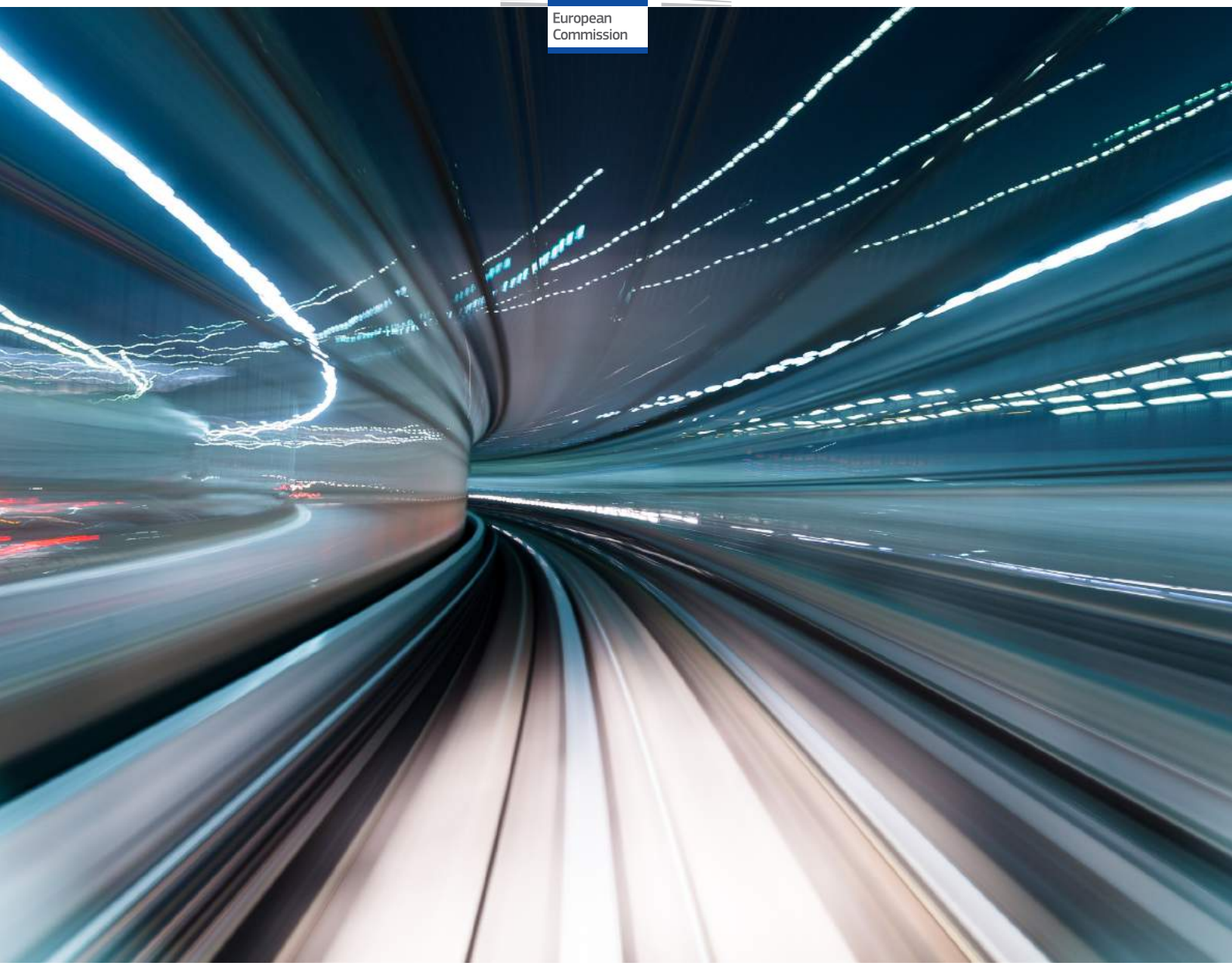
European Commission



CONNECTIVITY AGENDA

Co-financing of Investment Projects in the Western Balkans 2016

CONNECTIVITY AGENDA

Co-financing of Investment Projects in the Western Balkans in 2016

Johannes Hahn

European Commissioner for Neighbourhood Policy and Enlargement Negotiations

Dear Reader,

Well connected transport and energy networks drive economic growth and jobs. They help attract investments and provide opportunities for businesses and people including youth. In the Western Balkans, they contribute to good neighbourly relations. Our connectivity agenda therefore aims to improve links within the Western Balkans as well as between the region and the EU.

The European Union has set aside up to €1 billion for connectivity investment projects and technical assistance for the 2014-2020 period. We provided the first €200 million at the Western Balkans Summit in Vienna in August 2015 for ten priority projects. We expect to break ground on some of these in the coming months. This year we follow-up with approximately €100 million for three connectivity projects, as well as an additional €50 million for the Regional Energy Efficiency Programme and the Green for Growth Fund. These initiatives will help finance energy efficiency measures in residential buildings as well as hydro-projects.

Connectivity is not merely about expensive infrastructure projects. New highways only make sense if existing networks are properly maintained, and there is little point in investing in expensive energy inter-connectors without willingness to pursue energy trading within the region. Such reform measures are relatively inexpensive, and therefore do not put pressure on the limited fiscal space of the region. This is why it is so important that WB6 leaders have agreed to step up efforts to implement reform measures to open markets, create a transparent regulatory framework that builds investor confidence, and remove barriers so utilities are managed effectively and efficiently.

These reform measures now need to be implemented without delay, so that we may provide added value to the infrastructure investments presented in this brochure. By working together to address shared challenges, the WB6 develop mutual trust which is so necessary for reconciliation, good neighbourly relations and the prosperity of the region. They are also key ingredients for the countries to advance on their path towards EU membership.

I am pleased to share with you these examples of our commitment to help drive forward the connectivity agenda, as well as our efforts to help green the region and thus support our partners implement their COP21 commitments.

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 soft 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 list (Projects of the Energy Community Interest) and mature transport projects from the TEN-T (Trans-European Transport) Core Network, together with loans from the international financial institutions.

