



CONNECTIVITY AGENDA

Co-financing of Investment Projects
in the Western Balkans

2018

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CONNECTIVITY AGENDA

Co-financing of Investment Projects in the Western Balkans in 2018



Johannes Hahn

European Commissioner
for Neighbourhood
Policy and Enlargement
Negotiations

Dear Reader,

Feeding into the EU-Western Balkans Summit hosted by the Bulgarian Council Presidency in Sofia on 17 May 2018, the Commission published its Strategy for 'A credible enlargement perspective for and enhanced EU engagement with the Western Balkans'. This strategy confirms the solid European perspective of the Western Balkans and highlights how important regional co-operation will be for Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo*, Montenegro, and Serbia to meet their own European objectives.

That regional co-operation builds on a lot of work we have done over the past five years. Some of this took place in the framework of the Berlin Process, which brought a new dynamism to regional cooperation. We have developed a wide 'connectivity agenda' with many concrete measures that benefit citizens throughout the region, with a focus on improving transport and energy links within the Western Balkans as well as between the region and the EU.

To support the Connectivity Agenda, in 2015, we set aside up to one billion Euro in EU grants until 2020. To date, including the eleven new projects presented in detail in this package, we have already committed 70% of this one billion Euro, giving concrete grant support for 31 infrastructure projects in the region. Works have already started or are about to start on the ground in more than six locations. The EU's support is generating around EUR 2.4 billion in investments, creating around 25,000 jobs in the process. In addition, we have worked on connecting markets, economies, and people by giving support to the establishment of a Regional Economic Area. We also supported the creation of the Regional Youth Cooperation Office as well as have been running an exchange programme for the most talented young civil servants of the region.

In 2018, under the strategy for the Western Balkans, we aim to deepen and widen that Connectivity Agenda to help our partner countries on their European path as well as to develop the economic benefits that will come from closer connections. We will step up private and public investments in the Western Balkans and launch a Digital Agenda for the region. This will include a roadmap to enable lowering the cost of roaming and € 30 million EU grants to prepare for the deployment of broadband. The Western Balkans Investment Framework will play a major role in mobilising strategic investments and thus fostering socio-economic growth.

Connectivity is more than new transport and energy hardware. Cross-border infrastructures make sense if they are complemented by reforms that allow people and businesses to take full advantage of transport and energy links. The WB6 leaders have agreed to open markets, create a transparent regulatory framework that builds investor confidence, and remove barriers so utilities are managed effectively and efficiently. These ongoing reforms are an essential part of the countries' European integration process. While some progress has been made, it is essential that efforts continue.

I am pleased to share with you this latest update of the connectivity agenda. It represents significant progress made by our partners towards regional prosperity and better neighbourly relations as well as a further milestone on their European path.

* 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.

Connectivity Agenda

Improving connectivity within the Western Balkans, as well as between the Western Balkans and the European Union, is a key factor for growth and jobs and will bring clear benefits for the region's economies and citizens. The Western Balkans Six (WB6) has made the connectivity agenda one of its highest priorities, with a special emphasis on the preparation and financing of concrete regional infrastructure investment projects, but also on the implementation of technical standards and reform measures such as aligning/simplifying border crossing procedures, railway reforms, information systems, road safety and maintenance schemes, unbundling and third party access.

The National Investment Committees (NICs) are responsible for defining and managing the prioritised Single Project Pipelines, and serve as a basis for programming of all available financing sources (including national and other donors). The European Commission will, via the Western Balkans Investment Framework (WBIF), co-finance mature energy projects from the PECIs (Projects of the Energy Community Interest) and the PMIs (Projects of Mutual Interest) as well as mature transport projects from the TEN-T (Trans-European Transport) Core Network, together with loans from Financial Institutions.



The Western Balkans Investment Framework (WBIF)

The WBIF is a joint blending facility of the European Commission, participating Financial Institutions (FIs), bilateral donors and Western Balkans countries whose aim is to deliver funding for strategic investment projects in beneficiary countries. Eligible sectors include infrastructure development within the environment, energy, transport and social sectors as well as private sector development.

The WBIF was jointly launched in December 2009 by the European Commission, together with the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) - the partner IFIs, and the bilateral donors. KfW and the World Bank Group subsequently joined the Framework. In June 2017, the KfW became a partner organisation.

www.wbif.eu

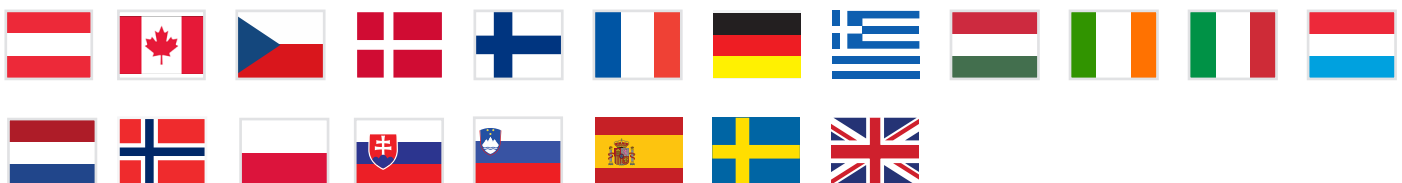
JOINT PARTNERSHIP OF:



IN COOPERATION WITH:



BILATERAL DONORS:





CONNECTIVITY AGENDA

Co-financing of Investment Projects in the Western Balkans in 2018¹

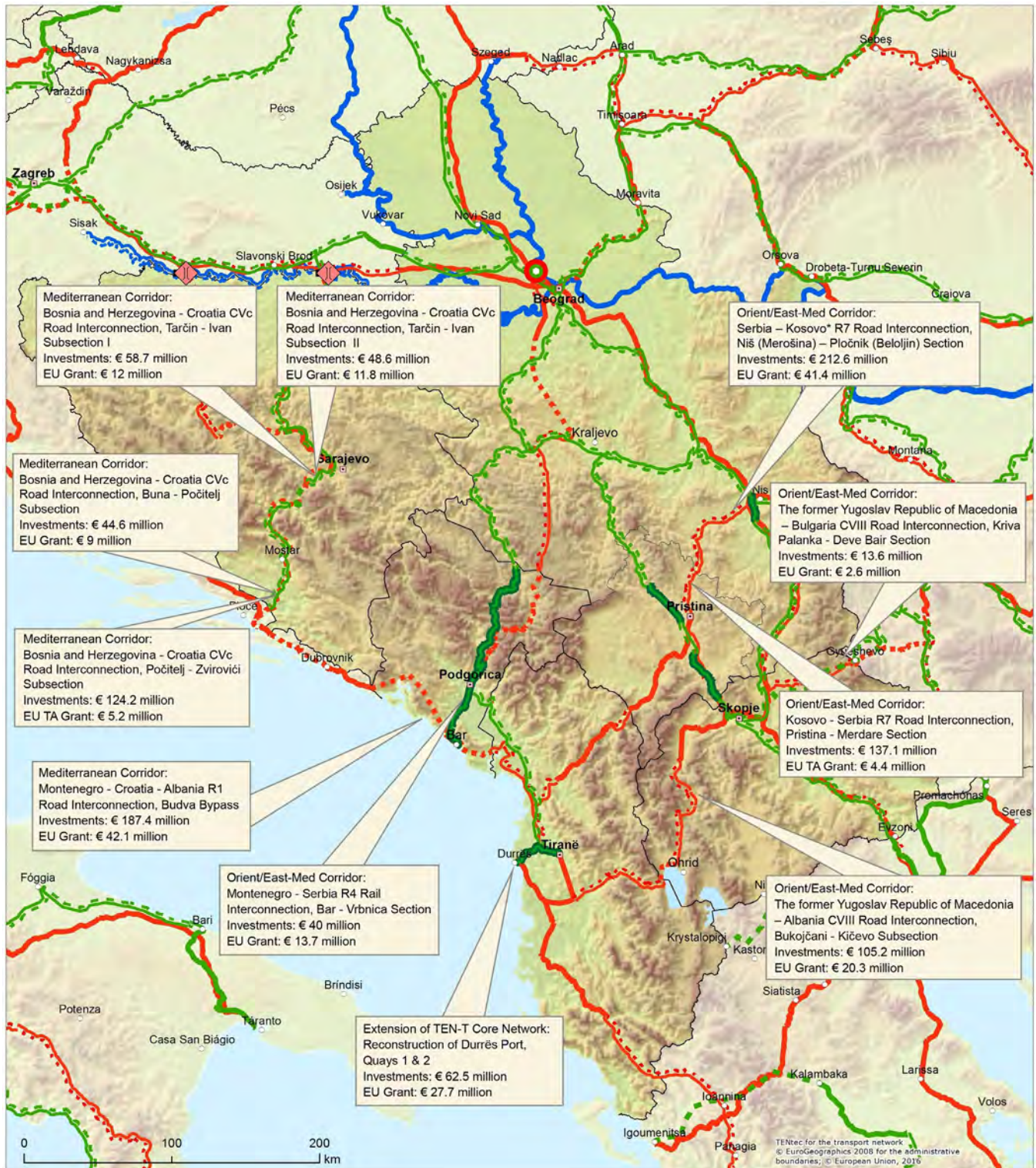
#	Reference	Beneficiary	IFI	Description / Title	Investment Leveraged (€ million)	EU Grant (€ million)	Leverage Ratio
IPA / WBIF 2018 CO-FINANCING – TRANSPORT PROJECTS							
Investment Projects					773.2	180.6	4.3
1	WB-IG03-ALB-TRA-01	Albania	EBRD	Extension of TEN-T Core Network: Reconstruction of Durrës Port, Quays 1 & 2	62.5	27.7	2.3
2	WB-IG02-BIH-TRA-06	Bosnia and Herzegovina	EIB	Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Tarčin – Ivan Subsection I	58.7	12	4.9
3	WB-IG02-BIH-TRA-07	Bosnia and Herzegovina	EBRD	Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Tarčin – Ivan Subsection II	48.6	11.8	4.2
4	WB-IG03-BIH-TRA-06	Bosnia and Herzegovina	EBRD	Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Buna – Počitelj Subsection	44.6	9	5
5	WB-IG03-MKD-TRA-02	The former Yugoslav Republic of Macedonia	EBRD	Orient/East-Med Corridor: The former Yugoslav Republic of Macedonia – Bulgaria CVIII Road Interconnection, Kriva Palanka – Deve Bair Section	13.6	2.6	5.2
6	WB-IG03-MKD-TRA-03	The former Yugoslav Republic of Macedonia	EBRD	Orient/East-Med Corridor: The former Yugoslav Republic of Macedonia – Albania CVIII Road Interconnection, Bukojčani – Kičevo Subsection	105.2	20.3	5.2
7	WB-IG03-MNE-TRA-01	Montenegro	KfW	Mediterranean Corridor: Montenegro – Croatia – Albania R1 Road Interconnection, Budva Bypass	187.4	42.1	4.5
8	WB-IG03-MNE-TRA-02	Montenegro	KfW	Orient/East-Med Corridor: Montenegro - Serbia R4 Rail Interconnection, Bar – Vrbnica Section	40	13.7	3
9	WB-IG03-SRB-TRA-01	Serbia	EIB; EBRD	Orient/East-Med Corridor: Serbia – Kosovo* R7 Road Interconnection, Niš (Merošina) – Pločnik (Beloljin) Section	212.6	41.4	5
Technical Assistance					261.3	9.6	27.2
1	WB19-BIH-TRA-01	Bosnia and Herzegovina	EIB	Supervision of Works for: Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Počitelj – Zvirovići Subsection	124.2	5.2	23.9
2	WB19-KOS-TRA-01	Kosovo	EBRD; EIB	Tender Documents and Supervision of Works for: Orient/East-Med Corridor: Kosovo – Serbia R7 Road Interconnection, Pristina - Merdare Section	137.1	4.4	31.2
TOTAL CONNECTIVITY AGENDA 2018 (INVESTMENT CO-FINANCING & TECHNICAL ASSISTANCE)					1034.5	190.2	5.5

