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Flagships or red flags?

Risks of proposed flagship infrastructure projects under the Economic and Investment Plan for the Western Balkans

For more information

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Under the European Commission's October 2020 Economic and Investment Plan for the Western Balkans,[1] the Instrument for Pre-Accession (IPA) is set to provide grants worth EUR 9 billion, with up to EUR 20 billion more in investments leveraged through the Western Balkans Guarantee Facility.

The Economic and Investment Plan set out ten Flagship areas for investment, and Western Balkan governments have submitted proposed projects for financing in these fields.

Economic and Investment Plan Flagship areas

1. Connecting east to west (transport)
2. Connecting north to south (transport)
3. Connecting the coastal regions (transport)
4. Renewable energy
5. Transition from coal (gas and electricity transmission)
6. Renovation Wave (energy efficiency)
7. Waste and water management
8. Digital infrastructure
9. Investing in the competitiveness of the private sector
10. Youth Guarantee

These project lists were not subject to public consultation in the countries and have until now not been published anywhere, to the best of the authors' knowledge.[2]

[1] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, An Economic and Investment Plan for the Western Balkans, 6 October 2020.

[2] Some of the projects appear on the countries' Single Project Pipeline lists; for example Montenegro's can be found here. These are also selected without public consultations or Strategic Environmental Assessments, based on

Bankwatch obtained the list of 79 projects nominated by Western Balkan governments via an access to information request to the European Commission. It can be found in Annex I of this briefing.

The list contains many projects which appear reasonable and much-needed, but many others are not in line with EU policy and/or legislation and must not be funded with EU money. There is also a noticeable imbalance between categories – despite pressing needs to save energy in the region, not a single government has submitted a project in the *Renovation Wave* category. Moreover, other urgently needed types of projects are entirely missing from the list.

For example, despite high electricity distribution losses in most of the Western Balkans, especially Albania, Kosovo and Montenegro, none of the governments nominated projects to tackle this issue, nor did they nominate smart grid projects which could have fitted under the *Digital infrastructure, Renewable energy* or the *Transition from coal* categories. There are also no projects in the heating sector, despite the clear need for action to promote efficient heat pumps, solar thermal and fourth generation renewable district heating in the region.

The governments also did not nominate projects in the *Increasing competitiveness of the private sector* or *Youth Guarantee* fields, but these are less surprising as the private sector could to a large extent be supported effectively by loans rather than grants, and the Youth Guarantee is rather new to the region.[3]

In February 2022, it was announced that the first investment package under the Economic and Investment Plan had been approved.[4] It consisted of 21 projects with a total project value of EUR 3.2 billion in the transport, digital, climate, and energy connectivity sectors, for which EUR 1.1 billion[5] in grants will be provided via the Western Balkans Investment Framework (WBIF).[6] The remainder should come from international financial institutions, bilateral contributions from EU Member States and Norway and other national contributions, so the implementation of the projects also depends on these.[7]

According to our analysis, eleven of the approved projects come from the list of government-proposed projects disclosed by the European Commission. The remainder seem to be projects which had already been submitted by the countries for Western Balkan Investment Framework financing.

For now, the most controversial projects for which grant funding has been approved are the Corridor Vc sections south of Mostar in Bosnia and Herzegovina, where war returnees face the threat of losing their land and unnecessary damage looms over the stunning Buna and Bunica rivers, despite the existence of an alternative route.[8] Efforts by local people supported by NGOs to prevent the European Bank for Reconstruction

non-transparent criteria.

[3] Regional Cooperation Committee, Youth Guarantee in Western Balkans, undated.

[4] Western Balkans Investment Framework, European Commission launches €3.2 billion investment package in the Western Balkans, 25 February 2022.

[5] However, two of the projects – road and rail sections of the Corridor Vc in Republika Srpska, Bosnia and Herzegovina – will not be signed by the European Commission until a return to the full functioning of state institutions. The grants for these alone are worth almost EUR 263 million, so the real approved amount of grants is nearer to EUR 837 million.

[6] Western Balkans Investment Framework, Endorsed flagship projects 2022, 25 February 2022.

[7] Western Balkans Investment Framework, Endorsed flagship projects 2022, 25 February 2022.