Western Balkans Investment Framework WBIF

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 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.

www.wbif.eu

JOINT PARTNERSHIP OF:

European Commission

European Investment Bank The EU bank

European Bank for Reconstruction and Development

CEB Council of Europe Development Bank Banque de Développement du Conseil de l'Europe

IN COOPERATION WITH:

KFW

WORLD BANK GROUP

BILATERAL DONORS:

Roadmap for a Regional Electricity Market for the Western Balkan 6

Electricity trading across borders is a key element of EU energy policy. Three regulatory packages have opened up formerly isolated EU markets and introduced cross-border trading through liquid spot markets, with a view to removing the barriers to an internal electricity market covering the entire EU. As Contracting Parties to the Energy Community Treaty, the Western Balkan six countries ('WB6 countries') have followed this development, including full implementation of the Third Energy Package by 1 January 2015.

WB6 countries committed in Vienna in 2015 to implement a list of energy legal and regulatory measures, which are necessary to establish market-based electricity trading. These commitments remain valid. They include developing spot trading and regional market coupling, regional balancing and regional capacity allocation. They also include the removal of existing legal and regulatory barriers by, inter alia, full implementation of the Third Energy Package and additional market reforms.

The recently signed Memorandum of Understanding of the WB6 on regional electricity market development ("MoU") constitutes the basis for further regional market integration; it is a positive signal in the right direction. A central element is now how to continue national reform and regional market integration efforts, and to allow integration of the South East Europe (SEE) markets into the pan-European electricity market.

However, the majority of the WB6 countries are still lagging behind in establishing organised market places as a precondition for efficient electricity trading. Cross-border electricity trade is below the region's potential, reflecting the high level of market fragmentation.

The potential benefits of liquid spot markets for the WB6 countries are significant. Many of the WB6 countries do not have the critical size to develop liquid markets in isolation. Liquid cross-border markets will lead to important cost savings for SEE energy consumers through more competition and more effective use of existing generation and transmission infrastructure in the region. This would also attract more investments.

Regional power trading is also a pre-condition to organise electricity markets in a more environmentally-friendly manner. Aggregating generation and demand over larger trading regions will become a key condition for integrating energy from water, wind and sun. Expanding renewables in small isolated markets would require considerable investment into backup generation, which would further increase costs for customers. All of this market integration will also enhance security of supply.

Unbundled and certified transmission system operators and a regionally coordinated capacity calculator are part of a functioning regional trading system. Not all countries have implemented the necessary institutional changes yet.

Since the WB6 region is physically closely linked with neighbouring EU Member States, it is crucial to develop an integrated SEE trading region, including WB6 and EU countries in order to overcome the limits of the small size of isolated national markets. The WB6 countries will support integration with the neighbouring EU Member States (MSs) which should take place in parallel to the implementation of the present Roadmap but not replacing it. In this respect, they take note of and will participate in the emerging "SEE Coupling Initiative". National market reforms will also have to be executed in EU MSs neighbouring the WB6 countries to allow for successful implementation of market coupling in the SEE Region (to be followed up by EC). This roadmap clarifies content, addressees and implementation steps for implementing the soft measures relating to the development of spot trading and market coupling in the WB6 countries. It is an additional tool to enable implementation of those soft measures which are particularly important to prepare WB6 countries for integration with the EU markets. This roadmap neither replaces nor extends the Vienna Summit conclusions, which remain as commitments. The clearer description in this roadmap of the conditions to be fulfilled by WB6 countries may reduce the risk of further delays to access EU funds for energy infrastructure.

By the signing up to this Roadmap, the WB6 countries reiterate their commitments made under the Energy Community Treaty and at the WB6 Summit in Vienna last year and ask the Secretariat of the Energy Community to help them coordinating and implementing the reform measures to be taken for that purpose and to monitor the implementation.

The following four key conditions need to be fulfilled to comply with the obligation to implement electricity spot trading:

1. **Adhere to a power exchange**
2. **Develop trading/market coupling with one or more neighbours**
3. **Participate in MoU and SEE Coupling Initiatives and implement agreed measures**
4. **Ensure, and if necessary increase liquidity and monitor the progress with indicators.**

1. Each WB6 country must adhere to a power exchange

Efficient trading requires power exchanges. The delay in the establishment of one or more SEE power exchanges for spot trading is a main reason for the missing progress in SEE (see also "soft measures" II 1).

Procedure/element:

- Submitting draft proposal containing details on when to couple which markets by January 2017
- Submitting draft proposal for establishing a national power exchange or which power exchange shall service the respective national markets by January 2017.

2. Each WB6 country must develop trading/market coupling initiatives with one or more EU neighbours and/or amongst themselves

Implementation projects have proven to be crucial for the implementation of cross-border market coupling as they allow to identify technical and regulatory bottlenecks (see also "soft measures" II 1).

Procedure/elements:

- Develop implementation projects through the finalisation of the project implementation agreements foreseen in the WB6 MoU until November 2016
- Without delay, all Transmission System Operators (TSOs) need to join Coordinated Auction Office in South East Europe (SEE CAO)
- Develop implementation projects with EU neighbours (SEE Coupling Initiative)
- Submit a plan for cross-border day-ahead market coupling projects by end 2016
- Start market coupling pilot project by July 2018
- Each TSO must allow the Electricity Transmission, System and Market Operator in Kosovo* (KOSTT) to be connected to the European Network of Transmission System Operators for Electricity (ENTSO-E) and allocate capacity in its interconnectors with neighbouring countries in accordance with a Connection Agreement signed with ENTSO-E.

3. Each WB6 country must participate in MoU and SEE Coupling Initiatives and implement agreed measures

Market Coupling must not be developed in isolation, but in close coordination with WB6 and EU neighbours who form one SEE trading region. Without participation in the relevant coordination effective development of a trading region is impossible.

Procedure/elements:

- Participate in work of MoU and SEE Coupling Initiative; implement agreed measures
- Start early implementation of key elements necessary for regional market coupling
- Take part in Capacity Allocation and Congestion Management (CACM) implementation and all related stakeholder groups
- Ensure compatibility of new trading rules with EU regulatory framework.

4. Each WB6 country must ensure (and if necessary increase) liquidity and monitor progress with indicators

Energy trading requires removing regulatory barriers and appropriate regulatory and contractual arrangements which allow that sufficient volumes reach the market and new market participants can enter (see also "soft measures" II 1). Increased liquidity is a pre-condition for cross-border trading and vice versa. Progress should be measured with specific indicators.