¹Subject to a final decision by the European Commission.

*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.



2018 Investment Projects Co-financed through the Instrument for Pre-accession Assistance/Western Balkans Investment Framework¹



¹Subject to a final decision by the European Commission on the 2018 contribution.

*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.



ALBANIA

Partners:

- Ministry of Finance and Economy
- Ministry of Infrastructure and Energy
- Durrës Port Authority

Estimated total investment:

- €62.5 million

EU contribution:

- €27.7 million

EBRD loan:

- €25 million

Beneficiary contribution:

- €9.3 million

2018 CONNECTIVITY PROJECT

Extension of TEN-T Core Network: Reconstruction of Durrës Port, Quays 1 and 2

This investment project¹ will reconstruct Quays 1 and 2 on the Western Terminal of the Port of Durrës – one of the four existing terminals of the largest seaport in Albania. The main products handled by the Port of Durrës are general cargo, cereals, containers, ferries, and minerals. The Port currently handles 78% of the country's maritime exchange in tonnage and 75% of all trade.

The project complements a 2016 Connectivity Agenda investment aimed at rehabilitating the railway link between Tirana and Durrës. When both projects are complete, an important, multimodal transportation core network corridor section will be in place, strengthening Albania's connections with Croatia and Italy. In addition, they will provide Kosovo* and the former Yugoslav Republic of Macedonia – Albania's landlocked neighbours – with access to maritime transport routes.



Durrës Port, Quays 1 and 2.

Results:

- Capacity increase and safety improvements on the two quays – more than 15,000 m² added to the current yards.
- Bearing capacity of 4 tons/m² for the new berths.
- Optimum access conditions for ships.
- Better protection for the waterfront.
- An increase in water depth to 11.5m in front of both berths.



View of Durrës Port, container/logistics area.

¹ Subject to a final decision by the European Commission and the relevant budgetary authorities.

*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.

Previous EU Assistance:

- €1.1 million (technical assistance for project preparation)

Estimated Start Date:

- End of 2019

Estimated End Date:

- End of 2023

Estimated Loan Repayment Period:

- 25 years

Transport



Map of Albania, along CVIII, with Durrës Port.

The Western Terminal handles all Durrës' general cargo and cereals. The Terminal has five quays in total and covers an area of 92,680 m². Quays 1 and 2 are in a poor state of disrepair. The former was built in 1972, and the latter between 1945 and 1951. Some rehabilitation took place in 1994. However, structural elements under water show signs of substantial corrosion, which prevents safe operations of large capacities of cargo. Moreover, the depth of the terminal near the quays ranges between 7 and 8.2 m, so larger cargo vessels cannot be accommodated in the port.

The project is at the stage of the feasibility study, which will include the review of the designs carried out in 2012 and a full environmental and social impact assessment. The latter will also consider the Port's vulnerability to climate change risks (such as sea level rising) so that key structural and non-structural mitigation measures can be factored into the new construction.

The feasibility study is due for completion by the end of 2018, while project contracting and implementation activities will commence by mid-2019. In addition to covering 50% of the works and supplies, the EU contribution to the project will finance construction supervision and project management services as well as visibility and communication actions.

Benefits

- Safe and efficient transport by sea for the largest port in Albania and one of the largest in the Adriatic Sea.
- Increase in cargo capacity from 850,000 tons/year to 1,300,000 tons/year.
- Increase in traffic from 400,000 users/year to 1,300,000 users/year.
- 230 new jobs created during construction and operation of the newly built facilities.
- Improved trade flows with countries in the region and thus a positive impact on the broader economy of Albania.



BOSNIA AND HERZEGOVINA

Partners:

- Ministry of Communications and Transport of Bosnia and Herzegovina
- Ministry of Communications and Transport of the Federation of Bosnia and Herzegovina
- Public Company Motorways of the Federation of Bosnia and Herzegovina (JP Autoceste FBiH)

Estimated total investment:

- €58.7 million

EU contribution:

- €12 million

EIB loan:

- €40.4 million

Beneficiary contribution:

- €6.5 million

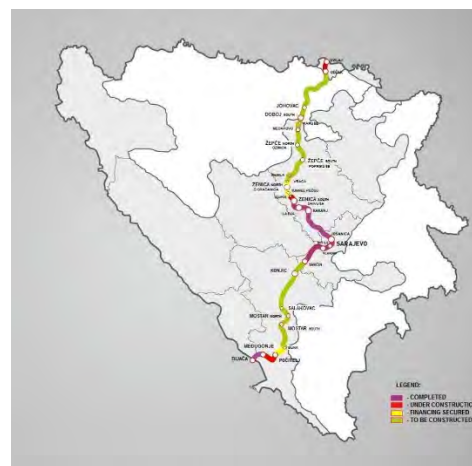
Transport

2018 CONNECTIVITY PROJECT

Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Tarčin – Ivan Subsection I

This investment project¹ will construct approximately 4.9 km of new motorway on a subsection of the Mediterranean Core Network (Corridor Vc) in Bosnia and Herzegovina. It is the fifth pledge made by the EU on the same Corridor since 2015, with the aim of connecting Bosnia and Herzegovina to Hungary and Croatia and thus to the Adriatic Sea.

With a total length of approximately 335 km, Bosnia and Herzegovina contains the longest section of Corridor Vc. 35% is already built or under construction, with three sections currently in works: Svilaj – Odžak (with EU co-financing); Drivuša – Klopče; and Klopče – Pečuj (Donja Gračanica). The present subsection will connect to the newly built Vlakovo – Tarčin motorway subsection and will continue with a 1760m-long tunnel (Ivan), which is to be developed as part of another EU-funded project.



Corridor Vc in Bosnia and Herzegovina, with focus on the Federation.

Results:

- 4.9 km-long motorway section, including two bridges.



Completed motorway section on CVc in Bosnia and Herzegovina.

¹ Subject to a final decision by the European Commission and the relevant budgetary authorities.

Estimated Start Date:

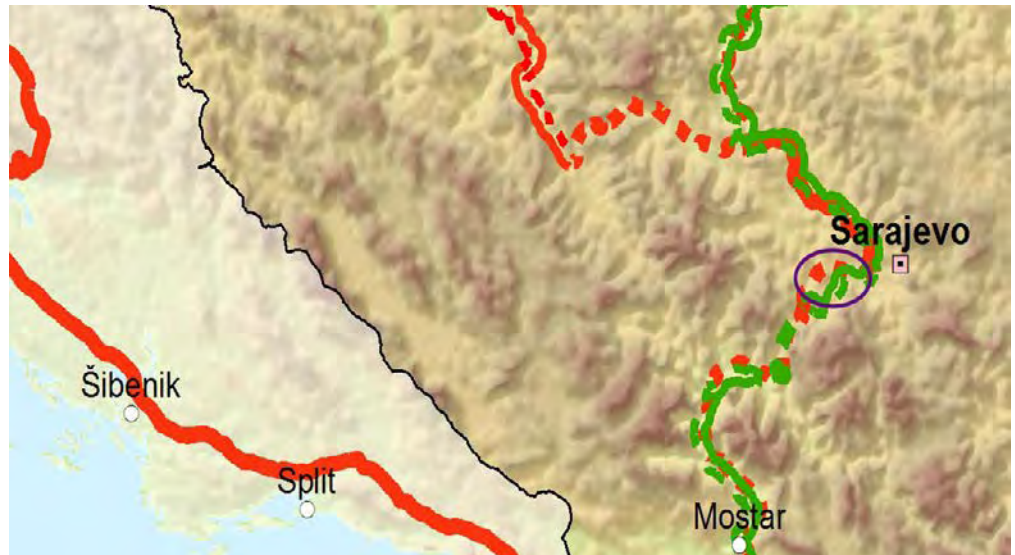
- Mid-2019

Estimated End Date:

- End of 2022

Estimated Loan Repayment Period:

- 25 years



Map of Corridor Vc, with Tarčin – Ivan subsection.