[8] For more information, see https://bankwatch.org/project/corridorvc.

and Development and European Investment Bank financing the project in its current shape are ongoing. We have identified several other controversial projects, but these have not yet been approved for EU grant funding.

This briefing provides a brief overview of selected projects that have been nominated by governments but which are not in line with EU policy and/or legislation.

Recommendations for the European Commission

- Do not accept the Red Flag projects described below for financing.
- Increase the transparency of the project selection process by publishing a list of nominated projects together with clear information on their funding status.
- Stop using EU public money to finance gas in the Western Balkans.
- Instead of the fossil fuel projects, ask the countries to submit projects of equivalent value under the *Renovation Wave* category, including deep renovation of buildings, installation of efficient heat pumps and solar thermal.
- Instead of the hydropower projects, ask the countries to submit solar, wind or geothermal projects of equivalent value that would truly help to diversify the countries' renewable supply, or projects for the rehabilitation and environmental improvement of existing hydropower plants.
- Limit funding for road projects to rare and specific examples – the vast majority of transport projects should support rail in order to address the serious imbalances in investment so far. The Commission should also consider widening the transport flagships to include urban public transport and non-motorised transport projects, rather than just long-distance transport links.

Red Flags

1. Fossil fuel projects

The Western Balkan governments have nominated several gas projects for EU funding under the Economic and Investment Plan. In addition, North Macedonia – despite pledging to phase out coal by 2027 – has nominated the Zivojno mine, a new open cast lignite mine in the Bitola power complex.

It is not clear why this project has been nominated as it does not fit under any of the Flagship categories set out by the Commission. It is also not part of North Macedonia's energy transition plans, as it is just vaguely mentioned in the national Energy Strategy as a precondition for the business as usual scenario (without coal phase-out) which was not selected as the go-to scenario. It was therefore not included at all in the draft programme for the implementation of the Strategy, nor in the draft National Energy and Climate Plan.

While North Macedonia has indeed had coal supply problems this winter, a new mine cannot be the answer as it will encourage the country to push back its coal phase-out date and crowd out much-needed investments into sustainable forms of renewable energy and energy efficiency.

Fossil fuel projects nominated by Western Balkan governments

- Albania: Construction of gas network (Ionian Adriatic Pipeline,** ALKOGAP connection with Kosovo,* and several other sections)
- Bosnia and Herzegovina: Gas pipeline Travnik – Zagvozd**
- Kosovo: Albania – Kosovo Gas Pipeline (ALKOGAP)*
- Kosovo: North Macedonia – Kosovo gas pipeline (North Macedonia border – Kivenik – Pristina)*
- North Macedonia: Interconnection Gas pipeline North Macedonia – Greece**
- North Macedonia: Interconnection Gas pipeline North Macedonia – Kosovo*
- North Macedonia: Modernisation and Upgrading of the complex Energetika
- North Macedonia: Zivojno coal mine at the Bitola power complex
- Serbia: Gas interconnection Serbia — North Macedonia*

* Denotes Projects of Energy Community Interest selected in 2020 (see below for more information).
** Denotes Projects of Mutual Interest recommended in 2020 (see below for more information).

It cannot be underlined enough how crucial it is to stop the Western Balkan countries becoming more dependent on gas – a lesson which the EU is currently learning the hard way for itself.

In recent years, EU decision makers have actively and frequently participated in promoting gas in the region as an alternative to coal, including in the Western Balkans Economic and Investment Plan, whose Flagship 5, 'Transition from coal', mostly includes gas projects.[9]

This made no sense in October 2020 when the Plan was published, and it makes even less sense now. In most of the Western Balkans, gas infrastructure would have to be built from the beginning, which would take years and massive amounts of money. This would lock in gas infrastructure at a time when the countries need to be investing in energy efficiency and renewables instead of building new fossil fuel infrastructure. The region's very slow progress in developing solar and wind and cutting energy wastage, and the reluctance of most countries to commit to concrete coal phase-out deadlines, shows us that it is not realistic to expect, if gas investments are realised, that the countries will make another transition from gas towards renewables up to 2050.

But the last few months have brought into focus even more pressing problems. The Western Balkans, to the extent that it currently uses gas, is completely reliant on Russia. The potential alternative supply via the Southern Gas Corridor from the Caspian Sea will not avoid supporting Russia as the Russian oil company Lukoil has a 20 per cent stake in the Shah Deniz gas project.[10] Even if this changes, it makes no sense to increase the Western Balkans' dependence on importing energy from autocratic regimes.

