



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 31-Jul-2025 | Report No: PIDDC01352

**BASIC INFORMATION****A. Basic Project Data**

Project Beneficiary(ies) Bosnia and Herzegovina	Operation ID P511851	Operation Name Federation Road Asset Management Enhancement	
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 06-Oct-2025	Estimated Approval Date 22-Dec-2025	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing (IPF)	Borrower(s) Ministry of Finance BiH	Implementing Agency Public Company Roads of FBiH	

Proposed Development Objective(s)

The Project Development Objective is to improve transport connectivity, climate resilience and road safety on selected sections of the main roads network, to enhance road network management and financing for sustainability and, in case of an eligible crisis or emergency, to respond promptly and effectively to it.

PROJECT FINANCING DATA (US\$, Millions)**Maximizing Finance for Development**

Is this an MFD-Enabling Project (MFD-EP)?	No
Is this project Private Capital Enabling (PCE)?	No

SUMMARY

Total Operation Cost	79.51
Total Financing	79.51
of which IBRD/IDA	70.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	70.00
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Non-World Bank Group Financing



Trust Funds	9.51
Free-standing TF for ECA	9.51

Environmental and Social Risk Classification

Substantial

Concept Review Decision

The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Bosnia and Herzegovina (BiH) has enjoyed macroeconomic stability over the last decade.** Real GDP growth was driven by a surge in exports and robust growth in private consumption. However, a key economic challenge for BiH is the imbalance of its economic model: public policies and incentives are skewed toward the public rather than the private sector, consumption rather than investment, and imports rather than exports. Furthermore, the country's economic growth over the last decade failed to generate enough jobs to improve employment outcomes for much of the population, resulting in still-high unemployment at around 16 percent (Labor Force Survey, 2019) and a steady outmigration rate, most prevalent among the youth. Between 2011 and 2019, BiH lost approximately 20,000 jobs, spread across many sectors. The country needs to shift to a business environment, making it conducive to private investment. Growing the private sector requires support to both vibrant small and medium-sized enterprises and the growth of larger companies, facilitates export performance and productivity improvements, and generates much-needed private sector employment. While addressing these imbalances in the economic model, the country must also ensure the sustainability and inclusiveness of future growth.

2. **For a strategically located country such as BiH, upgrading and expanding transportation infrastructure offers opportunities for further investment.** Transportation infrastructure supports trade connectivity and facilitation and regional integration. The transport network integrates BiH along regional corridors, particularly with BiH's main trading partners (Croatia, Serbia and Montenegro), EU countries, and different regions within the BiH. Transport is dominated by road transport and the road network of about 25,000 km carries 90 percent of passenger transport and 80 percent of freight transport. Despite a declining population, the motorization rate has increased by over 30 percent in the last decade with a particular increase in road freight traffic which has grown by nearly 6 percent per annum. With the significant rural population and unequal economic growth, transport infrastructure plays critical role in securing access to markets and empowering lagging regions across the country. With 50 percent of people living in a rural area in 2023, BiH has one of the highest shares of rural populations across the Western Balkans¹. The poor are disproportionately concentrated in rural

¹ World Bank staff estimates based on the United Nations Population Division's World Urbanization Prospects: 2018 Revision



areas, where poverty rates are much higher than in urban areas (19 percent and 12 percent, respectively) and where jobs tend to be scarce and salaries low.

3. **BiH's vision for the transport sector is built around its ambitions for European Union (EU) accession and meeting the transport and climate standards to achieve this.** The proposed project is consistent with BiH and regional policy objectives. This includes connecting communities in a safe, sustainable, resilient, smart, reliable, and affordable manner. The project is in line with the BiH's strategies on climate change including the updated 2021 Nationally Determined Contribution, the National Adaptation Plan (2022), the 2020-2030 Climate change Adaptation and low emission development strategy (2020). The NDC foresees a reduction target of 33 percent relative to 1990 levels by 2030 (with actions in power sector, district heating, building, transport, industry, agriculture, forestry, waste and the cross-cutting sectors). The National Adaptation Plan includes the preparation of guidance to assess the impacts of extreme weather events on transport systems and the necessary revisions to transport infrastructure standards in line with international experience and best practice. BiH is ranked 82nd out of 192 countries in terms of combined climate vulnerability (#35th) and readiness (#114th) according to the Global Adaptation Initiative's (GAIN) index from 2022. Given the region is increasingly vulnerable to natural hazards like floods, heavy precipitation, flash floods, droughts and landslides⁵, the project will support network vulnerability assessments, the corresponding action plans, as well as slope stability monitoring with the aim of reducing network vulnerability to climate risks as well as improving road safety.