The segment to be funded under this project will improve connections between Sarajevo and Mostar via the Sarajevo South (Tarčin) – Mostar North motorway. It will decrease travel time between the two cities as well as offer better and safer access routes to larger urban areas for the citizens living in the rural areas surrounding the proposed development.

The project is at the implementation stage, with main design, urban, and environmental permits already secured. Land ownership issues have also been resolved and expropriations, where needed, have already taken place.

Once built, this section will be operated and maintained by the Public Company 'Motorways of the Federation of Bosnia and Herzegovina' through a closed toll collection system, with toll booths at entry and exit points. Tolls will be at the same level as those already applied countrywide.

In addition, this motorway subsection has been included in the 2017 - 2020 Road Maintenance Plan for the entire Core Network in Bosnia and Herzegovina. Intelligent transport systems will also be considered for deployment and planned for under a wider strategic framework which is under preparation for Bosnia and Herzegovina with EU support, as part of a set of transport connectivity reform

measures agreed to by all Western Balkan countries in 2015, in Vienna.

Benefits

- Substantial decrease in travel time between Sarajevo and Mostar.
- An increase in annual traffic by more than 3,500 vehicles, matched with adequate safety and security conditions.
- Reduce accident rates by 7% and vehicle operating costs by 6%.
- More than 230 jobs created during construction as well as operation and maintenance periods.
- Improved trade flows with countries in the region and thus a positive impact on the broader economy of Bosnia and Herzegovina.



BOSNIA AND HERZEGOVINA

Partners:

- Ministry of Communications and Transport of Bosnia and Herzegovina
- Ministry of Communications and Transport of the Federation of Bosnia and Herzegovina
- Public Company Motorways of the Federation of Bosnia and Herzegovina (JP Autoceste FBiH)

Estimated total investment:

- €48.6 million

EU contribution:

- €11.8 million

EBRD loan:

- €36.8 million

Beneficiary contribution:

- €0.3 million

Transport

2018 CONNECTIVITY PROJECT

Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVC Road Interconnection, Tarčin – Ivan Subsection II

This investment project¹ will construct a 2 km-long section of motorway, including a 1.76 km-long twin tunnel, on a subsection of the Mediterranean Core Network (Corridor Vc) in Bosnia and Herzegovina. It is the sixth pledge made by the EU on the same Corridor since 2015, with the aim of connecting Bosnia and Herzegovina to Hungary and Croatia and thus to the Adriatic Sea.

With a total length of approximately 335 km, Bosnia and Herzegovina contains the longest section of Corridor Vc. 35% is already built or under construction, with three sections currently in works: Svilaj – Odžak (with EU co-financing); Drivuša – Klopče; and Klopče – Pečuj (Donja Gračanica). The new subsection will connect to a 4.9 km-long new motorway segment, which will be built as part of another EU-funded project.



Corridor Vc in Bosnia and Herzegovina.

Results:

- 2 km-long motorway section, including a 1.76 km-long twin tunnel.



Completed motorway section, including tunnel on CVC in Bosnia and Herzegovina.

¹ Subject to a final decision by the European Commission and the relevant budgetary authorities.



Estimated Start Date:

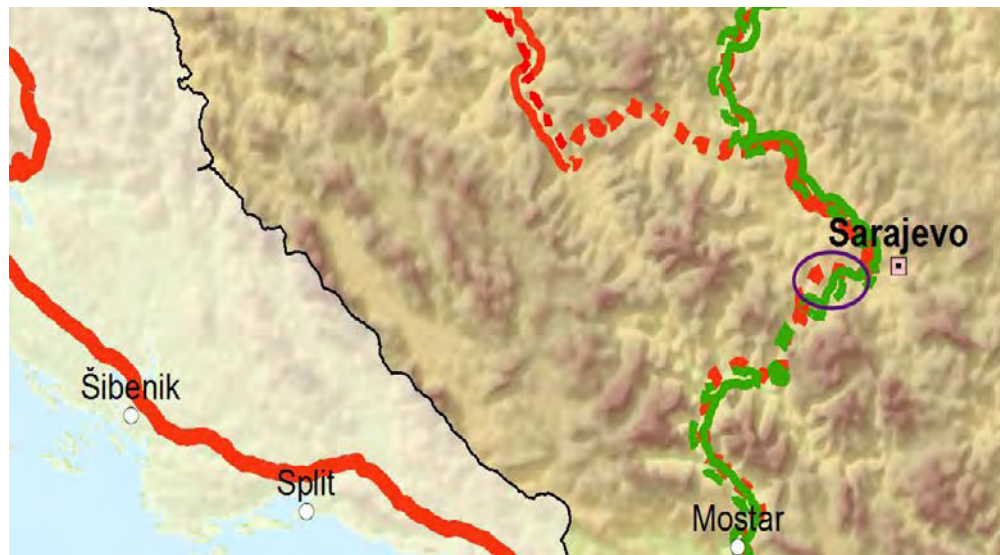
- Mid-2019

Estimated End Date:

- End of 2022

Estimated Loan Repayment Period:

- 15 years



Map of Corridor Vc, with Tarčin – Ivan subsection.

The segment to be funded under this project will improve connections between Sarajevo and Mostar via the Sarajevo South (Tarčin) – Mostar North motorway. It will decrease travel times between the two cities as well as offer better and safer access routes to larger urban areas for the citizens living in the rural areas surrounding the proposed development. In addition to co-financing the investment works, the EU grant will also cover the construction supervision and management costs.

The project is at implementation stage, with main design, urban, and environmental permits already secured, while land expropriation has yet to be completed. Procurement for works and supervision services is planned to be launched in August 2018. Once built, this section will be operated and maintained by the Public Company Motorways of the Federation of Bosnia and Herzegovina through a closed toll collection system.

In addition, this motorway subsection has been included in the 2017 - 2020 Road Maintenance Plan for the entire Core Network in Bosnia and Herzegovina. Intelligent transport systems will also be considered for deployment and planned for under a wider strategic framework which is under preparation for Bosnia and Herzegovina with EU support, as part of a set of transport connectivity reform

measures agreed to by all Western Balkan countries in 2015, in Vienna.

Benefits

- Substantial decrease in travel time between Sarajevo and Mostar.
- An increase in annual traffic by more than 3,500 vehicles, matched by adequate safety and security conditions.
- Reduce accident rates by 7% and vehicle operating costs by 6%.
- More than 230 jobs created during construction as well as operation and maintenance periods.
- Improved trade flows with countries in the region and thus a positive impact on the broader economy of Bosnia and Herzegovina.



BOSNIA AND HERZEGOVINA

Partners:

- Ministry of Finance and Treasury
- Ministries of Communications and Transport of Bosnia and Herzegovina and of the Federation of Bosnia and Herzegovina
- Public Company Motorways of the Federation of Bosnia and Herzegovina (JP Autoceste FBiH)

Estimated total investment:

- €44.6 million

EU contribution:

- €9 million

EBRD loan:

- €31 million

Beneficiary contribution:

- €4.9 million

Transport

2018 CONNECTIVITY PROJECT

Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Buna – Počitelj Subsection

This investment project¹ will build approximately 7.2 km of new motorway on a subsection of the Mediterranean Core Network (Corridor Vc) in Bosnia and Herzegovina. It is the seventh pledge made by the EU on this Corridor since 2015, with the aim of connecting Bosnia and Herzegovina to Hungary and Croatia and thus to the Adriatic Sea.

With a total length of approximately 335 km, Bosnia and Herzegovina contains the longest section of Corridor Vc. 35% is already built or under construction, with three sections currently in works: Svilaj – Odžak (with EU co-financing); Drivuša – Klopče; and Klopče – Pečuj (Donja Gračanica). The new section will shorten the distance and improve overall traffic conditions between Mostar and Croatia, as part of the larger motorway section between Mostar North and Bijača border crossing point with Croatia.



Current road through Počitelj.

Results:

- 7.2 km-long motorway section, including associated local access roads and a rest area.



Existing terrain conditions and roads along the Buna – Počitelj subsection.

¹ Subject to a final decision by the European Commission and the relevant budgetary authorities.



Estimated Start Date:

- Late 2018

Estimated End Date:

- End of 2022

Estimated Loan Repayment Period:

- 15 years



Map of Corridor Vc, with Buna – Počitelj subsection.

The project is at implementation stage, with preliminary and detailed designs, as well as urban and environmental permits already secured. An environmental and social impact assessment study, with a dedicated chapter on biodiversity, has also been carried out and approved by the relevant authorities. Land ownership issues will be addressed by a resettlement study and an action plan; expropriations, where needed, are ongoing. Procurement is being completed for both works and supervision services and contracts are expected to be signed by the end of June 2018.

Once built, this section will be operated and maintained by the Public Company 'Motorways of the Federation of Bosnia and Herzegovina' through a closed toll collection system, with toll booths at entry and exit points. Tolls will be at the same level as those already applied countrywide.