[9] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, An Economic and Investment Plan for the Western Balkans, 6 October 2020.
[10] Lukoil, Lukoil completes the deal on acquiring interest in Shah-Deniz project, 18 February 2022.

The rapid price rises in late 2021 and early 2022 have illustrated the hazards of gas dependence irrespective of the source. Given the extent of energy poverty and political sensitivity of high utility bills in the region, consumers will not be willing or able to absorb high costs and volatile prices for gas. If fewer consumers than expected decide to connect to gas networks, the investments are likely to become stranded assets. But even if the gas is used, it is likely that governments will have to massively subsidise it, putting additional strain on the countries' limited public budgets and limiting their investments in energy efficiency and deployment of renewable capacities even further.

Against this background, the EU's recent support for the construction of new gas infrastructure in the region is extremely ill-advised. But it is not too late to stop this in light of Russia's invasion of Ukraine.

Three[11] of the gas projects proposed by Western Balkan governments under the Economic and Investment Plan were selected by the Energy Community Ministerial Council as Projects of Energy Community Interest (PECIs)[12] in 2020, and three more were recommended as Projects of Mutual Interest (PMIs) between the Energy Community countries and the EU.[13] The European Commission's support for these projects during this process is currently under examination by the European Ombudsman due to the lack of a satisfactory sustainability assessment.[14]

A new list was due to be chosen in 2022, but in November 2021, the Energy Community Ministerial Council decided not to go forward with the selection of new PECI and PMI projects until the EU's new TEN-E Regulation is adopted at the EU level and in the Energy Community.[15] Although the previous list formally remains valid until this happens, it is clear that much has changed since the list was selected, both in terms of EU policy, which is gradually becoming more ambitious on climate goals, and in terms of the hazards of relying on gas. There can no longer be any excuse to use limited EU funds to finance the lock-in of the Western Balkans to gas.

2. New hydropower projects

Despite most of the Western Balkan countries already having a high share of hydropower in their electricity mix, four countries have nominated new hydropower projects for EU funding under the Economic and Investment Plan.

[11] They appear as five projects nominated by governments because they are broken down into country sections.

[12] Decision D/2020/04/MC-EnC on the establishment of the list of projects of Energy Community interest ('Energy Community list'), 29 December 2020.

[13] Recommendation 2020/01/MC-EnC on projects of mutual interest between Contracting Parties and Member States of the European Union, 29 December 2020.

[14] European Ombudsman, The European Commission's role in assessing the sustainability of gas projects on the list of 'projects of regional significance' of the 'Energy Community', 19 April 2021.

[15] Energy Community Ministerial Council, Decision 2021/11/MC-EnC: amending Decision 2015/09/MC-EnC on the implementation of Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure, 30 November 2021.

New hydropower projects nominated by Western Balkan governments

- Albania: Skavica hydropower plant
- Bosnia and Herzegovina: Buk Bijela hydropower plant
- Kosovo: Second phase of the construction of the Ibër-Lepenc water system (includes hydropower element)
- Montenegro: Komarnica hydropower plant

The project nominated by Kosovo, the second phase of the construction of the Ibër-Lepenc hydro system, is mostly aimed at improving drinking water supplies, but also has a relatively minor electricity generation element. It is a major project, but little is known to the public so far in terms of its environmental costs and benefits.

However, the other projects are highly controversial. We understand from communication with the European Commission[16] that EU money would not be likely to support the construction of the dams, but may be used for studies as part of the project preparation. While this may assist in making better assessments of the dams than would otherwise be the case, overall, it still sends the wrong signal.

The Western Balkans – and particularly Albania, Montenegro and Bosnia and Herzegovina, which are already hydropower-dependent to varying degrees – should be ramping up their investments into energy savings and suitably-sited solar, wind and geothermal rather than investing in yet more hydropower. Modernisation of existing plants should also be a priority in some cases, and must include investments to improve the environmental performance of the plants.

Komarnica hydropower plant, Montenegro

Although described in the project list submitted to the European Commission as an '*Upgrade of the Piva hydropower system*', the 172 MW Komarnica hydropower plant is in fact nothing of the kind.

