needs of the road users and contributes to the economic development of the region.

Specific objectives:

- **Improving road safety:** The project aims to improve the safety of the road users by rehabilitating the carriageway, which will reduce the risk of accidents and fatalities.
- **Enhancing connectivity:** The project aims to improve the connectivity within the Skopje metropolitan region, other regions within North Macedonia, and better links with Greece.
- **Increasing economic development**: The project can contribute to the economic development of the region by improving the efficiency of transport, reducing transport costs, and facilitating the movement of goods and services.
- **Improving environmental sustainability and climate resistance**: The project can contribute to improving the environmental sustainability of the region by reducing emissions and air pollution from vehicles, as well as reducing the amount of time and fuel wasted in traffic.

Major concerns to be addressed:

- the current road A3 has a low capacity, which often results in traffic congestion and delays. The new expressway will have a higher capacity, allowing for smoother and faster traffic flow, which will reduce travel time for road users.

  Number of accidents: 2018: 3

  Number of killed: 2018: 0

  Number of heavily injured: 2018: 0

  Number of slightly injured: 2018: 5

  AADT: (2018-2022)

  2019: 4191 vehicles/day;

  2020: 2316 vehicles/day;

  2021: 2297 vehicles/day;

  2022: 3422 vehicles/day

- border crossing at Medzitlija is one of critical point of transit between North Macedonia and Greece, and it experiences a high volume of traffic in both directions. The existing road infrastructure is not capable of handling the current and projected traffic volume, leading to frequent congestion and delays. The new expressway will alleviate this problem by providing a more efficient and safer road network that can handle the growing traffic demand.
- the existing road infrastructure is associated with high accident rates, mainly due to poor road conditions and inadequate safety features. The new expressway will be designed and constructed based on modern safety standards, with improved road geometry,

	safety barriers, and signage, which will enhance road safety and reduce accident rates.
Project Value and funding sources	**Total: EUR 83 050 000 + funds for land acquisition/expropriations** Preparatory activities (like Design Gap Analysis) EUR 650 000 Construction works EUR 80 000 000 Supervision EUR 2 400 000 **Funding sources:** EU contribution EUR 13 141 000 National co-financing EUR 2 319 000
Implementation period	**2025-2029**
Stage of preparation	Based on the information provided, it seems that the project is moderately prepared. The fact that the basic design according to regulations of North Macedonia was prepared suggests that the project has received some level of expert input. This indicates that there may be additional work in terms of design and other studies like climate and environmental, road safety required to ensure that all EU required standards have been properly addressed. To ensure that all relevant EU standards are incorporated to the design, a dedicated Gap Analysis should be considered. This would help to identify any potential issues or gaps in the project design and address them before the procurement phase. Nevertheless, without more detailed information about the project, such as the budget, timeline, and potential challenges, it is difficult to make a more comprehensive assessment of the state of preparation.
Maturity level	**MODERATE**

4.3. Mainstreaming

4.3.1. Environmental Protection, Climate Change and Biodiversity

Reflecting North Macedonia's commitment to the Enhanced Nationally Determined Contributions (NDC) and the broader objectives of the Paris Agreement, the OP encapsulates a strong emphasis on climate resilience and adaptation. It strategically integrates these considerations into its planning and operations, understanding the transport sector's key role in addressing climate change.

The OP on transport of North Macedonia incorporates environmental, energy efficiency, and climate change considerations into its strategic planning, recognising the importance of the transport sector in achieving these objectives.

The OP includes Environmental Impact Assessment studies (EIAs) to evaluate the potential environmental consequences of the projects. These assessments identify possible environmental effects and focus on local biodiversity, climate impacts, and environmental protection strategies. Importantly, they also delineate mitigating measures for potential adverse impacts, playing a pivotal role in climate change adaptation. Within this framework, the OP integrates biodiversity interests by conducting comprehensive environmental and biodiversity assessments, consulting with environmental specialists

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during the planning and design phases and implementing measures to restore and protect natural habitats affected during construction.

Within the ambit of the OP, a portion of the activities are directed towards improving railway infrastructure. Recognised for its lesser environmental impact than other modes of transport, developing railways is a crucial strategy in reducing greenhouse gas emissions, thereby providing a more climate-friendly solution within the transport sector.

The alignment of the OP with the NDC's goals signifies its commitment to integrating climate change mitigation, environmental protection, and biodiversity conservation into the blueprint and implementation of transport projects. Recognising the importance of sustainable and low-carbon practices in the transport sector, the OP champions these principles for rail and road transport projects.

The OP prioritises environmental sustainability throughout the project lifecycle, from design through implementation. To reduce the carbon footprint of the projects, sustainable practices such as using recycled materials, waste reduction, and minimisation of carbon emissions are integrated into the construction phase. Climate risks are identified and addressed during the project preparation phase, ensuring the technical design requirements incorporate climate adaptation measures. Detailed descriptions of the climate risk assessment process and how it is integrated into the planning cycle are included in project documentation.

In the realm of disaster risk reduction (DRR) for infrastructure, the OP incorporates both "structural" and "non-structural" measures. These measures, either direct or indirect, aim to safeguard transportation networks from natural and human-made disasters.:

- "Structural measures", such as slope disaster prevention and mitigation for road slope, buffer zones, against landslides or floods, road bridge retrofit, bridge scouring, drainage system, using high temperature resilient materials, regular maintenance etc.
- "Non-structural measures," such as climate risk assessment to understand the vulnerabilities of the rail and road network to natural and human-made disaster, regular inspections, awareness rising and capacity building and training for relevant authorities.

The OP is also aligned with the National Biodiversity Strategy and Action Plan (NBSAP) of North Macedonia, as required by the Convention on Biological Diversity (CBD).[64] This alignment highlights OP's dedication to biodiversity conservation. The OP projects are intended to integrate biodiversity interests and enhance biodiversity by Natura 2000 and habitat connectivity objectives. Specific biodiversity positive measures, such as habitat restoration and protection of endangered species, are detailed in project documentation.

In addition, the OP encourages the implementation of "Green Procurement"[65] practices that support EU Green Deal policies. This strategy enables procuring goods and services with reduced environmental impacts throughout their life cycle, contributing to the transport sector's sustainability goals. By embedding environmental protection, energy efficiency, and climate change adaptation into its strategic planning and operations, the OP aims to fulfil North Macedonia's NDC targets. This approach enhances sustainable transportation practices, contributes to long-term environmental resilience, and reinforces the nation's social well-being. Through such efforts, the OP acknowledges climate change adaptation not as an ancillary goal but as a significant objective integral to the success of its transport projects.

4.3.2. Gender Equality and Empowerment of Women and Girls

As per OECD Gender DAC codes identified in section 1.1, this programme is labelled G0. The OP has been thoroughly assessed for its capacity to advance gender equality. The direct impact of the projects

[64] https://www.cbd.int/countries/targets/?country=mk

[65] EU Handbook for Green Procurement can be used: https://ec.europa.eu/environment/gpp/buying_handbook_en.htm

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centred on transport infrastructure does not discriminate based on gender. Integrated safety measures ensure all users have access to well-lit and secure environments. Moreover, the projects provide universal access to transport and equal employment opportunities. Diverse perspectives are encouraged through SWG's consultation processes, and user feedback ensures inclusivity. Although data is not disaggregated by gender, the projects aim to achieve gender-equal results. The G0 label indicates that projects respect and consider gender-related aspects of service delivery, even if they do not explicitly target gender equality.

4.3.3.Human Rights

The OP is based on human rights principles, including equality, non-discrimination, participation, transparency, and accountability. The projects, which range from railway bridge reconstruction to motorway rehabilitation, prioritise safety and ensure universal accessibility, thereby upholding the right to freedom of movement and protection. Moreover, they provide equal employment opportunities. Aligning projects with national priorities, Sector Working Groups facilitate transparent decision-making and stakeholder collaboration. Even though these projects do not directly address particular human rights concerns, they inherently uphold human rights principles throughout their lifespan.

4.3.4.Disability

As per OECD Disability DAC codes identified in section 1.1, this programme is labelled as D0. Even though disability inclusion is not the main objective of the OP, the projects include measures to ensure accessibility and safety for all users, including those with disabilities. To ensure the safety and accessibility of road and railway infrastructure projects, it is essential to conduct a safety audit and incorporate necessary measures for people with disabilities, including those with audio or visual impairments, individuals using wheelchairs, elderly individuals and parents with child strollers. This entails including these considerations in design and feasibility studies.

To achieve this, it is essential to engage in interactions and consultations with relevant associations and organisations through SWG that represent and advocate for the rights and needs of people with disabilities.

While disability inclusion may not be the program's primary objective, its projects should still prioritise accessibility and safety for all users, including individuals with disabilities. This involves incorporating accessibility features into all construction and renovation initiatives.

To achieve the goal of inclusiveness, accessibility for persons with disabilities should be integrated into the design of road and railway infrastructure projects. By incorporating mechanisms within the program to address accessibility concerns, the commitment to inclusiveness is further reinforced.

4.3.5.Democracy

The OP promotes democratic principles through transparent decision-making procedures and extensive stakeholder participation. SWGs ensure inclusive consultations and collaborative decision-making by democratic principles.

4.3.6.Conflict sensitivity, peace and resilience

By conducting conflict-sensitive assessments and designing initiatives to promote peace and societal resilience, the OP acknowledges the significance of these factors. This requires understanding local dynamics and ensuring that projects do not exacerbate existing tensions but contribute to community peace and stability.

4.3.7.Disaster Risk Reduction

The significant projects the OP covers will incorporate resilient construction materials, innovative designs, and robust emergency planning and response measures. Moreover, comprehensive feasibility studies and Environmental and Social Impact Assessments are integral to the OP, systematically evaluating potential disaster risks. These insights then shape robust emergency planning, response measures, and the integration of specific mitigation strategies into the project planning and design. Consequently, while Disaster Risk Reduction (DRR) is not the primary objective of the OP activities, it

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is recognised as a significant objective, being an essential consideration in transport sector project planning and implementation.

4.3.8.Other Considerations

The OP is conscious of the environmental impact of its initiatives, and it complies with environmental regulations and strives to minimise adverse effects through environmentally friendly design and construction. It also aims to contribute to the local economy by increasing connectivity and providing employment opportunities.

4.4. Risks and Assumptions

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
External Environment	Instability in the political sphere or shifts in government policy could disrupt the OP	M	H	Engagement with government bodies on a regular basis, advocacy for policy stability, and contingency planning
People and Organisation	Insufficiency of qualified personnel or high employee turnover	H	H	Regular training, skill development programmes, offering competitive compensation, and fostering a positive organisational culture
Planning, Processes and Systems	Delays or cost overruns in construction activities	H	H	Effective project management, regular monitoring and evaluation, contingency planning, and risk management strategies
Planning, Processes and Systems	Inadequate project planning that results in an unsuccessful project execution	L	H	Comprehensive project planning and documentation, application of best practises for project management, and continuous monitoring and evaluation
People and the Organisation	Inadequate technical capability of international and/or local consultants to carry out the project could result in substandard work, delays, and cost overrun	H	H	Consultants are subjected to a rigorous screening procedure to ensure they possess the required credentials and experience. Regular monitoring of progress and provision for capacity-building
Planning, Processes, and System	Lack of information and delays in acquiring the data required for	H	H	Establish a reliable data collection and management system. Clear channels of communication must be maintained with all stakeholders to ensure timely data delivery

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	the operation's implementation could result in delays and misinformed decision-making			
People and the Organisation:	Insufficient cooperation between local and national stakeholders could result in disjointed efforts, inefficiency, and potential conflict	**M**	**H**	Facilitate regular meetings with stakeholders and define their roles and responsibilities clearly. Create an atmosphere of cooperation and mutual respect. If necessary, implement conflict resolution mechanisms.

External Assumptions

- Sufficient financial resources are accessible from various sources, including international donors, the European Union, International Financial Institutions, and public-private partnerships.
- North Macedonia can fulfil its co-financing and debt service obligations.
- North Macedonia continues to align its regulatory and legislative framework with EU standards in the transport sector.
- Effective collaboration is maintained between all parties involved in developing transport infrastructure.
- Availability of competent, experienced consultants and construction contractors
- Projects are completed on time, and ongoing maintenance and sustainability are ensured to enhance transport efficiency and connectivity.
- The OP authorities (MA and IBs) participate actively in capacity-building initiatives and implement the acquired skills in their operations.
- Capacity-building initiatives have a lasting impact.
- Assured technical assistance for preparatory works.
- Project Implementation Units are established in PESR and ZRSMI.
- EU institutions' tools, such as Twinning and TAIEX, are utilised to fill gaps in staff competencies.
- Extensive interinstitutional collaboration is ensured in daily project preparation and implementation.

5. Overview of the consultation process for the preparation of the Operational Programme

The OP was developed using a highly consultative and inclusive methodology. The objective was to adhere to the partnership principle by involving partner institutions and organisations at various stages. Complementing this concentrated effort, the OP was integrated into a broader context of consultations for the country's IPA III Strategic Response, which included approximately forty meetings of Sector Working Groups. These meetings shaped a unified vision for utilising EU financial aid under IPA III across all windows. Consequently, the development of the OP not only benefited from this broader participatory process and contributed significantly to its alignment with the country's strategic priorities and the Strategic Response's overall objectives.

This process was marked by regular communication, consultations, and feedback, which fostered partnership, transparency, and confidence among all stakeholders. The overarching objective was to promote a shared comprehension of the OP, enabling each participant to comprehend their role within

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the broader scope of planned initiatives. This process was directed by the Department of the Ministry of Transport and Communications (MoTC) for IPA, which served as OP's Managing Authority.

A series of bilateral meetings with potential institutional beneficiaries of the programme, including the Public Enterprise for State Roads and the Public Enterprise for Railway Infrastructure of Republic of North Macedonia - Skopje, were held to initiate this process. During these sessions, project ideas were discussed and refined, sector-specific needs and constraints were addressed, and alignment with North Macedonia's overarching strategic framework was ensured.

Based on the insights gained from these meetings, an indicative project pipeline outlining potential support areas, activities, and interventions was developed. This document was distributed and communicated to all process participants, promoting a unified vision.

To enhance the OP further, a SWOT workshop was initiated. This event allowed institutional beneficiaries to share their insights and validate data gathered through sector analysis. In addition, it facilitated the identification of potential interventions and developmental needs that the OP could address. Encouraging all participants to contribute fostered a shared understanding of the transportation industry's most significant challenges and opportunities. The workshop's findings were then incorporated into a comprehensive SWOT analysis, a crucial component of the OP.