Procedure/elements:

- Develop a plan describing national actions to ensure and, if necessary increase liquidity
- Measure liquidity, at least using the following specific benchmarks: Volumes traded; day-ahead market resilience; (market robustness); churn rate (the total trade volume divided by the physically traded volume; a higher churn rate means a higher liquidity); bid-ask spread (difference between the best buying and selling rates - the smaller the spread, the higher the liquidity).

*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.

CORE NETWORK CORRIDORS OF THE TRANS-EUROPEAN TRANSPORT NETWORK (TEN-T)

Medium-Term Transport Reform Measures (agreed in Vienna 2015)

The vision for Trans-European Transport Networks (TEN-T) reflect that rail, road, air and sea transport links are seen as key drivers not just for closer integration between Member States and their peoples, but also for increasing economic competitiveness.

Extending the core network corridors to the Western Balkans ensures closer integration within the region as well as with the EU and provides a basis for leveraging investment in infrastructure. The core network corridors, once completed, will provide quality transport services for citizens and businesses, with seamless integration within the region as well as with the EU.

Connectivity is not only about building new infrastructure, but also about getting the best use out of it. Opening of the rail market would clearly benefit consumers in terms of providing a better and more efficient service. It would also more easily attract investors including those from abroad if they could be sure of access to the entire corridor rather than merely national segments. Finally, why should anybody invest in new roads if the existing network is not properly maintained?

The transport soft measures agreed in Vienna in 2015 addressed these issues by setting targets for aligning technical standards and formalising cross-border operations between networks.

The 2016 targets remain valid, and must be implemented without delay. The medium-term targets for 2020 are listed hereafter. We expect the countries to make substantial progress on all of them by the next summit in 2017 in Italy.

1. Opening of the transport market

1.1 Implementation of rail reform strategy

2. Establishment of competitive, reliable and safe transport system

2.1 Improvement of road safety

2.2 Trade and transport facilitation

2.3 Intelligent Transport System (ITS) deployment on the Core Network

2.4 Establishment of functioning maintenance system ensuring no section in poor/very poor condition by 2020

3. Increasing the effectiveness of Border Crossing Procedures

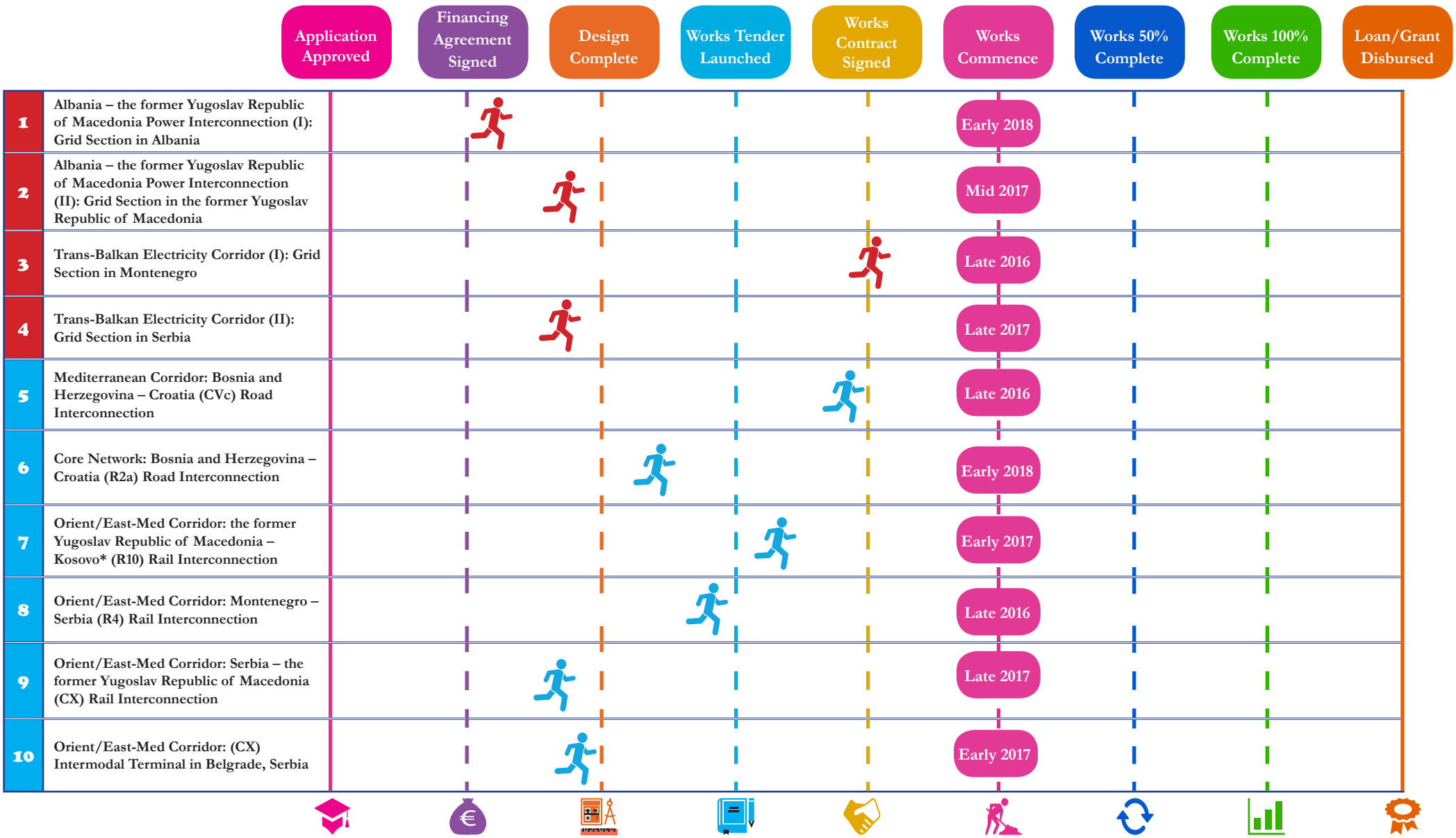
3.1 Effective Border Crossing Agreements

3.2 Implementation of Integrated Border Management (IBM) strategy

2015 CONNECTIVITY AGENDA PROJECTS

Progress to Date

Western Balkans Investment Framework WBIF



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Western Balkans Investment Framework WBIF

Regional Core Transport Network

2016 Investment Projects Co-financed through the Instrument for Pre-accession Assistance/ Western Balkans Investment Framework[1]

[1] Subject to a final decision by the budgetary authorities. The map provides co-financing details on 2016 investment projects only. Road and rail sections as well as associated facilities financed under the 2015 IPA / WBIF investment projects are also shown in accordance with the legend above.