It is a different project, promoted by state-owned utility Elektroprivreda Crne Gore 45 kilometres upstream from the existing 342 MW Piva power plant. It would feature a 171 metre high concrete arch dam and a 17.6 kilometre long reservoir. As a peaking plant, it is expected to generate only 213 GWh of electricity annually, compared to an average of 860 GWh generated by the Piva plant.

It is unclear why Montenegro, which already generates 40-60 per cent of its electricity from hydropower, depending on rain and snowfall, needs yet another hydropower plant, and no evidence of Komarnica's economic viability is available to the public. A system with such a high percentage of hydropower is already highly vulnerable to climate change, as can be seen from its wide annual fluctuation in generation.[17] The Piva plant already works as a peaking plant, so Montenegro needs diversification of its renewable energy sources

[16] European Environmental Bureau, Environmental Agenda in the Western Balkans and Turkey – Online event, 22 October 2020.

[17] See for example: https://bankwatch.org/beyond-coal/the-energy-sector-in-montenegro.

much more than it needs another hydropower plant, especially as plans for its first large-scale solar plant at Briska Gora have stagnated.

The project would flood part of the Komarnica candidate Emerald Site (ME000000P) and the Dragišnica and Komarnica Regional Park. The area is also part of three potential Natura 2000 sites: Bukovica Valley and Vojnik Mountain under the Birds Directive and the Komarnica and Pridvorica sites under the Habitats Directive.

Moreover, the Komarnica river has been identified as a potential area for the expansion of the Durmitor National Park and UNESCO site, but so far has only been awarded a weaker 'Regional Park' status.

The area is home to numerous protected species, including wolves, bears, Balkan chamois, otters, stone crayfish, golden eagles, rock partridges and corncrakes. Yet the full extent of the likely damage by the project is not yet known due to only partial fieldwork having been done. Unique caves and cliffs would be flooded before their biodiversity is even properly researched.

The project's environmental assessment, published in February 2022, reads more like an advertisement brochure than a scientifically grounded study. It promises the people of Šavnik a golden future based on an influx of tourists who will allegedly visit because of the hydropower plant, but offers no evidence on why or how exactly this will happen. Experience from the town of Plužina, near the Piva plant, suggests that the hydropower plant will in fact hinder tourism.

Moreover, although the environmental assessment admits that the hydropower plant will damage biodiversity, it claims that the harm done by the project would be outweighed by its economic and social benefits.

As an EU candidate country, Montenegro has to a certain extent transposed the EU's nature protection laws, though it has not made a final selection of Natura 2000 protected areas yet. In any case, it has a duty to protect its candidate Emerald sites under the Bern Convention and must carry out an 'appropriate assessment' for any project which may significantly impact an Emerald site or Natura 2000 site. If it is found that the impact will be significant, the project may not go ahead unless a specific assessment finds it to be a project of 'overriding public interest'. But the Komarnica environmental impact assessment does not include any 'appropriate assessment' at all.

Similarly, projects that would degrade the river's status are not allowed under the EU Water Framework Directive unless they obtain the right to a derogation under Article 4(7) of the Directive. Again, a detailed assessment is needed, which has not been carried out in the case of Komarnica.

Buk Bijela hydropower plant, Bosnia and Herzegovina

The 93 MW Buk Bijela hydropower plant is planned by the public utility Elektroprivreda Republike Srpske (ERS) a few kilometres downstream from the Montenegrin border where the rivers Tara and Piva join to form the river Drina. It is one of three hydropower plants planned on the upper Drina, with the Foča and Paunci plants planned further downstream.

A memorandum on construction of Buk Bijela was signed with China National Aero-Technology International Engineering Corporation (AVIC-ENG) in July 2017.[18]

A larger version of the project has been disputed since the 1970s due to its impacts on the protected Tara canyon in Montenegro, a UNESCO World Heritage site and part of the Durmitor National Park. The newer, smaller version would still impact Montenegro, because it would block fish migration from the narrow Tara canyon to spawning grounds downstream.