The initial draft of this OP was presented to the Transport SWG. This expert-level body is charged with formulating and implementing national sector policies related to EU integration. The multi-level management approach of SWG, composed of government institutions, civil society, local authorities, economic and social partners, representatives of EUD, IFIs, and donors, reflects the partnership principle. It brings together stakeholders from North Macedonia's national administration bodies, social partners, civil society, and the international community.

The SWG, which consists of over 40 representatives, had equal opportunity to contribute to the OP, comment on the working materials, and propose amendments and improvements. The MA carefully considered and incorporated all comments into the final document. This resulted in a OP accurately reflecting the diverse stakeholders' shared vision and expertise. Upon completion of the OP, another SWG meeting will be convened to ensure continued stakeholder input. This commitment to ongoing consultation will ensure that the OP remains an effective tool for shaping the future of the transport sector in North Macedonia.

6. Implementation arrangements

6.1. Financing Agreement

In order to implement this programme, it is envisaged to conclude a financing agreement between the Commission and North Macedonia.

6.2. Methods of Implementation

The Commission will ensure that the EU-appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the programme with EU restrictive measures[66].

Indirect Management with an IPA III beneficiary

This programme will be implemented under indirect management by North Macedonia.

The managing authority responsible for the execution of the programme is Ministry of Transport and Communications. The managing authority shall be responsible for legality and regularity of expenditure, sound financial management, programming, implementation, monitoring, evaluation, information, visibility, and reporting of IPA III activities.

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[66] www.sanctionsmap.eu

The managing authority shall rely on sectoral expertise and technical competence of the following intermediate bodies for policy management: Public Enterprise for State Roads and the Public Enterprise for Railway Infrastructure Railways of Republic of North Macedonia -Skopje They shall ensure sound financial management of the programme.

Budget implementation tasks such as calls for tenders, calls for proposals, contracting, contract management, payments, and revenue operations, shall be entrusted to the following intermediate body for financial management: Central Financing and Contracting Department. It shall ensure legality and regularity of expenditure.

NIPAC and NIPAC office as well as the Management structure from the Ministry of Finance are part of the IPA structure, having their responsibilities as deriving from Framework Financial Partnership Agreement.

6.3. 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, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this programme impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

7. Financial Tables by Areas of Support and by Year (including co-financing rates if applicable)

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	Year 2024			Year 2025			Year 2026			Year 2027			TOTAL		
	EU contribution	North Macedonia co-financing	**Total expenditure**	EU contribution	North Macedonia co-financing	**Total expenditure**	EU contribution	North Macedonia co-financing	**Total expenditure**	EU contribution	North Macedonia co-financing	**Total expenditure**	EU contribution	North Macedonia co-financing	**Total**
Area of Support 1	2 368 750	1 068 750	**3 437 500**	593 750	593 750	**1 187 500**	593 750	593 750	**1 187 500**	12 358 750	11 878 750	**24 237 500**	15 915 000	14 135 000	**30 050 000**
Area of Support 2	2 404 470	1 241 666	**3 646 136**	6 328 334	6 253 334	**12 581 668**	10 739 696	10 677 500	**21 417 196**	10 577 500	10 577 500	**21 155 000**	30 050 000	28 750 000	**58 800 000**
Area of Support 3	2 126 780	276 000	**2 402 780**	790 375	100 000	**890 375**	44 ,375	40 000	**481 375**	676 470	0	**676 470**	4 035 000	416 000	**4 451 000**
TOTAL	6 900 000	2 586 416	**9 486 416**	7 712 459	6 947 084	**14 659 543**	11 774 821	11 311 250	**23 086 071**	23 612 720	22 456 250	**46 068 970**	50 000 000	43 301 000	**93 301 000**

8. Performance Measurement

8.1. Monitoring and Reporting

Monitoring on implementation of the Operational Programme will aim at collecting and analysing data to inform on progress towards achievement of planned results, to feed decision-making processes and to report on the use of resources.

The day-to-day technical and financial monitoring of the implementation of this Operational Programme will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the programme and elaborate regular progress reports (not less than annual) and final reports.

Every report shall provide an accurate account of implementation of the Operational Programme, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible, at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators.

The Commission may undertake additional monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and Responsibilities for Data Collection, Analysis and Monitoring:

The Managing Authority for the OP shall in particular: design adequate monitoring and reporting procedures, considering the internal reporting division of roles and responsibilities.

The overall progress will be monitored through participation of various stakeholders, such as European Commission/ EU Delegation, NIPAC/NIPAC Office, NAO/Management structure, MA, IBs, Final Beneficiaries, AA, and other institutions and civil society organisations.

Designated authorities within the transport sector, guided by government decisions, are tasked with the responsibility of collecting and verifying data for each indicator. The Ministry of Transport and Communication (MoTC) collaborates with ZRSMI and PESR to assess the collected data, focusing on specific indicators such as infrastructure, logistics performance, transport emissions, safety, and efficiency. The MoTC's Unit for Negotiations and Integration prepares progress reports on NTS based on these assessments.

The Unit for Negotiations and Integration prepares progress reports that are assessed by the Sector Working Group on Transport (SWGT) and then presented to the Government. The reports capture progress against policy performance indicators within the transport sector.

The Sectoral Monitoring Committee, as foreseen in Article 53 of the Financial Framework Partnership Agreement, plays a key role in monitoring and reporting of the implementation of the Operational Programme. On the basis of the reports provided by the Managing Authority prior to the meetings, it shall in particular:

- review the effectiveness, efficiency, quality, coordination and compliance of the implementation of the programmes.
- review the progress towards meeting the objectives, achieving the planned outputs and results, and assessing the impact and sustainability of IPA III assistance, while ensuring coherence with the policy dialogue, the related central and regional sector strategies and multi-country or regional activities in North Macedonia.
- review annual implementation reports, including financial execution of the programmes.
- examine relevant findings and conclusions as well as proposals for remedial follow-up actions stemming from the on-the-spot checks, monitoring, evaluations and audits if available.
- discuss any relevant aspects of the functioning of the management and control systems.
- discuss any problematic issues and actions.

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- if necessary, consider or make proposals to amend programmes and take any other corrective action to ensure the achievement of the objectives and enhance the efficiency, effectiveness, impact and sustainability of IPA III assistance.
- review information, publicity, transparency, communication and visibility measures taken.

8.2. Evaluation

Having regard to the importance of the programme, a mid-term and a final evaluation will be carried out for the areas of support falling under this Operational Programme contracted by North Macedonia and should be included in the Area of support "Other support" as indicated in Section 4.2.2.

The evaluations will be carried out by experts or bodies, internal or external, functionally independent from the management and control system.

The mid-term evaluation may be carried out for problem solving and learning purposes, in particular with respect to assessing the effectiveness of implemented programme strategies, and the progress in infrastructure development and logistics performance.

Final evaluation may be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the long-term impact of the programme, its contribution to policy effectiveness, and the efficiency of resource allocation.

The evaluation reports shall be shared with all relevant parties. North Macedonia and the Commission shall analyse the conclusions and recommendations of the evaluations jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the support.

NIPAC Office in consultation with the Commission is responsible for drawing up an evaluation plan presenting the evaluation activities to be carry out in different phases of implementation. The Ministry of Transport and Communications, as Managing Authority, is responsible for planning, organising and implementation of the OP evaluation, in coordination with NIPAC Office.

8.3. Audit and Verifications

Technical audits for major projects are mandatory during the implementation.

Financial provisions related to audit and verifications, including technical audits if applicable, carried out by North Macedonia should be included in the Area of support "Other support" as indicated in Section 4.2.2.

Without prejudice to the obligations applicable to contracts concluded for the implementation of this programme, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

9. Strategic Communication and Public Diplomacy

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document *Communicating and raising EU visibility: Guidance for external actions* (or any successor document).

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective, and proportionate targeted information to multiple audiences, including the media.

VS

Visibility and communication measures shall be implemented, as relevant, by the national administrations entrusted entities, contractors, and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

Visibility and communication measures specific to this programme shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegations and Offices. The European Commission and the EU Delegations and Offices should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

The Ministry of Transport and Communications, as Managing Authority, is responsible for preparation and implementation of the OP Transport Strategic Communication Plan in coordination with NIPAC Office and EU Delegation (EUD).

10. Sustainability

The end recipients are obliged to ensure the sustainable use of the outputs in line with the Operational Programme, the contract or equivalent. The end recipients are obliged to allocate budget for ensuring the functioning and maintenance of the outputs and cover the costs of their operation and maintenance. The end recipients should recover the outputs to their initial condition in case of their damage or replace the outputs with those of minimum equal quality and functionality in case of their destruction.

The breach of the conditions for sustainability may lead to refund of the EU contribution in case the end recipients fail to take the necessary corrective measures for removing the deficiencies occurred.

The sustainability of the Operational Programme (OP) is deeply ingrained in its design and implementation, ensuring that the achieved benefits will continue to be realised beyond the OP's implementation period.

OP emphasises rigorous asset management, whether tangible or intangible assets are acquired through the programme. These assets, whether infrastructure investments or intellectual properties, remain under the stewardship of the end recipient for use strictly in accordance with the objectives of the OP. A sufficient budget allocation safeguards the operation and maintenance of these assets, ensuring their continued functionality and relevance.

All parties involved are committed to upholding high standards of care, be it routine or periodic, as a pillar of sustainability. This strategy ensures the environmental and financial sustainability of the project's outcomes over the long term. In addition, infrastructure improvements, whether on the railways or the roads, improve quality and durability, resulting in long-term cost savings. Not only does a well-maintained, efficient transportation network reduce the frequency and cost of repairs, but it also contributes to increased safety, which could result in fewer accidents and their associated costs.

Regular audits confirm that the assets are being utilised for their intended purpose, thereby ensuring both transparency and accountability. In the event of any damage, mechanisms will be in place to restore tangible assets to their original condition or make any necessary adjustments to intangible outputs, thereby ensuring that these assets will continue to generate value.

The recipient is responsible for ensuring adequate visibility of the European Commission's contribution, fostering a sense of ownership among recipients, and promoting a culture of shared responsibility. In conjunction with the strategic allocation of resources in the medium-term budget framework for the maintenance and operation of the assets, this further ensures OP's sustainability.

VS

IPA III – Model of Operation Identification Sheet

(To be used for non-major projects[1] - max 6 pages)

1) Title of the Operation:

2) Managing Authority:

3) Intermediate bodies responsible for the Implementation of the Operation:

4) Compatibility and coherence with the Operational Programme

   4.1 Title of the programme

   4.2 Title of the relevant Area of support

5) Description of the Operation

   5.1 Contribution to the achievement of the Operational Programme: *Describe the operation, its background, how the operation contributes to the achievement of the objectives of the Operational Programme and of the relevant area of support*

   5.2 Overall Objective of the Operation: *Explain in one sentence*

   5.3 Specific Objectives of the Operation: *Explain in one sentence*

   5.4 Outputs *(please indicate the outputs of this operation and how they relate with the ones of the Multi-Annual Operational programmes of the relevant areas of support)*

   5.5 Indicative activities:

   5.6 Indicators: *Please use indicators that are relevant for the action from the IPA III Results Framework*[2] .

   5.7 Indicative location(s):

   5.8 Duration: *Duration of the operation cannot exceed the final date of eligibility of expenditure set in the Financing Agreement*

   5.9 End recipients and target group(s): *identification of the category and groups of institutions, organisations and social and economic partners who will be eligible for support under each activity.*

6) Implementation arrangements

   6.1 Institutional framework: *Institutional arrangements foreseen for the implementation of the operation, e.g. operation coordination unit, steering committee, regional and/or provincial authorities, technical assistance team*

   6.2 Proposed monitoring structure and methodology: *Who will be responsible for monitoring of the operation, how will the operation be monitored, what will be the workflow and reporting lines*

7) Maturity

   7.1 Required procedures and contracts for the implementation of the operation and their sequencing:

   List the type of procedures (call for proposals, direct implementation by national institutions without prior call for proposals, direct agreements with international organisations, etc) and the

[1] Thresholds for major projects are indicated in the Financial Framework Partnership Agreement – Art. 16

[2] SWD_2022_445_1_EN_document_travail_service_part1_v2.pdf (europa.eu)

VS

corresponding contracts (grant contracts, contribution agreements with international organisations, services, supplies, works, etc) for the proposed activities, together with their timeline and sequencing, including expected start of tendering, expected start of operation and its duration. Please add a justification for each implementation modality indicated, especially in case direct grants or contribution agreements with International Organisations are foreseen.

7.2 Supporting documents

For each of the type of procurement procedures mentioned in 7.1) please indicate what supporting documents are available (i.e tender dossiers, terms of reference, technical specifications, calls for proposals, draft twinning fiche), including, if applicable, for infrastructure projects, design studies, environmental impact assessment (EIA), cost-benefit analysis (CBA), etc.

8) Risks and assumptions

9) Sustainability:

Include details on the sustainability of the Operation, i.e., if and to what extent the benefits/results (outputs and outcomes) achieved are likely to continue beyond its implementation period. In particular, the section should include at least some of the key factors impacting on sustainability, such as the level of ownership of the beneficiaries, their institutional management capacities, resources that they commit to provide for the operation and maintenance of the results once the Operation is completed.

10) Gender equality and empowerment of women and girls, equal opportunity, Roma, minorities and vulnerable groups (where relevant):

Please indicate how the project contributes to the promotion of gender equality and women/girls empowerment. Define if the project is gender sensitive. Was a gender impact analysis conducted? If yes, provide in brief the outcomes of the analysis and specify the measures that have been identified to ensure gender equality principle. If not, an explanation/justification should be provided.

Please identify the stakeholders (public and/or non-state actors) most affected by the issues to be addressed by this action, their roles and mandates and any institutional, organisational and/or capacity issues to be covered by the action. Specific attention should be paid to the most vulnerable groups – including Roma - who could be positively or negatively affected by the action, including risks of doing harm (not least in fragile and conflict-affected settings), as well as the stakeholders representing them

11) Requested financing from the European Commission:

(The Union contribution should not exceed 85% at the level of the area of support)

12) Co-financing: *(please identify expected total contribution by source)*

13) Budget breakdown:

(Indicative, per type of procurement procedure, including estimated total cost, IPA contribution, national public contribution and private contribution)

- **Only for operations including infrastructure projects -**

14) Financial Analysis and Economic Appraisal

(if applicable - Please refer also to guidance contained in the corresponding section 3.3.2 of the Major Project application for reference)

Please present the key elements of the financial analysis, including the estimated Operating costs and Revenues, the affordability and Financial Sustainability of the proposed investment, the economic analysis (including the methodology used, the main findings and the main cost, benefits and indicators

VS

such as the social discount rate, the economic rate of return, the economic net present value and the benefit-cost ratio)

15) Environmental Impact Assessment

(if applicable – please refer to the corresponding sections 4.3 and 4.4 of the Major Project application for reference)

Indicate the main impacts on the environment and human health expected from the project, and the measures that will be implemented to avoid and/or minimise such impacts. Make a distinction between impacts from the construction, operation and decommissioning phases.

