

TC Operation Evaluation

**Corridor Vc**

March 2012

**Evaluation department  
(EvD)**



**European Bank**  
for Reconstruction and Development

TC Operation Evaluation  
**Corridor Vc**  
**(Bosnia Herzegovina)**

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## **Preface**

This Operation Evaluation Report is part of the Evaluation department's ("EvD") 2011 Work Programme. It covers the technical co-operation (TC) operations in support of the Bank's sovereign loan to the construction of Corridor Vc ("the investment") in the Federation of Bosnia and Herzegovina (BiH).

In total five TC projects were implemented through consultancy assignments during 2008 and 2011. The work was funded through the Bank's Technical Cooperation Funds Programme (TCFP), with contributions from Italy (through its CEI trust fund) and the Western Balkans Multilateral Fund (WEBF).

The current Operation Leader (OL) of these TCs also prepared the Project Completion Reports (PCRs). The operation team and other relevant Bank staff commented on an early draft of this report.

The evaluation was carried out and reviewed by the OPER team. Information on the operation was obtained from relevant Bank teams and departments and their files, as well as from external sector and industry sources. Fieldwork was carried out in April.

EvD would like to thank those who contributed to the production of this report.

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## Abbreviations

BD	Banking department
ED	Environmental department
EIRR	Economic Internal Rate of Return
EvD	Evaluation department
FIRR	Financial Internal Rate of Return
IFI	International financial institution
OCE	Office of the Chief Economist (EBRD)
OE	Operation Evaluation
OGC	Office of the General Counsel (EBRD)
OL	Operation Leader
OpsCom	Operations Committee
OT	Operation team
TOR	Terms of Reference
USD	United States dollar
XMR	Expanded Monitoring Report

## Defined terms

<b>the Bank</b>	The European Bank for Reconstruction and Development
<b>the Client</b>	Bosnia & Herzegovina
<b>the OPER team</b>	Staff of the Evaluation department and the independent sector consultant who jointly carried out the post-evaluation
<b>the Operation</b>	Upgrade of specific sections of Corridor Vc to motorway standard
<b>the Operation team</b>	The staff in the Banking department and other respective departments within the Bank responsible for the operation appraisal, negotiation and monitoring, including the XMR

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## Project Data

<b>Operation Code</b>	<b>38716</b>
<b>Location:</b>	<b>Bosnia &amp; Herzegovina</b>
<b>Operation:</b>	<b>Corridor Vc</b>
<b>Sector:</b>	<b>Highway, Street, Bridge</b>
<b>Type:</b>	<b>Technical Cooperation</b>
<b>Facilitators:</b>	<b>Italy (CEI), Western Balkan's Fund</b>
<b>Bank Unit:</b>	<b>Transport</b>

## Funding

TCFP Commitment			
	Commitment number	Commitment title	Amount (EUR)
	CE1-2008-05-02	BIH Resettlement Framework and Action Plan for Corridor Vc	79,604
	CE1-2008-07-04	BIH Resettlement Framework and Action Plan for Corridor Vc (Extension)	12,138
TC2	WEBF-2008-04-11	Bosnia and Herzegovina Corridor Vc Project	496,500
TC3	WEBF-2008-08-22/02	Public Private Partnership (PPP) Feasibility study for Corridor Vc in Bosnia and Herzegovina	175,062
	WEBF-2008-08-22/03	Public Private Partnership Feasibility study for Corridor Vc in B&H	11,314

Type of visit	No. of visits	Person-days
EvD/OE	1	5

**Corridor Vc  
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## Summary

The Bank's investment project Corridor Vc in the Federation of BiH was well supported by technical cooperation (TC) work in a number of legal, operational and social respects. The five assignments that were implemented showed the following strengths:

- + good link between the TC assignments and the investment operation
- + smooth and flexible handling of activities from the Operations Team based in the Resident Office (RO).

On the other hand, the following areas were identified for improvement:

- project design fell short in some basic areas, especially in the setting of objectives and related success indicators
- the extent of the TC's impact on wider sector reform developments and on corporate structural issues is very difficult to assess

The road sector reform in FBiH which was the ultimate objective of the Bank's activities, might have been better addressed through an integrated approach.

## 1. Introduction

This report reviews a technical cooperation (TC) support operation for motorway construction and related sector reform in the Federation of Bosnia and Herzegovina ('FBiH'). The motorway forms part of Corridor Vc within the Trans-European-Network which stretches from Kaliningrad (Russia) in the North to Ploče (Croatia) in the South.

**Figure 1** Corridor Vc through BiH



- Construction financed by parallel loans from the EBRD (€180 million<sup>1</sup>) and EIB (€300 million);
- The beneficiary is the Federation of Bosnia & Herzegovina (the Federation);<sup>2</sup>
- The EBRD loan (approved in September 2008) supplements a previous BiH road rehabilitation and construction investment;
- The Federation/ Republika Srpska (RS) section runs for 336 km;
- The loan was to be split into two tranches, with the construction work to be completed in 2012;
- As at 2<sup>nd</sup> quarter 2011 the project had been delayed by approximately 18 months;
- Only €10 million of EBRD funds have been disbursed to date.

The strategic framework for both the investment and the TC projects was established by the Bank's 2007 BiH Country Strategy. Corridor Vc is described as the 'most important transport artery' involving major investment costs.<sup>3</sup> The transition objectives identified for the Bank's involvement in BiH's transport sector were:

- commercialisation for improved efficiency and institution building
- private sector participation, where realistic and practical
- support for regional integration.

In terms of these transition objectives, the TC projects appear most relevant, particularly for institution building and advisory support for possible public-private partnership (PPP) schemes.

A total of five TC projects were designed and implemented, mainly through the BiH Federation's Road and Motorway Directorate (FBHMD), the 'Directorate'.