Sectoral and Institutional Context

4. **Improving connectivity within the Western Balkans, as well as between the Western Balkans and the EU, has been a key pillar in the drive for growth and jobs in the region.** The main transport links are now part of the Indicative extension of the Core and Comprehensive Trans-European Transport Network (TEN-T) to the Western Balkans, and improvement of those links constitutes one of the main priorities for transport investment. There is also a substantial program of investment and backlog maintenance required on the main and regional roads where maintenance has been underfunded. Climate change is also increasing the vulnerability of the road network, and extreme weather events are increasing the frequency and magnitude of landslides in particular.

5. **The institutional structure of the BiH transport sector is complex, with state level and much decentralized entity level institutions.** The Constitution of BiH reserves certain decisions to entities in several areas, including transport and infrastructure. The sector is administered at the state level by the Ministry of Communications and Transport (MOCT), and at the entity level, by separate Ministries of Transport and Communications (MOTC). Public companies are established in each entity and entrusted with the management of the road and railway assets and operations. Thus, the Framework Transport Strategy (2015-2030) for BiH has been developed considering entities and Brcko District constitutional competences. Many of the investment and policy priorities in the strategy are based on the World Bank Regional Balkans Infrastructure Study (REBIS) and are now reflected as priorities under the EU funded Transport Community Treaty (TCT) Permanent Secretariat founded by the EU Treaty (2017).

6. **The management of motorways and state road networks is entrusted to entity companies in the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS).** Management of the roads network in RS is undertaken by Public Company Republic of Srpska Motorways for motorways (PC RS Motorways), and Public Company Putevi Republike Srpske (PC RS Roads) for the main and regional roads. In FBiH Public Company Motorways of FBiH (PC FBiH Motorways) manages motorways and expressways and the Public Company Roads of FBiH (PC FBiH Roads) manages main roads, while Cantonal and Local Road Directorates (CLRD), are responsible for regional roads. Local roads are managed by municipalities and cities. In FBiH, the focus of this project, PC FBiH Roads manages about 2,400 km of main roads, and the Cantonal governments a further 2,600 km of regional roads.



7. **Following growing concern over the long-term sustainability of road sector funding, the excise duty on motor fuels was increased in 2018.** This has directed considerable additional funds to the road sector and represented a major relief. A fuel levy of 0.25 KM/liter has been implemented which provides for 0.20 KM going to motorways and 0.05 KM for other roads. 59 percent of the total goes to FBiH, 39 percent to RS. And 2 percent to Brcko District. Revenues from excise duties accounted for approximately 63 percent and 48 percent of total revenues in FBiH and RS respectively. Other revenues come from registration taxes and tolling revenues on the motorway system. The road companies also benefit from commercial and International Financial Institutions (IFI) lending as well as some grant finance from their respective entity budgets. The increased fuel levy has resulted in an increase of 70 per cent in revenues for the FBiH road sector, from EUR 70 million in 2017 to EUR 130 million in 2023. Within FBiH, 0.20 KM/l is allocated to PC FBiH Motorways, while 40 percent of the 0.05 KM/l is allocated to PC FBiH Roads and 60 percent to CLRD.

8. **Overall, the road management processes adopted by PC FBiH Roads are well developed and maintenance costs are in line with regional comparators.** PC FBiH Roads has established a road database and implemented a comprehensive road asset management system based on life cycle cost approach. The system is being used for development of Multi-annual Maintenance and rehabilitation Plans (MMP) and for prioritization of road sections for maintenance. Condition surveys of road network are regularly performed in-house. There is still scope for improving the effectiveness of the asset management system including through the implementation of a missing economics module which would enable the company to enhance preparation of network investment programs and further optimize maintenance and upgrade expenditures. Maintenance is implemented through 4-year framework agreements and annual contracts with road construction companies. The main road network is divided into 14 Lots but there is only one bidder per Lot, with contracts awarded to the incumbent suggesting that the competitiveness of the process is limited.