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Western Balkans Investment Framework WBIF

2016 CONNECTIVITY AGENDA PROJECTS

Co-financing of Investment Projects in the Western Balkans in 2016[1]

#	Reference	Beneficiary	IFI	Description / Title	Estimated Cost € million	EU Grant € million	EU Grant %
IPA/WBIF 2016 Co-financing							
TRANSPORT					**208.2**	**97.2**	**47**
1	WB-IG01-SRB-TRA-01	Serbia	EIB	Orient/East-Med Corridor: Serbia – Bulgaria CXc Rail Interconnection	84.4	43.6	52
2	WB-IG01-ALB-TRA-01	Albania	EBRD	Mediterranean Corridor: Montenegro - Albania - Greece Rail Interconnection	81.5	35.4	44
3	WB-IG01-KOS-TRA-01	Kosovo*	EBRD & EIB	Orient/East-Med Corridor: the former Yugoslav Republic of Macedonia – Kosovo – Serbia R10 Rail Interconnection	42.3	18.2	43
ENERGY (ENERGY EFFICIENCY AND RENEWABLES)					**240**	**50**	**21**
4	WB-IG01-REG-ENE-01	WB6		Regional Energy Efficiency Programme (REEP Plus) for the Western Balkans	140	30	22
5	WB-IG01-REG-ENE-02	WB6		Green for Growth Fund: Hydropower and other Renewable Energy Schemes for the Western Balkans	100	20	20
TOTAL					**448.2**	**147.2**	**33**

[1]Subject to a final decision by the budgetary authorities.
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REGIONAL CORE TRANSPORT NETWORK

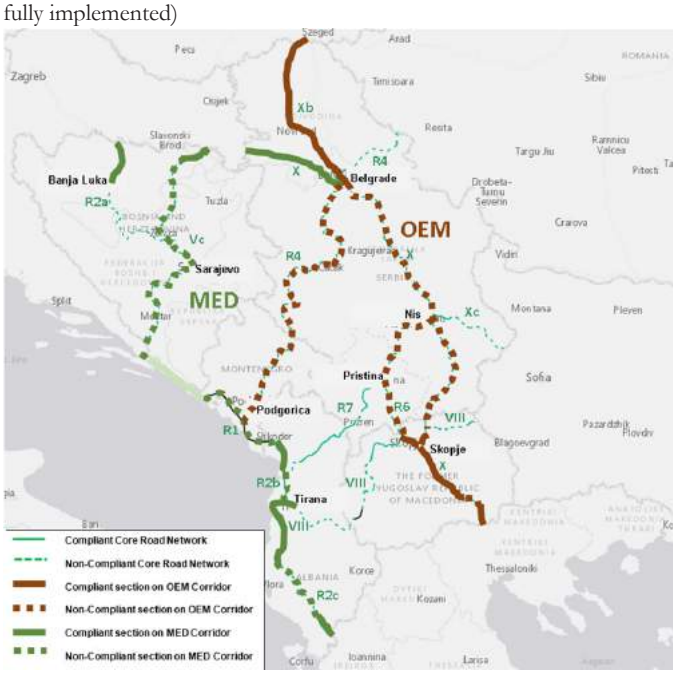
2015 and 2016 Investment Projects Co-financed through the Instrument for Pre-accession Assistance/Western Balkans Investment Framework

Current and Estimated TEN-T Guidelines Compliance[1]

ROAD Network Compliance with TEN-T Guidelines[2] (% network length)	Orient/East-Med Corridor (OEM)	Mediterranean Corridor (MED)
Initial (2014) Compliance	27%	38%
Estimated Compliance with 2015 IPA/WBIF Investment Projects fully implemented	n/a	+2%
Estimated Compliance with 2016 IPA/WBIF Investment Projects fully implemented	n/a	n/a
Total Estimated Compliance with 2015 and 2016 Investment Projects fully implemented	27%	40%

RAIL Network Compliance with TEN-T Guidelines[3] (% network length)	Orient/East-Med Corridor (OEM)	Mediterranean Corridor (MED)
Initial (2014) Compliance	48%	12%
Estimated Compliance with 2015 IPA/WBIF Investment Projects fully implemented	+12%	n/a
Estimated Compliance with 2016 IPA/WBIF Investment Projects fully implemented	+2%	+5%
Total Estimated Compliance with 2015 and 2016 Investment Projects fully implemented	62%	17%

Estimated road netork compliance (2015 and 2016 IPA/WBIF projects fully implemented)



Estimated railway netork compliance (2015 and 2016 IPA/WBIF projects fully implemented)

[1] The TEN-T Guidelines may be found at: http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/legal-basis_en.htm.

[2] Road netork compliance has been calculated against motorway length considered to be in very good (International Roughness Index 1.24) or good condition (International Roughness Index 1.24 - 2.84).

[3] Railway netork compliance has been calculated as an average of electrification, axle load and operating speed compliance (% of total length) with the TEN-T Guidelines.

Western Balkans Investment Framework WBIF

SERBIA

2016 CONNECTIVITY PROJECT

Orient/East-Med Corridor: Serbia – Bulgaria CXc Rail Interconnection

Partners:
- Ministry of Construction, Transport and Infrastructure, Serbia
- JSC Serbian Railways Infrastructure (Železnice Srbije Akcionarsko Društvo)

Estimated cost:
- €84.4 million

EU contribution:
- €40.7 million (works and supplies)
- €2.9 million (project implementation support)

Estimated EIB loan:
- €36.7 million

Beneficiary contribution:
- €4.1 million

Transport

The Orient/East-Med Corridor runs between Salzburg in Austria and Thessaloniki in Greece. In Serbia, the Corridor accounts for 872 km of track, i.e. approximately 23% of the entire Serbian railway network. It includes a 80 km-long Serbia – Bulgaria interconnection along the CXc route, in between Sicevo and Dimitrovgrad, which has not been electrified. Moreover, the signalling and train control system has been in use for more than 50 years, slowing travel speeds to 30 and 50 km/h and posing serious transport safety risks.