**Table 1: TC projects implemented in support of the Corridor Vc project**

Donor	Name / Commitment No	Budget (€)	Consultant (Nationality)	Implementation Period
<i>TC1 – Resettlement and other activities mandated by the Bank's Environmental and Social Policy</i>				
CEI	BiH: Resettlement Framework and Action Plan for Corridor Vc	79,620	Italy	06 / 2008 – 09 / 2008
CEI	BiH: Resettlement Framework and Action Plan for Corridor Vc (extension)	12,435	Italy	09 / 2008
<i>TC2 – Institution building measures for the Road Directorate (FBHMD)/ Motorway Company (MWC)</i>				

<sup>1</sup> Note that there are related projects financed by the Bank in Republika Srpska such as the Mahovljani Interchange project (40327), the Road Banja Luka to Dobo (41370) and the Brcko Bypass project (42473).

<sup>2</sup> See BDS08-176

<sup>3</sup> BDS/BH/07-1 (Final) pages 16 and 18

WEBF	BiH: Creation of FBH Motorways Company	496,500	France	07 / 2009 – 01 / 2011
TC3 –	<i>Elaboration and testing of a PPP structure for financing other parts of the Corridor V</i>			
WEBF	Public Private Partnership (PPP) Feasibility study for Corridor Vc	175,062	UK	09 / 2009 – 03 / 2010
WEBF	Public Private Partnership Feasibility study (extension)	11,314	UK	04 / 2010 – 06 / 2010
	<b>Total</b>	<b>€774.931</b>		

## 2. Fulfilment of objectives (effectiveness) of individual TC assignments

For this section, the Evaluation team has reformulated the objectives in the Terms of References (ToR) for the individual assignments in line with good project management practice. This will be discussed in greater detail in Section 4.

### 2.1 TC1 resettlement

#### 2.1.1 Definition of objectives

**Objective/outcome:** *Relevant local authorities use international good practice to ensure that the persons displaced by the project are kept to a minimum and receive appropriate compensation*

**Results/outputs:**

- A *Resettlement Framework (RF)* was prepared for the motorway and publicised. The RF details the resettlement process and the procedures to be adopted .
- A *Resettlement Action Plan (RAP)* was prepared for the first project component, acting as a blueprint for other individual RAPs to be developed at a later date by other parties.

Formally, two TC projects were implemented for this purpose, but one project had to be extended (see Section 4).

#### 2.1.2 Effectiveness

*Resettlement Framework (RF)* – The RF was prepared as per the ToR. Its key conclusions were formally acknowledged and published in the Official Gazette of the FBiH<sup>4</sup> and, together with the updated Expropriation Law<sup>5</sup>, form the local legislation for resettlements. Interview partners praised the professional and sensitive manner in which the consultant acted, especially when approaching the issue of informal and illegal buildings<sup>6</sup>.

*Resettlement Action Plan (RAP)* – As requested, the consultant prepared the RAP in coordination with the local counterparts (an Executive Summary can be found in Annex 2 to this report). The RAP was to be used as a pilot scheme on component 1 of the motorway – approximately 15km – linking the towns of

<sup>4</sup> Službene Novine Federacije BiH on 2 July 2009. The key conclusions of the RF document in the Bosnian language are also available at the Federation Government's website: <http://www.fbihvlada.gov.ba/bosanski/izdvajamo/okvir1.pdf>

<sup>5</sup> Law of the Federation of Bosnia and Herzegovina (FBiH) in force since 2007.

<sup>6</sup> Due to the war and subsequent turbulence, a number of properties have not been formally registered and at times land plots were used to erect residential or non-residential buildings without the necessary permits.



Kakanj and Zenica. At the time of the evaluation mission, the resettlement activities had been almost completed for this component.

## 2.2 TC2 – MWC institution building

### 2.2.1 Definition of objectives

*Objective/outcome: The construction, management, maintenance and rehabilitation of motorways and expressways in the Federation is carried out by an autonomous public company that runs in accordance with good international management principles and business practices*

*Results/outputs:*

- The transformation of the FBHMD into a Public Company is complete, having been effectively supported by foreign experts
- The newly formed company – MWC – has been enabled to apply good international standards in business planning and management.

The TC project: ‘Creation of FBH Motorways Company’ started in late 2009, with an original contract deadline of late 2010. Due to delays in approving the “Law on Roads” (LoR) that forms the legal basis for the establishment of the MWC, the assignment was amended a number of times, finally expiring in early 2011.

### 2.2.2 Effectiveness

*Creation of the Motorways Company (MWC)* – When the consultant began work (in September 2009), the main legal decisions on institutional transition had been taken and the LoR was at an advanced stage. The consultant concentrated instead on the operational and managerial needs of the company. A wide range of materials and tools (including training and coaching activities) were produced about corporate planning and management information systems, and delivered to the client.

*The new public company is fit to apply modern management methods* -- ‘MWC’ was not created until the end of 2010 and only became practically functional in spring 2011 when a new director was appointed. Whether, and to what extent, the MWC will make use of the consultant’s outputs is not known.

#### Box 2.2.2: The Federation’s Motorways Company Ltd. (MWC)

JP Autoceste Federacije BiH d.o.o.

The MWC was registered on 28 October 2010<sup>1</sup> with its Headquarters in **Mostar** and a branch office in Sarajevo. The Federation’s Ministry of Transport and Communication is the only shareholder. A new Director had been appointed just days before the evaluation mission took place (in April 2011). The Supervisory Board (article 14) consists of up to seven members, to be nominated from representatives of line ministries, regional authorities (at canton level) and independent road experts. As of Spring 2011, the MWC has 74 employees with the status of public employees<sup>1</sup>. As recommended by the Consultants, the Company plans to increase its staffing to over one hundred in the first year, with a view to employing some 160 members by 2012.