9. **At the operational level, there is a significant evasion of the axel load limits on main roads contributing to reduced road network life and higher maintenance and rehabilitation costs.** Current enforcement policies are ineffective and enable overweight trucks to operate with impunity. The introduction of a weight control system to address overloaded trucks is thus a priority to protect road infrastructure from excessive wear and tear. A key part of the institutional component of the project will be to support enhanced asset management practice including the implementation of weight control systems and associated update of regulations to strengthen enforcement.

10. **The longer-term funding and financing framework for the FBiH roads sector currently lacks a clear rationale and incentives for efficiency.** It is important that there is a transparent funding mechanism for the road companies in FBiH and that this delivers a predictable flow of funds sufficient to maintain the network. Based on the Road Asset Management System (RAMS), maintenance activities should be defined into MMPs, linked to performance outcomes in terms of network condition and service quality costs and funding requirements. These outcomes and corresponding funding levels should then be used to inform term Service Level Agreements (SLAs) between the companies and the government, aligned with the (three year) business planning process to ensure stability in funding, finance and maintenance activities. However, legal, regulatory, and financing context for the SLA is a key issue which may hamper its effectiveness and should be considered before full transition to the SLA. The strengthening of RAMS, funding frameworks and development of a preliminary SLA for PC FBiH Roads will be supported by this project⁶.

11. **PC FBiH Roads has developed an investment program for construction, reconstruction, and rehabilitation of the primary road network which will be their focus until 2029.** The investment program was recently approved by the FBiH Government and included in the Public Investment Management Information System (PIMIS) with the focus on: (i) the completion of 10 bypasses across FBiH initiated under the previous primary road network modernization program in FBiH financed by IFIs; (ii) reconstruction and rehabilitation of priority structures (e.g. bridges and tunnels); and (iii) carriageway



rehabilitation of the primary road network based on road conditions and traffic demand. The total envelope required to implement this investment program is estimated at around EUR 170 million over five years, and its main goal is to achieve 70 percent of the primary road network in good and fair condition from the current 37 percent. The proposed investments have been prioritized based on the existing RAMS as well as sections identified through a Road Safety Inspection and Resilience mapping exercise financed under the previous project. The implementation of the program will be financed through this loan and financing by the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), each contributing in the approximately same amount.

12. Due to its mountainous landscape, BiH, including its road network, is sensitive to extreme climate conditions. The road network was significantly affected by the floods in 2014 and there have been recurring problems in the years that followed with the most recent being flash floods in 2024 when 20 people tragically lost lives. The Bank supported 2014 aftermath with emergency repairs following the floods through the BiH Floods Emergency Recovery Project (P151157). However, there is a need for a more sustainable approach which incrementally reduces the vulnerability of the network through improved drainage, slope stability measures and pavements in vulnerable areas. There have been several studies to assess the vulnerability of the network including a vulnerability assessment of the TEN-T network in the region, a climate resilience assessment of the road network in FBiH financed under the previous World Bank project which identified 21 priority sections and an EBRD assessment, but the standardized natural hazard vulnerability and risk assessment framework is still lacking. Based on the priorities identified in these studies, this project will only finance interventions that effectively climate proof the roads against future extreme weather events through enhanced drainage, slope stabilization, pavement materials and nature-based solutions.

13. Despite a decreasing trend in road fatalities, BiH still faces high road fatality rates compared to EU countries. The 2022 data for Fatality rates in BiH are 63 deaths per million which is comparable with other countries in the region but nearly 40 percent higher than the average for EU-27 and close to three times the level of the best performing countries such as Sweden. Over-speeding and low seat belt usage are the leading causes. There is a need for a renewed institutional focus, including the National Road Safety Council (NRSC), which has been established but is not fully functional. BiH and the FBiH do not have a strategy and the one in RS has expired. It is necessary to establish a system for road crash data collection based on the Common Accident Data Set (CADaS) protocol, in the entire territory of BiH. Proactive road safety audits (RSA) and inspections (RSI) are not mandatory in the FBiH, although systematic use of these tools could significantly improve the sustainability of road investments and bring large safety benefits with a relatively minor increase in construction costs. RSA and RSI have been integral part of previous Bank engagements. Within this Project, RSA will be mandatory for all works to be financed, while RSI from the International Road Assessment Program (iRAP) will be extended to cover the major portion of the main network. Furthermore, the project will support establishment of the road safety database for FBiH and update of Guidelines for Design, Construction, and Supervision through the Safe and Sustainable Transport Program (SSTP) grant.