In addition, this motorway subsection has been included in the 2017 - 2020 Road Maintenance Plan for the entire Core Network in Bosnia and Herzegovina. Intelligent transport systems will also be considered for deployment and planned for under a wider strategic framework which is under preparation for Bosnia and Herzegovina with EU support, as part of a set of transport connectivity reform measures agreed to by all Western Balkan countries in 2015, in Vienna.

Benefits

- Substantial decrease in travel time between Mostar and Croatia.
- Better and safer access routes to larger urban areas for the citizens living in the rural areas surrounding the proposed development.
- An increase in annual traffic by more than 3,500 vehicles, matched with adequate safety and security conditions.
- Reduce accident rates by 7% and vehicle operating costs by 6%.
- More than 350 jobs created during construction as well as operation and maintenance periods.
- Improved trade flows with countries in the region and thus a positive impact on the broader economy of Bosnia and Herzegovina.



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

Partners:

- Ministry of Finance
- Ministry of Transport and Communications
- Secretariat for European Affairs – NIPAC Office
- Public Enterprise for State Roads

Estimated total investment:

- €13.6 million

EU contribution:

- €2.6 million

EBRD loan:

- €9.7 million

Beneficiary contribution:

- €1.4 million

Transport

2018 CONNECTIVITY PROJECT

Orient/East-Med Corridor: The former Yugoslav Republic of Macedonia – Bulgaria CVIII Road Interconnection, Kriva Palanka – Deve Bair Section

This investment project¹ will rehabilitate and reconstruct a 13.2 km-long motorway on a section of the Orient/East-Med Core Network (Corridor VIII) in the former Yugoslav Republic of Macedonia, from the town of Kriva Palanka to the Deve Bair border crossing point into Bulgaria.

Travel conditions on the existing road are poor, with a maximum speed of 50 km/h along most of its length, inappropriate drainage and rest areas, as well as several sharp curves.

The proposed works include both rehabilitation and reconstruction, expanding the road to add a third lane, including on three existing bridges. This will allow for more efficient and safer driving for the people living along the Kriva Palanka – Deve Bair route as well as for those transiting to and from Bulgaria.



Existing border crossing station in Deve Bair.

Results:

- 13.2 km-long motorway section rehabilitated, including a new third lane, a rest area, road marking and signalling as well as drainage.
- Expansion of three bridges to include a third lane.



Existing road through Kriva Palanka, towards Deve Bair.

¹ Subject to a final decision by the European Commission and the relevant budgetary authorities.

Estimated Start Date:

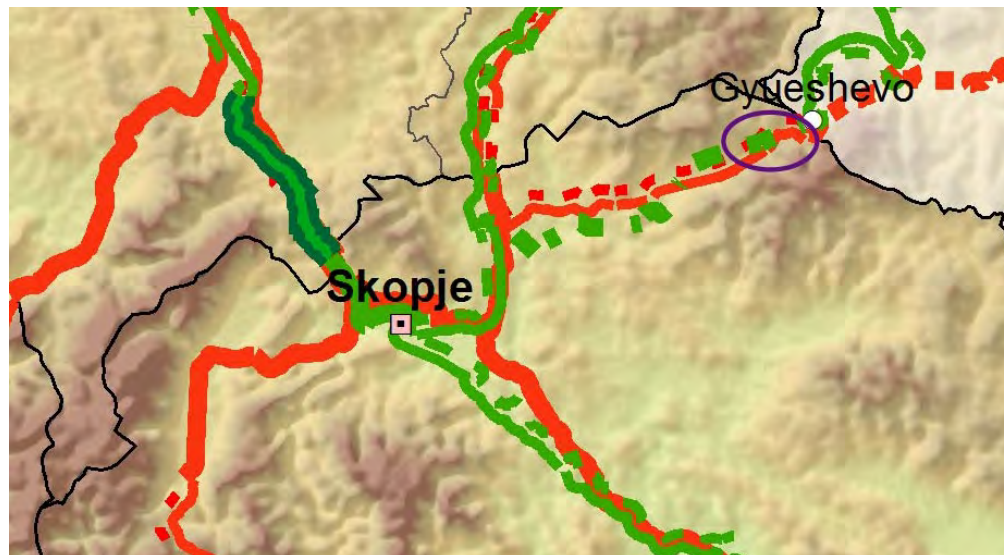
- Mid-2019

Estimated End Date:

- End of 2021

Estimated Loan Repayment Period:

- 25 years



Map of Corridor VIII, with Kriva Palanka – Deve Bair section.

Corridor VIII connects Tirana, Durrës, and Vlorë in Albania to Skopje in the former Yugoslav Republic of Macedonia, and then both countries to Bulgaria, via the border crossing point in Deve Bair. Only 36% of the entire road network in the former Yugoslav Republic of Macedonia has been upgraded to modern standards to date.

The section to be rehabilitated and expanded under this project is part of the Government's plan to modernise fully the route, with works close to completion and/or already planned on a significant part of Corridor VIII (e.g. Kumanovo – Rankovce; Kičevo – Ohrid).

The project is at implementation stage, with detailed design and urban and environmental permits already secured. A full environmental and social impact assessment study has also been carried out. Land ownership issues are to be addressed in the coming period and a stakeholder engagement plan and a resettlement action plan will be prepared, in accordance with EBRD requirements.

A Project Implementation Unit (PIU) will be established within the Public Enterprise for State Roads to oversee the implementation of this project as well as any others relating to the rehabilitation of the Corridor VIII.

Benefits

- Substantial decrease in travel time along the Kriva Palanka – Deve Bair route.
- Reduction in accident rate and vehicle operating costs for more than 2,000 people working and/or living along the route as well as for almost 3,000 people who daily cross the border.
- More than 144 jobs created during construction as well as operation and maintenance periods.
- Improved trade flows with countries in the region and thus a positive impact on the broader economy of the former Yugoslav Republic of Macedonia.



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

Partners:

- Ministry of Finance
- Ministry of Transport and Communications
- Secretariat for European Affairs – NIPAC Office
- Public Enterprise for State Roads

Estimated total investment:

- €105.2 million

EU contribution:

- €20.3 million

EBRD loan:

- €79.2 million

Beneficiary contribution:

- €6 million

2018 CONNECTIVITY PROJECT

Orient/East-Med Corridor: The former Yugoslav Republic of Macedonia – Albania CVIII Road Interconnection, Bukojčani – Kičevo Subsection

This investment project¹ will build a 12.9 km-long motorway on a section of the Orient/East-Med Core Network (Corridor VIII) in the former Yugoslav Republic of Macedonia, between the village of Bukojčani and the town of Kičevo. This subsection is part of a larger, 42 km motorway planned between Gostivar and Kičevo. The two towns are now connected by a road which was built almost 40 years ago and which has undergone little rehabilitation in recent years. It consists of a single carriageway with two two-way lanes, and goes through both flat and mountainous terrain of up to 1,200 meters. The travel speed is limited to 40-70 km/h on most of the route and the road cannot safely meet existing and future traffic demand.

The new motorway will be built on a new alignment, which would allow for travel speeds of 100-120 km/h, as well as limit the traffic impact on the rural settlements and on the environment along the current route.



View of Kičevo (a town with more than 27,000 inhabitants) and main thoroughfare.

Results:

- 12.9 km-long motorway section, built according to modern safety standards.



Existing A2 motorway section, close to Skopje.

¹ Subject to a final decision by the European Commission and the relevant budgetary authorities.

Estimated Start Date:

- Mid-2019

Estimated End Date:

- End of 2022

Estimated Loan Repayment Period:

- 25 years



Map of Corridor VIII, with Bukojčani – Kičevo subsection.

Corridor VIII connects Tirana, Durrës, and Vlorë in Albania to Skopje in the former Yugoslav Republic of Macedonia, and then both countries to Bulgaria, via the border crossing point in Deve Bair. The Gostivar – Kičevo segment is one of the key sections, located on the route to Albania. Construction is planned to take place in three phases: Bukojčani – Kičevo; Gostivar – Gorna Gjonovica; and Gorna Gjonovica – Bukojčani.

This investment project covers the first phase, which is now at detailed design stage. The environmental and social impact assessment is ongoing, based on a strategic environmental assessment carried out in 2015. Land ownership issues are to be addressed in the coming period and a stakeholder engagement plan and a resettlement action plan will be prepared, in accordance with EBRD requirements.

The designs for the remaining two segments, Gostivar – Gorna Gjonovica; and Gorna Gjonovica – Bukojčani, are about to commence, with funding from the Western Balkans Investment Framework.

Once completed, the new road from Gostivar to Kičevo will connect to the existing motorway to Skopje (55 km) as well as to the highway that is being built to Ohrid (58 km).

Benefits

- Substantial decrease in travel time between Kičevo and Gostivar, with a direct reduction of travel times to and from Tirana.
- Reduction in accident rate and vehicle operating costs for more than 520,000 people working and/or living along the Gostivar to Kičevo route.
- More than 280 jobs created during construction as well as operation and maintenance periods.
- Improved trade flows with countries in the region and thus a positive impact on the broader economy of the former Yugoslav Republic of Macedonia.



MONTENEGRO

Partners:

- Ministry of Transport and Maritime Affairs – General Directorate for State Roads

Estimated total investment:

- €187.4 million

EU contribution:

- €42.1 million

KfW loan:

- €30 million

Second IFI loan/PPP:

- €71.3 million

Beneficiary contribution:

- €29 million

Transport

2018 CONNECTIVITY PROJECT

Mediterranean Corridor: Montenegro – Croatia – Albania R1 Road Interconnection, Budva Bypass

This investment project¹ will build an 8.5 km-long priority bypass around Budva, a 2,500-year-old Montenegrin town on the Adriatic coast.