The MWC **key tasks and responsibilities** include the following (article 16):

- oversee the construction, re-construction and rehabilitation of the Federation’s motorways (including the preparation of feasibility studies and technical designs),
- award and supervise maintenance contracts (routine and periodic maintenance), prepare the basis for concessions to private companies,
- take charge of financial planning and fund collection for road financing, including the organisation of toll systems (new task),
- be responsible for the implementation of road-safety measures and environmental protection (new task).

## 2.3 TC3 PPP feasibility study

### 2.3.1 Definition of objectives

**Objective/outcome:** The FBH Government is familiar with PPP strategies and has enhanced its ability to choose the most suitable model and implement pilot operations.

**Results/outputs:**

- A suitable technical, legal, and financial structure for a PPP option to construct parts of the Corridor Vc motorway has been proposed
- A procurement plan to implement the strategy has been prepared.

This TC work was conducted within a regional framework operation<sup>7</sup> aimed at supporting PPP schemes. The assignment was started in the second half of 2009 and completed within 12 months.

### 2.3.2 Effectiveness

*Suitable PPP model proposed* – An amended Law on Concessions was proposed just before the consultant's assignment, but had not yet been adopted at the time of evaluation. The consultant produced and delivered a considerable number of reports, including a procurement plan of good professional quality.

*Model is tendered and tested* – The recommendations delivered by the consultant have not been implemented. Reportedly, the Road Directorate has, prepared an alternative proposal for testing the viability of the PPP<sup>8</sup>, which has also failed to reach the implementation stage.

## 3. Outcomes of the TC assignments

### 3.1 Transition impact of TC2 and TC3

The box below lists those transition impact benchmarks set to be achieved by the investment operation 'Bosnia and Herzegovina: Corridor Vc' (Op Id 38716) with the help of TC2 and TC3.

#### Box 3.1. TIMS Benchmarks for the Corridor Vc directly related to TC

TIMS benchmarks		Met	Not met
2.1	Transformation of FBHMD to a 'Public Company' (TC2)	√	
3.2	Development/ submission to EBRD of a corporate plan for FBHMD (TC2)	√	
3.3	Implementation of the corporate plan for FBHMD (TC2)		√
3.4	Definition of appropriate Management Information System (MIS) (TC2)	√	
3.5	Implementation of the MIS (TC2)		√
4.1	Development of a PPP strategy for Corridor Vc (TC3)	√	
4.2	Launching of a tender for PPP (TC3)		√

\* numbering according to Office of the Chief Economist (OCE) system applied

<sup>7</sup> A TC framework operation provides an overall commitment from which funding can be drawn to finance specific work.

<sup>8</sup> See, for instance, the Monitoring Report on the investment project 38716, Corridor Vc, dd. 31 December 2011, page 13)

The right columns mark whether the benchmarks would have been met or not, based on the discussions in Section 2.

### 3.1.1 TC2: Interpretation of MWC running as a “public company”

As described above, one of the main operational and transition-related objectives – the transformation/creation of the MWC – was ultimately achieved, although the actual contribution of the TC to this result is not easy to define. Beyond this, a change of corporate status does not in itself say anything about any actual reform that has taken place, nor are there more specific benchmarks or success indicators that would help illuminate this key issue.

Comparing the MWC of today with the former FBMHD, the following observations may be made:

- + Greater public transparency: as a public company MWC is now subject to separate corporate financial and operational reporting and no longer part of the Ministry<sup>9</sup>;
- + As the MWC is no longer entitled to subsidies from the government,<sup>10</sup> there is increased pressure for “commercialisation”.
- + Greater autonomy to manage funds: For instance, the main revenue source, the fuel levy, is now transferred directly to the company's account instead of being processed via the Ministry.

On the other hand:

- The Federation government maintains the authority to approve MWC's statute, organisation and business plan and its founding capital, as well as to nominate senior management and members of the supervisory board<sup>11</sup>;
- MWC's activities are stipulated by law to be different to “commercial or profit earning ones” stating “[that] the difference between public revenues and public expenses of public road managers shall constitute a tax-free financial result [...] which cannot be re-allocated to dividends or capital increase”<sup>12</sup> Consequently, the company cannot build up its own capital base for future investments.
- The important principle of having a “performance contract” between the Ministry of Transport and the MWC is not anchored in the respective laws.

Summarising, the figure below illustrates the steps that the MWC appears to have taken towards transition.

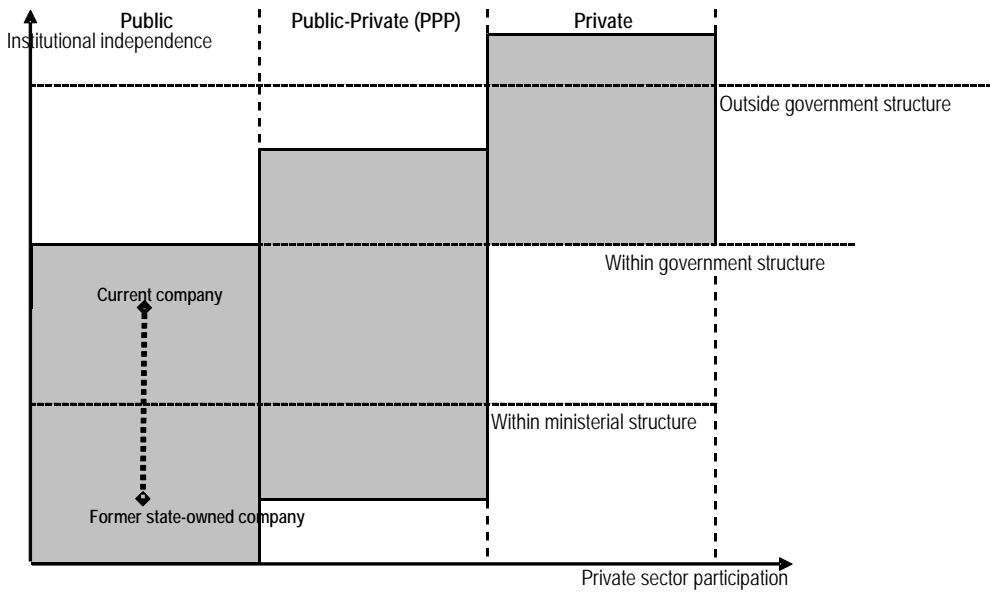
**Figure 3.1.1: Transition path from Road Directorate to MWC**