14. As per EU progress report for 2025 on meeting Transport Acquis, BiH made moderate progress in implementing the measures outlined in the Road Action Plan, achieving an overall implementation rate of 50 percent. It highlighted road safety and improved climate resilience of the road network as key objective areas, which will be supported by the Project. Other areas identified for further progress include upgrade of RAMS and maintenance planning, enhanced use of alternative fuels and greater adoption of Intelligent Transport Systems (ITS). In addition to targeted activities toward improved road safety and resilience, the project will support wider uptake of ITS by establishment of the central transport control system in PC FBiH Roads headquarters and procurement of selected equipment like Weather Information Monitoring Systems and Road Condition monitoring equipment.



Relationship to CPF

15. **The proposed operation is a continuation of the ongoing WB involvement in the transport sector in BiH.** The Transport Sector Modernization Program (TSMP) was approved by the World Bank's Board in August 2016 to support BiH's transport modernization in the most effective manner to achieve national economic and social goals. The Federation Road Modernization Project was the first phase of the TSMP aimed at improving road connectivity and safety which closed in September 2023. The Republika Srpska Railways Restructuring Project, the second phase of TSMP, supported the financial, operational, and organizational performance improvement of the railways in RS.

16. **This project will be the continuation of the Bank engagement in improving connectivity, safety, resilience, and State-Owned Enterprise (SOE) reforms.** To this end, it will directly follow FBIH's programmatic and screening approach by contributing towards PC Roads FBIH's investment program for the construction, reconstruction, and rehabilitation of the primary road network. The project will be undertaken in parallel to the recently approved Sustainable, Integrated, and Safe Road Infrastructure Project (SISRI). Both SISRI and this operation, Federation Road Asset Management Enhancement Project (FRAME), are not formally part of the TSMP, but do share many of the same objectives and provide a continuation of the WBG engagement in the transport sector in BiH.

17. **The proposed operation is consistent with the Country Partnership Framework (CPF) FY23-FY27.** The proposed operation would support the 3 High Level Outcomes of the CPF: increased inclusive private sector employment; increased key public services outcomes; and improved environmental outcomes and climate change resilience. Support for creating private sector employment would be through more efficient market competition for road works. Support to key public service outcomes is through improving the management and efficiency of public finances; strengthening governance and reducing fiscal burden of state-owned enterprises; and improving public service delivery. All these three elements are reflected in this project design, which would support financial sustainability and better allocation of public resources as well as better governance and transparency of the road sector. Finally, the project also supports the high-level outcomes on environmental and climate change resilience, the operation will build resilience to natural shocks, through incremental reduction of infrastructure vulnerability to extreme weather conditions.

18. **BiH vision for the transport sector is built around its ambitions for EU accession and meeting the standards to achieve this, and the proposed project is consistent with national and regional policy objectives.** This includes connecting communities in a safe, sustainable, resilient, smart, reliable, and affordable manner while protecting the environment by reducing air pollution, noise and Greenhouse Gas (GHG) emissions through more diverse and greener means of transport. The project is consistent with the BiH Transport Strategy (2016-2030) that identifies improving financial sustainability, improving the quality of highways and regional roads and increasing road safety as key objectives. Road safety is also a key objective (along with railways and regional integration) of the EU TCT, which developed road safety action plans for all regional participants in the Western Balkans, which focused on strengthening road safety management, promotion of safer infrastructure, protection of road users and enhancement of cooperation and exchange of experience related to road safety.