The river Drina and its tributaries such as the Tara constitute the most significant habitat in the world for the endangered[19] Danube salmon (*Hucho hucho*) in terms of habitat length. Over the last 100 years *Hucho hucho* has undergone a massive decline. It is now found only in a few of southeast Europe's cleanest rivers. This fish is highly sensitive to low oxygen and moderate levels of pollution and is a good indicator for river health.[20]

The IUCN states that the main threat to the species is the flow regulation from hydropower dams which impact *Hucho hucho*, its prey, habitat and pollution.[21] A 2015 study concluded that there must be no hydropower development, including micro-hydropower, in rivers holding self-sustaining populations of Danube salmon.[22]

Hucho hucho is protected under Annex III of the Bern Convention and Annex II of the European Union Habitats Directive[23] as a species of community interest whose conservation requires the designation of special areas of conservation.[24] If the river was in the EU, the project would be unlikely to be allowed to go ahead, either under the Habitats Directive or the Water Framework Directive.

The upper Drina projects are subject to several ongoing legal cases. Environmental impact assessments were carried out for the Buk Bijela and Foča plants between 2011 and 2013, and so are outdated by now. They were of extremely poor quality, failing to specify exactly which species are present at the site, using old hydrological data, failing to assess the cumulative impacts of the three dam projects, and claiming that Buk Bijela would not affect Montenegro without offering any evidence.

[18] Balkan Green Energy News, Memorandum of cooperation on construction of HPP Buk Bijela signed, 10 July 2017.

[19] IUCN Red List, Danube salmon, 2008.

[20] Freyhof et al., The Huchen Hucho hucho in the Balkan region - Distribution and future impacts by hydropower development, Euronatur and RiverWatch, March 2015.

[21] IUCN Red List, Danube salmon, 2008.

[22] Freyhof et al., The Huchen Hucho hucho in the Balkan region - Distribution and future impacts by hydropower development.

[23] Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora.

[24] Council of Europe, Convention on the Conservation of European Wildlife and Natural Habitats, Appendix III – Protected Fauna Species, Bern, 1979.

Yet the Republika Srpska authorities have not required updates to the studies. Partly as a result of this, the environmental permits for the Buk Bijela and Foča projects are subject to legal disputes on several levels.

In December 2019 a new environmental permit was issued for Buk Bijela;[25] however, no new environmental impact assessment was carried out, despite a request from Montenegro. The decision not to require a new environmental assessment is being challenged in court by the Aarhus Centre in Bosnia and Herzegovina and as of March 2022 the Republika Srpska Supreme Court is examining the case.

In June 2021 several NGOs submitted a complaint to the Energy Community Secretariat due to the Republika Srpska authorities' failure to require new environmental assessments for the projects and due to the fact that the existing ones are not in line with the EU Environmental Assessment Directive. The complaint is under examination but has received a boost from a recent World Bank report[26] which finds a number of deficiencies in the environmental impact assessments.

In 2019 Montenegro expressed interest in taking part in transboundary consultations based on a new environmental impact assessment but Republika Srpska did not require a new assessment. In May 2020, civil society organisations from Montenegro and Bosnia and Herzegovina submitted a complaint to the Implementation Committee of the Espoo Convention on Environmental Impact Assessment in a Transboundary Context.[27] In December 2020 this was superseded by a complaint by the Montenegrin government.[28] As of March 2022, the case is still under consideration.

In December 2020, 24 Parliamentarians from the House of Representatives in the state-level Parliament of Bosnia and Herzegovina announced they had submitted a request to the Bosnia and Herzegovina Constitutional Court to examine the Republika Srpska government's decisions to issue concessions for Buk Bijela, Foča and Paunci.[29]

They claimed the decisions breached the Bosnia and Herzegovina constitution, as they prevented the state-level institutions from being able to manage state property – in this case a river forming part of the country's boundary. They also argued that previous decisions of the Constitutional Court had been breached, which found riverbeds and river water to be 'public goods' which are state property.

In July 2021 the Constitutional Court made a partial decision,[30] finding that a dispute regarding the decision by Republika Srpska to issue the concessions exists, and ordering the Commission for Concessions of Bosnia

[25] Ministry for Spatial Planning, Construction and Ecology of Republika Srpska, Decision no 15.04-96-79/19, 18 December 2019.

[26] World Bank, Technical Assistance on Integrated Water and Hydropower Development in the Drina River Basin Overall Summary (English), World Bank Group, December 2021.

[27] UNECE, EIA/IC/INFO/33, Implementation Committee - Correspondence as a result of information provided to the Committee from other sources.