This investment project[1] is part of the Core Network Corridors of the Trans-European Transport Network (TEN-T) extension into the Western Balkans and South East Europe Transport Observatory (SEETO)'s Core Network. It is thus included in the long-term sustainable development plans of the European Union and its partners. It covers the rehabilitation of the Sicevo to Dimitrovgrad railway track, including preparatory works for electrification and signalling and telecommunication systems.

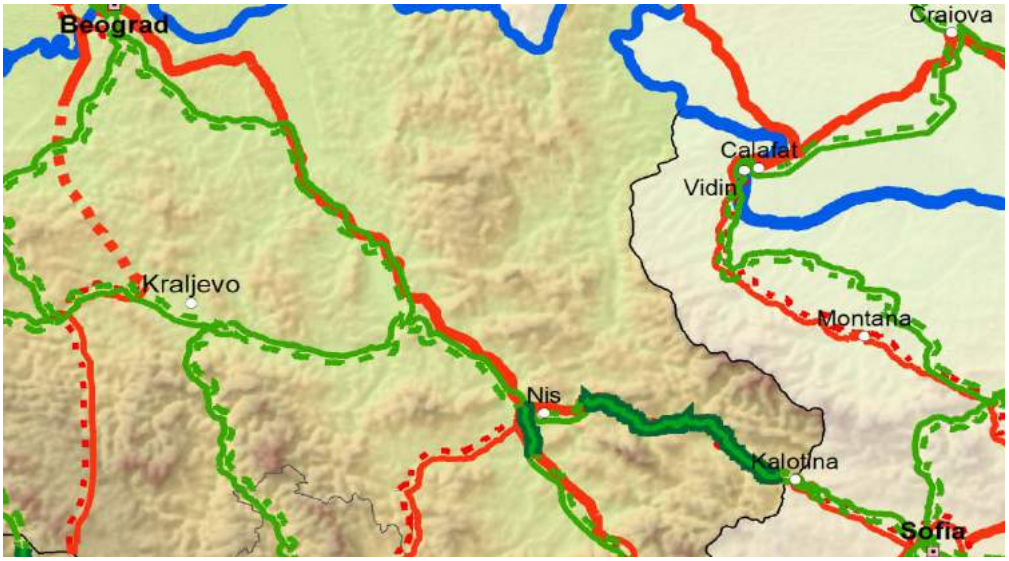
Existing Double-track Railway on Corridor X, Serbia.

Results:

- 80 km of CXc railway track upgraded to TEN-T standards, including preparatory works for electrification and signalling and telecommunication systems.
- Increase in passenger and freight travel speed from 30 km/h to 120 km/h, as well as in freight capacity to 22.9 tonnes axle load, throughout the CXc Sicevo to Dimitrovgrad section.

View of Non-electrified Railway Track on Corridor Xc, Serbia.

[1] Subject to a final decision by the budgetary authorities.



Map of Sicevo to Dimitrovgrad Rail Interconnection.

Estimated start date:
- Mid 2017

Estimated end date:
- End of 2019

Estimated loan repayment period:
- 15 years

The investment will be executed in two stages: a). Sicevo – Stanicenje (48 km); b). Stanicenje – Dimitrovgrad (32 km). Preliminary designs and other technical and financial documentation were prepared in 2008 and 2010 respectively; any fine-tuning required by recent changes in Serbian Construction Law will be undertaken in close cooperation with JASPERS by the end of 2016, so that tendering can commence early 2017.

The rehabilitation works will not have significant social or environmental impacts as the new facilities will be built on the route of the existing rail track.

The project is complemented by two other investments:

- Construction of the railway deviation around the City of Niš to the station in Sicevo, undertaken with assistance from 2011 IPA (EU) funding.
- Completion of electrification and signalling and communication works on the route from Niš to Sicevo and from there to Stanicenje and Dimitrovgrad, for which additional financial assistance will be sought from the Western Balkans Investment Framework in 2017.

The Dimitrovgrad – border with Bulgaria section was completely overhauled in 2001 with assistance from the European Investment Bank. The successful completion of proposed rehabilitation works on the Sicevo to Dimitrovgrad section as well as the execution of the two complementary investments will thus bring the entire CXc route to modern, TEN-T standards.

Benefits

- Approximately 550 new jobs created during construction as well as operation and maintenance periods.
- Direct access to modern means of transport for more than 340,000 people living along the railway route proposed for rehabilitation.
- Decrease in current pollution levels caused by diesel operations.
- Reduced operational and maintenance costs for railway operators.
- Better opportunities for socio-economic growth for one of the poorest regions in Serbia.
- Improved trade flows with countries in the region and thus a positive impact on the broader economy of Serbia.

Western Balkans Investment Framework WBIF

ALBANIA

2016 CONNECTIVITY PROJECT

Mediterranean Corridor: Montenegro - Albania - Greece Rail Interconnection

Partners:
- Ministry of Finance and Ministry of Transport and Infrastructure, Albania
- Albanian Railways S.A. (Hekurudha Shqiptare/HSH)

Estimated cost:
- €81.5 million

EU contribution:
- €32.9 million (works and supplies)
- €2.5 million (project implementation support)

Estimated EBRD loan:
- €32.9 million

Beneficiary contribution:
- €13.2 million

Transport

The Mediterranean Corridor links the Iberian Peninsula with the Hungarian-Ukrainian border. Its extension into the Western Balkans includes the CVIII Tirana - Durrës rail section, which connects the former Yugoslav Republic of Macedonia and the Albanian mainland to Durrës and the Adriatic Sea. This section has not benefited of any major overhaul since its commissioning and it currently allows for travel speeds under 60 km/h. It has not been electrified and the telecommunication and signalling system is obsolete, causing frequent interruptions in traffic. As a result, passenger services are seasonal and freight transport is inefficient.