The road along the Montenegrin coast was built in the 1960s and goes through Budva. Over the past 50 years, traffic volumes have significantly increased while the town has also expanded. International transit has intensified, particularly from/to Croatia and Albania. As a result, the road suffers from heavy congestion, with severe disruptions during the summer months when traffic reaches more than 30,000 vehicles/day.

Given the difficult terrain and present urban development, which do not allow for the existing road to be expanded to accommodate current and future demand, constructing the present bypass is imperative.



View of Budva.

Results:

- 8.5 km-long bypass around the town of Budva, including two road interchanges as well as access roads.



Existing road to Budva, on the Adriatic-Ionian Expressway (R1).

¹ Subject to a final decision by the European Commission and the relevant budgetary authorities.

Previous EU Assistance:

- €5.9 million (technical assistance for project preparation)

Estimated Start Date:

- Mid-2020

Estimated End Date:

- End of 2023

Estimated Loan Repayment Period:

- 25 years

Transport



Map of Route 1, with Budva bypass.

The Budva bypass is part of an EU-driven initiative to develop a modern transport route along the extension of the Mediterranean Core Network Corridor in the Western Balkans. Also known as the Adriatic–Ionian Expressway or the Blue Highway, the new development will create a seamless route from Trieste in Italy to Greece, while branching out to Slovenia, Croatia, Montenegro, and Albania. Integrating Bosnia and Herzegovina is also being considered.

The feasibility study and draft preliminary design for the Budva bypass are now complete. A full environmental and social impact assessment study is being carried out in parallel with more detailed ground surveys and the review of the preliminary design. Land ownership issues will be addressed in the coming period, while detailed designs and tender documents are being prepared with grant support from the Western Balkans Investment Framework.

A Project Implementation Unit (PIU) will be set up within the General Directorate for State Roads once construction works have started. Meanwhile, the General Directorate will receive EU and KfW technical assistance for project management. In addition to co-financing the cost of construction works, the EU will provide technical assistance for project implementation /supervision services.

Benefits

- Substantial decrease in travel time along the Croatia – Montenegro – Albania route.
- Better living conditions for more than 60,000 people living in Budva and nearby areas, particularly by reducing vehicle combustion emissions associated with traffic jams.
- Reduction in accident rate and vehicle operating costs.
- More than 350 jobs created during construction as well as operation and maintenance periods.
- Improved trade flows with countries in the region and thus a positive impact on the broader economy of Montenegro.



MONTENEGRO

Partners:

- Ministry of Transport and Maritime Affairs
- Railway Infrastructure of Montenegro (Željeznička infrastruktura Crne Gore AD)

Estimated total investment:

- €40 million

EU contribution:

- €13.7 million

KfW loan:

- €18.8 million

Beneficiary contribution:

- €7.5 million

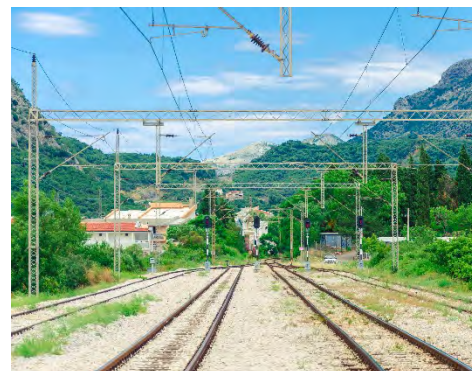
Transport

2018 CONNECTIVITY PROJECT

Orient/East-Med Corridor: Montenegro – Serbia R4 Rail Interconnection, Bar – Vrbnica Section

This investment project¹ will rehabilitate four steel bridges as well as 20 km of railway track on the Bar – Vrbnica railway route which connects Montenegro with Serbia. It is the second project on the same route to receive financing under the Connectivity Agenda since 2015.

The electrified Bar – Vrbnica route opened to traffic in 1976. While initially designed for 80 trains a day travelling at 75-100 km/hour and accommodating axle loads of 22.5 tonnes, the number of trains has halved in the meantime and both speed and cargo loads have substantially declined. Safety incidents and accidents, as well as interruptions in service have multiplied. This project specifically targets structural and safety improvements on the Lutovo – Bratonožići – Bioče railway section as well as on four steel bridges.



Electrified rail along Bar – Vrbnica.

Results:

- 20 km of railway track upgraded to modern standards.
- Four steel bridges rehabilitated.
- Progress in creating a multimodal maritime – rail transport route from the Port of Bar to the wider Western Balkans.



Passenger train on Bar – Vrbnica railway route.

¹ Subject to a final decision by the European Commission and the relevant budgetary authorities.

Previous EU Assistance:

- €26.5 million (investment co-financing; technical assistance for project preparation)

Estimated Start Date:

- Mid-2020

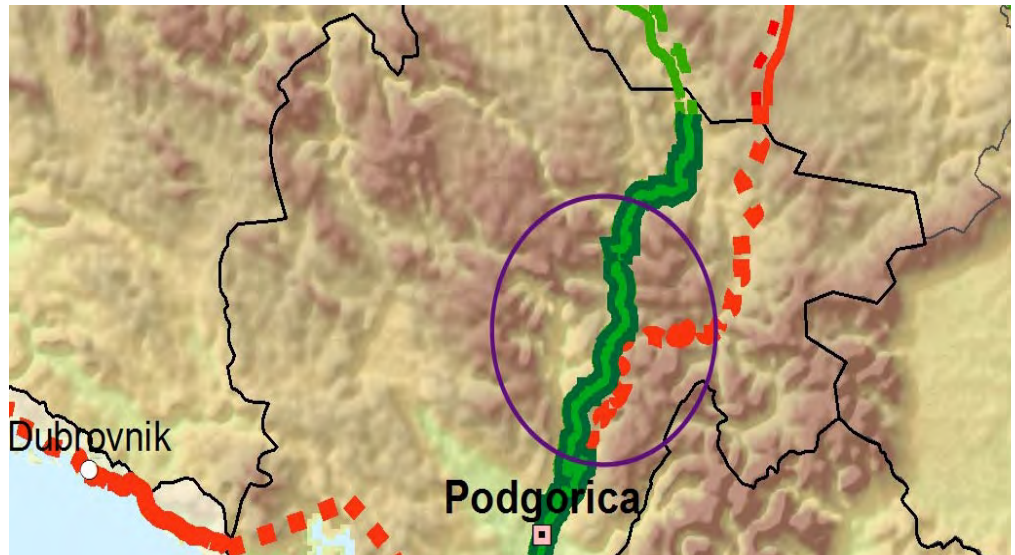
Estimated End Date:

- End of 2023

Estimated Loan Repayment Period:

- 25 years

Transport



Map of Bar – Vrbnica route, Montenegro.

The extension of the Orient/East-Med Corridor into the Western Balkans along Route 4 is approximately 580 km long and runs from Vršac (Serbia/Romania border) to Belgrade (Serbia) and then to Podgorica and Bar (Montenegro). Bar – Vrbnica is the most important section of the Montenegrin rail network, carrying about 20% of all its rail passengers and about 60% of its rail cargo. Rail is important for the Montenegrin economy, accounting for almost 60% of all freight and 10% of its passenger travel.

There has been no significant overhaul since the line was commissioned. Faced with mounting structural and safety issues in its daily railway operations, the Government of Montenegro has embarked on a major railway rehabilitation programme, with assistance from the European Union, the European Investment Bank, the European Bank for Reconstruction and Development, and, recently, from the KfW.

This constitutes the second Connectivity Agenda investment project upgrading the Bar – Vrbnica railroad. The detailed designs for rehabilitating the steel bridges and railway track are almost complete, while environmental and urban permits are already secured and land ownership issues have been resolved.

In addition to co-financing the cost of construction works, the EU will provide, as part of this project, technical assistance for project implementation/supervision services.

Benefits

- Enhanced safety and reliability of rail transport for the 1,200,000 annual passengers using the Bar – Vrbnica railway route.
- Considerably increase the passenger and cargo rail carrying capacity, and reduce travel times by 1 to 2 hours on the entire route (contingent on additional fleet investments).
- Lower operational and maintenance costs for railway operators, providing better services both to passengers and cargo operators.
- 1,100 jobs created during the construction and operation of the new investments.
- The investment will facilitate regional trade and integration and thus have a positive impact on the economy of Montenegro.



SERBIA

Partners:

- Ministry of Finance
- Ministry of Construction, Transport and Infrastructure
- Public Enterprise Roads of Serbia

Estimated total investment:

- €12.6 million

EU contribution:

- €41.4 million

EIB loan:

- €100 million

EBRD loan:

- €52.3 million

Beneficiary contribution:

- €10.2 million

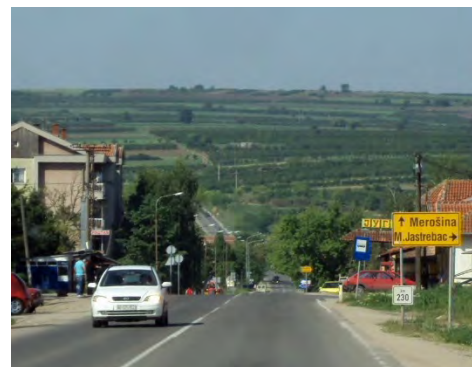
Transport

2018 CONNECTIVITY PROJECT

Orient/East-Med Corridor: Serbia – Kosovo* R7 Road Interconnection, Niš (Merošina) – Pločnik (Beloljin) Section

This investment project¹ will build a 33 km-long half-profile motorway on a section of the Orient/East-Med Core Network (Route 7) in Serbia. It is the first road section of the three comprising the Niš – Merdare – Pristina motorway to receive investment co-financing under the Connectivity Agenda.