[28] Montenegro Ministry of Sustainable Development and Tourism, Submission by Montenegro having concerns about the compliance of the (sic) Bosnia and Herzegovina with its obligations under the Convention on Environmental Impact Assessment in a Transboundary Context - Espoo and the Protocol on Strategic Environmental Assessment (SEA) in respect of the activity of construction of the hydropower plant Buk-Bijela on the Drina river, December 2020.

[29] Parlamentarna skupština Bosne i Hercegovine, Saopćenje dvadeset i četiri poslanika Predstavničkog doma Parlamentarne skupštine BiH povodom podnošenja Zahtjeva Ustavnom sudu BiH radi rješavanja spora sa entitetom Republika Srpska, 28 December 2020.

[30] Constitutional Court of Bosnia and Herzegovina, Djelomična odluka o dopustivosti i meritumu, predmet U-16/20, 16 July 2021.

and Herzegovina to resolve the matter within three months. However, due to issues regarding the composition of the Commission,[31] the issue is still pending as of March 2022.

No evidence has been published on the economic costs and benefits of the upper Drina projects, nor their financial feasibility. A World Bank report published in late 2021 identified numerous issues in the design and feasibility assessment for the Buk Bijela and Foča projects, including a relatively high Levelised Cost of Energy (LCOE) for the Buk Bijela plant. It recommended that the design of the project and the feasibility study of the two plants be updated.[32]

Skavica hydropower plant, Albania

Albania is almost 100 per cent hydropower-dependent for electricity. Its annual electricity generation has fluctuated massively in recent years, leading to high imports in all but the very wettest years.[33] It is the only country in the Western Balkans where several large new hydropower plants have been built in recent years, and for several years its renewables incentives scheme only supported hydropower, not solar or wind.

The government has for several years recognised that it needs to diversify its electricity generation and has held auctions for solar and wind capacity, but as of March 2022 only small projects have been realised so far. In parallel, however, the government and state-owned company KESH are still pushing the construction of yet more hydropower in the form of the 210 MW Skavica hydropower plant on the river Drin, upstream of the existing hydropower plants there.

In July 2021, seemingly without any tender procedure, a preliminary contract was signed with US construction giant Bechtel to carry out a technical investigation, build access roads for construction and carry out an environmental and social impact assessment for the project.[34] Bechtel has gained notoriety in the region for its involvement in a number of unsuccessful and/or overpriced projects, usually awarded without tender processes.[35] This raises concerns both about the value for money for the project and the meaningfulness of the forthcoming environmental impact assessment. If deals for the project have already been arranged behind closed doors, then the environmental impact assessment is bound to come up with the 'right' answer, irrespective of its actual findings.

Local people have already organised protests against the planned plant, which they say would displace 32 villages and more than 12,000 people.[36] It is not clear whether such figures have been confirmed officially, as

[31] Tina Jelin-Dizdar, Sud BiH osporio sastav: Komisije za koncesije ne može donositi odluke, N1, 15 February 2022.

[32] World Bank, Technical Assistance on Integrated Water and Hydropower Development in the Drina River Basin Overall Summary (English), World Bank Group, December 2021.

[33] See graph at: https://bankwatch.org/beyond-fossil-fuels/energy-sector-in-albania.

[34] Bechtel, Bechtel Signs Contract with Albanian Government for Skavica Hydro Project, 6 July 2021.

[35] See for example, Matthew Brunwasser, Steamrolled: A Special Investigation into the Diplomacy of Doing Business Abroad, Foreign Policy, January 2015; Marian Chiriac, Romania Cancels Highway Contract With Bechtel, Balkan Insight, 30 May 2013; Sinisa Jakov Marusic, Graft Warnings in North Macedonia over 'Hypocritical' Highway Plan, Balkan Insight, 21 July 2021.

[36] Exit.al, Albanians Protest US-Albanian Hydropower Plant in Skavica, 12 November 2021.

the environmental and social impact assessment does not yet appear to be public. Local and international NGOs also fear that the dam would impact the biocorridor between Albania and North Macedonia of the critically endangered Balkan lynx (*Lynx lynx balcanicus*) whose global population is estimated at around 30 individuals.[37]

The Skavica hydropower plant has already had one round of EU assistance cancelled,[38] so it is not clear why more funds are being requested.