<sup>9</sup> Article 5 in the LoR stipulates that the mandatory annual report includes a financial report, auditor's opinion and Supervising Board and Auditing Board reports

<sup>10</sup> MWC's 2010 budget (at that time still the Motorways Directorate) amounted to revenues of €57.5 million against total operation costs of €6 million. Capital expenditures amounted to €146.3 million, financed largely through a debt drawdown of €125 million (see Annex 4 for further details)

<sup>11</sup> LoR, article 15

<sup>12</sup> Article 94 of the LoR (and consequently, article 14 in the Decision on establishing the MWC)



3.1.2 Transition triggered by the adviser for PPP schemes (TC3)

There was no TI monitoring during implementation, a common feature of TC projects. Relevant TC outputs are instead recorded as TIMS benchmarks for the investment operation, as shown in Box 3.1. With individual efforts not rated for transition impact, reference is made here to the expectations defined for the related framework programme. OCE comments at appraisal support a rating of *Good/Excellent* for the TI potential and attach *Medium/High* risks to its realisation.

This *ex ante* rating could not be confirmed. Although the expected project outputs were achieved – as described in Section 2.3 – the government’s commitment to test the proposed approach did not materialise. Consequently the envisaged tender did not take place and it is hard to see any positive effect deriving from this project on introducing the PPP-concept in the FBIH.

3.2 Environmental and social effects of TC 1

The legal advisory work introduced international best practice on resettlements. As yet, though, there is little evidence of the RAP template being applied at a municipal level and by local authorities. Instead, the project’s effect seems confined to the legal team in the MWC which helped to elaborate it and is in charge of its implementation. Nonetheless, implementing the individual action plans in a number of municipalities adjacent to the Corridor V should eventually result in the new practices percolating through different administrative levels. Moreover, the Bank reports it has started to host workshops for civil servants to exchange their experience in resettlement in the Balkan region. This is likely to foster wider dissemination of the RAP concept, although there is no mechanism now in place to gauge or judge this.

Other positive effects of the TC assignment were already visible on site. Facilitated by the Bank and the consultants, a number of public consultation meetings took place to explain the expropriation and compensation process for residents along the motorway. The Director of the Road Directorate and some key staff participated regularly in these meetings, which had never taken place in the Federation before. In addition, a few environmentally-sensitive issues, such as the design of a motorway bridge near to the old

town of Počitelj, a cultural heritage site, were solved in a transparent and constructive manner<sup>13</sup>. More effective and inclusive dialogue between the administration and the population would be a strong and positive precedent.

## 4. Bank handling/quality of project design

Bank handling was generally smooth and effective. Sensitive issues appear to have been handled well and all parties praised the good cooperation with the Operation team in the Bank's Resident Office in Sarajevo. Evaluation also typically reviews the project design and preparation process, including related procurement activities, and has given this "Quality of Project Design" particular attention in this report.

### 4.1 Links between TCs and investment well established

The relations between the three TC packages and the underlying project were directly and closely defined to facilitate project implementation. As described above, the expected results from TC were "anchored" as TIMS benchmarks for the Corridor Vc investment operation. Another method of linking TCs and investments is to set those as formal covenants, as done, for example, in TC1. Here, the adoption of the RF was defined as a "condition for effectiveness", and the preparation of individual RAPs set as "key covenants for the disbursement of the respective investment tranches".<sup>14</sup>

### 4.2 Projects reflect some consistent design shortcomings

Weakness in setting appropriate project objectives is all too common with TC operations, and has been highlighted often. These three TC assignments are no exception and include the following flaws:

- objectives are unclear and do not specify the level of activity/impact
- expectations rely heavily on actions and inputs, such as "to prepare..." but not specified outcomes: "the client is able to..."
- indicators for TC success often not quantifiable and/or confused with objectives or milestones.

Similarly, the specific transition impact benchmarks at the Bank often fall short of best practice standards<sup>15</sup> (see Box 3.2). Six out of seven indicators refer to outputs or deliverables expected from the consultant and not to impacts or outcomes. Indicator 2.1 Transformation of FBHMD to a 'Public Company' merely describes a corporate legal status but not the envisaged effects of a successful transition towards commercialisation or private sector participation. See Annex 3 for more.

The TC support to the resettlement process faced a problem due to the lack of appropriate data, which led to the estimated resources for the assignment being miscalculated. The team had taken initial information from the client on the availability and quality of socio-economic data at face value. It soon became clear that the data and other supporting material would not be sufficient to satisfy the specific needs of the

<sup>13</sup> See also the 'Bankwatch' report from a Corridor Vc motorway fact-finding mission, dd. 18 July 2010.

<sup>14</sup> E.g. the RAP Drivusa – Kakanj for Tranche 1, the RAP Vlakovo – Tarcin for Tranche 2, etc. See Board report BDS08-176, Section 2: Key Terms and Conditions

<sup>15</sup> Which include, for example, the SMART requirement (indicators of success should be specific, measurable, attainable, relevant and time-bound).

assessment. A contract amendment was necessary and resulted in a substantial increase in working days.<sup>16</sup> Ideally such problems could be avoided by thorough checks of the accuracy and availability of required information up-front but in practice this is hard to do given the time and resource constraints.

### 4.3 Execution delays reduced the impact of TC2 significantly

Box 4.3 below illustrates the sequencing of events in project-related legislative areas and the appraisal and execution process of TC2.