C. Proposed Development Objective(s)

19. The Project Development Objective is to improve transport connectivity, climate resilience and road safety on selected sections of the main roads network, to enhance road network management and financing for sustainability and, in case of an eligible crisis or emergency, to respond promptly and effectively to it.



Key Results (From PCN)

20. The achievement of the PDO will be measured with the following key results indicators:

- Transport connectivity: Condition of main road network in FBiH improves as measured per International Roughness Index (IRI) (Percentage);
- Road safety and resilience: All project designs have incorporated climate resilience best practice and recommendations from road safety inspection and audit (Percentage);
- Sustainability of the road network management and finance: Annual and multiannual business plans are developed based on the outputs from enhanced RAMS and reported against (Yes/No);
- Corporate indicator: Road users, communities, and business benefiting from improved roads: People benefiting from improved access to sustainable transport infrastructure and services (Number of people).

D. Concept Description

21. **The project estimated at USD 70 million will support part of a larger program of investments of road rehabilitation and upgrade that have been identified in FBiH.** The overall program of works is estimated at around EUR 170 million and will be jointly financed² by the EIB and EBRD in approximately same amounts. In addition, the government has been awarded an SSTP grant to finance some road safety interventions. These financing arrangements are still under discussion, but the overall program is scalable depending on the financing available. The components set out below relate only to those that will be financed through the IBRD loan and include the following three components: (i) improved regional connectivity; (ii) enhanced road management; and (iii) Contingent Emergency Response Components (CERC).

22. **Component 1: Improved Regional Connectivity.** The overall objective of this component is to improve regional connectivity and the safety and climate resilience of the main road network in FBiH. The component will finance reconstruction, rehabilitation and maintenance of priority main roads in the FBiH and completion of selected bypasses to climate-resilient standards¹³. It will also finance selected road safety improvement activities financed through the SSTP grant. Financing of priority main roads will further domestic connectivity and the resilience and safety of the network. Given the high exposure to climate vulnerability in the project area, all infrastructure investments will be designed to withstand extreme rainfall and flood events of 1 percent probability of occurrence.

23. **Component 1.1: Investments in a program of climate resilient rehabilitation of priority national roads (USD 64.6 million).** This activity will finance reconstruction and rehabilitation on selected sections of the road, bridge and tunnel network as defined in the road investment program 2025-2029. The program includes 74 road sections with a total length of 815 km. The list of sections for rehabilitation will be defined on a rolling annual basis and derived from the overall investment program. In addition, the component will support completion of bypasses; there are 10 incomplete bypasses and this component will finance 2-3 with the total value not higher than USD 15 million. All investments will incorporate climate adaptation measures into the design to effectively “climate proof” the roads based on climate risk assessments. Designs will consider and prepare for future climate change impacts such as extreme weather events and incorporate enhanced drainage systems, resilient pavement materials, and designs that can withstand increased rainfall and flooding. The primary focus of this component will be on investments that reduce the networks’ vulnerability to climate change and

² All three IFIs are working together to finance the FBiH Road Investment Program. The mechanisms for cooperation are still to be finalized but the intention is to harmonize procedures to the extent possible. At this stage, the use of the mutual reliance agreement between the EIB and IBRD is being explored with IBRD as the lead financier. Discussions with EIB are further advanced and a joint mission took place in April. It is likely that EBRD will use parallel finance to support a defined part of the overall program.



improve safety standards. The prioritization of sections has been based on the road asset management system in FBiH and blended with additional economic analysis and outputs from resilience and safety surveys in FBiH. This subcomponent will also finance road safety audits, technical control and site supervision.

24. **Component 1.2: Road safety Improvements (EUR 8.5 million SSTP financed).** A Western Balkans Investment Framework (WBIF) financed SSTP grant is in preparation, but all here proposed activities have been confirmed as eligible in pre-screening phase:

- *Road safety improvements on priority sections:* 109 sites on the main road network in FBiH have been identified as high priority for road safety interventions and priorities are being determined based on an ongoing “Black spots study”.
- *Road safety improvements on priority sections:* 109 sites on the main road network in FBiH have been identified as high priority for road safety interventions including the M17 black spot at Mostar North junction. Priorities are being determined based on an ongoing “Black spots study”. The implementation of Mostar North Junction will be financed as part of this activity.
- *Road Safety Database:* The activity will support the establishment of a comprehensive Road Safety Database system as per CADaS protocol on the level of BiH in close cooperation with the Ministries of Interior and Health. This activity will also Implement Road Safety Inspections (RSI) on the priority road network to develop a program for blackspot improvement. The activity will finance hardware, software, support for the design installation, commissioning and training staff for the road crash reporting and analysis database, and operating costs.
- *Update of National Guidelines for Design, Construction, Supervision, and Maintenance:* The activity will support the update of the National Guidelines and related rulebooks to reflect the changes in the relevant standards and laws since 2006. The focus will be on improving the integration of road safety, active mobility and climate resilience measures into the design and maintenance of road works which are particularly outdated.
- *Piloting the Safe School Zones program.* The activity will support a pilot project for improving road safety in school zones in each Canton in FBiH. To this end, the activity will develop the concept for the safe school zone program including eligibility and compliance criteria, support development of designs as per the TCT safe school zone handbook, and finance interventions around 20 school zones.

25. **Component 2: Enhanced Road Sector Management (IBRD USD 5 million).** The objective of this component is to support the reform process in the sector through interventions that enhance the overall governance of PC FBiH Roads, their long-term financial sustainability, and their ability to manage and operate their road infrastructure efficiently and effectively. Attention will be given to enhancing systems to address climate resilience and road safety. The component will finance technical assistance (TA), goods and services, project management and operating costs:

26. **Component 2.1: Enhanced road asset management.** This sub-component will finance mix of technical assistance and goods procurement to improve maintenance planning and prioritization and to plan for enhancing the resilience of the network to climate shocks. It will also finance activities that improve the operations of the network including on road safety and axle load control. The following activities will be financed:

- *RAMS upgrade:* Activity will support optimization of preparation of investment and maintenance plans using RAMS by including modules to assess network vulnerability to climate change, road safety performance, and the systematic economic evaluation of road works.
- *Weigh-in-Motion (WIM) systems:* Activity will support assessing legal and regulatory framework to allow the more efficient operations and enforcement of WIM application. Equipment will be financed for subsequent roll out of mobile WIMS equipment.



- *ITS*: Activity will support development of a concept and procurement of equipment for implementation of the centralized ITS control system in the PC Roads FBIH headquarter. The centralized control center will integrate currently geographically distributed tunnel control centers, data from WIMS, WIM, traffic counters, slope stability detectors, etc.
- *Equipment for safer roads*: Activity will support acquiring of Road Condition Detector Systems and Slope Stability Detection Systems to improve road network management for safety.

27. **Component 2.2: Enhanced sector finance and governance.** This sub-component will finance technical assistance (TA) activities to improve the governance of the sector and address long term financing needs. The following activities will be financed:

- TA to propose long term sustainable funding frameworks for the sector that has a clear and transparent rationale and allocates funds across network classes optimally.
- TA to develop a simple SLA framework between PC FBIH Roads and government to align the business plan with the funding arrangements and agreed maintenance activities. The SLA will set out the sectors key performance indicators based on an agreed budget envelop.

28. **Component 2.3: Project Management Support (IBRD USD 0.4 million).** This subcomponent will finance eligible expenses for project implementation support. This will include training, knowledge exchange, short term consultancy support, and operating costs. It will also finance 30 3-months paid internships, out of which 60 percent will be women, with the aim to guarantee permanent employment for at least 5 women in PC FBIH Roads.

29. **Component 3: Contingent Emergency Response Components (CERC) (IBRD USD 0 million):** This component has zero funds allocated to it but can be activated to provide swift response in the event of a crisis or emergency, which gives Borrower rapid access to Bank financing for immediate rehabilitation and reconstruction needs.