Orange flag

Road projects

Depending on how they are counted, Western Balkan governments have nominated 13 to 14 road projects for EU funding under the Economic and Investment Plan. Most of these appear to be completely new roads, while a few are rehabilitations. While it is clear that some roads in the region do need to be upgraded, enormous amounts of money are being ploughed into new highways, often in a highly un-transparent manner, while little is done to prevent the need for so much road transport in the first place. Railways are in a dire state in the region, while cities are crowded with cars, have insufficient public transport and do not leave enough space for non-motorised transport.

The war in Ukraine has once again brought into sharp focus the need to decrease Europe's oil consumption. But even the growth of electric vehicles does not mean we will be able to continue to maintain the road traffic levels of recent years – a 2016 study suggested that up to 170 GW in renewable electricity would be needed in the EU by 2050 in order to support 80 per cent of vehicles being electrified.[39] The question is whether this can be done in a sustainable manner, taking into account competing uses for renewable electricity.[40] As a result of continuously building more and better roads the EU is struggling to re-engineer its transport system to become more sustainable. We must no longer repeat the same mistakes in the Western Balkans.

It is refreshing to see that 15 rail projects have also been nominated by Western Balkan governments, and those which are shown to be viable should very much be supported by the EU. Nevertheless, it is regrettable that the Flagships were not designed to obviously include urban public transport projects, though we do see some potential for these under the *Digital infrastructure* flagship. Urban public transport, as well as redesigning urban space for non-motorised transport, can improve people's lives on a daily basis and should also be considered for EU funding. For our full list of recommendations, please see the box on page two.

[37] IUCN Red List, Balkan lynx, 2015.

[38] Western Balkans Investment Framework, Skavica Hydro Power Plant, undated.

[39] Peter Kasten et al., Assessing the status of electrification of the road transport passenger vehicles and potential future implications for the environment and European energy system, Öko-Institut e.V., 20 September 2016.

[40] Kasten et al. (footnote 36) estimate that: 'To fully cover electric car demand in the EV-high scenario by renewable production a total amount of 170 GW of renewable energies is required in 2050 (including 87 GW wind, 45 GW solar, 24 GW hydro and 13 GW biomass capacities).' Additional biomass and hydropower raise particular concerns, but all forms of electricity generation can do harm if poorly sited or designed. It is not clear whether sustainable potential exists for so much additional wind and solar solely to feed electric vehicles.

Annex 1 - Summary list of projects proposed by the Western Balkan governments for EU funding under the Economic and Investment Plan for the Western Balkans

Note: projects in **bold** were endorsed by the WBIF in February 2022.

Albania

1. Adriatic-Ionian Corridor (Blue Highway)
2. Rehabilitation of Road Corridor CVIII
3. **Rehabilitation of Mediterranean Rail Corridor: Vorë – Hani Hotit Railway**
4. Rehabilitation of Mediterranean Rail Corridor: Construction of a new railway that will connect Albania with Kosovo (Mjeda (part of Vorë – Hani Hotit railway) – border with Kosovo at Morina)
5. Rehabilitation of Rail Corridor VIII: Durrës – Rrogozhinë – Pogradec – Lin Railway
6. Rehabilitation of Rail Corridor VIII: Construction of a new Railway that will connect Albania with Greece (Pogradec – Krystallopigi)
7. Development of national broadband infrastructure
8. Construction of gas network in Albania (Ionian Adriatic Pipeline, ALKOGAP - connection with Kosovo, and several other sections)
9. Skavica Hydropower Plant
10. Waste management in Kuksi and Dibra cross border areas

Bosnia and Herzegovina

1. Fast road Brčko – Tuzla – Zivinice
2. Fast road Lašva – Travnik – Jajce
3. Fast road Mostar – Široki Brijeg – Croatia
4. Railway track Vareš - Banovići
5. Railway rehabilitation and electrification Doboj – Tuzla – Zvornik
6. Gas pipeline Travnik – Zagvozd
7. Hydropower plant project Buk Bijela
8. **Motorway construction on Corridor Vc through Republika Srpska (Vukosavlje – Doboj)**
9. **Railway track overhaul at the section Šamac – Doboj – Rječica on railway Corridor Vc**
10. Road construction Brod na Drini (Foča) – Hum (Šćepan Polje) with interstate bridge (Route 2b)