Has development consent already been given to this project?

If yes, on which date?

If no, when was the formal request for the development consent introduced and by which date is the final decision expected?

Specify the competent authority or authorities, which has or have given or will give the development consent. Summarise the results of the consultations with the public concerned.

Is the project a class of development covered by:

	Yes	*No*
Annex I of the Directive		
Annex II of the Directive		
Has an Environmental Impact Assessment been carried out for this project?		
Neither of the two annexes		

	Yes	*No*
Is the project likely to have (direct or indirect) effects, individually or in combination with other plans or projects on sites included or intended to be included in sites of nature conservation importance		
Are these effects significant negative, requiring compensation measures according to Article 6 (4) of the Habitats Directive		

Effects on the ecological status of water bodies	*Yes*	*No*
Does the project involve a new modification to the physical characteristics of a surface water body or alterations to the level of bodies of groundwater which deteriorate the status/potential of a water body or cause failure to achieve good water status/potential?		

16) Climate-resilience and climate mitigation

[Please refer to the corresponding section 4.7 of the Major Project application for reference]

Explain the main climate related risks, and how they are going to be addressed. If possible, use the Building Resilience Index. Explain the methodology applied. List the adaptation measures identified and how they are integrated into the project. Clarify if climate change resilience has been integrated into the EIA for the project.

Indicate the main impacts on climate expected from the project, and the measures that will be implemented to avoid and/or minimise such impacts. Make a distinction between impacts from the construction, operation and decommissioning phases. Indicate the climate vulnerability of the project and what measures will be implemented to ensure its climate proofing.

VS

IPA III - APPLICATION FOR MAJOR PROJECT[1]

1. SYNOPSIS

1.1. Project Summary Table

Project Title	[title]
Multi-annual Operational Programme	Multi-annual Operational Programme on [sector (s). i.e., environment] in favour of [beneficiary country] for [years] Adopted with Commission decision [# and date] OPSYS/PINTV Ref : [# In case the Major projects will exist as separate entities in OPSYS] JAD Ref : [#] ACT Ref : [#]
Basic Act / Programming Ref.	Financed under the Instrument for Pre-accession Assistance (IPA III) IPA III Programming Framework
Economic and Investment Plan (EIP)	[Yes/No]
EIP Flagship	<If yes, specify the thematic priority(ies)[2] and the share of the Priority Area (PA) %>[3] [Yes/No] [Priorities: "Transport", "Energy", "Environment and climate resilience", "Digital", "Economic development (incl. private sector, trade and macroeconomic support)", "Human Development (incl. human capital and youth)", "Health resilience", "Migration and Mobility", "Agriculture, food security and rural development", "Rule of law, governance and Public administration reform", "Other"] [Flagships: "I Connect East-West", II Connect North-South", "III Connect Coastal Regions", "IV Renewable Energy, "V Coal Transition", "VI Renovation Wave", "VII Waste and Waste Water "VIII Digital Infrastructure", "IX Support Competitiveness", "X Youth Guarantee"]
Team Europe	Yes/No
Beneficiar(y)/(ies) of the action	The action shall be carried out in <Region>, <Country>,<location(s) if available>

[1] How to fill in the application form:

Guidance in yellow – follow the guidance, enter the requested information or address the subject, then delete the guidance in yellow with the brackets

Guidance in grey – choose the relevant options and delete the irrelevant ones.

[2] Priority areas: 1) Transport (linked to IPA III Tag "Sustainable Transport), 2) Energy (linked to IPA III Tag "Clean Energy"), 3) Environment and climate resilience (linked to IPA III Tag "Green Agenda"), 4) Digital (linked to IPA III Tag "Digital Agenda"), 5) Economic development (incl. private sector, trade and macroeconomic support) (linked to IPA III Tag "Boosting Private Sector Development" and "Regional Economic Integration"), 6) Human Development (incl. human capital and youth) (linked to IPA III Tag "Human Capital" and "Innovation"), 7) Health resilience, 8) Migration and Mobility, 9) Agriculture, food security and rural development, 10) Rule of law, governance and Public administration reform (linked to IPA III Tag " Rule of Law, Good Governance and PAR", 11) Other.

[3] The share of the priority areas should be linked to the NEAR EIP sub-tags: Transport, Energy, Environment and climate resilience, Digital, Economic development (incl. private sector, trade, and macroeconomic support), Human Development (incl. human capital and youth), Health resilience, Migration and mobility, Agriculture, food security and rural development, Rule of law, governance and public administration reform, Other.

VS

	If relevant, mention the extended geographical coverage as indicated in section 1.3 below.
PRIORITY AREAS	
Window and thematic priority	Window: [#: name of the window] Thematic Priority: [name of the thematic priority]
Sustainable Development Goals (SDGs)	Main SDG (1 only): Other significant SDGs (up to 9) and, where appropriate, targets:
DAC code(s)[4]	<Main DAC code – sector- percentage> <Sub-code 1 – sector-percentage> <Sub-code 2 – sector- percentage> etc.
Main Delivery Channel @	<Channel 1><Channel code> *example: World Bank - 44001*
Targets	<Please indicate (if relevant) to which spending target(s) this action is contributing to (indicatively) > ☐ Climate ☐ Gender ☐ Biodiversity

Markers [5] **(from DAC form)**	**General policy objective**	**Not targeted**	**Significant objective**	**Main objective**
	Participation development/good governance	☐	☐	☐
	Aid to environment	☐	☐	☐
	Gender equality and women's and girl's empowerment	☐	☐	☐
	Reproductive, maternal, new-born and child health	☐	☐	☐
	Disaster Risk Reduction	☐	☐	☐
	Inclusion of persons with Disabilities	☐	☐	☐
	Nutrition[6]	☐	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Main objective**
	Biological diversity	☐	☐	☐
	Combat desertification	☐	☐	☐
	Climate change mitigation	☐	☐	☐
	Climate change adaptation	☐	☐	☐

[4] Development Assistance Committee (DAC) sectors (codes and descriptions) are indicated in the first and fourth columns of the tab 'purpose codes' in the following document: DAC and CRS code lists - OECD

[5] For guidance, see https://www.oecd.org/development/financing-sustainable-development/development-finance-standards/ Go to "Data collection and resources for reporters", select Addendum 2, annexes 18 (policy) and 19 (Rio) of the reporting directive.

If an action is marked in the DAC form as contributing to one of the general policy objectives or to RIO principles as a principal objective or a significant objective, then this should be reflected in the logframe matrix (in the results chain and/or indicators).

[6] Please check the Handbook on the OECD-DAC Nutrition Policy Marker.

VS

Internal markers [7] and Tags	Policy objectives	Not targeted	Significant objective	Main objective
	Digitalisation	☐	☐	☒
	Tags[8] digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	☐ ☐ ☐ ☐ ☐	☐ ☐ ☐ ☐ ☐	☒ ☒ ☒ ☒ ☒
	Connectivity	☐	☐	☒
	Tags digital connectivity energy transport health education and research	☐ ☐ ☐ ☐ ☐	☐ ☐ ☐ ☐ ☐	☒ ☒ ☒ ☒ ☒
	Migration	☐	☐	☒
	Reduction of Inequalities	☐	☐	☒
	COVID-19	☐	☐	☒
BUDGET INFORMATION				
TOTAL project cost	EUR [amount]			
EU funding[9]	EUR [amount]			
Budget Line	Budget line: [15.020201]			
MANAGEMENT AND IMPLEMENTATION				
Implementation modality	**Indirect management with** [name of the IPA III beneficiary]			
Decommitment deadline for each budgetary commitment included in the Multi-annual Operational Programme[10]	Budgetary commitment [year n]: by 31/12/[year n+5] Budgetary commitment [year n+1]: by 31/12/[year n+1+5] Budgetary commitment [year n+2]: by 31/12/[year n+2+5] Budgetary commitment [year n+3]: by 31/12/[year n+3+5] Budgetary commitment [year n+4]: by 31/12/[year n+4+5] Budgetary commitment [year n+5]: by 31/12/[year n+5+5] Budgetary commitment [year n+6]: by 31/12/[year n+6+5] [last budgetary commitment can be at latest 2027]			
Indicative eligibility period	[31/12/n+5 from last budgetary commitment]			
Final date for implementing the Financing Agreement	[date as per the Commission decision of the multi-annual programme – should be 12 years following the conclusion of the Financing Agreement]			
Managing Authority	Name: Address:			

[7] These markers have a different scope/rationale than the DAC codes. They are drawn from the level of budget allocation and emphasis given to the action in terms main objective(s) selected. The definition of objectives, results, activities in description of the action should be in line with this section.

[8] When a marker is Significant or Principal Objective, please indicate the relevant tags by selecting "YES" or "NO".

[9] As requested by the Major Project Application

[10] As per the relevant Commission Decision

VS

responsible for the application	Contact: Telephone: E-mail:
Intermediate Body for policy management (if applicable)	Name: Address: Contact: Telephone: E-mail:
Intermediate Body for financial management	Name: Address: Contact: Telephone: E-mail:
End recipient of the project (project owner after implementation)	Name: Address: Contact: Telephone: E-mail:

1.2. Summary of the Project - (max ½ page)

This section should provide a description of the overall and specific objectives of the action, its indicative activities and how this action is relevant to achive the objectives of the Operational Programme.

2. PROJECT DESCRIPTION

2.1 Intervention Logic and Chain of Result

2.1.1 Project Context

[Describe briefly how the region(s) is/are at present endowed with the type of infrastructure covered by this application; compare it with the level of infrastructure endowment aimed for by target year 20XX. Summarise the main changes, which the project will bring.]

[Describe briefly the relevant National Investments Planning and/or Sector Policy/Strategy presenting the financing mechanism envisaged by the Government to implement this plan; and Indicate how this project is prioritised/ranked in the national investment planning/single project pipeline (if applicable). Indicate the synergies of the project with other local/regional/national or international initiatives/projects]

[Describe the institutional arrangements foreseen for the implementation of the operation and current capacities of the institutions involved. Information on the management bodies the completed infrastructures to be included in section 3.3.1.

[Include also details on sustainability of the Project, i.e., if and to what extent the benefits/results (outputs and outcomes) achieved are likely to continue beyond its implementation period. In particular, the section should include at least some of the key factors impacting on sustainability, such as the level of ownership of the beneficiaries, their institutional management capacities, resources that they commit to provide for the operation and maintenance of the results once the Project is completed.]

2.1.2 Project's objectives, outputs and project's contribution to the Multi-annual Operational Programme

VS

[Describe the specific objectives and outputs of the project, and define the related performance indicators and targets. In a concise and precise manner, make a link with the objectives of the relevant Multi-annual Operational Programme and the indicators and targets defined in it[1]. Describe to which indicators the project contributes to, and quantify this contribution.]

2.1.3 Transboundary impact of the project

	Yes	*No*
Has the project any immediate trans-border impact?	(1)	
Does the project have impact on the EU?		(2)
Is there any negative transboundary impact identified?	(3)	

[This section refers to all significant transboundary impacts, including environmental and health impacts, both immediate and long-term impacts. With transboundraty it is meant "significant effects on the environment in another state' (according to the EIA Directive)".

[*(1)* If YES, describe the impact of the project beyond the borders of the beneficiary country and on the EU. Focus on impacts on river basins, seas and land. In this context, projects influencing rivers flowing to the seas of the European marine regions (i.e. the Mediterranean Sea and the Black Sea) should receive priority attention. In case of waste and waste water treatment projects specify impact on large towns and cities and on shared coastlines with the EU. *For projects in Window 3: Thematic Priority 2: Transport, digital economy and society, and energy* explain if the project form part of a Trans-European Network. Refer to any specific agreement with a neighbouring country or EU.

(2) If NO, explain why the project can be considered of EU interest.

(3) In case a negative transboundary impact has been identified, explain it in details and describe the mitigation/restoration measures planned and part of the project. Refer to the procedure stipulated by the Convention on Environmental Impact Assessment in a Transboundary Context (Espoo Convention).]

2.1.4. Gender Impact of the Project

[Define if the project is gender sensitive. Was a gender impact analysis conducted? If yes, provide in brief the outcomes of the analysis and specify the measures that have been identified to ensure gender equality principle. If not, an explanation/justification should be provided.]

2.1.5 Roma inclusion

[Define if the project contributes to Roma inclusion and if so provide details. Are Roma part of the targeted group? What are the specific measures identified? Were Roma needs considered in the impact assessment?]

2.1.6 End users

[Describe the various groups of end users and their interest in the project.]

[1] The project has to contribute to achieving the objectives of the relevant Multi-annual Operational Programme and its indicators

VS

2.1.7 Communication and Visibility

[Provide details of the proposed measures to publicise European Union assistance i.e. type of measure, brief description, duration, etc. The estimated costs must be included in the financing plan.]

VS

3. MATURITY OF THE PROJECT

3.1. Project Timetable

[Provide an indicative timeline for the project implementation Foresee a separate entry line for each contract or phase, where relevant. Where the application concerns a project stage (see section 2.2.2), clearly indicate the elements of the overall project for which assistance is being sought by this application. Provide the implementation details for each line/stage.]

	Covered by this Application (Yes/No)	Start date (A)	Completion date (B)	Implementation details
1. Studies and analysis		dd/mm/yyyy	dd/mm/yyyy	
a. Feasibility study, including ….				
b. CBA….				
c. Other (specify)				
2. Environmental impact assessment		dd/mm/yyyy	dd/mm/yyyy	
3. Climate proofing [12]				
4. Conceptual engineering design		dd/mm/yyyy	dd/mm/yyyy	
5. Urbanistic planning for infrastructure development		dd/mm/yyyy	dd/mm/yyyy	

[12] Commission Notice — Technical guidance on the climate proofing of infrastructure in the period 2021-2027 - Publications Office of the EU (europa.eu)

6. Final (detailed) engeneering design		dd/mm/yyyy	dd/mm/yyyy	
7. Preparation of Tender documentation		dd/mm/yyyy	dd/mm/yyyy	
8. Permits/Licences[13]		dd/mm/yyyy	dd/mm/yyyy	
a. …				
b. ….				
9. Land acquisition		dd/mm/yyyy	dd/mm/yyyy	
10. Procurement and contracting procedure(s), including technical audits		dd/mm/yyyy	dd/mm/yyyy	
11. Construction phase		dd/mm/yyyy	dd/mm/yyyy	
12. Defect notification period		dd/mm/yyyy	dd/mm/yyyy	
13. Operational phase		dd/mm/yyyy	dd/mm/yyyy	

[13] Add a line for each permit, i.e. water abstruction permit, construction permit, etc.