This investment project[1] concerns the rehabilitation of the Tirana - Durrës railway section and the construction of a new railway link to the international airport in the capital, including signalling and telecommunication systems. It is part of the Core Network Corridors of the Trans-European Transport Network (TEN-T) extension into the Western Balkans as well as South East Europe Transport Observatory (SEETO)'s Core Network.

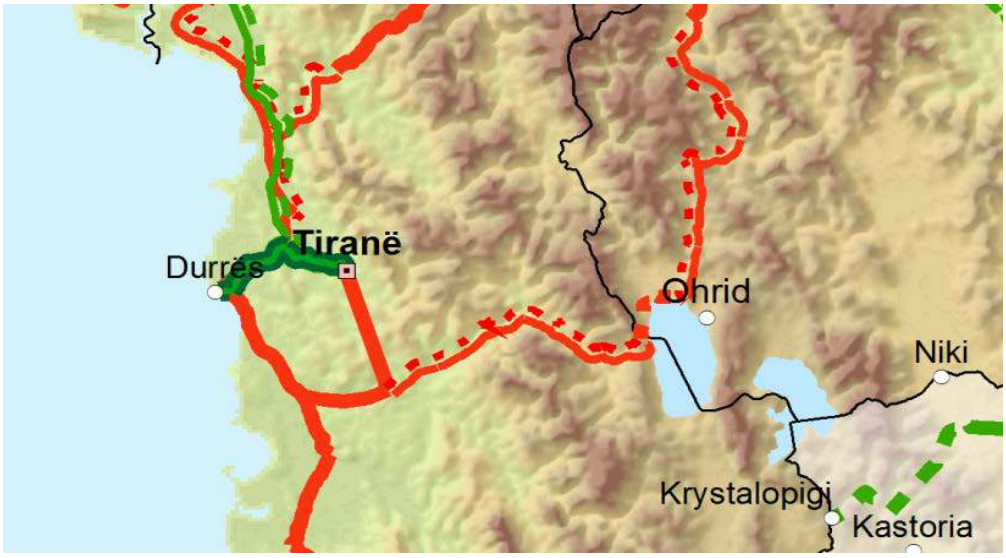
Durrës Railway Station, Albania.

Results:

- 34.5 km of railway track, from Tirana to Durrës, partly rehabilitated to modern, TEN-T standards, including signalling and telecommunication (but excluding electrification).
- 7.4 km of new railway track built between Tirana and Rinas international airport.
- Increase in passenger and freight travel speed from 60 km/h to 120 km/h, as well as in freight axle load to 22.9 tonnes, throughout the Tirana - Durrës section.

HSH Train nearby Durrës.

[1] Subject to a final decision by the budgetary authorities.



Map of Tirana - Durrës Rail Interconnection.

Estimated Start Date:
- Mid 2017

Estimated End Date:
- End of 2019

Estimated Loan Repayment Period:
- 15 years

The project is now at detailed design stage, with feasibility and environmental impact assessment studies completed with previous WBIF financial assistance. Tender documents are also under preparation as the detailed designs are due to be finalized by July 2016. The new development will not have significant social or environmental impacts as most of the facilities will be built on the route of the existing rail track, while the new section passes mostly through agricultural areas. Detailed environmental impact mitigation measures have been planned for during construction, including a noise monitoring programme.

The project complements two other planned improvements on CVIII and R2 sections on the Mediterranean Corridor, as follows:

- R2 Durrës – Vora – Shkodra – Hani Hotit/border with Montenegro section (140 km)
- CVIII Durrës – Vlore – Pogradec/border with the former Yugoslav Republic of Macedonia section (137 km).

Once complete, these two additional sections will ensure interoperable and multimodal transport connections between Albania and the former Yugoslav Republic of Macedonia and Montenegro, as well further transport links with Greece and Bulgaria, along the Mediterranean Corridor.

Benefits

- More than 1,375 new jobs created during construction as well as operation and maintenance periods.
- Direct access to modern means of transport for more than 1 million people living along the Tirana - Durrës railway route.
- Reduced operational and maintenance costs for railway operators active in Albania, estimated at more than €60 million.
- Savings in cost of travel time, estimated at more than €55 million.
- Improved environmental conditions by reducing freight and passenger transport by road.
- Improved trade flows with countries in the region and thus a positive impact on the broader economy of Albania.

Western Balkans Investment Framework WBIF

KOSOVO*

2016 CONNECTIVITY PROJECT

Orient/East-Med Corridor: The former Yugoslav Republic of Macedonia – Kosovo – Serbia R10 Rail Interconnection

Partners:
- Kosovo Railways JSC (InfraKos Sh. A.)
- Ministry of Finance, Kosovo

Estimated cost:
- €42.3 million

EU contribution:
- €17.2 million (works and supplies)
- €1.0 million (project implementation support)

Estimated EBRD contribution:
- €8.6 million loan
- €0.5 million (project implementation support)