**Box 4.3 Sequencing of reforms and the incorporation of TC2**

		Actual sector reform in the country	TC2 implementation steps
2008	Q1	Development of Law on Roads (LoR)	Elaboration of TC profile*
	Q2		Procurement activities started
	Q3		
	Q4		
2009	Q1	Draft LoR submitted	
	Q2	MWC registered as PubComp	Start of TC2
	Q3		<i>Inception Report</i>
	Q4		End of TC2
2010	Q1		
Q2	New director appointed		
Q3		Forming of management	
Q4			<i>Final Report</i>
2011			
Q2			
Q3			

\* at the time focusing on legal aspects for establishing the MWC (as later stipulated in the LoR)

As can be seen from the TC project profile prepared in early 2008, the original project design focused on legal issues for the future MWC<sup>17</sup>. That appears most suitable as the Law on Roads and a law on PPP were drafted at this time. The TC Com approval was followed by a period of almost 18 months before a consultant company was contracted. In the meantime, the legal framework for the MWC (that is, a final draft of the LoR) had been drafted and submitted.

When the project finally started (see the grey-shaded area), it was too late to be involved in the legal aspects but still too early for hands-on advice to the MWC management. Going forward, it was the establishment of MWC that suffered from substantial delays and eventually happened at the very end of the TC. Thus, there is no longer a substantial leverage left for the Bank to encourage the MWC in forming its corporate culture and daily management practice.

It goes without saying that it is a very difficult task to fit a TC project into a multi-dimensional, and at times unpredictable, environment. Nonetheless, and with the benefit of hindsight, the Bank would have done better to split the assignment into different sub-projects. Ideally, one legal advice project could have been executed to support the drafting of the LoR in close cooperation with the Legal Transition team (LTT).<sup>18</sup> The Institution building component might then have been postponed until MWC's *de facto* establishment or – possibly split again into a “preparation” and an “implementation” bit.

<sup>17</sup> Services to be provided by the consultant included: (i) recommending the most appropriate form of incorporation, (ii) recommending the corporate structure for the new company, (iii) drafting the legal acts necessary for the creation of the company.

<sup>18</sup> Neither had it been appropriately informed on the outcomes until the evaluation.

Given the sector-oriented support provided by TC3 and the existence of the framework contract on PPP in the Western Balkans, one would assume that this sector would be an ideal case for OCE's new "integrated approach".

## **5. Key findings**

### **5.1 Improved project design rigour is needed for TC**

Findings from various studies and reports within and outside of EvD are reiterated here. Project design is focused almost exclusively on inputs rather than outcomes, and little or no provision is made for monitoring. Project documentation for TC approval is far too often a "tick the box" exercise with unclear objectives, missing baseline data and inefficient overlaps or voids in information sharing. EvD is in close communication with the relevant departments in the Bank (primarily OCU and OCE) to support current and future developments.

### **5.2 An integrated approach should be used**

The Transport Policy Evaluation<sup>19</sup> recommended an integrated approach (IA) in the transport sector and the legal and organisational reform of the FBH road administration would have been a good target for the IA. The implementation of effective measures requires a holistic view rather than project-limited thinking (that is, it is the sector reform objective that should be the main focus, with the fulfilment of covenants no more than indicators of actual progress toward achieving this). Such an approach would automatically lead to better coordination within the Bank through the involvement of the LTT and the fine-tuning of the transition benchmarks set at various related levels.

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<sup>19</sup> See PE09-470S, recommendation .

## Annex 1 : Overall rating table for TC work in support of the Corridor Vc

Performance indicator	PCR rating	EvD rating
<b><u>TC1 Resettlement and other activities in line with the Bank's ESP</u></b>		
<b>Overall transition impact</b>	Not rated	Not rated
<b>Environmental/social performance and change</b> Very good individual effects visible on site: for example, handling complaints from NGOs, consulting the public on the resettlement and compensation process, and so on. (see main text, page 7)	Not rated	*** Substantial
<b>Fulfilment of project objectives</b> Very good achievements made with the individual project and promising outlook to a wider demonstration of results within the region, due to additional training activities. (see main text, page 3)	Not rated	●●●●●● Excellent
<b>Bank handling</b> Good design and implementation; project initiation, however, appeared rushed without an <i>ex ante</i> review of required data quality, and so on. (see main text, page 8)	●●●●●● Excellent	●●●●○○ Satisfactory
<b>Overall performance</b> Very good project overall, however a <i>Highly Successful</i> rating would require an outstanding performance and excellent impacts throughout.	◆◆◆◆ Highly Successful	◆◆◆◆ Successful

**TC2 Assistance to the Motorway Company 'MWC' (PCR not available at time of evaluation)**

<b>Overall transition impact</b> Despite the delays that occurred and some shortcomings in individual aspects, seeing a public company replacing the former Directorate deserves a <i>Satisfactory</i> rating. (see main text, page 5/6)		●●●●○○ Satisfactory
<b>Environmental/social performance and change</b>		Not rated
<b>Fulfilment of project objectives</b> While the preparation of all necessary materials was achieved, no practical support could be provided to the MWC's daily business practice. Thus, the final outcome remains to be seen. (see main text, page 4)		●●●●○○ Satisfactory
<b>Bank handling</b> The Operation team did handle the project implementation very well overall. Still the assignment could have been more effectively embedded into the sector reform process. (see main text, page 9)		●●●●○○ Satisfactory
<b>Overall performance</b>		◆◆◆◆ Successful



A final judgement would depend on the development of MWC in the near future; at the time of the evaluation mission, it was too early to conclude an overall rating.		◆◆◆ <i>Partly Successful</i>
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Performance indicator	PCR rating	
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**TC3 PPP Feasibility Study (as per the Progress Report on the Framework Contract)**