The existing road on the Niš (Merošina) – Pločnik (Beloljin) section consists of two lanes on a poor alignment, irregularly maintained. It goes through urban areas, thus posing safety risks to the local pedestrians and causing major delays to transiting vehicles. The proposed investment will result in a highway that bypasses such areas, as well as improves the level of service and traffic safety. The new alignment will also allow for a future expansion to a full motorway profile, once the traffic demand increases.



Existing Route 7 road in Merošina, Serbia.

Results:

- 33 km-long highway, including several bridges, tunnels, overpasses, multi-level junctions, and associated utilities.



Proposed design for Niš (Merošina) – Pločnik (Beloljin) section (WBIF Infrastructure Project Facility 4).

¹ Subject to a final decision by the European Commission and the relevant budgetary authorities.

*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.

Previous EU Assistance:

- €9.6 million (technical assistance for project preparation)

Estimated Start Date:

- Mid-2020

Estimated End Date:

- End of 2023

Estimated Loan Repayment Period:

- 25 years

Transport



Map of Route 7, with Niš (Merošina) – Pločnik (Beloljin) section.

The Orient/East-Med Corridor in Serbia and Kosovo includes the Niš – Merdare – Pristina E80/R7 road section (approximately 110 km). Strategically linked to Corridors IV and X, this road interconnection is of great importance for freight and passenger transportation in the Western Balkans as it is the region's shortest route between the Port of Durrës on the Adriatic and South-Eastern and Central Europe, as well as with the Mediterranean and Black Sea countries.

The location (Spatial Plan) of the entire Route 7 in Serbia, from Niš (Merošina) to Merdare, was approved by the Government in October 2017. The Niš (Merošina) – Pločnik (Beloljin) section is now at the stage of detailed design. Land ownership issues are to be addressed in the coming period, while the environmental impact assessment study is to be approved by the relevant authorities in Serbia and participating International Financing Institutions by October 2018. A detailed social impact assessment study has been prepared in accordance with the EIB's and EBRD's requirements.

The European Union has funded all project preparation activities, through the Western Balkans Investment Framework. JASPERS (Joint Assistance to Support Projects in European Regions) has also provided technical advice during the preparation of this project.

The other two sections on Route 7 in Serbia and Kosovo – Pločnik (Beloljin) to Merdare and Pristina to Merdare – are at preliminary design stage, which is scheduled for completion by the end of 2018. Tendering for works on the Pristina to Merdare section, in Kosovo, will start in 2019, while detailed designs will be prepared for the Pločnik (Beloljin) to Merdare section in Serbia. The EU has provided grant support to cover all these preparatory activities.

Benefits

- Increase in travel speed to 100 km/h and hence decrease travel times substantially along the route.
- Reduced environmental impact on urban areas that were previously crossed by the existing road, and reduced congestion.
- Increase in annual average traffic by more than 2,000 vehicles/day, bringing daily traffic to more than 8,500 vehicles/day by 2022.
- Reduce accident rate and vehicle operating costs.
- More than 350 jobs created during construction as well as operation and maintenance periods.
- Improved trade flows with countries in the region and thus a positive impact on the broader economy of Serbia.



BOSNIA AND HERZEGOVINA

Partners:

- Ministry of Finance and Treasury of Bosnia and Herzegovina
- Ministries of Communications and Transport of Bosnia and Herzegovina and of the Federation of Bosnia and Herzegovina (FBiH)
- Public Company Motorways FBiH (JP Autoceste FBiH)

EU contribution:

- €5.2 million

Estimated total investment:

- €124.2 million

Estimated start / end date:

- Late 2018 / Mid-2023

Previous EU / WBIF assistance to Corridor Vc:

- €87 million (investment co-financing; technical assistance)

Transport

2018 TECHNICAL ASSISTANCE

Bosnia and Herzegovina – Croatia CVc Road Interconnection, Počitelj – Zvirovići Subsection

The longest section of Corridor Vc (335 km) passes through Bosnia and Herzegovina. It connects the country with Hungary and Croatia and thus to the Adriatic Sea. 35% is already built or under construction, with three sections currently in works: Svilaj – Odžak (with EU co-financing); Drivuša – Klopče; and Klopče – Pečuj (Donja Gračanica).

The current grant application¹ for technical assistance concerns the supervision services required for building a 11.1 km-long motorway subsection between Počitelj and Zvirovići, including four bridges, one tunnel, local roads, rest areas, and interchanges. The detailed design is complete and the environmental, urban, and construction permits have been secured. Land ownership issues have been resolved and procurement of works is about to commence with a view to signing the works contract by late 2018.

The construction costs will be financed from national resources as well as through a European Investment Bank loan.

Results / Benefits:

- Efficient and on-time execution of works associated with the 11.1 km-long motorway subsection between Počitelj and Zvirovići.
- Contribution to:
 - Safer and more efficient passenger and freight transport conditions on Corridor Vc.
 - Reduced vehicle maintenance costs and accident rate.
 - Improved trade flows with countries in the region and thus a positive impact on the broader economy of Bosnia and Herzegovina.



Existing motorway on Corridor Vc in Bosnia and Herzegovina.

¹ Subject to a final decision by the European Commission.



KOSOVO*

Partners:

- Ministry of Finance
- Ministry of Infrastructure – Department of Road Infrastructure

EU contribution:

- €4.4 million

Estimated total investment:

- €137.1 million

Previous EU contribution:

- €0.9 million (technical assistance for project preparation)

Estimated start /end date:

- Late 2019 – End of 2022

2018 TECHNICAL ASSISTANCE

Orient/East-Med Corridor: Kosovo – Serbia R7 Road Interconnection, Pristina – Merdare Section

The Orient/East-Med Corridor in Kosovo and Serbia includes the Niš – Merdare – Pristina E80/R7 road section. Strategically linked to Corridors IV and X, this road connection is of great importance for freight and passenger transportation in the Western Balkans as it is the region's shortest route from Durrës Port on the Adriatic, to South-Eastern and Central Europe as well as to the Black Sea.

Both Kosovo and Serbia, with European Union grant support, have started planning for the construction works, including by developing the necessary studies. The current grant application¹ for technical assistance concerns the supervision services required for constructing the missing Route 7 section in Kosovo, a 23 km-long dual carriageway from Pristina to the border crossing point in Merdare. Procurement of works is expected to commence by mid-2019.

An additional EU grant application for co-financing the investment is expected in 2019.

Results / Benefits:

- Efficient and on-time execution of the works associated with the 23 km-long dual carriageway from Pristina to Merdare.
- Contribution to:
 - More efficient, multimodal transport route along the Orient/East-Med Corridor (Route 7), by eliminating the current bottlenecks and congestion, while ensuring the connection with the Adriatic Sea ports.
 - Improved economic opportunities for the citizens working and living along the new route.



Existing motorway on Route 7 in Kosovo.

¹ Subject to a final decision by the European Commission.

*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.



Digital Connectivity for the Western Balkans

Investments for digital transformation and growth

A fast and secure digital connection of high quality is a prerequisite for a modern economy and society. The requirements for high-speed networks are fast evolving and necessary to absorb increasing data usage of future applications in tomorrow's digital society – i.e. e-government, e-health, e-procurement as well as business-related and day-to-day household applications.

Higher penetration rates are essential to enable a digital transition in Western Balkan economies (Table 1). The significant gap of broadband coverage between rural and urban areas, as well as between income levels, is particularly challenging in the region.

Table 1 - Fixed broadband penetration rate (% per population) in 2016

Year	EU 28	Albania	Bosnia and Herzegovina	The former Yugoslav Republic of Macedonia	Kosovo*	Montenegro	Serbia
2013	29.2	6.4	13.4	N.A.	9.2	15.4	16.4
2014	30.5	7.3	14.2	N.A.	10.5	16.7	17.2
2015	31.6	8.8	16.6	N.A.	11.9	18.1	18.7
2016	32.7	9.3	17.4	18.4	13.1	18.5	20.5

Obtaining a higher broadband penetration is one aspect, but it does not say anything meaningful about the **quality of access**. Few households in the Western Balkans have access to speeds above 10 Mbit/s, which limits the ability to take greater advantage of the internet. Large-scale investments are needed in the Western Balkans to catch-up and to reach the EU's **2025 targets**, as established in the Gigabit society objectives.¹ Investments must ensure that the developments of broadband infrastructure are future-proof and focused on the most pressing needs, such as overall penetration rate, rural-urban divide, low broadband speeds, and connecting schools, governments and health institutions.

It is important that the public and private sector in the Western Balkans work together to increase high-speed broadband coverage. The Commission has earmarked €30 million through the Western Balkans Investment Framework (WBIF) to prepare for investments in high-speed broadband rollout across the region by 2020.

The level of mapping differs largely in the region and a single detailed overview of digital connectivity in all six economies is missing. **Broadband mapping** should be prioritised by the Western Balkans economies, and could be supported by technical assistance funding under the WBIF in order to establish a comprehensive overview of broadband rollout. This broadband mapping should be the first-step of a longer process that leads to the identification of infrastructure projects that are needed to bring the Western Balkans in line with the ambitious 2025 Gigabit targets.

¹ More details can be found at: <https://ec.europa.eu/digital-single-market/en/policies/improving-connectivity-and-access>.

*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.




Broadband infrastructure projects

The relatively poor level of broadband infrastructure in the Western Balkans is a challenge, but also an opportunity. The Western Balkans can move to a state-of-the-art, fibre-based broadband without passing through the multiple copper-based stages that are usual for the early adopters of broadband.