Estimated EIB loan:
- €9.2 million

Beneficiary contribution:
- €5.8 million

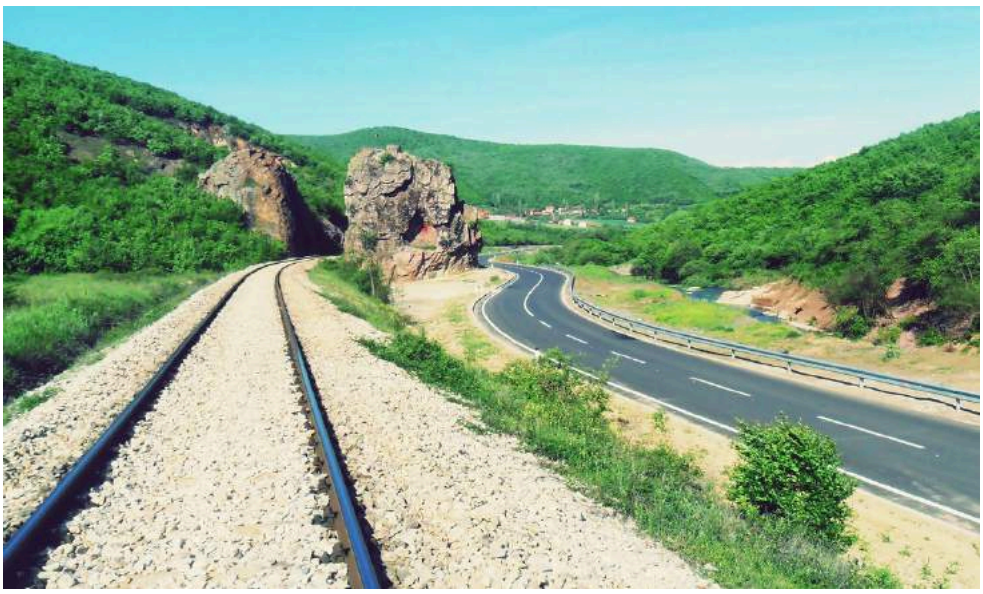
Transport

The Orient/East-Med Corridor crosses Kosovo from the north to the south, from the border with the former Yugoslav Republic of Macedonia to the one with Serbia, and constitutes Kosovo's sole connection to the wider region by rail. The entire track is in poor condition, with serious structural constraints that limit traffic to 20 or 60km/h. R10 route is part of the Core Network Corridors of the Trans-European Transport Network (TEN-T) extension into the Western Balkans and South East Europe Transport Observatory (SEETO)'s Comprehensive Network.

This investment project[1] will cover the rehabilitation of the Fushë Kosovë/ Kosovo Polje - Mitrovicë/Mitrovica rail section and associated railway stations to modern, TEN-T standards. Whereas it includes modern signalling and telecommunications, the project excludes electrification.

Fushë Kosovë/Kosovo Polje Railway Station.

Results:
- 35 km of railway track and 5 railway stations upgraded to modern, TEN-T standards, on the Fushë Kosovë/Kosovo Polje to Mitrovicë/Mitrovica R10 route.
- Increase in passenger and freight travel speed from 20 km/h to 100 km/h as well as freight axle load to 22.5 tonnes.



View of Non-electrified Railway Track in Drenicë/Drenica, Kosovo.

[1] Subject to a final decision by the budgetary authorities.

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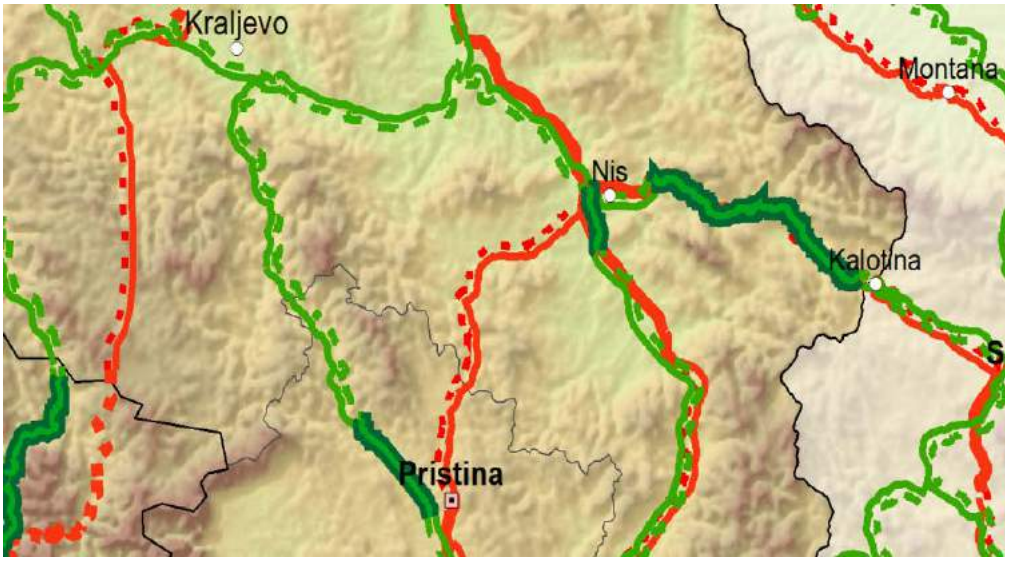

Map of R10, including the Fushë Kosovë/Kosovo Polje - Mitrovicë/Mitrovica Section.

Estimated Start Date:
- Mid 2017

Estimated End Date:
- End of 2019

Estimated Loan Repayment Period:
- 20 years

This investment project concerns Fushë Kosovë/Kosovo Polje - Mitrovicë/Mitrovica section, which constitutes Phase 2 of a larger investment in rehabilitating the entire R10 route through Kosovo, from the border with the former Yugoslav Republic of Macedonia to that with Serbia.

The feasibility study, preliminary designs and environmental impact assessment for Phase 2 have been completed with previous Western Balkans Investment Framework (WBIF) assistance. The new development will not have significant social or environmental impacts as the new facilities will be built on the route of the existing rail track.

Additional financial support for detailed technical project design and tender preparation was granted by the WBIF in 2015, as well, and the technical assistance activities are currently ongoing. Detailed designs are due to be finalized by the first half of 2017. A loan agreement for the entire R10 rehabilitation was signed with the European Bank for Reconstruction and Development (EBRD) in September 2015, followed by another agreement with the European Investment Bank (EIB) in December 2015.

Major overhaul works are due to start on Fushë Kosovë/Kosovo Polje – border with the former Yugoslav Republic of Macedonia section following the receipt of WBIF technical assistance and investment grants as well as EBRD and EIB loans under the 2015 WBIF co-financing round. The Mitrovicë/Mitrovica – border with Serbia section is planned to be rehabilitated by 2020 as well, to the same TEN-T standards with the exception of electrification.

Benefits

- Secure and efficient rail transport for approximately 50% of the population of Kosovo.
- More than 160 new jobs created during construction as well as operation and maintenance periods.
- Passenger and cargo rail capacity improved by more than 1.2 million people and respectively 1.2 million tonnes.
- Improved trade flows with countries in the region and thus a positive impact on the broader economy of Kosovo.