<p><b>Overall transition impact</b></p> <p>No tangible result available; the advisory work is believed to have enriched related discussions and the knowledge of stakeholders on the topic.</p> <p>(see main text, page 6)</p>	<i>Not rated</i>	●●●○○○ <i>Marginal</i>
<p><b>Environmental/social performance and change</b></p>	<i>Not rated</i>	<i>Not rated</i>
<p><b>Fulfilment of project objectives</b></p> <p>Very difficult political circumstances were coupled with an underperforming expert substituting the one originally planned. While produced outputs are satisfactory, the project's outcome is not.</p> <p>(see main text, page 4)</p>	<i>Not rated</i>	●●●○○○ <i>Marginal</i>
<p><b>Bank handling</b></p> <p>Project design (via framework contract) and mobilisation of this call-off were good; lack of co-ordination with LTT and the consultant's change in expertise were less commendable.</p> <p>(see main text, page 9)</p>	<i>Not rated</i>	●●●●○○ <i>Satisfactory</i>
<p><b>Overall performance</b></p> <p>A final judgement would depend on the development of MWC in the near future. At the time of the evaluation mission, it was too early to conclude an overall rating.</p>	◆◆◆ <i>Partly Successful</i>	◆◆◆ <i>Partly Successful//</i> ◆◆◆ <i>Unsuccessful</i>

<p><b>General</b></p> <p>●●●●● Excellent  ●●●●○ Good  ●●●○○ Satisfactory  ●●○○○ Marginal  ●●○○○ Unsatisfactory  ●○○○○ Highly Unsatisfactory</p>	<p><b>Extent of environmental change</b></p> <p>**** Outstanding  *** Substantial  ** Some  * None/Negative</p>
<p><b>Overall performance</b></p> <p>◆◆◆ Highly Successful  ◆◆◆ Successful  ◆◆◆ Partly Successful  ◆◆◆ Unsuccessful</p>	<p><b>Additionality</b></p> <p>■ ■ ■ Fully Verified  ■ ■ □ Largely Verified  ■ □ □ Partly Verified  □ □ □ Not Verified</p>

## Annex 2 : Resettlement Action Plan (RAP) – Executive Summary

### Introduction

This Resettlement Action Plan (RAP) has been developed for “Component 1” of the Corridor Vc motorway, which is a 15.2 kilometer (km) section of motorway between the cities of Zenica and Kakanj in Bosnia and Herzegovina (BiH). This document includes the following information:

- key definitions;
- a summary project description;
- legislative framework in BiH for expropriation;
- census results including affected assets and people;
- results from the socioeconomic surveys;
- a description of entitlements, including the Entitlement Matrix;
- resettlement and compensation requirements;
- summary of vulnerable people;
- grievance management and redress;
- monitoring and evaluation;
- a description of implementation arrangements; and
- an estimated RAP budget.

The EBRD will apply its 2003 Environmental Policy to the Corridor Vc Project, through the application of the World Bank Group’s “Involuntary Resettlement” Operational Directive OD 4.30. A Resettlement Framework (RF) has still yet to be finalised and agreed with the FBiH Authorities which will define the key principles for resettlement. As a result this document includes the current options that have been considered.

### Project Description

Corridor V (Five), linking Kiev in Ukraine to the Adriatic Sea via Lviv and Budapest (Hungary), was one of the ten trans-European transport corridors identified as routes in Central and Eastern Europe that required priority investment during the conferences held in Crete and Helsinki in 1994 and 1996. Consisting of three branches, the V “c” branch follows European route E73 from Budapest to Ploče (Croatia) via Osijek (Croatia) and Sarajevo. Bosnia and Herzegovina contains the longest section of the Vc branch. With a total length of approximately 340 km, the driving force behind the construction of the Corridor Vc motorway is to improve connectivity of BiH with its neighbouring countries and to enhance its potential for economic development. The project has strong support from the government and is expected to enable BiH to integrate better with the European economic and social structure.

Corridor Vc in BiH includes four main sections (known in Government documents as "Lots"):

- Lot 1: The Sava Svilaja River (connection Corridor X) - Doboj (South) - 64 km;
- Lot 2: Doboj (South) - Sarajevo South (Tarčin) - 150 km;
- Lot 3: Sarajevo South (Tarčin) - Mostar (North) - 58 km;
- Lot 4: Mostar (North) - Republic of Croatia Border - 68 km.

The Government has already completed construction of an approximate 30 km section of highway in Lot 2 north of Sarajevo and is building another section between Vlakovo and Kakanj.

Finance is being sought for four smaller "components" within the four above mentioned "Lots"; these are as follows:

- Component 1: Zenica to Kakanj section within Lot 2 (15.2 km);
- Component 2: Vlakovo to Tarčin section within Lot 2 (18.9 km);
- Component 3: Pocitelj to Southern Border with Croatia within Lot 4 (21.4 km);
- Component 4: Odzak to Northern Border with Croatia within Lot 1 (8.9 km).

Component 1 is entirely located in one Canton (Zeničko-Dobojski), traversing roughly the southern half of the Municipality of Zenica and a south-western section of the Municipality of Kakanj. With a right-of-way of approximately 60 to 70 metres, the Corridor in Component 1 follows the narrow Bosna river valley, which is characterized by undulating hillsides and minimal forest coverage. The number of settlements traversed by the Corridor is significantly greater in Zenica than in Kakanj, which is predominantly agricultural land.

Corridor Vc in Component 1 largely follows existing infrastructure including State road M17 and, in certain sections, the railroad Vrpolje to Sarajevo. Physical displacement impacts associated with Component 1 are limited due to the minimal number of settlements traversed by the motorway. The two communities that may be at risk of severance are Perin Han in Zenica, an intact rural community, and Tičići in Kakanj, although the latter is already traversed by the existing State road M17. The most significant direct impact on residential structures is in the settlement of Gorica in Zenica where several houses (7) are potentially physically displaced due to the positioning of one of the motorway's interchanges. A total of 21 residential structures have the potential to be physically displaced within both Kakanj and Zenica.