Legal Operational Policies

Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

Environmental Risk Rating

The environmental risk is assessed as substantial, primarily due to potential groundwater and soil stability risks in new road infrastructure such as tunnels. The majority of subprojects will involve: (i) Technical Assistance (TA; types 1, 2, and 3 under the WB Advisory Note on TA and the ESF, 2019); (ii) Rehabilitation and maintenance of existing roads; and (iii)



Limited road reconstruction and finalization works. These sub-projects are expected to pose moderate environmental risks, with typical potential impacts from civil works and earthworks, including but not limited to: OHS, traffic management, water and soil quality, dust, noise, and vibration, impacts on habitats, preservation of cultural heritage, waste management, including mineral and construction waste, and limited quantities of hazardous waste. Impacts to forests/protected areas are unlikely. TAs will include, but not be limited to road safety audits, the establishment of a road safety database, and a safe school zone concept. Expanding the scope of the planned climate risk assessment to include adjacent infrastructure to roads is recommended. The mix of TA and goods and services procurement for further improvements in road asset management and sector management is expected to range from low to moderate environmental and/or OHS risk. As all sub-projects are tentative at the PCN phase, the risk may be revisited in later stages of preparation and implementation. The capacity of the borrower for environmental management is assessed as high, based on engaged experts, experience, and the regulatory framework (though not fully EU compliant). However, the efficacy of the institutional framework often do not meet ESF requirements. All anticipated environmental risks can be mitigated with straightforward and adequate mitigation measures, and long-term environmental impact is expected to be positive, particularly in terms of improving climate resilience and safer transport.

Social Risk Rating

The social risk rating of the Project is substantial. The Project will benefit the wider population of the country by improving the overall road condition in the FBiH while focusing on road safety and climate resilience. However, a portion of the planned investments, mostly related to infrastructure activities under Component 1, are likely to adversely affect communities that are hosting Project activities, as well as a wide range of road users. The preliminary identified most important social issues, that the Project might be facing, are: (i) pushback from road users in case of traffic stoppages or changes in traffic regimes and lack of adequate stakeholder engagement (ii) risks related to labor and working conditions including OHS issues due to civil works; (iii) community health and safety risks that are standard for infrastructure works (noise, dust, construction traffic increase) as well as potential labor influx due to high volume infrastructure work; (iv) land acquisition and involuntary resettlement; and (v) failure to ensure inclusion of members of vulnerable groups (including persons with disabilities). Since specific locations of road reconstruction and rehabilitation under component 1 will not be identified prior to the start of project implementation, the Project will use a framework approach to identify at the extent possible potential environmental and social risks and impacts related to the project. For interventions that will be specified prior to appraisal (completion of 2 to 3 bypasses under Component 1.1. and road safety interventions under Component 1.2.) a site specific E&S due diligence will be conducted. Prior to appraisal the IA will prepare a site specific E&S due diligence package for known interventions, as well as a Project level Environmental and Social Management Framework (ESMF), Resettlement Policy Framework (RPF), Stakeholder Engagement Plan (SEP), Labor Management Procedures (LMP) and an Environmental and Social Commitment Plan (ESCP).

Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH)

Based on the country risk assessment the risk of Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) for BiH is low. Although the project context envisages mid to large scale civil works, and labor influx can be expected to some extent hiring will, in most cases, most likely be generated locally. Nevertheless, the project will proactively work in prevention through the distribution of the code of conduct (as part of the LMP) and raising awareness to report potential SEA/SH cases. Furthermore, the Grievance Redress Mechanism (GRM), set out in the SEP, will be designed to include an additional protocol to handle any SEA/SH-related complaints. If, at any time during the project preparation or implementation, it



becomes clear that labor influx will be significant on specific subprojects, the SEA/SH risk will be raised to moderate and additional measures for SEA/SH prevention (such as the preparation of a dedicated SEA/SH action plan for subprojects with significant labor influx) will be put into place.

CONTACT POINT

World Bank

Svetlana Vukanovic
Senior Transport Specialist

Nadia Badea
Senior Infrastructure Specialist

Joao Marcos Campos Rampini
Transport Specialist

Borrower/Client/Recipient

Ministry of Finance BiH

Samir Bakic
assistant minister
samir.bakic@fmf.gov.ba

Implementing Agencies

Public Company Roads of FBiH

Ljubo Pravdic
general manager
pljubo@jpcfbih.ba

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):

Svetlana Vukanovic, Nadia Badea, Joao Marcos Campos Rampini



Approved By

Practice Manager/Manager:	Shomik Raj Mehndiratta	25-Jun-2025
Country Director:	John Factora	31-Jul-2025