3.2. Administrative Context and Requirements

[If not already mentioned under 3.1, provide a list of legal and administrative documents (decisions, authorisations, EIA, land acquisition, invitations to tender, permits, etc.) that would be required for project implementation. Indicate which documents have already been obtained and provide indicated dates for obtaining the remaining documents.]

3.3. Project Feasibility and Maturity

[Summarise the methodology and the main findings of the preparatory phase.]

3.3.1. Feasibility studies

[Specify if the European Union assistance is/was involved in the financing of the feasibility studies]

[Description of the situation as it is (before the project) + problems encountered]

a) Demand analysis

[Provide a summary of the demand analysis, including the predicted utilisation rate on completion and the demand growth rate.]

b) Options considered

[Outline the alternative options considered in the feasibility studies.]

Technical description of the proposed infrastructure

[Short technical description of the project, including envisaged capacity of the main infrastructure, justification of the project scope and size in the context of projected demand, including for each project element a description of technologies and infrastructure to be employed and relevant technical standards that have been used. The technical description of the project should be accompanied by necessary layout maps.]

Project cost estimates

[Describe the methodology used to estimate the costs and a breakdown with unit rates and a summary of the bill of quantities if applicable.]

Implementation stages

	Yes	*No*
Is the full project organised in stages?		
Has the project already started?		

[Where the project is considered only a stage of a bigger project, provide a description of all proposed stages of implementation and explain if they are technically and financially independent. What criteria have been used to determine the division of the project into stages?]

Arrangements related to infrastructure

[Describe how the infrastructure will be put in place. Focus on the contracts type, selection process of the operator and when applicable, structure of PPP/concession, infrastructure ownership arrangements, risks allocation arrangements, etc.]

Management of the completed infrastructure and operating costs

[Define the body which will manage the infrastructure after the completion. Provide a detailed description on the maintenance of the realised investments (funds, human resources, responsibilities, etc.).]

3.3.2. Financial analysis and Economic appraisal

The following section is structured to report on a fully fledged cost-benefit analysis. However under the cohesion policy 2021-2027 the Economic appraisal vademecum 2021-2027[14] allows to use other evaluation methodologies

The key elements from the financial analysis of the CBA should be summarised below, including the description of the methodology. The full cost-benefit analysis document shall be attached to this application as Annex IV.

A) Financial analysis (if applicable)

Operating costs and Revenues

	EUR million
a)_ Annual operating costs (as per the cost-benefit analysis)	
b) Annual expected revenues (as per the cost-benefit analysis)	

[Indicate first full year of operation;]

- Provide a breakdown of O&M costs, distinguishing between variable and fixed operating and maintenance costs;

- Provide unit cost assumptions used for estimating the O&M costs b) Revenues

If the project is expected to generate revenues explain:

- the nature of the revenues - tariffs or charges borne by users or other form of arrangement; reference to the relevant regulatory framework and tariff-setting principles, where relevant;

- provide details of charges (types and level of charges - by user group, if appropriate;, fixed and variable components, where relevant; application of the polluter-pays principle, where relevant);

Affordability and Financial Sustainability

Provide evidence of the project financial sustainability (non-negative cumulated net cash-flows over the project reference period);

Where relevant,

- Explain if tariffs are set at full-cost recovery level, e.g. covering operating costs, depreciation and return on capital;
- If tariffs are set at below full-cost recovery: (i) provide a justification based on an affordability analysis (e.g. benchmarking the average annual expenditure for project good/service as a share of average / median and/or lowest-decile household income / expenditure); (ii) explain how financial sustainability is achieved (e.g. subsidies, transfers); (iii) indicate how tariffs are expected to evolve over time to ensure cost-recovery in the longer term.

[14] https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/cba_guide.pdf

https://op.europa.eu/s/yBiT

B) Economic analysis

a) Methodology

[Provide a short description of methodology (key assumptions made in valuing costs and benefits) and the main findings of the economic analysis)]

b) Main costs,benefits and indicators (if a CBA is carried out)

Main parameters and indicators	Values
1. Social discount rate (%)	
2. Economic rate of return (%)	
3. Economic net present value (in Euro)	
4. Benefit-cost ratio	

c) Employment effects of project (if applicable)

Provide an indication of the number of jobs to be created (in full-time equivalents (FTE)
[NB: indirect jobs created or lost are not sought for public infrastructure investments

Number of jobs directly created:	No. (FTE) (A)	Average duration of these jobs (months) (B)
1. During implementation phase		
2. During operational phase		

VS

4. ENVIRONMENTAL IMPACT

4.1.Project contribution to EU climate and environmental policy and legislation

Outline how does the project contribute to EU climate and environmental policy and legislation, also summarising the the findings of the EIA

a) How the project contributes to the objective of environmental sustainability (European climate change policy, halting loss of biodiversity, protection and sustainable use of natural resources and ecosystems, etc.) and how it provides any net positive contributions to the state of the environment, to climate change mitigation and to climate change adaptation

b) How the project respects the principles of preventive action and that environmental damage should as apriority be rectified at source

c) How the project respects the "polluter pays" principle, in particular through the provisions of the Environmental Liability Directive

4.2.Consultation of Environmental Authorities

	Yes	*No*
Have the environmental authorities likely to be concerned by the project, been consulted by reason of their specific responsibilities?	*(1)*	*(2)*

(1) If YES, provide the name(s) and contact data and explain that authority's responsibility.

(2) If NO, provide the reasons.

4.3.Environmental Impact Assessment

[Indicate the main adverse impacts on the environment and human health expected from the project, and the measures that will be implemented to avoid and/or minimise such impacts. Make a distinction between impacts from the construction, operation and decommissioning phases.]

4.3.1 Development Consent[15]

	Yes	*No*
Has development consent already been given to this project?	*(1)*	*(2)*
Has the opinion of the competent environmental authorities been followed in the development consent decision? If not, briefly explain why.		
Have (and how) the conclusions from the public participation (and transboundary consultations, if relevant) been incorporated or otherwise addressed in the decision to grant the development consent? If no, or only partially, briefly explain why.		

(1) If YES, on which date?

(2) If NO, when was the formal request for the development consent introduced? By which date is the final decision expected?

15 'development consent' means the decision of the competent (national) authority or authorities which entitles the developer to proceed with the project.

VS

Specify the competent authority or authorities, which has given or will give the development consent.

4.3.2 EU legislation on Environmental Impact Assessment (EIA) in force[16]

Is the project a class of development covered by:

	Yes	*No*
Annex I of the Directive	(1)	
Annex II of the Directive		
Has an Environmental Impact Assessment been carried out for this project?		(2)
Neither of the two annexes		

(1) When covered by Annex I or Annex II of the Directive, provide the following attachments:

a. Non-technical summary[17] of the Environmental Impact Study carried out for the project.

b. Information on consultations with competent environmental authorities, indicating in what way the concerns of the designed consultees have been taken into account.

c. Results of the consultations with the public concerned[18].

d. Trans boundary consultations with those states affected by the project need to be provided, demonstrating that the procedure of art.7 of the EIA directive has been applied. Indication in what way the concerns of the designed consultees and concerned public have been taken into account should be provided.

e. Evidence that the decision to grant or refuse development consent has been available to the public by the competent authority[19].

In relation to point b., c. and d., project proponents should be informed that these may be represented in the form of a statement, conclusion or certification by the competent

16 See at https://ec.europa.eu/environment/eia/index_en.htm .

17 - a description of the project comprising information on the site, design and size of the project,
- a description of the measures envisaged in order to avoid, reduce and, if possible, remedy significant adverse effects
- the data required to identify and assess the main direct and indirect effects which the project is likely to have on the environment on the following factors:
a) human beings, fauna and flora (including those environmentally sensitive areas which might fall in future under the protection of the Birds Directive (79/409/EEC, as amended and codified by Directive 2009/147/EC) and Habitats Directive (92/43/EEC);
b) soil, water, air, climate and landscape;
c) material assets and the cultural heritage;
- interaction between the factors mentioned in the first, second and third indents.
- any further information which might arise from any of the obligations deriving from Annex IV of the EIA Directive.

18 The information provided should cover the following:
- the concerned public which has been consulted,
- the places where the information has been consulted,
- the time which has been given to the public in order to express its opinion,
- the way in which the public has been informed (for example, by bill-posting within a certain radius, publication in local newspapers, organisations of exhibitions with plans, drawings, tables, graphs, models, etc.),
- Has the public been informed and given an early and effective opportunity to participate in the environmental decision-making procedure, in accordance with Art. 6 of the EIA Directive?
- explainthe manner in which the public has been consulted (for example, by written submissions, by public enquiry, etc.)
- the way in which the concerns of the public have been taken into account.

19 Including:
- the content of the decision and conditions attached thereto,
- the main reasons and considerations on which the decision has been based,
- a description, where necessary, of the main measures to avoid, reduce and, if possible, offset the major adverse effects.

VS

environmental authorities testifying that all obligation as described in the items above have been followed and describing how.

(2) If no EIA was carried out for projects covered by Annex II, explain the reasons and give the thresholds, criteria or case by case examination carried out to reach the conclusion that the project has no significant environmental effects. Explain how the transboundary impacts have been analysed, and describe how and which have been the conclusions of the analysis. Refer to the the screening opinion/conclusion given by the EIA Competent Authority and provide evidence that the determination (the EIA screening decision) has been made available to the public.

4.4.Assessment of Effects on Sites of Nature Conservation Importance

Definition of sites of nature conservation importance

a) Sites identified by the competent national authorities as sites to be proposed for the Natura 2000 network as laid down in the Birds Directive (2009/147/EC) and Habitats Directive (92/43/EEC);

b) Sites listed in the latest inventory of Important Bird Areas (IBA 2000) for candidate countries or (if available) equivalent more detailed scientific inventories endorsed by national authorities;

c) Wetlands of international importance designated under the Ramsar Convention or qualifying for such protection;

d) Areas to which the Bern convention on the conservation of European Wildlife and Natural Habitats[1] (Art.4) applies, in particular sites meeting the criteria of the Emerald network;

e) Areas protected under national nature conservation legislation.

	Yes	*No*
Is the project likely to have (direct or indirect) effects, individually or in combination with other plans or projects on sites included or intended to be included in sites of nature conservation importance	*(1)*	*(2)*
Are these effects significant negative, requiring compensation measures according to Article 6 (4) of the Habitats Directive	*(3)*	

(1) If YES, provide a summary of the conclusions of the appropriate assessment carried out "according to Article 6 (3) of Directive 92/43/EEC[20]".

(2) If NO, attach the declaration, filled in by the relevant authority, as per Annex I of this application form.

(3) If YES, provide a copy of the form "Information on projects likely to have significant negative effect on sites of nature conservation importance", as notified to the Commission (DG Environment) under Habitat Directive 92/43/EEC[21].

[20] OJ L 206 of 22.07.1992

[21] Document 99/7 rev.2 adopted by the Habitats Committee (Member States representatives established under Directive 92/43/EEC) at its meeting on 04.10.99.

VS

Effects on the ecological status of water bodies

	Yes	*No*
Does the project involve a new modification to the physical characteristics of a surface water body or alterations to the level of bodies of groundwater which deteriorate the status/potential of a water body or cause failure to achieve good water status/potential?	*(1)*	*(2)*

(1) If YES, provide the assessment of the impacts on the water body and a detailed explanation of how all the conditions under Article 4.7 of the Water Framework Directive were/are to be fulfilled. Indicate also whether the project results from a national/regional strategy in relation to the relevant sector and/or from a river basin management plan, which takes into account all relevant factors (e.g. a better environmental option, cumulative effects, etc.)? If so, please provide full details.

(2) If NO, provide justification for each water body why the project is not likely to lead to deterioration of ecological status/potential or does not prevent the water body to reach good ecological status/potential.

4.5.Additional Environmental Integration Measures

	Yes	*No*
Does the project envisage, apart from Environmental Impact Assessment, any additional environmental integration measures (e.g. environmental audit, environmental management, specific environmental monitoring)?	*(1)*	

(1) If YES, specify.

4.6.Cost of Measures Taken for Correcting Negative Environmental Impacts

	%
If included in total cost, estimate proportion of cost of measures taken to reduce and/or to compensate for negative environmental impacts	

Explain briefly.

4.7. Climate-resilience and climate mitigation

Explain the main climate related risks, and how they are going to be addressed. If possible use the Building Resilience Index[22]. Explain the methodology applied.[23] List the adaptation measures identified and how they are integrated into the project. Clarify if climate change resilience has been integrated into the EIA for the project.

[22] https://www.resilienceindex.org/

[23] Use this as a basis Commission Notice — Technical guidance on the climate proofing of infrastructure in the period 2021-2027 - Publications Office of the EU (europa.eu)

Indicate the main impacts on climate expected from the project (e.g. carbon footprint), and the measures that will be implemented to avoid and/or minimise such impacts. If possible, make a distinction between impacts from the construction, operation and decommissioning phases.

Indicate the climate vulnerability of the project and what measures will be implemented to ensure its climate proofing.

5. PROJECT FINANCING

5.1.Financing Plan

- Complete the table below. **Example is provided for guidance purposes**. The table is also available in xls. Adjust the table to the project specifics.
- List all cost groups on a separate line.
- As private expenditure is not eligible for financing under the activity, it shall be included – if any – under "ineligible costs".

Budget headings	TOTAL PROJECT COSTS	INELIGIBLE COSTS	ELIGIBLE COSTS
	EUR	EUR	EUR
	(A)	(B)	(C)=(A)-(B)
1. Planning/design fees	**1,600,000**	**500,000**	**1,100,000**
Pre-feasibility study	20,000		20,000
Feasibility study	550,000		550,000
Socio-economic analysis	150,000		150,000
Urban planning gap assessment	300,000		300,000
Cost benefit analysis	500,000	500,000	
Gender impact analysis	80,000		80,000
Other			
2. Land purchase	**8,000,000**	**8,000,000**	**0**
Land acquisition	8,000,000	8,000,000	
3. Construction	**300,000,000**	**50,000,000**	**250,000,000**
Main infrastructure A	20,000,000		20,000,000
Main infrastructure A	150,000,000		150,000,000
Main infrastructure A	80,000,000		80,000,000
Main infrastructure B	50,000,000	50,000,000	

Budget headings	TOTAL PROJECT COSTS EUR (A)	INELIGIBLE COSTS EUR (B)	ELIGIBLE COSTS EUR (C)=(A)-(B)
4. Plant and machinery[24]			
5. Technical assistance			
6. Communication and Visibility			
7. Supervision			
8. Sub-TOTAL	**309,600,000**	**58,500,000**	**251,100,000**
1. Contingency[25]			
10. **TOTAL**	**309,600,000**	**58,500,000**	**251,100,000**
11. **VAT**			

[24] Only in case this represents a separate tender procedure

[25] Maximum 15% of the total budget

Calculation of EU funding requested

		Value
1.	Eligible cost (in euro)	251,000,000
2.	Co-financing rate (%)	85%
3.	EU funding request (in euro)	231, 350,000

Ineligible costs comprise (i) expenditure outside the eligibility period, (ii) expenditure ineligible under applicable EU and national rules, (iii) other expenditure not presented for co-financing.