With updated national broadband plans and a correct mapping of the broadband situation in the region, the WBIF will, in cooperation with its partners, develop projects/mechanisms to attract broadband investments.

Ongoing and future connectivity projects for **electricity, railways and roads** in the Western Balkans and connecting with the EU should also address digital connectivity in an optimal way. Adding this component in a systematic approach could lead to mutual benefits and cost-sharing. For instance, including a fibre network during the construction process is often a negligible extra cost and it is something regularly done on electricity projects for monitoring the performance of the electric grid.

WITH BETTER CONNECTIVITY, WHAT WILL WE BE ABLE TO DO IN 2025?

 TIME TO DOWNLOAD	 2016 (typical European legacy networks - 20 Mbps)	 2025 (Fiber to the Home networks - 0.4 Gbps)
	CT scan	14 minutes
Virtual reality game	34 minutes	102 seconds
Top smartphone storage	3.6 hours	11 minutes
4K movie	11 hours	33 minutes
Medium sized corporate server restore	28 days	33 hours
Human genome	33 days	39 hours

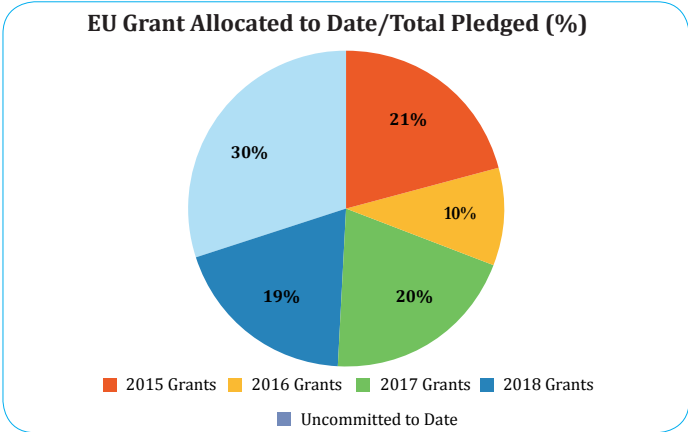
Thousands of new services and features will be possible once EU targets are met and very high capacity networks are widely available. For example:

- Hundreds of machines in a factory cooperating in real-time;
- Doctors conducting specialised surgeries remotely;
- Cities adapting energy consumption or traffic lights based on real-time needs;
- Students studying at various universities throughout Europe at the same time.

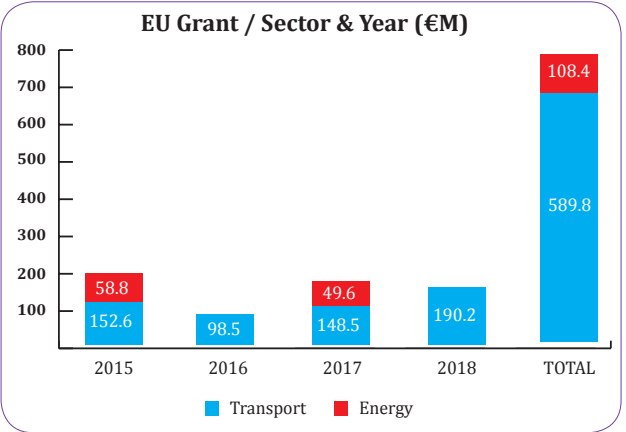


EU PLEDGE FOR CONNECTIVITY AGENDA PROJECTS (2015 - 2018)

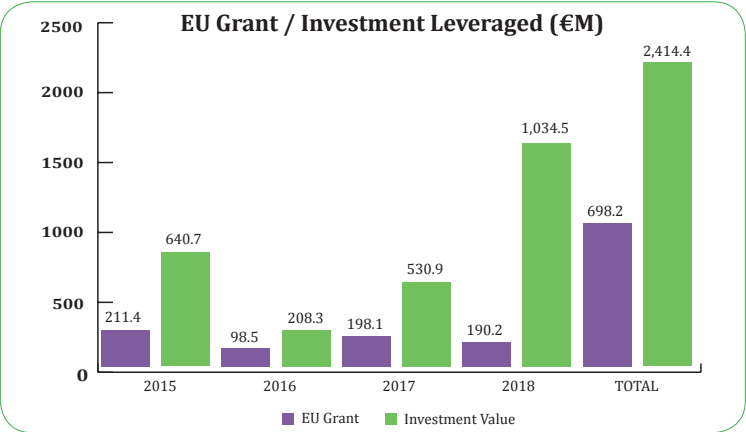
**Implementation
of overall pledge of
€1bn (2015 - 2020)**



**EU grant per sector to
date**



**Investment leveraged
to date**



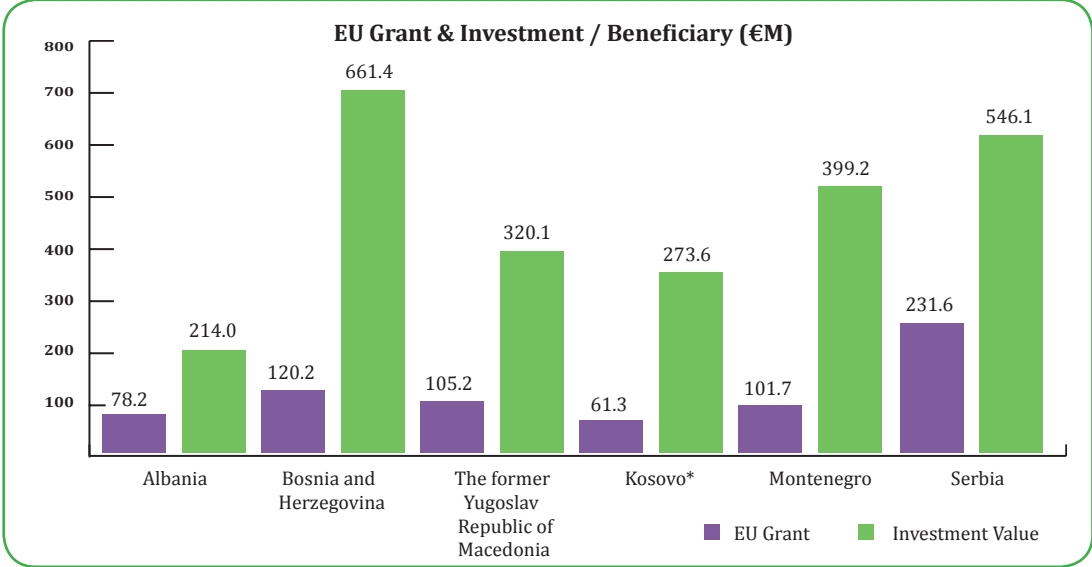
OVERALL SUPPORT 2015 TO DATE?

**Total EU Grant¹
(€M) 698.2**

**Investment Leveraged
(€Bn) 2.4**

AND IN ADDITION

**Preparatory & Horizontal
Technical Assistance (€M) 90.8**



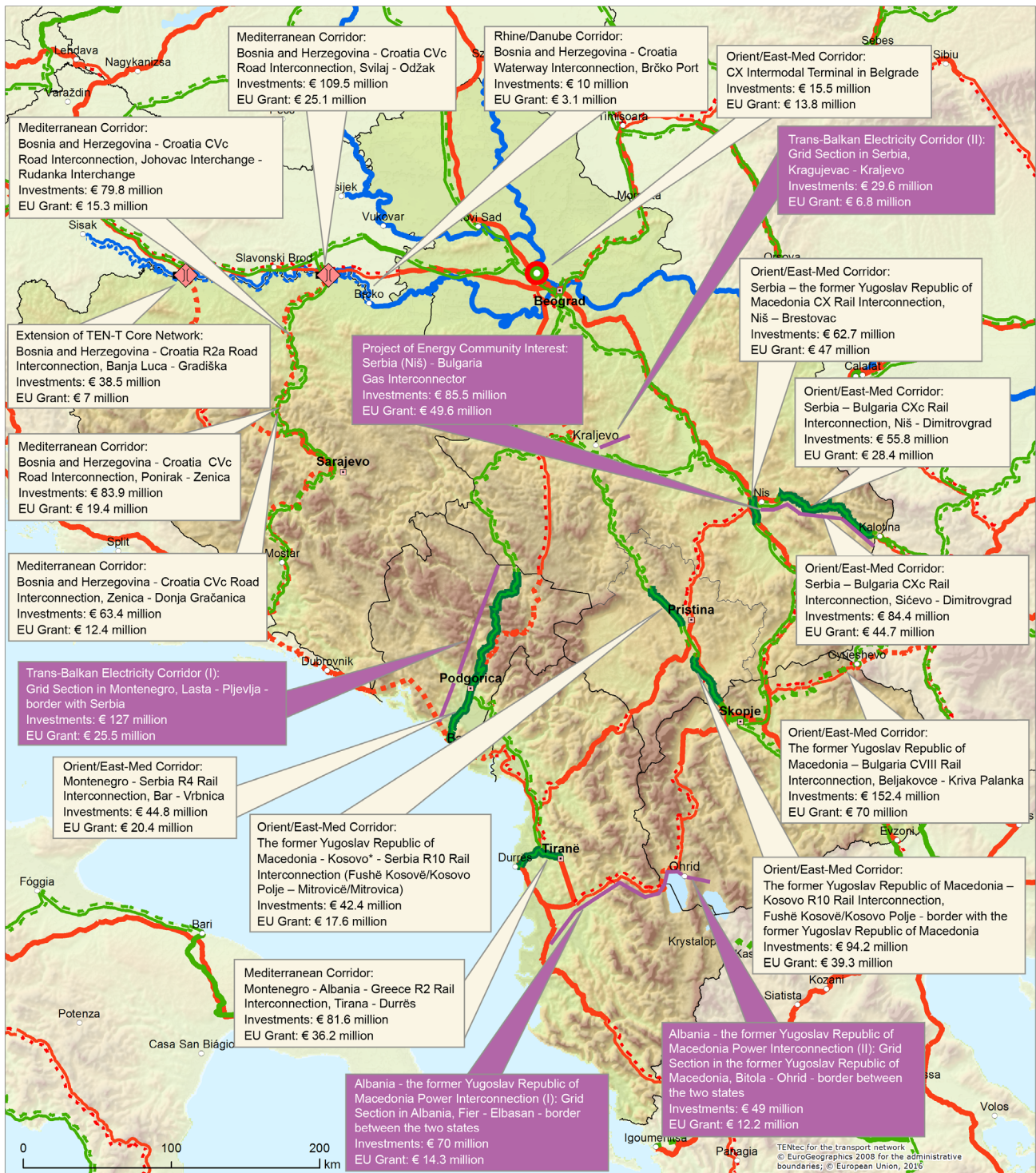
¹ Subject to a final decision by the European Commission on the 2018 contribution.