Western Balkans Investment Framework WBIF

REGIONAL

Partners:
- European Bank for Reconstruction and Development
- KfW Group
- Commercial Banks

Estimated total leveraged investment:
- €140 million

EU contribution:
- €30 million (investment grants and technical assistance to WB governments, banks, and sub-borrowers)

Partner contribution:
- €110 million

Energy (EE and RE)

2016 CONNECTIVITY PROJECT

Regional Energy Efficiency Programme (REEP Plus) for the Western Balkans

The energy intensity of the six Western Balkan countries (WB6) is around three times higher than the average for the European Union, often as the result of aged and obsolete energy infrastructure and poorly maintained and/or outdated energy-using capital stock.

Moreover, there is a growing need amongst the WB6 for cleaner energy while reducing dependence on imported energy sources.

In order to address such investment needs, the European Commission, in partnership with the Energy Community Secretariat (ECS) and the EBRD, established the Regional Energy Efficiency Programme (REEP) for the Western Balkans in 2013.

The additional, €30 million, contribution[1] from the European Union will be used to support REEP in further advancing energy efficiency (EE) and renewable energy (RE) investments in the region.

Mounting of New LED Lanterns in the Old Town of Novigrad, Croatia

Results:

- €140 million on-lent to finance eligible investments.
- 20,000 households receiving finance.
- 10 housing associations or housing management companies or technology/ services providers assisted with development of EE projects at building level.

Small Hydro Power Plant in Bistrica, Montenegro

[1] Subject to a final decision by the budgetary authorities.

Energy (EE and RE)

Estimated Programme Start Date:
- End 2016

Estimated Programme End Date:
- End 2023

Loan Tenors:
- Up to 12 years

Ternoves Hydropower Plant, Albania

REEP provides hands-on support to beneficiary countries with:

a). Policy Dialogue and project preparation support for Energy Service Company (ESCO) projects and national Energy Efficiency Action Plan implementation;

b). Credit line facility through local financial institutions for projects in private and public sectors (WebSEFF);

c). Direct lending facility covering public and private sector sustainable energy projects, including renewables and ESCOs (WeBSEDFF)

REEP Plus will continue to address policy barriers and bring additional benefits through a combination of project preparation support and medium-term financing to households, public and private sector for energy efficiency and renewable energy investments with a main focus on the residential sector.

It will follow a similar structure to the original REEP with the addition of a residential component under Window 2. The Direct Lending Facility will continue to cover both municipal and private sector investments in sustainable energy, including small renewable energy projects.

Benefits

- Improved energy efficiency both in the commercial and residential sectors and thus improved economic competitiveness and growth.
- Smaller energy bills for households and housing collectives.
- Better living conditions.
- Increased private sector involvement in the development and financing of sustainable energy investments.
- New businesses and jobs associated with energy services and buildings upgrade.

Western Balkans Investment Framework WBIF

REGIONAL

Shareholders:

- European Investment Bank (EIB) and European Investment Fund
- Kreditanstalt für Wiederaufbau (KfW)
- German Federal Ministry for Economic Cooperation and Development
- European Bank for Reconstruction and Development (EBRD)
- International Finance Corporation (IFC)
- Oesterreichische Entwicklungsbank (OeEB)
- Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO)
- GLS Bank
- Finance in Motion
- Sal. Oppenheim

Energy (EE and RE)

2016 CONNECTIVITY PROJECT

Green for Growth Fund: Hydropower and other Renewable Energy Schemes for the Western Balkans

There is a recognized need in Southeast Europe for both improving energy efficiency in businesses and homes and generating new energy from renewable resources. This will help the region meet its growing need for cleaner energy, while reducing dependence on imported energy sources and providing cost savings and efficiency gains. In order to address such investment needs, the Green for Growth Fund, Southeast Europe (GGF) was initiated by the EIB and KfW in 2009, with key financial support from the European Commission and the German Federal Ministry for Economic Cooperation and Development. GGF thus became the first specialized fund intended to advance energy efficiency (EE) and renewable energy (RE) in the region, through innovative public-private partnerships. Funding has been subsequently complemented by other financial institutions. The additional, €20 million, contribution from the European Union[1] will be used to support the Fund's growth in Southeast Europe and to successfully continue its mission of fostering EE and RE investments in the region.

Installing LED lighting in Skopje, the former Yugoslav Republic of Macedonia.

Results:

- Up to EUR 100 million in new investments in Western Balkans over the next five years
- Estimated energy savings of 500,000 MWh/year
- Estimated CO_2 savings of 120,000 tonnes/year.

Small Hydropower Plant in Librazhd, Albania.

[1] Subject to a final decision by the budgetary authorities.

Energy (EE and RE)

Estimated total leveraged investment:
- €100 million

EU contribution:
- €20 million

Fund contribution:
- €80 million

Estimated Investment Date:
- Late 2016

Estimated Investment Duration:
- 15 years

Solar-powered Irrigation Drip System in Begeč, Serbia.

GGF provides refinancing and technical assistance to financial institutions to enhance their participation in the EE and RE sectors. In addition, the Fund makes direct investments in renewable energy projects or related innovative fields. Eligible RE investments include: solar, small hydropower, biomass, geothermal, methane recovery, and small wind and biomass developments.

EE eligible measures include a diverse range of projects, from building envelope to lighting and combined heat/power systems.

The GGF Technical Assistance Facility, operating hand in hand with the GGF, provides critical support to the Fund in achieving its goal of enhancing EE/RE and reducing CO_2 emissions.

The majority of the Fund's investments are loans to financial institutions to support on-lending in retail loans for EE/RE purposes to private households and to small and medium enterprises. Complementing other initiatives financed by the EC, the GGF focuses on effective capacity building within Financial Institutions and engages in awareness raising, policy dialogue and infrastructure build up to mainstream EE/RE finance.

Given its lean structure and high specialization, the GGF is able to quickly deploy its funds and enable its partners to on-lend them to achieve energy efficiency and CO2 savings.

Benefits

- Employment generation and economic growth by making households and companies more efficient and by channelling investments into productive assets, rather than into energy consumption
- More than 48% primary energy savings across the portfolio
- Up to 8% of the savings required under the National Energy Efficiency Action Plans (NEEAPs) of Western Balkan target countries.

ec.europa.eu/neighbourhood-enlargement