The starting date for eligibility of expenditure is the date of the approval letter of the Major Project.

IPA III implementing regulation sets (Article 5): 3. Financing agreements shall provide the terms on which the IPA III assistance shall be granted, including the applicable methods of implementation of IPA III assistance, implementation deadlines, as well as rules on the eligibility of expenditure.

The beneficiary's national authorities are reminded that Major Project contracts have to be registered in the IPA APP application upon their award.

Funding sources **(Entity – Country of origin – Public-private)**	**Funding amounts**	**% to total financing**

5.2.Competition

	Yes	*No*
Does this project involve State Aid at any stage, including during operation of the complete infrastructure?	(1)	

[(1) If YES, explain how the competition rules have been respected. Provide an opinion of the state aid authority in English.]

[If no, please explain in detail the basis for establishing that the project does not involve state aid]

5.3.Procurement Plan

Provide an indicative procurement plan for the contracts to be implemented with EU funding. In cases where contracts have been already published in the Official Journal of the European Union/TED, provide reference. Make sure full compliance is achieved with the project timetable as set in section 3.1. above.

Contract	**Contract type**	**Estimated budget in EUR**	**Procedure Type**	**Estimated start of the procurement procedure**	**Estimated date for contract signature**	**Estimated contract duration**
…			…		…	

6. Sensitivity and Risk analysis

6.1.Risk Analysis

6.1.1 Sensitivity of the CBA results

a) State the percentage change applied to the variables tested:

Variable tested	percentage change applied
Investment	
O&M	

b) Present the estimated effect on results of financial and economic performance indexes.

Variable tested	Financial Rate of Return variation	Financial Net Present Value variation	Economic Rate of Return variation	Economic Net Present Value variation

VS

c) Critical variables

- Define which variables were identified as critical variables
- Indicate which criterion has been applied;
- define the switching values of the critical variables

6.1.2 Risk analysis

Identify the main risks (including environmental and climate change risks), state what type of risk analysis were performed.

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
	Risk 1			
	Risk 2			
	Risk #			

6.2.Stakeholders' involvement

a) Describe the stakeholders and users and how they have been involved and consulted in the project identification and formulation stage.

b) Is there a risk for the project implementation coming from resistance from specific stakeholders? Reflect this in the table above.

7 ANNEXES

List all annexes as requested and provided with this application.

8 ENDORSEMENT OF COMPETENT NATIONAL AUTHORITY

I confirm that the information presented in this form is accurate and correct.

NAME:

SIGNATURE:

ORGANISATION:

DATE:

VS

ANNEX I
DECLARATION BY AUTHORITY RESPONSIBLE FOR MONITORING SITES OF NATURE CONSERVATION IMPORTANCE

Responsible Authority _____

Having examined the project application _____

Which is to be located at _____

Declares that the project is not likely to have significant effects on a site of nature conservation importance on the following grounds (provide the name of the relevant site(s), reference number, the distance of the project to the nearest site(s) of nature conservation importance, its conservation objectives, and justification that project (either individually or in combination with other projects) is not likely to have significant negative effects on the site(s) of nature conservation importance and, if relevant, an administrative decision (i.e. the appropriate assessment screening decision)):

--

Therefore an appropriate assessment required by Article 6 (3) of Habitat Directive 92/43/EEC was not deemed necessary.

A map at scale of 1:100.000 (or the nearest possible scale) is attached, indicating the location of the project as well as the *sites of nature conservation importance* concerned, if any.

Date (dd/mm/yyyy): _____

Signed: _____

Name: _____

Position: _____

Organisation: _____

(Authority responsible for monitoring *nature conservation importance* sites)

Official Seal:

VS

VS

Annex V to the Financing Agreement
Accrual Based Accounting System Minimum Specification

The accounting system of the IPA III beneficiary shall meet following requirements:

1. Reflect the organisational structure put in place for the internal control systems suited to the performance of duties. In particular before an operation is authorised, all aspects (both operational and financial) of the operation have to be verified by members of staff other than the one who initiated the operation. The person dealing with the verification cannot be subordinated to the initiator of the transaction.

2. Include an audit trail for all transactions and amendments.

3. Possess adequate physical and electronic security including back-up and recovery systems.

4. The accounting system should hold at least the following information for the local contracts managed under each programme:

   (a) Contract reference;

   (b) Contract value including any amendments;

   (c) Contract signature dates (both parties);

   (d) Contract implementation start date;

   This is in addition to the contract signature date and may differ from it, as when the contract works start date is given after the signature of the contract through an Administrative Order.

   (e) Contract implementation end date including any amendments;

   This is the final date on which eligible costs can be incurred. It does not include any guarantee period or time allowed for report preparation by the contractor.

   (f) Total paid (cash) by contract;

   (g) Pre-financing paid by contract;

   Explicit recognition and recording on the balance sheet of contractually required pre-financing.

(h) Cost recognised – direct (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some payments will directly cover costs already incurred. No pre-financing is involved. They may be final payments where any pre-financing has already been cleared or interim payments where pre-financing has been cleared or where the contract does not include the provision of pre-financing.

(i) Cost recognised – indirect (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some invoices or cost claims submitted by a grant beneficiary or contractor will relate to costs that are covered by pre-financing paid earlier in the implementation period of the grant agreement or contract. In these cases, the payment made will be less than the reported cost. It may even be zero if all the cost is covered by pre-financing. (it will certainly be zero if the reported costs are insufficient to absorb the pre-financing and a recovery order is issued for the unused balance of the pre-financing.) In all such cases the system should record the full value of the reported eligible cost as expenses for the year and reduce the balance of pre-financing by the amount of cost offset against the pre-financing when determining the amount payable.

(j) Recovery orders to reduce pre-financing (by contract);

Recognition of the reduction of pre-financing on the balance sheet following a recovery of unused pre-financing.

(k) Recovery orders to reduce cost (by contract);

When a recovery is made against cost that had earlier been accepted – possibly following an investigation for fraud. In such cases the recorded costs for the year must be reduced if the cost was accepted in the same year as the subsequent recovery; or income must be recorded where the cost was accepted in an earlier year than that of the recovery.

(l) Supplier's invoice date for each invoice or other document accompanied by a financial report giving rise to recognised costs;

(m) Recovery context information on ineligible cost and recoveries.

VS

Annex [illegible] Financial Report / Total Budget as per Article 61(2)(a)? of FFPA
See Article 61(3)? of FFPA

IPA III beneficiary Financial Report (*)

Programme Reference	Financing Agreement OPSYS reference number	Programme Budget			Total Amount Contracted			Contracted %			Total Amount Decommitted on closure			Decommited %			Total Amount Disbursed			Disbursed %		
					Local Contract Activities																	
1	2	3			4			5			6			7			8			9		
		3a	3b	3c	4a	4b	4c	5a	5b	5c	6a	6b	6c	7a	7b	7c	8a	8b	8c	9a	9b	9c
								4a/3a*100%	4b/3b*100%	4c/3c*100%				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources
AAP 2022	JAD.XXXXXX																					
CBC AA/BB 2021	JAD.XXXXXX																					

Programme Reference	Total Costs Recognised			Costs %			Total Open Pre-financing			Open Pre-financing %			Errors	Irregularities	Fraud	No contact	Total	Total as % budget	Total as months' forecast disbursements
	Local Contract Activities												Recovery context				Bank Balances (EU contribution)		
1	10			11			12			13			14	15	16	17	18	19	20
	10a	10b	10c	11a	11b	11c	12a	12b	12c	13a	13b	13c							
				[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]						[illegible]	
	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources							
AAP 2022																			
CBC AA/BB 2021																			

(*) Annual financial report to be submitted by 15 February with cumulative data as at 31 December of the previous financial year
(**) Financial report for the 12 months period to be submitted by 31 July with cumulative data as at 30 June

I, the undersigned ________, NAO for IPA III beneficiary ________ hereby declare that the above financial report/statement is complete, accurate and true in accordance with Article 61(5) of FFPA.

VS

Annex IV(b): Annual Financial Report - individual programme EU contribution as per Article Article 61(2)(a) of FFPA

IPA III beneficiary Annual financial report (*)

Programme Reference	Financing Agreement OPSYS reference number	Programme EU Contribution Budget	Local Contract Activities									
			Total Amount Contracted	Contracted %	Total Amount Decommitted on closure	Decommited %	Total Amount Disbursed	Disbursed %	Total Costs Recognised	Costs %	Total Open Pre-financing	Open Pre-financing %
1	2	3	4	5	6	7	8	9	10	11	12	13
				4/3*100%		6/4*100%		8/4*100%		10/4*100%		12/4*100%
AAP 2022	JAD.XXXXXX											
Action 1	ACT-XXXXX											

(*) 15 February

I, the undersigned _____, NAO for IPA III beneficiary _____, hereby declare that the above financial report/statement is complete, accurate and true in accordance with Article 61(5) of FFPA.

Annex IV(c): annual accounting cut-off report
as per Article 61(1) of FFPA

IPA III beneficiary annual accounting year-end cut-off report (*)

EU decision	EU contract	Title	Local contract reference	Contractor / Legal Entity Form (LEF)	Contract type	Contract signature date	Contract implementation start date	Contract implementation end date	Contract status	IPA EU - Initial contract value	IPA EU - Current contract value	IPA EU - Paid amount	RAL	IPA EU - Recoveries	IPA EU - Pre-financing paid	IPA EU - Pre-financing cleared	IPA EU - Open pre-financing	IPA EU - Cost recognised	IPA EU - Incurred and accepted cost not paid	IPA EU - Cost in workflow - invoice amount (before assessment of amount eligible)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19 bis	20

(*) to be submitted by 15 January

I, the undersigned _____, NAO for IPA III beneficiary _____, hereby declare that the above financial report/statement is complete, accurate and true in accordance with Article 61(5) of FFPA.

* This template is also to be used also for IPA I and IPA II programmes

Annex IV(d) - disbursement forecast plan
as per Article 4(2) of FA GC

Data as of: _____

IPA III beneficiary Disbursement forecast plan

Programme Reference	Financing Agreement OPSYS reference number	Disbursement Forecast Plan (Add years as necessary)																	
		Monthly Disbursement Forecast (for RfF: 12 months for first request for pre-financing/ 14 months for subsequent pre-financing; for annual financial report and forecast of likely payment requests: 24 months)																	
		1	2	3	4	5	6	7	8	9	10	11	12	Total for 12 months	13	14	Total for 14 months*	15-24	Total for 24 months**
AAP 2021	JAD.XXXXXX																		
CBC AA/BB (2024 allocation)																			
MAAP Environment																			

* Columns O to Q to be used for subsequent pre-financing

** Columns O to S to be used for for annual financial report and forecast of likely payment requests

Annex IV(e) - forecast of likely payment requests
as per Article 33(3) of FFPA

Data as of: _____

IPA III beneficiary Forecast of likely payment requests

Financing Agreement OPSYS reference number or equivalent	Programme reference	FA entry into force	Contracting Deadline	Operational Implementation Deadline	Local Budget Allocation in EUR*	EU funds paid by EC in EUR	RAL at 31/12/21 in EUR	RIFs at EU in EUR	Total Forecast	202X Forecast (by months)												202Y Forecast				
									202X-202Y	Total 202X	01-202X	02-202X	03-202X	04-202X	05-202X	06-202X	07-202X	08-202X	09-202X	10-202X	11-202X	12-202X	Total 202Y	Q1/202Y	Q2/202Y	Q3/202Y	Q4/202Y
1	2	3	4	5	6	7	8=6-7																				
	NP 2012																										
Total of IPA I Programmes																											
	2015 AAP + Obj 1/Obj2: (IMBC)																										
	CBC 2018 AA-BB																										
	MAAP Environment																										
Total of IPA II Programmes																											
	2021 AAP (IMBC)																										
Total of IPA III Programmes																											
Total of IPA I & IPA II & IPA III Programmes																											

* LBA corresponds to the total EU contribution for IMBC until the contracting deadline; after the contracting deadline it corresponds to the total contracted.

Key data

For each local contract the information required is:

1. EU decision

Programme reference, e.g. Annual Action Programme 2022

2. EU contract

Financing Agreement OPSYS reference number, e.g. 2014/031-878

3. Title

Local contract title

4. Local contract reference

5. Contractor / Legal Entity Form (LEF)

6. Contract type

E.g. Grant, Service, Supply, Works, Twinning,...

7. Contract signature date

Date on which the last party signs the contract

8. Contract implementation start date

The signature date for the contractor, the signature date for the contracting authority, the date on which the contract enters into force and the date on which contract implementation starts are distinct concepts, which may all be the same day or may be different days.

In particular, the contract implementation start date (= first day on which eligible costs under the contract may be incurred) may be established after the contract has been signed through a respective clause in the contract, an Administrative Order, etc. Your system may hold all of these dates; but for the purposes of the year-end cut-off report the critical date is the start date of implementation.

9 Contract implementation end date

final date for completion where this includes time for invoicing, guarantee periods, etc.

VS

The contract implementation end date is the last day on which eligible costs under the contract may be incurred. The contract may allow additional time for finalising the contract administration or a period between the provisional and final acceptance of the work done; but this additional time is not relevant for the year-end cut-off report.

10. Contract status

OPEN, CLOSED, TERMINATED, NOT STARTED (if start date of activities is after cut-off date)

11. IPA EU - Initial contract value

Initial legal commitment amount of the IPA part (EU funding).

12. IPA EU - Current contract value

Amount after amendments (where relevant)
Current contract value will include any change of amounts contracted through an addendum modifying the contract.

13. IPA EU - Paid amount

Total amount paid under the contract; i.e. pre-financing payments + amount of invoices directly paid – recoveries).

14. RAL

The 'reste à liquider' is the 'Outstanding commitment'
The amount committed but not yet paid out to beneficiaries and contractors from the IPA EU amount.