## Legal Framework

As part of the RAP, a consultant carried out a comparison of the provisions of BiH/FBiH legislation with the provisions of OD 4.30. Generally, the Expropriation Law of FBiH provides an adequate framework to carry out resettlement and compensation activities in line with OD 4.30 requirements. A few areas however were identified as potentially problematic:

- compensation to informal occupants, which is a requirement under EBRD's policy but may not be possible under FBiH's legislation;
- assistance to affected households during the relocation process and thereafter;
- grievance management; and,
- monitoring and evaluation.

The RAP provides a brief analysis of each of the above items with recommendations for potential resolution. These issues will be resolved upon the agreement of the RF.

## Field Investigations

The field investigations included three components:

- An initial physical census, intended at inventorying affected properties in the Project footprint,
- A socio-economic survey, to characterise the affected population from a social and economic perspective, with focus on livelihoods; and
- A second field visit to gain further information on physically-displaced households and potential relocation sites.

Component 1 affects one Canton (**Zeničko-dobojski**) and two Municipalities, those of Zenica and Kakanj. A total of 73 potentially affected households were surveyed in this area, of which 24 in the Municipality of Kakanj and 49 in that of Zenica.

## Affected Assets and Affected People

A total of 262 individuals were surveyed in Component 1 and twenty-two potentially vulnerable persons were identified.

Twenty-one residential structures were identified as potentially affected (6 in Kakanj and 15 in Zenica). Of these 21, 3 houses are currently not inhabited and appear to be abandoned, with the whereabouts of the owners/users unknown, and another 4 owners could not be met for an interview. The 14 remaining residences are used by 13 households containing 51 individuals. Another 40 non-residential structures are also affected, of which 2 are used by businesses.

The tenure regime is generally formalised, with land titles and building permits: of the 14 potentially affected residential structures, 12 are fully registered, 1 is occupied in the framework of an informal lease and 1 is fully informal.

A total of 4 businesses are affected, including 3 more or less informal operations and one fully formal and sizeable enterprise (car retail). This latter may entail significant compensation, and it is strongly recommended to slightly reroute the project at this level to avoid this recently established business and to provide an access to avoid severance.

Only two of the 13 households residing in the 14 surveyed residential structures confirmed on the Corridor route preferred Government organised resettlement to cash compensation.

## Eligibility and Entitlements

Eligibility shall be based on the following:

- The 2008 Expropriation Study carried out in application of the Expropriation Law for those properties that fall under expropriation, which itself is based on land registries;
- The 2008 Census carried out for the development of this Resettlement Action Plan and,

- Further investigations by Municipalities, particularly in situations where the property is titled but where title information does not correspond to the current observed ownership situation.

A "cut-off" date for eligibility shall be defined at Municipality level:

- Either as the date when notification of intent of expropriation is delivered to affected owners where expropriation is applicable; and
- Or the date of the census (1st July 2008) for informal properties that are not eligible to expropriation.

Regarding entitlements, all owners and users residing in or using Project affected land at the time of the Cut-Off Date are eligible to compensation or assistance, including both those with and without fully recognised ownership rights.

The RAP summarizes (in an entitlement matrix) compensation entitlements for different categories of eligible households and properties covered by the current applicable legislation of FBiH. A second entitlement matrix then identifies those compensation entitlements that require supplemental legislation to be taken at the level of either the Cantons or the Federation.

## **Resettlement and Compensation**

### *Land*

The RAP divides compensation for land into four categories: agricultural, pasture, forest and residential land.

As provided under the Expropriation Law, compensation for land will be where feasible and requested by the interested landowner in the form of a replacement property. Regarding residential land, the first option for expropriated land will always be replacement. Such compensation packages will usually include a home (full resettlement) as residential land generally (but not always) includes a residential structure. Where residential land is affected but the house itself is not affected, compensation will usually be in the form of cash. Subject to eligibility conditions described in the Entitlement Matrix, crops will be compensated separately from the land.

The Expropriation Law does not provide detailed guidance in respect of the evaluation of replacement value. During expropriation, the following process will be followed to assess replacement value:

- Identification of three recent (less than 6 months) transactions in the area interesting plots of similar characteristics; and,
- Calculation of the average price per square metre for these three transactions, to be used as the proposed replacement value for the expropriated plot.

### *Structures*

Compensation for structures is a full resettlement package for residential structures and cash compensation for residential and non-residential structures. Resettlement for the Project will be "in-fill" resettlement: replacement properties will be identified amongst existing ones in the vicinity rather than purposely developed on a resettlement site. Available residential plots and residential structures are plentiful in both the Kakanj and Zenica Municipalities.

Replacement properties will meet the following criteria, to the extent possible:

- Plot with same surface area;
- House with similar size and standards, including access to utilities;
- Reasonable distance from affected property, with a similar potential from a livelihood perspective (access to employment or agriculture).

Where the affected household chooses cash compensation rather than resettlement, or if no suitable resettlement property can be identified, residential structures will be compensated in cash. Non-residential structures will be compensated in cash based on replacement value.

In general, currently residential plots containing a residential structure range from 70,000 BAM per 1,000 square metres (bottom limit) to 100,000 BAM per 1,000 square metres (average) to 200,000 BAM per 1,000 square metres (upper limit).

### *Crops and Forest*

Reference yields (and densities) and market values for the various annual and perennial agricultural crops in the Zeničko-dobojski Canton are summarized in the RAP for the most common annual and perennial crops in Component 1 (i.e., annuals: maize, potato, mixed vegetables, beans, wheat, and grass; perennials: apple, pear, plum, and walnut trees).

Expropriation and land entry will be phased in such a manner that any standing annual crop, regardless of its development stage, can be harvested before land is taken from the land owner or land user. Annual crops that cannot be harvested prior to land entry or that are damaged by construction works shall be compensated at full market value. During the expropriation study conducted by the municipality, compensation rates will be generated for seedlings, young, not productive trees, young productive trees and mature trees. Regarding forest resources, most are State-owned in Component 1, and the need for cash compensation to private owners is not anticipated.