*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.





2015 - 2017 Investment Projects Co-financed through the Instrument for Pre-accession Assistance/Western Balkans Investment Framework

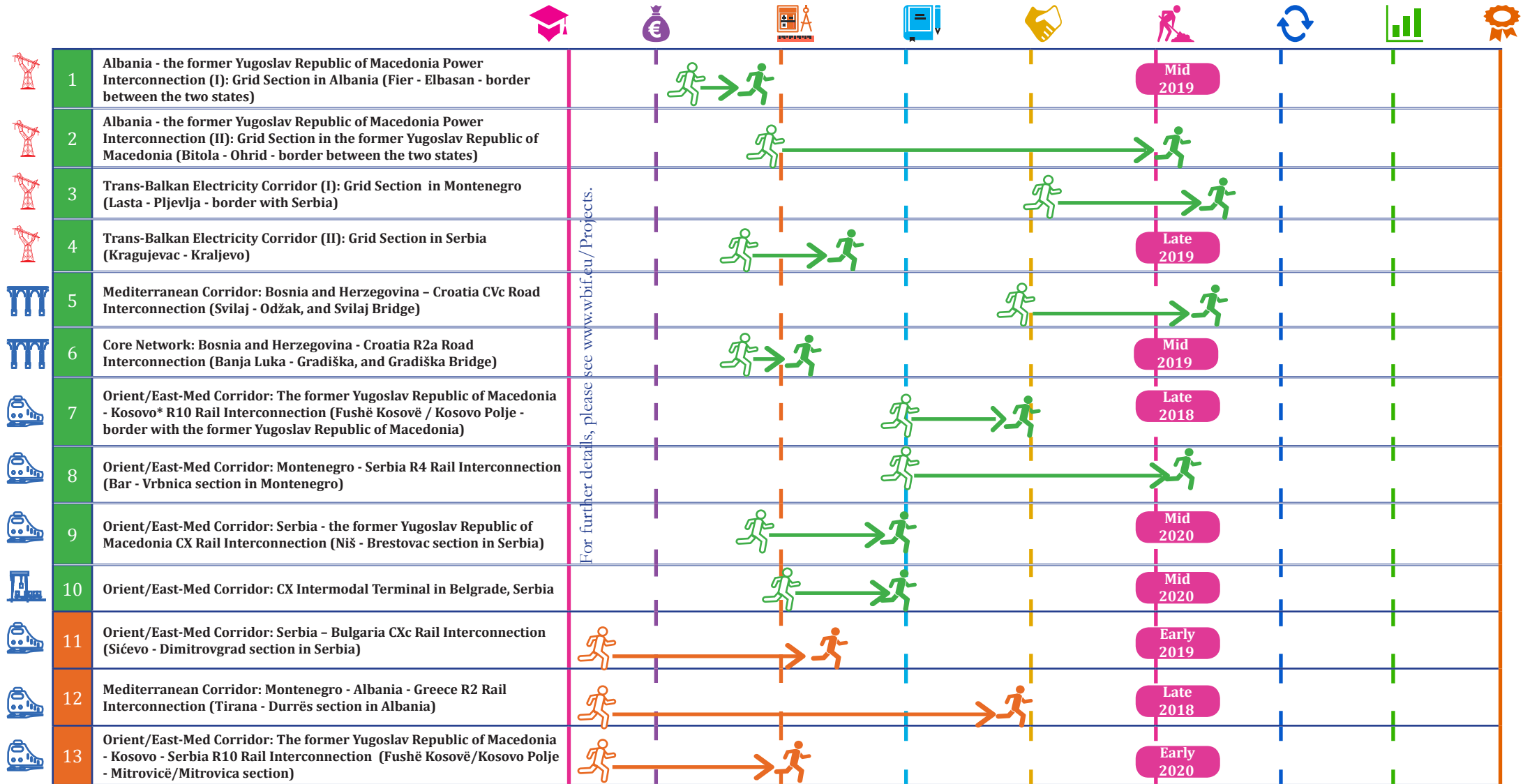


Road	Conventional Rail	Inland Waterways	Connectivity Projects
		Completed	Bridge
		To be upgraded	Intermodal Terminal
		Planned	Rail Interconnection



2015 and 2016 CONNECTIVITY AGENDA PROJECTS

Progress to Date (May 2018)



Application approved
 Financing agreement signed
 Design complete
 Works tender launched
 Works contract signed
 Works Commence
 Works 50% complete
 Works 100% complete
 Loan/Grant Disbursed

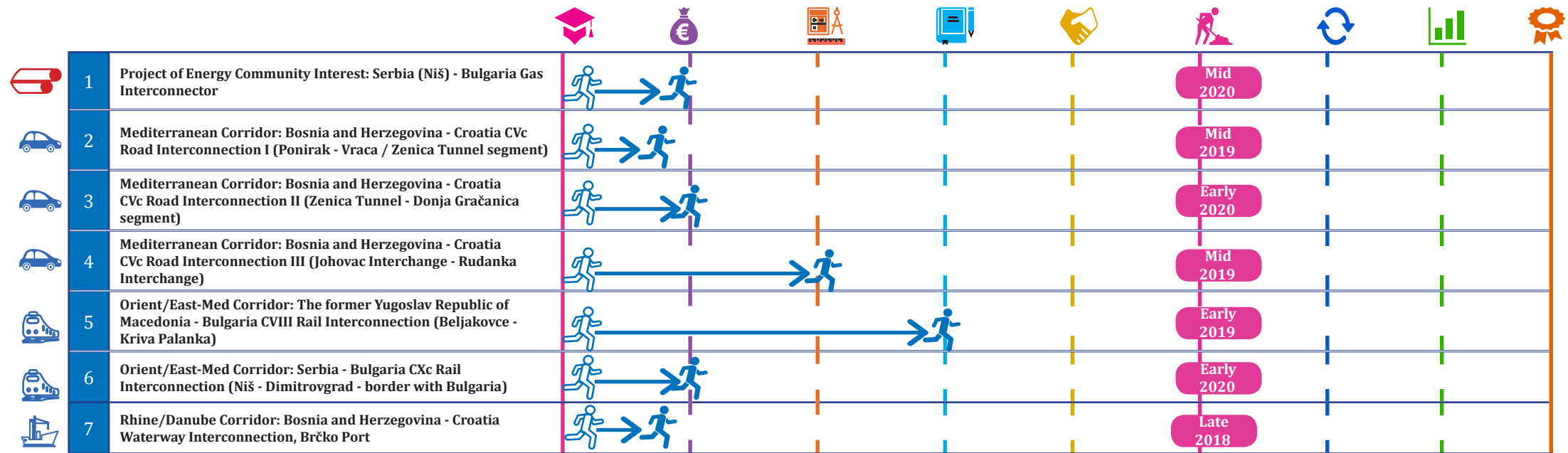
*This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo Declaration of Independence.

July 2016 Status
 Railways
 Freight Terminal
 Electricity Transmission
 Road & bridge



2017 CONNECTIVITY AGENDA PROJECTS

Progress to Date (May 2018)



Application approved

Financing agreement signed

Design complete

Works tender launched

Works contract signed

Works Commence

Works 50% complete

Works 100% complete

Loan/Grant Disbursed

For further details, please see www.wbif.eu/Projects.

July 2017 Status

Railways

Freight Terminal

Gas Transmission

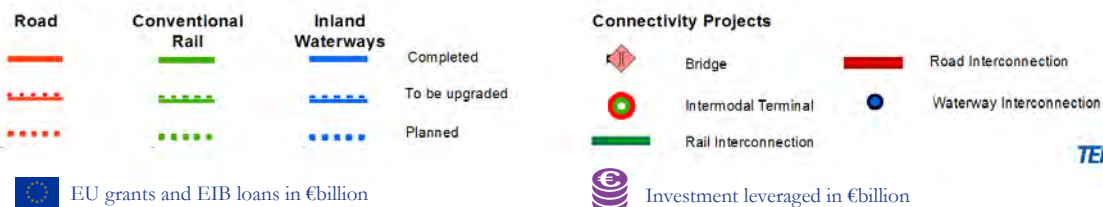
Motorway/Road

Port



European Union's Support to the Development of Transport and Energy Sectors in the Western Balkans

Sector Reforms and Infrastructure Projects, 1990s to 2017¹



¹The overview is limited to EU grant support and EIB loans associated with the development of core transport and energy networks in the region and the integration of the transport and energy markets into those of the EU, including grants awarded through the WBIF.

*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.

ec.europa.eu/neighbourhood-enlargement