15. IPA EU - Recoveries

Total value of recoveries (both pre-financing recoveries and expenditure recoveries) made under the contract (where relevant).
cash transfers, which have no impact on total cost. Occasionally recoveries will be against payments for expenditure, which were initially accepted as eligible but subsequently rejected on the basis of new information. Expenditure recoveries will reduce the total reported cost on the contract (please see point 19.).

16. IPA EU - Pre-financing paid

Total value of pre-financing paid under the contract (where relevant).

Pre-financing is a payment intended to provide the beneficiary with a float, i.e. a cash advance. As such, it is paid before the goods and services are delivered (in the case of procurement contracts) and before the occurrence of eligible costs by beneficiaries (in the case of grant agreements). Pre-financing is recognised on the balance sheet when cash is transferred to the recipient.

17. IPA EU - Pre-financing cleared

Total value of pre-financing cleared.

The payment of pre-financing is recognised as an asset. In accordance with the relevant accounting rule, the pre-financing asset is generally derecognised (i.e. cleared / reduced) as follows:

• if the amount of an interim/final invoice or cost claim, or part of it, is justifying the use of a pre-financing, then the validation of these eligible expenditures will generate a clearing of the pre-financing;

• if the beneficiary does not use (part of) the pre-financing, then the pre-financing amount will be partially or totally recovered from the beneficiary.

18. IPA EU - Open pre-financing

The totals from 16 and 17 will give the total open (un-cleared) pre-financing paid under the programme, i.e. pre-financing paid – pre-financing cleared

19. IPA EU - Cost recognised

clearance of pre-financing under the contract) and proven by supporting documents.

– 14 (RAL) – 18 (IPA EU-Open pre-financing) – 15 (IPA EU – Recoveries) Please include in the calculation of the 'IPA EU – Cost recognised' only recoveries of expenditure reducing the recognised cost (+19 bis (IPA EU – incurred and accepted cost not yet paid) – ONLY if you are not able to implement a separate column 19 bis in the report)

Costs will represent the eligible value of work that has been:

Ø incurred under the contract, accepted, paid by the contracting authority (directly or through cleared pre-financing) and proven by supporting documents,

Ø incurred and paid by the contractor (where relevant - to sub-contractors or by grant beneficiaries, for example) and accepted and paid by the contracting authority; In the case of interim costs the final acceptance is understood to depend on the final outcome of the contract.

Note that:

required.

** Amounts committed but not paid are not costs for the purpose of this report.*

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** Pre-financing paid either by the contracting authority or by the contractor (where relevant) is not cost.*

19 bis. IPA EU – Cost incurred and accepted but not yet paid

Examples are:

• invoices in the workflow that are certified correct (incurred and accepted) but that will be paid only in the following reporting period or

• retention monies.

this column in your report please add the respective amounts exceptionally directly in column 19 notifying the reason for their inclusion stating: 'Column 19 include cost incurred, accepted but not yet paid, in the amount of '(...)', for the following reason:'(...)' or inform us in a side letter of the relevant amounts per contract.

Please further note that the amounts inserted in this column are considered as cost incurred and accepted only for the purpose of this year-end cut-off report but not for the purpose of the Annual Financial Report or the Request for Funds where only cost recognised (incurred, accepted, paid and proven by supporting documents) should be considered.

Where costs are reported with an invoice (usually procurements)

20. Cost in workflow - Invoice amount (before assessment of amount eligible)

Invoices and reports received but not still approved.

Where there is no invoice and costs are identified from a financial report (usually grants)

eligible)

Reports received but not still approved.

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ANNEX II - GENERAL CONDITIONS

Contents

VS

Part One: Provisions applicable to activities for which the IPA III beneficiary is the contracting authority under IMBC

Article 1 - General principles

(1) The purpose of Part One is to lay out the rules for implementing the entrusted budget implementation tasks as described in Annex I and to define rights and obligations of the IPA III beneficiary and the Commission respectively in carrying out these tasks.

Part One shall apply to the budget-implementation tasks entrusted to the IPA III beneficiary related to the Union contribution alone, or combined with funds of the IPA III beneficiary or funds of a third party, in case such funds are implemented in joint co-financing.

(2) The IPA III beneficiary shall remain responsible for the fulfilment of the obligations stipulated in this Financing Agreement and in the Financial Framework Partnership Agreement (FFPA). In accordance with Article 7, Article 18, Article 19 and Article 21, the Commission reserves the right to interrupt payments, and to suspend and/or terminate this Financing Agreement.

(3) The IPA III beneficiary shall respect the minimum rate of its contribution specified in Annex I. In case of contributions from both the IPA III beneficiary and the Union, the IPA III beneficiary contribution shall be made available at the latest by the end of the eligibility period of the programme.

(4) The rate of the EU contribution specified in Annex I, and the maximum amount of IPA III assistance is based on the public eligible expenditure amount. Public eligible expenditure is any public contribution to the financing of operations the source of which is the budget of national, regional or local public authorities of the IPA III beneficiary, the budget of the Union, the budget of public law bodies or the budget of associations of public authorities or of public law bodies. Loan financing, where it is used, is attributed to the body liable to repay the loan, national public or national private. National private expenditure cannot be considered an eligible expenditure.

(5) For the purpose of the application of Article 25 of the FFPA on data protection, personal data shall be:

- processed lawfully, fairly and in a transparent manner in relation to the data subject;
- collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
- adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- accurate and, where necessary, kept up to date;
- processed in a manner that ensures appropriate security of the personal data and
- kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed.

Personal data included in documents to be kept by the IPA III beneficiary in accordance with paragraph 2 of Article 2 must be deleted once the deadlines set out in that paragraph have expired.

Article 2 - Procurement and grant award

(1) Without prejudice to Article 18(5) of the FFPA, the tasks referred to in Article 1(1) shall be carried out by the IPA III beneficiary in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts in external actions, in particular, the practical guide on contract procedures for European Union external action (PRAG), in

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force at the time of the launch of the procedure in question, as well as in accordance with the required visibility and communication standards referred to in Article 3(2).

The IPA III beneficiary shall conduct the procurement and grant award procedures, conclude the resulting contracts, and ensure that all relevant documents for audit trail are in the language of this Financing Agreement. For the purpose of Part One of this Financing Agreement, every reference to grant contracts shall also be construed as a reference to contribution agreements and every reference to grant beneficiaries shall also include be construed as organisations having signed contribution agreements.

(2) Without prejudice to Article 49 of the FFPA, the IPA III beneficiary shall retain all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement or as from an earlier date in case the procurement procedure, call for proposals or direct grant award procedure was launched prior to the entry into force of this Financing Agreement, for five years as from the date of closure of a programme. The IPA III beneficiary shall retain in particular the following:

(a) Procurement procedures:

i) Forecast notice with proof of publication of the procurement notice and any corrigenda;

ii) Appointment of shortlist panel;

iii) Shortlist report (incl. annexes) and applications;

iv) Proof of publication of the shortlist notice;

v) Letters to non-shortlisted candidates;

vi) Invitation to tender or equivalent;

vii) Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication;

viii)Appointment of the evaluation committee;

ix) Tender opening report, including annexes;

x) Evaluation / negotiation report, including annexes and bids received;[1]

xi) Notification letter;

xii) Cover letter for submission of contract;

xiii) Letters to unsuccessful candidates;

xiv) Award / cancellation notice, including proof of publication;

xv) Signed contracts, amendments, riders, implementation reports, and relevant correspondence.

(b) Calls for proposals and direct award of grants:

i) Appointment of the evaluation committee;

[1] Elimination of unsuccessful bids five years after the closure of the procurement procedure.

ii) Opening and administrative report including annexes and applications received;[2]

iii) Letters to successful and unsuccessful applicants following concept note evaluation;

iv) Concept note evaluation report;

v) Evaluation report of the full application or negotiation report with relevant annexes;

vi) Eligibility check and supporting documents;

vii) Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation;

viii) Cover letter for submission of grant contract;

ix) Award/cancellation notice with proof of publication;

x) Signed contracts, amendments, riders and relevant correspondence.

In addition, financial and contractual documents referred to in paragraph 2(a) and 2(b) shall be complemented by all relevant supporting documents as required by the procedures referred to in paragraph 1, as well as all relevant documentation relating to payments, recoveries and operating costs, for example project and on the spot checks reports, acceptance of supplies and works, guarantees, warranties, reports of supervising engineers.

(3) Operations co-financed by the Union under the Programme may also receive financing from other donors such as international organisations, a Member State, a third country or a regional organisation.

Article 2a - Exclusion and administrative sanctions

(1) When applying the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, the IPA III beneficiary shall accordingly ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant if the economic operator or grant applicant who either itself, or a person having powers of representation, decision making or control over it, is in one of the exclusion situations provided for in the relevant procedures and standard documents of the Commission.

(2) The IPA III beneficiary shall inform the Commission immediately when a candidate, tenderer or applicant is in an exclusion situation referred to in paragraph (1), or has committed irregularities and fraud as defined in Article 51(5) of the FFPA, or has shown significant deficiencies in complying with its main obligations in the implementation of a legal commitment financed by the Union budget.

(3) The IPA III beneficiary shall take into account the information contained in the Commission's 'Early Detection and Exclusion System' (EDES) when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation using the following means: (European Commission, Directorate-General for Budget, Accounting Officer of the Commission, MO15, B-1049 Brussels, Belgium and by email to BUDG-C01-EXCL-DB@ec.europa.eu with copy to the Commission address identified in Article 3 of the Special Conditions). Any contract or grant concluded with a contractor or grant beneficiary that is in an exclusion situation at the time of conclusion of the contract shall be excluded from Union financing and the financial corrections mechanism in accordance with Article 8a may be applied.

(4) Where the IPA III beneficiary becomes aware of an exclusion situation referred to in paragraph (1) in

[2] Elimination of unsuccessful applications three years after the closure of the grant procedure.

the implementation of the tasks described in Annex I, the IPA III beneficiary shall, under the conditions of its national legislation, impose upon the economic operator or grant applicant a rejection from the given procedure and an exclusion from its future procurement or grant award procedures. The IPA III beneficiary may also impose a financial penalty proportional to the value of the contract concerned. Rejections, exclusions and/or financial penalties shall be imposed following an adversarial procedure ensuring the right of defence of the person concerned. The IPA III beneficiary shall notify the Commission in accordance with paragraph (2).

Article 3 – Communication and Visibility

(1) In accordance with Article 24 of the FFPA, the IPA III beneficiary shall take the necessary measures to ensure the visibility of EU funding for the activities entrusted to it and shall prepare a coherent plan of communication and visibility activities, which should be submitted to the Commission for agreement within 2 months after the entry into force of this Financing Agreement.

(2) These communication and visibility activities shall comply with the guidance for external action on communicating and raising EU visibility laid down and published by the Commission, in force at the time of the activities.

Article 4 - Ex-ante and ex-post controls on grant and procurement procedures and ex-post controls on contracts and grants to be performed by the Commission

(1) The Commission shall exercise *ex-post* controls on award procedures for procurement and grants for the following stages:
   (a) contract notices for procurement, calls for proposals for grants and any corrigenda thereof;
   (b) tender dossiers and guidelines for applicants for grants;
   (c) the composition of Evaluation Committees;
   (d) evaluation reports, rejection, and award decisions;[3]
   (e) contract dossiers and contract addenda.

(2) With regard to *ex-post* controls the Commission may decide following risk assessment:
   (a) to perform *ex-post* controls on all files, or
   (b) to perform *ex-post* controls on a selection of such files, or
   (c) to completely dispense with *ex-post* controls.

(3) If the Commission decides to perform *ex-post* controls in accordance with paragraph 2 (a) or (b), it shall inform the IPA III beneficiary of the files selected for *ex-post* controls. The IPA III beneficiary is obliged to provide all the documentation and information necessary to the Commission for the file selected for *ex-post* control, within one month of the signature of the contract or contract addendum.

(4) The Commission may perform *ex-ante* controls for approval of each of the stages mentioned in paragraph 1 for the award procedures that have not been selected for *ex-post* control. The IPA III beneficiary shall provide all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex-ante* control, at the latest at the time of submission of the contract notice or the guidelines for applicants for publication.

(5) The Commission may decide to perform *ex-post* controls, including audits and on-the-spot controls, at any time during or after the implementation of any contract or grant awarded by the IPA III beneficiary arising out this Financing Agreement. The IPA III beneficiary shall make available all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex-post* control. The Commission may authorise a person or an entity to perform *ex-post*

[3] For service contracts this step includes *ex ante* controls concerning approval of the shortlist.

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controls on its behalf.

Article 5 - Bank accounts, accounting systems, and costs recognised

(1) After the entry into force of this Financing Agreement, the Accounting Body and the Intermediate Body for Financial Management (IBFM) of the IPA III beneficiary that is the Contracting Authority for the Programme shall open at least one bank account denominated in euro and submit the Financial Identification Form(s) to the Commission together with the corresponding bank mandates. The total bank balance for the Programme shall be the sum of the balances on all the Programme bank accounts held by the Accounting Body and all participating IBFMs in the IPA beneficiary. Reporting on all bank accounts linked to each programme shall be recorded via IPA-APP[4].

(2) The IPA III beneficiary shall prepare and submit to the Commission disbursement forecast plans for the duration of the Programme following the template in point (d) of Annex IV. These forecasts shall be updated and submitted with each request for funds referred to in Article 6(2) and 6(3), with the annual financial report referred to in Article 14(4) and with the forecast of likely payment requests referred to in Article 33(3) FFPA. The disbursement forecast plans shall be based on real and actual needs and supported by a documented detailed analysis (including the planned contracting and payment schedule per contract) which shall be available to the Commission upon request.

(3) The initial disbursement forecast plan shall contain summary annual disbursement forecasts for the whole eligibility period and monthly disbursement forecasts for the first twelve months of the Programme. Subsequent plans shall contain summary annual disbursement forecasts for the balance of the eligibility period of the Programme and monthly disbursement forecasts for the following fourteen months.

(4) The IPA III beneficiary is required to establish and maintain an accounting system in accordance with Clause 4(3)(a) of Annex A to the FFPA, which will hold at least the information for the contracts managed under the Programme indicated in Annex V.

(5) Pursuant to Article 57(2) of the FFPA, costs recognised in the accounting system maintained under paragraph (4) must have been incurred (by a recipient), accepted (by the Intermediate Body for financial management) and paid (by the Intermediate Body for financial management) and correspond to actual costs proven by supporting documents and shall be used when appropriate to clear pre-financing paid by the IPA III beneficiary under local contracts.

Article 6 - Provisions on payments made by the Commission to the IPA III beneficiary

(1) Each request for pre-financing shall comprise a declaration of expenditure for the Programme, including the amounts contracted, disbursed and costs recognised.