### *Businesses*

Rates for commercial plots range from 30,000 to 40,000 BAM per 1,000 square meters depending on localities. Plots could reach 50,000 BAM in very expensive areas such as Tičići in Kakanj.

### **Vulnerable People**

Vulnerable people are people who by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage, or social status, may be more adversely affected by resettlement than others and who may be limited in their ability to claim or take advantage of resettlement assistance and related development benefits. In addition, in the BiH context, people informally occupying land or houses formally registered in the name of others may in specific situations can be categorized as vulnerable, particularly when such occupation results from forced, war-related displacement. Article 47 of the Expropriation Law provides a legal framework to implement specific assistance measures to the benefit of vulnerable people.

Twenty-two potentially vulnerable persons were identified out of a total of 262 individuals surveyed in Component 1. The RAP provides details on assistance that can be provided which includes food, assistance with the compensation process and moving and monitoring post resettlement.

## **Grievance Management and Redress**

It is anticipated that grievances and disputes anticipated for the Corridor Vc resettlement and compensation programme will be encountered during the census and planning stage, the resettlement stage and during the post-resettlement stage. The RF will include the grievance management process that will be finally adopted, so this RAP incorporates the current proposals for the principles and a two tier process to be followed for grievance management and redress.

## **Monitoring and Evaluation**

Monitoring and Evaluation will be divided into three components: input (or progress) monitoring, output (or performance) monitoring, and outcome (or impact) evaluation. In addition, compliance auditing will take place on a biannual basis (10 days per site visit) by an external auditor to determine whether the implementation of resettlement and compensation complies with these lenders' policies. The RAP provides an overview of the scope, examples of indicators or typical questions, examples of data collection and analysis methods, and responsibility for each of the above. A more comprehensive list of input, output and outcome indicators is also presented.

In addition to the social auditing process described above, routine Government and/or lenders procedures may require periodic financial auditing from time to time, including checks that disbursement of any resettlement and compensation related monies complies with BiH and FBiH public accounting procedures.

## **Implementation**

In accordance with the Expropriation Law as well as for practical reasons, responsibilities will be shared between a PIU within the FBiH Motorway Directorate and the interested Municipalities of Kakanj and Zenica. The RAP describes the share of responsibilities between these two entities for the following tasks:

- Finalise RAPs and Expropriation Studies;
- Prepare for RAP implementation;
- Implement expropriation process;
- Take care of vulnerable people;
- Livelihood Restoration;
- Consultation;
- Monitoring and Evaluation;
- Grievance Management.

The PIU established for the Project within the BiH Ministry of Transport and Communication will appoint a Compensation and Resettlement Coordinator, reporting to the overall Project Coordinator, who will make sure that tasks identified above are timely implemented. In addition, the PIU shall hire two additional specialists that will report to the Compensation and Resettlement Coordinator.

## **Budget**

The total RAP budget is estimated at 9,657,700 BAM (4,937,900 EUR) and divided into the following categories: Resettlement housing (buildings and land) (2,060,000 BAM), Replacement agricultural land (918,000 BAM), Cash compensation (5,132,000 BAM), Implementation (288,000 BAM), and Contingencies (15 percent of total).



### Annex 3: Definition of objectives, benchmarks and success indicators

In general, EBRD TC projects show weaknesses in project design and the TC in question is no exception to the rule. Some examples, as well as possible improvements, are described below.

Topic/example	Project	Suggested improvements in project design
Objectives are described by activities, not by the future situation envisaged: for example: "to prepare a resettlement plan"; "to prepare an action plan"	TC1	<p><b>Objective/outcome:</b> <i>The relevant Bosnian local authorities conduct resettlement and award compensation for residents along the motorway in line with international good practice, ensuring that the population displaced by the project is kept to a minimum and receives appropriate compensation.</i><sup>1</sup></p> <p><b>Results/outputs:</b></p> <ul style="list-style-type: none"> <li>▪ a <i>Resettlement Framework (RF)</i> has been prepared for the full length of the Corridor Vc motorway within BiH and will be publicly disclosed. The RF includes details on the resettlement process and the procedures to be adopted for the whole route and all its individual sections</li> <li>▪ a <i>Resettlement Action Plan (RAP)</i> has been prepared for the first project component and constitutes a blueprint in scope and format for other individual RAPs to be developed at a later date by other parties</li> </ul> <p>Etc</p>
TIMS benchmarks not descriptive enough to illustrate different aspects of the transition potential, for example: "transformation of FBHMD to a 'Public Company'; 'implementation of the corporate plan for FBHMD'	TC2	<p><b>Objective X:</b> <i>MWC is acting on behalf but independently of the Ministry of Transport with clearly designed responsibilities and tasks following good international practices such as ...</i></p> <p><b>Indicators of success:</b></p> <ul style="list-style-type: none"> <li>▪ new/revised alienation of responsibilities between Ministry and MWC</li> <li>▪ refined organisational plan and consequent staff appointments free from political influence</li> <li>▪ independent "corporate" financial management and reporting system</li> <li>▪ introduction of performance management contracts vis-à-vis higher and lower service levels</li> </ul> <p>Etc</p>
Quality of success indicators is poor and often not quantifiable, for example: "the provision of this advisory service will provide the basis for the implementation of potential PPP schemes that may ultimately be financed by the Bank"	TC3	<p><b>Success indicators for the framework programme could have included the following:</b></p> <ul style="list-style-type: none"> <li>▪ number of assignments undertaken in the region and whether these were demand-driven or imposed by the Bank</li> <li>▪ improvements in the local legislative and regulatory basis of recipient countries that can be traced back to this TC</li> <li>▪ number of governments that tested the suggested PPP model or used the outputs to improve their original ones</li> <li>▪ number of bankable projects originating from this TC, with or without the Bank's participation</li> </ul> <p>Etc</p>