(2) The IPA III beneficiary shall submit its initial disbursement forecast for the Programme, prepared pursuant to Article 5(2), with the first pre-financing payment request. The first forecast shall be for 100 % of the forecast disbursements for the first year of the disbursement forecast plan pursuant to Article 5(2). Pre-financing shall be supported by the bank mandates for all the bank accounts of the Programme, if applicable.

(3) The IPA III beneficiary shall submit subsequent pre-financing payment requests when the total bank balance for the Programme falls below the disbursements forecast for the following five months of the Programme.

[4] IPA-APP is a dedicated IT application developed by DG NEAR to replace iPerseus that was the tool used for monitoring the implementation of pre-accession funds under indirect management by beneficiary countries (IMBC).

(4) Each request for additional pre-financing shall include:
   a) The bank balances for the Programme at the cut-off date of the request;
   b) The updated bank mandates for all the bank accounts of the Programme, if applicable;
   c) A forecast of disbursement for the Programme for the following fourteen months at the cut-off date of the request as referred to in Article 5(2).
   d) Updated reporting in IPA-APP.

(5) The IPA III beneficiary may request for each subsequent pre-financing the amount of total disbursements forecast for the fourteen months following the date of the request, less the balances referred to in paragraph 4(a) at the cut-off date of the request for funds, increased by any amount funded by the IPA III beneficiary under paragraph (6) and not yet reimbursed. The fourteen months disbursement forecast period may be extended if specified accordingly in the Special Conditions.

The Commission reserves the right to reduce each subsequent pre-financing payment if the total bank balances held by the IPA III beneficiary under this Programme exceeds the disbursement forecast for the next fourteen months.

(6) Where the payment is reduced under paragraph (5), the IPA III beneficiary must fund the Programme from its own resources up to the amount of the reduction. The IPA III beneficiary may then request the reimbursement of that funding as part of the next request for funds as specified in paragraph (5).

(7) Pursuant to Article 33(1) of FFPA, the Commission reserves the right to process partial payments within the limits of the funds available. Once funds are made available again, the Commission shall process immediately the payment of the remaining amount.

(8) The Commission shall have the right to recover excessive bank balances which have remained unused for more than twelve months. Before exercising this right, the Commission shall invite the IPA III beneficiary to give reasons for the delay in disbursing the funds and to demonstrate a continuing need for them within the next following two months.

(6) Interest generated by the bank accounts used for this Programme shall not be due to the Commission.

(7) Following Article 33(4) of the FFPA, when the time limit for payment request is interrupted by the Commission for more than two months, the IPA III beneficiary may request a decision by the Commission on whether the interruption of time limit is to be continued.

(8) The certified final statement of expenditure referred to in Article 36(1)(a) of the FFPA shall be submitted by the NAO no later than sixteen months after the end of the eligibility period.

Article 7 - Interruption of payments

(1) Without prejudice to the suspension or termination of this Financing Agreement according to Articles 18 and 19 respectively, as well as without prejudice to Article 38 of the FFPA, the Commission may interrupt payments partially or fully, if:

   (a) the Commission has established, or has serious concerns that the IPA III beneficiary has committed substantial errors, irregularities or fraud questioning the legality or regularity of the underlying particular transactions in the implementation of the Programme, or has failed to comply with its obligations under this Financing Agreement, including obligations regarding Strategic Communication and Public Diplomacy;

   (b) the Commission has established, or has serious concerns, that the IPA III beneficiary has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under this or other Financing Agreements, provided that those errors, irregularities, fraud or breach of obligations have a material impact on the implementation on this Financing Agreement or call into question the

reliability of the IPA III beneficiary's internal control system or the legality and regularity of the underlying expenditure.

Article 8 - Recovery of funds

(1) In addition to cases referred to in Article 40 of the FFPA, the Commission may recover the funds from the IPA III beneficiary as provided in the Financial Regulation, in particular in case of:
   (a) failure to ensure achievement of the objectives and results of the Programme as set out in Annex I;
   (b) failure to ensure the use of assets and outputs for the intended purposes set out in Annex I;
   (c) non eligible expenditure;
   (d) non respect of the co-financing rate, as provided in Annex I;
   (e) expenditure incurred as a result of errors, irregularities, fraud or breach of obligations in the implementation of the Programme, in particular in the procurement and grant award procedures.
   (f) weakness or deficiency in the management and control systems of the IPA III beneficiary which leads to application of financial correction.

(2) In accordance with national law, the NAO shall recover the Union contribution paid to the IPA III beneficiary from recipients who were in any situation defined in paragraph (1) points (b) or (d) of this Article or referred to in Article 40 of the FFPA. The fact that the NAO does not succeed in recovering all or part of the funds shall not prevent the Commission from recovering the funds from the IPA III beneficiary.

(3) Amounts unduly paid or recovered by the IPA III beneficiary, amounts from financial, performance, and pre-financing guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the IPA III beneficiary on candidates, tenderers, applicants, contractors or grant beneficiaries, to the IPA III beneficiary shall be either re-used for the Programme or returned to the Commission.

Article 8a – Financial corrections and closure

Further to Articles 42, 43 and 47 of the FFPA, supplementary guidance on the examination and acceptance of accounts procedure, including financial corrections, and closure shall be provided by the Commission.

Article 9 - General principles for selecting operations

(1) The selection procedures shall satisfy the principles of transparency, equal treatment and non-discrimination. They shall prevent any conflict of interest and ensure stakeholders involvement and public access to information.

(2) The Sectoral Monitoring Committee shall consider and approve the general criteria for selecting the operations referred to in Article 10 within six months of the entry into force of this Financing Agreement and approve any revision of those criteria in accordance with programming needs.

(3) Pursuant to Article 53(7) of the FFPA, the Commission may co-chair the meetings of the Sectoral Monitoring Committees.

(4) The IPA III beneficiary shall ensure that operations are selected for funding and approved in accordance with the criteria and mechanisms applicable to the Programme, including relevant Operational Programme, and that they comply with the relevant Union and national rules.

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Article 10 - Operation identification sheet

(1) For any operation not falling under the definition of major project referred to in Article 3(f) and Article 16(6) of the FFPA, the IPA III beneficiary shall establish an identification sheet for each operation selected for Union co-financing under the Programme.

(2) The operation identification sheet must contain inter alia the following elements:
   (a) identification of the operation and the organisation responsible for its implementation;
   (b) a summary description of the operation and the demonstration of its compatibility with the programme;
   (c) implementation arrangements, risks and assumptions;
   (d) expected outputs, results and impact, including contributions to horizontal themes;
   (e) links with other IPA, IPA II and IPA III programmes;
   (f) financing arrangements and estimated budget; and
   (g) procedures foreseen for tenders and contracts.

   The template for the Operation Identification Sheet is set out in Annex VII.

(3) The IPA III beneficiary shall transmit a copy of the operation identification sheet to the EU Delegation, which after consultation with DG NEAR, will send its opinion. Once a positive opinion on the operation identification sheet has been issued, the project can be approved by the IPA III beneficiary.

(4) Where the nature of the operation justifies it, the Commission may decide to request the IPA III beneficiary to apply Article 11 to a particular operation and to prepare an application form, in accordance with the templates set out in Annex VI to this Financing Agreement.

Article 11 - Major project and bilateral agreement

(1) Pursuant to Article 16(6) of the FFPA, major project applications shall be submitted to the Commission for assessment using the Major Project Application template (Annex VI).

(2) The Commission assessment shall define the physical object and the eligible expenditure. The Commission assessment shall be concluded either by an exchange of letters (respectively the submission of the major project application by the IPA III beneficiary and the reply from the Commission approving it) or by the signature of a Bilateral Agreement with the IPA III beneficiary, laying out the individual elements and requirements that are specific to the project.

(3) The Bilateral Agreement or exchange of letters shall, as a minimum, contain the following information:
   (a) the project name;
   (b) identification of the project location;
   (c) a concise description of the project, broken down, as necessary, into individual components;
   (d) details of the authority responsible for the project application, the body responsible for implementation, the contracting authority, and the recipient;
   (e) details of any International Financing Institutions (IFIs) or other donors involved in the project;
   (f) specific project objectives;
   (g) a summary of the main results of the economic and social cost benefit analysis;
   (h) a summary of the financial analysis;
   (i) a summary of the main findings of the environmental impact assessment;

(j) the total estimated value of the project, as well as an indicative breakdown of the value of individual project elements;

(k) the estimated total eligible and non-eligible project costs, total public expenditure, the Union financial contribution and the co-financing rate applicable to the eligible expenditure;

(l) any specific conditions related to the project;

(m) an indicative procurement schedule indicating the specific types and estimated values of contracts to be tendered out and, in case of parallel co-financing with IFIs, the identification of the contracts to be financed by the IFIs, as well as an indication of the date of the start of the tender procedure;

(n) an indicative implementation schedule;

(o) an indicative list of key indicators to be used to demonstrate the achievement of the aims of the project;

(p) the date from which expenditure is eligible.

(4) The procurement procedure for a major project can be launched by the IPA III beneficiary after entry into force of this Financing Agreement. No procurement contract for a major project can be signed prior to the entry into force of the Bilateral Agreement or the conclusion of the exchange of letters approving the major project application.

(5) Modifications of approved major projects are subject to the limitations and conditions set out in the Bilateral Agreement or exchange of letters.

Part Two: Provisions applicable to this Financing Agreement as a whole, irrespective of the management mode

Article 12 - Eligibility period

(1) The eligibility period is the period in which all operational activities of the Programme are completed. The duration of this period is stipulated in Article 2(2) of the Special Conditions.

This period shall be reflected in the agreements to be concluded by the IPA III beneficiary and by the Commission in the implementation of this Financing Agreement, in particular in contribution agreements, procurement contracts and grant contracts.

(2) Unless provided otherwise in Article 7 of the Special Conditions, contracts and addenda signed, expenditure incurred, payments made by national authorities as well as any other costs related to the activities of the Programme, shall be eligible for EU financing only if they have been incurred during the eligibility period, without prejudice to paragraph (3) of this Article.

(3) In the case of major projects, the starting date of the eligibility period is the date of the Commission's approval of the major project as set out in a Bilateral Agreement or an exchange of letters.

(4) Pursuant to Article 29(3)(b) of the FFPA, and without prejudice to Article 28 thereof and Article 7 of the Special Conditions, the following expenditure incurred by the IPA III beneficiary shall not be eligible for funding under this financing agreement:

a) bank charges, costs of guarantees and similar charges;

b) fines and financial penalties;

c) expenses of litigation;

d) currency exchange losses;

e) debts and debt service charges (interest);

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f) provisions for losses, debts or potential future liabilities;

g) credits to third parties, unless otherwise specified in the special conditions;

h) negative interest charged by banks or other financial institutions.

(5) A procurement contract, grant contract or contribution agreement which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be de-committed, except in case of litigation before judicial courts or arbitral bodies.

Article 13 - Permits and authorisation

Without prejudice to Article 27 of the FFPA, any type of permit and/or authorisation required for the implementation of the Programme shall be provided in due time by the competent authorities of the IPA III beneficiary, in accordance with national law.

Article 14 - Reporting requirements

(1) For the purpose of the general reporting requirements to the Commission set out in Article 59 of the FFPA on the annual report on the implementation of IPA III assistance, the NIPAC shall use the template provided in Annex III.

(2) For the purpose of Article 60 of the FFPA, the NIPAC shall submit a final report to the Commission on the implementation of the activities implemented under indirect management by the IPA III beneficiary of this Programme at the latest sixteen months after the end of the eligibility period. The NIPAC shall use the template provided by the Commission.

(3) For the purpose of Article 61(1) of the FFPA the NAO shall provide by 15 January of the following financial year in electronic format a copy of the data held in the accounting system established under Article 4(4). This should be supported by a signed un-audited summary financial report in accordance with point (c) of Annex III.

(4) For the purpose of the specific reporting requirements under indirect management set out in Article 61(2)(a) and 61(3) of the FFPA, the NAO in the IPA III beneficiary shall use the templates provided for in points (a) and (b) of Annex IV.

Article 15 - Intellectual property rights

(1) Contracts financed under this Financing Agreement shall ensure that the IPA III beneficiary acquire all necessary intellectual property rights with regard to information technology, studies, drawings, plans, publicity and any other material made for planning, implementation, monitoring and evaluation purposes.

(2) The IPA III beneficiary shall guarantee that the Commission, or any body or person authorised by the Commission, shall have access and the right to use such a material. The Commission will only use such material for its own purposes.

Article 16 - Consultation between the IPA III beneficiary and the Commission

(1) The IPA III beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further pursuant to Article 20.

(2) Where the Commission becomes aware of problems in carrying out procedures relating to the implementation of this Financing Agreement, it shall establish all necessary contacts with the IPA III

beneficiary to remedy the situation and take any steps that are necessary.

(3) The consultation may lead to an amendment, suspension or termination of this Financing Agreement.

(4) The Commission shall regularly inform the IPA III beneficiary of the implementation of activities described in Annex I, which do not fall under Part One of these General Conditions.

Article 17 - Amendment of this Financing Agreement

(1) Any amendment of this Financing Agreement shall be made in writing, including by an exchange of letters.

(2) If the IPA III beneficiary requests an amendment, the request shall be submitted to the Commission at least three months before the amendment is intended to enter into force, except in duly justified cases.

(3) The Commission can amend the documents in Annexes III - VII without this necessitating an amendment to this Financing Agreement. The IPA III beneficiary shall be informed in writing about any such changes and their application.

Article 18 - Suspension of this Financing Agreement

(1) The Financing Agreement may be suspended in the following cases:

(a) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary breaches an obligation under this Financing Agreement;

(b) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary breaches any obligation set under the procedures and standard documents referred to in Article 18(2) of the FFPA;

(c) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary does not meet requirements for entrusting budget implementation tasks;

(d) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary decides to suspend or cease the EU membership accession process;

(e) The Commission may suspend this Financing Agreement if the IPA III beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption or if the IPA III beneficiary is guilty of grave professional misconduct proven by any justified means. Grave professional misconduct is to be understood as any of the following:

- a violation of applicable laws or regulations or ethical standards of the profession to which a person or entity belongs, or
- any wrongful conduct of a person or entity which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence.

(f) This Financing Agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure.

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A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage. If force majeure impacts only part of the Programme, the suspension of the Financing Agreement can be partial. Neither of the Parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any possible damage.

(2) The Commission may suspend this Financing Agreement without prior notice.

(3) The Commission may take any appropriate precautionary measure before suspension takes place.

(4) When the suspension is notified, the consequences for the on-going or to be signed procurement contracts, grant contracts and contribution agreements shall be indicated.

(5) A suspension of this Financing Agreement is without prejudice to the interruption of payments and termination of this Financing Agreement by the Commission in accordance with Article 7 and Article 19.

(6) The parties shall resume the implementation of the Financing Agreement once the conditions allow with the prior written approval of the Commission. This is without prejudice to any amendments of this Financing Agreement which may be necessary to adapt the Programme to the new implementing conditions, including, if possible, the extension of the eligibility period, or the termination of this Financing Agreement in accordance with Article 19.

Article 19 - Termination of this Financing Agreement

(1) If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate the Financing Agreement at 30 days' notice.

(2) When the termination is notified, the consequences for the on-going procurement and grant contracts, contribution agreements and such contracts or grants, and contribution agreements to be signed shall be indicated.

(3) The termination of this Financing Agreement shall not preclude the possibility of the Commission to make financial corrections in accordance with Articles 43 and 44 of the FFPA.

Article 20 – Applicable law, settlement of disputes

(1) This Agreement is governed by EU law.

(2) If a dispute concerning the interpretation, application or validity of the Agreement cannot be settled amicably, it shall be settled by arbitration in accordance with the 2012 PCA Arbitration Rules, subject to the following:

(a) Panel composition

For claims of EUR 500 000 or above: the panel shall be composed of three arbitrators. Each party shall appoint one arbitrator within 40 calendar days after the notice of arbitration has been sent. The two arbitrators appointed by the parties shall in turn appoint a third arbitrator to act as presiding arbitrator.

For claims below EUR 500 000: the panel shall be composed of one arbitrator, unless the parties agree otherwise.

If the panel is not composed within 80 calendar days after the notice of arbitration is sent, either

party may request the PCA Secretariat or other mutually acceptable other neutral authority to appoint the necessary arbitrator(s).

(b) Seat

The seat of the arbitration panel shall be The Hague, Netherlands.

(c) Language

The language of the proceedings shall be English or another mutually acceptable official language of the European Union. Evidence may be produced in other languages, if agreed by the parties.

(d) Procedure

Recourse to interim measures, third party interventions and amicus curiae interventions is excluded.

If the panel is requested by a party to treat information or material confidentially, the decision shall be made in form of a reasoned order and after hearing the other party (10 calendar days to submit observations). The panel shall weigh the reasons for the request, the nature of the information and the right to effective judicial protection. The panel may in particular:

- make disclosure subject to specific undertakings or
- decide against disclosure, but order the production of a non-confidential version or summary of the information or material, containing sufficient information to enable the other party to express its views in a meaningful way.

If the panel is requested to hear the case in camera, the decision shall be made after hearing the other party (10 calendar days to submit observations). The panel shall take into account the reasons for the request and the objections of the other party (if any).

If the panel is requested to interpret or apply European Union law, it shall stay the proceedings and request the 'President of the High Court of Paris' (Président du Tribunal de grande instance de Paris, 'juge d'appui'), in accordance with Articles 1460 and 1505 of the French Civil Procedural Code to request a preliminary ruling from the Court of Justice of the European Union in accordance with Article 267 TFEU. The proceedings before the arbitral tribunal shall resume once the decision by the juge d'appui is taken. The decision of the Court of Justice and of the juge d'appui shall be binding on the panel.

The arbitral award shall be final and binding on the parties and be carried out by them without delay.

Either party may however request that the award is reviewed by the The Hague Court of Appeal (Gerechtshof Den Haag) on the basis of the applicable national law. In this case, the award shall not be considered final until the end of this procedure. The decision by the reviewing court shall be binding on the panel.

(e) Costs

The costs of arbitration shall consist of:

- the fees and reasonable expenses of the arbitrators
- reasonable costs of experts and witnesses as approved by the panel and
- the fees and expenses of the PCA Secretariat for the arbitration proceedings (e.g. catering, providing for clerks, room, interpretation).

The arbitrators' fees shall not exceed:

- EUR 30 000 per arbitrator if the contested amount is below EUR 1 000 000
- 15% of the contested amount if that amount is above EUR 1 000 000. In any case the arbitrators' fees shall not exceed EUR 300 000.

The costs of arbitration shall be borne by the parties in equal share, unless otherwise agreed.

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The parties shall bear their own costs of legal representation and other costs incurred by them in relation to the arbitration.

(f) Privileges and immunities

The agreement to pursue arbitration under the 2012 PCA Arbitration Rules does not constitute and cannot be interpreted as a waiver of privileges or immunities of any of the parties, to which they are entitled.

Article 21 – EU restrictive measures

(1) Definitions

(a) "EU Restrictive Measures" means restrictive measures adopted pursuant to the Treaty on European Union (TEU) or to the Treaty on the Functioning of the European Union (TFEU).

(b) "Restricted Person" means any entities, individuals or groups of individuals designated by the EU as subject to the EU Restrictive Measures[5].

(2) In all their relations, the Parties recognise that under EU law no EU funds or economic resources are to be made available directly or indirectly to, or for the benefit of, Restricted Persons.

(3) The IPA III Beneficiary shall ensure that no transaction subject to a verified hit against the EU sanctions list shall benefit directly or indirectly from EU funding. The IPA III Beneficiary commits to ensure this obligation:

(a) by screening for hits against the EU sanctions list, before entering into, and before making payments under, the relevant agreements, each Contractor, Grant Beneficiary, and Final Recipient with whom the IPA III Beneficiary has or is expected to have a direct contractual relationship (direct recipient), so as to assess whether such recipient is a Restricted Person.

(b) by screening or through other appropriate means (that may include an ex-post verification) on a risk based approach basis, that no entity that would indirectly receive EU funding is a Restricted Person.

(4) In the event that IPA III Beneficiary assesses that any of the recipients (direct or indirect) of the EU funding is a Restricted Person, IPA III Beneficiary shall promptly inform the Commission.

(5) Without prejudice to the obligation in point 3 above, should the Commission assess that the use of Union financial assistance under IPA III results or has resulted in a breach of EU restrictive measures, the corresponding amounts shall not be eligible for the Union financial assistance under IPA III. This is without prejudice to any rights that the Commission may have to suspend or terminate the action affected by such breach, to recover any EU funding contributed by the Commission, or to suspend or terminate this financing agreement.

(6) The determination of remedial measures will be made in accordance with the principle of proportionality. Remedial measures shall apply only to the EU funding made available to, or for the benefit of, a recipient for the period during which it remained a Restricted Person.

(7) This clause is without prejudice to the exceptions contained in the EU Restrictive Measures.

[5] www.sanctionsmap.eu. 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 of the European Union (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

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Model of the annual report on the implementation of the Instrument for Pre-accession Assistance submitted by the National IPA Coordinator

(in accordance with Article 59 of the Financial Framework Partnership Agreement)

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Period covered by the report:
01/01/20XX-31/12/20XX
Report issued on XX/XX/20XX

Annual Report on the implementation of Instrument for Pre-Accession assistance in direct and indirect management by <*IPA beneficiary*>

I. Executive Summary

This section should highlight main overall findings as reported in Section II, focusing on:

- Progress in reaching objectives of the overarching IPA strategic documents (IPA II Country Strategy Papers and IPA III Programming Framework)
- Main achievements and challenges in programming and implementation and corrective actions taken, including follow-up to most relevant monitoring, evaluation and/or audit recommendations
- Complementarity with multi-country actions and other donor support (including Team Europe, if relevant)
- Main achievements with communication and visibility activities
- NIPAC's main recommendations for the coming period

II. Implementation of IPA assistance per IPA III Window/thematic priority and IPA II Sector

The information provided in this section should be based on/ linked with information provided in table 1 below.

This section should include a summary per Window/thematic priority (IPA III assistance) and per sector (IPA II assistance) organised as follows:

IPA II Sector: <names(s) of the sector[1]>

IPA III Window: <number and name of the window> / Thematic priority: <name(s) of the thematic priorities[2]>

The following information should be provided:

1. Involvement of IPA beneficiary in programming
2. Progress made in implementation to achieve the objectives as outlined in key strategic and programme documents (relevant outcome/output indicators should be provided in Annex 1)
3. Problems encountered in implementation and corrective measures taken and/or planned, and recommendations for further action, in order to ensure sustainability[3]

[1] As per the sectors in the Action Documents, e.g. Rule of Law, Transport, Energy, etc.
[2] As per IPA III Programming Framework
[3] Sustainability refers to the extent to which the benefits/results (outputs and outcomes) achieved are likely to continue beyond its implementation period. In particular, key factors affecting sustainability are the ownership of the beneficiaries, the institutional management capacities, and the resources committed to provide for the operation and maintenance of the results.

4. Main monitoring, evaluations and/or audit findings and their follow-up
5. Complementarity with other instruments and coordination with other donors/ IFI's within the Window/thematic priority (IPA III) or sector (IPA II) (e.g. through Team Europe)
6. Assessment of the impact of IPA assistance in improving sector approach, including sector strategies, institutional capacities and budgeting and the extent to which their coherence is ensured with national strategic policy planning and budgeting frameworks.
7. Communication and visibility activities

In case of **indirect management by beneficiary country (IMBC)**, the following information should also be included:

8. Information on the implementation of actions
9. Short assessment on the functioning of implementing structures and any significant problems encountered in implementing the tasks entrusted e.g. delays in contracting, and subsequent measures taken/planned.
10. Implemented monitoring, evaluation and/or audit activities, audits – main findings and lessons learned, recommendations, follow-up and corrective actions taken

IPA Rural Development (IPARD) programmes should be covered as a separate section under IPA III Window 4 / IPA II sector on agriculture and rural development. Since IPARD programmes are subject to separate reporting, the section should only include a summary on the overall progress with implementation and highlight the most relevant issues. The key information should also be highlighted in the executive summary (as relevant).

IPA II operational programmes should be covered under the relevant sector providing information on points 1-10 (as relevant). **IPA III operational programmes** should be covered under the relevant thematic window and include only a summary on the overall progress in implementation and highlight the most relevant issues. The key information should also be highlighted in the executive summary as relevant. IPA III operational programmes will be subject to a more detailed reporting according to a reporting template that will be annexed to the Financing Agreements.

Territorial cooperation programmes should be covered under IPA III Window 5 / IPA II sector on territorial and regional cooperation. This section should give a very brief overview of the territorial cooperation programmes where the IPA beneficiary participates:

- For **Interreg cross-border cooperation (CBC) programmes with Member States and Transnational and Interregional cooperation programmes**, a maximum one paragraph per programme, indicating overall progress in implementation (e.g. programme adopted/not adopted, calls planned, etc.) and highlighting the most relevant issues in implementation.

- For **CBC programmes between IPA beneficiaries**, a maximum half a page summary per programme, providing an overview of the implementation (e.g. programme adopted/Joint Monitoring Committee set up/ JMC meetings on the reporting period, call for proposals closed/ongoing/planned and Strategic projects (if any). The summary should focus on the problems encountered in implementation and the corrective measures taken and/or planned, and recommendations for further action. The annual implementation reports for CBC (as referred to in Article 80 of the Financial Framework Partnership Agreement) should be included as an Annex.

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In case of **IMBC**, the following information should also be included by the Lead country):

1. Short assessment on the functioning of implementing structures and any significant problems encountered in implementing the tasks entrusted e.g. delays in contracting, and subsequent measures taken/planned.
2. Recommendations for further actions

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Table 1. Overview of implementation at the action level

[Financing Agreement] *e.g. 20xx annual action plan*	
[Action title and reference] *e.g. Electrification of the railway line from xxx to border with xxx*	
State of play/ Progress for particular action (e.g. ToR in preparation, tender launched, contracted, under implementation, completed)	*Provide an assessment of implementation of activities under the action.* *e.g. Service contract for preparation of ToR for the works contract signed and under implementation, tender for works contract to be launched in the second quarter of 2015, etc.* *For IMBC: Provide a comparison with the forecast submitted with Request for Funds and an analysis on the pace of implementation. Provide an assessment of the implementation of the procurement plan compared to the initial version*
Main achievements and their assessment	*Outline the benefits of IPA assistance and contribution to reforms.* *e.g. a new law on [xx] adopted, providing faster access to citizens for public services*
Significant problems encountered and the measures taken/planned to overcome them	*Outline any potential problems to comply with the conditions of the Financing Agreement and corrective measures to address them.* *e.g. The service contract for the preparation of ToR for the works contract was delayed as the negotiated procedure failed and had to be re-launched* *For IMBC: Provide a thorough assessment of reasons for delays together with an analysis on whether the problems are recurring (compared with other actions and measures taken to overcome a similar situation). Describe audit findings and/or identified irregularities and measures taken to address them.*
Developments and/or identified risks that influence future implementation and the achievement of the objectives	*e.g. amendment of a local law aligning with the fourth Railway package*
Recommendations for corrective further actions	

Add as many tables as necessary:

[Financing Agreement]	
[Action title and reference]	
State of play/ Progress for particular action (e.g. ToR in preparation, tender launched, contracted, under implementation, completed)	
Main achievements and their assessment	
Significant problems encountered in implementing the entrusted tasks and the measures taken/planned to overcome them	
Developments and/or identified risks that influence future implementation and the achievement of the objectives	
Recommendations for corrective further actions	

Annex 1: Outcome/output indicators per IPA action

This Annex should include an annual update of indicators included in IPA II summary action documents and IPA III action documents, covering actions both in direct and indirect management. The annex should be preferably prepared in Excel or an online data collection system used by the IPA III beneficiary, with separate tables for IPA II actions and IPA III actions according to the model below. It should be noted that milestones are requested only for IPA II indicators.

IPA II indicators

Annual/Multi-annual Action Programme	Action	Sector	Indicator	Source	Baseline	Milestone (20xx)	Target	Current Value (20xx)
20xx annual action programme	*Action 1*	*Transport*	*Reduction of average travel time of passengers between major urban centres by transport mode*					
20xx-20xx multiannual action programme	*Action 1*	*Environment*	*Reduced transportation costs per unit of output*					
[Add as many rows as relevant……]	……	……	……					

IPA III indicators

Annual/ Multi-annual Action Plan	Window	Thematic priority	Indicator	Source	Baseline	Target	Current value (20xx)
20xx annual action plan							
[Add as many rows as relevant……]	….	….					

Annex 2: Transparency, visibility, information and communication activities
This annex (max one page) should be provided only for actions managed in indirect management in line with requirements set out IPA II Framework Agreement and IPA III Financial Framework Partnership Agreement.

Annex 3: Success stories
This Annex should be provided only for actions managed in indirect management. (N.B. this section may be used for the annual report on the implementation of the European Union's external action instruments prepared by the European Commission)

Annex 4: Annual procurement plan
This annex should be provided only for actions managed in indirect management.