Kosovo

1. Construction of a railway between Kosovo and Albania (Prizren – border with Albania)
2. Albania – Kosovo Gas Pipeline (ALKOGAP)
3. North Macedonia – Kosovo gas pipeline (North Macedonia border – Kivenik – Pristina)
4. Second phase of the construction of hydro system “Ibër-Lepenc”
5. Construction of the microbiology referent laboratory and hospital for infectiology plus equipment
6. Construction of the wastewater treatment Plant for the city of Pristina (including sewerage network and tertiary treatment)

Montenegro

1. Route 4: Highway Bar – Boljare, Mateševo – Andrijevica Section
2. Route 4: Highway Bar – Boljare, Podgorica Bypass
3. Route 4: Reconstruction and modernisation of the railway line Vrbnica – Bar, state border with Serbia
4. Route 2: Reconstruction and modernisation of the railway line Podgorica – Tuzi, across the border with the Republic of Albania to Tirana
5. Route 1: Coastal variant of the Adriatic-Ionian Motorway-expressway along Montenegro's coast – Budva Bypass
6. Reconstruction of the main way Šćepan Polje – Plužine (border crossing with Bosnia and Herzegovina)
7. Upgrade of the Piva hydropower system: a) Construction of Hydropower Plant Komarnica
8. Upgrade of the Piva hydropower system: b) Downstream Regulation of Hydropower Plant Piva
9. **Construction of the primary collector network for fecal sewage in the area of the Capital City of Podgorica**
10. Construction of wastewater treatment in the Municipality of Cetinje
11. Improvement of the wastewater management system of the Municipality of Pljevlja, Phase 2 of the sewerage network
12. Centre for waste treatment under the sanitary landfill complex "Možura" – Mixed waste sorting facility
13. Centre for waste treatment under the sanitary landfill complex "Možura" – Biodegradable waste composting plant
14. Construction of a bio-composting facility in Podgorica (“Zelenilo”)
15. Development of infrastructure for broadband internet access
16. Data centre of State Administration Authorities (State Authorities Data Centre)

North Macedonia

1. Construction of the rail section Beljakovce – border with the Republic of Bulgaria
2. Construction of road section BC Blace (Kosovo border) – Skopje
3. Rehabilitation of road section Kumanovo – Rankovce (Corridor VIII)
4. Construction of Joint border Station Tabanovce
5. Rehabilitation of rail section Kumanovo – Deljadrovce
6. Construction works of the railway section Kicevo – border with the Republic of Albania
7. **Construction of WWTP for Skopje and supervision activities**
8. Clean up activities for Alpha-HCH, Beta-HCH and Lindane Contaminated Sites at OHIS (second basin)
9. Establishment of Integrated and Financially Sustainable Regional Waste Management System in Skopje Region, closure of Non-compliance Landfills and supervision activities
10. Upgrading the WWTP in Vranishta, extension of the collector system for Ohrid Lake and separation of the foul and storm priority water network in the Cities of Ohrid and Struga
11. Establishment of Integrated and Financially Sustainable Regional Waste Management System in Vardar Region, closure of Non-compliance Landfills and supervision activities
12. Establishment of Integrated and Financially Sustainable Regional Waste Management System in Pelagonija Region, Closure of Non-compliance Landfills and supervision activities

13. Establishment of Integrated and Financially Sustainable Regional Waste Management System in Southwest Region, Closure of Non-compliance Landfills and supervision activities
14. Establishment of Integrated and Financially Sustainable Regional Waste Management System in South East Region, Closure of Non-compliance Landfills and supervision activities
15. Establishment of Integrated and Financially Self Sustainable Regional Waste Management System in Polog Region and supervision activities
16. Interconnection Gas pipeline North Macedonia – Greece
17. Interconnection Gas pipeline North Macedonia – Kosovo
18. Modernisation and Upgrading of the complex Energetika
19. Mine Zivojno (new open pit mine in the MPC Bitola)
20. Strengthening the transmission network in the south-east region
21. Photovoltaic power plant Oslomej 3 (80-100 MW)
22. Wind park Miravci (50 MW)
23. **Photovoltaic plant Oslomej 2 (10 MW)**
24. **Photovoltaic Power plant Bitola 1 (20 MW)**

Serbia

1. Orient/East-Med Corridor (Road R7): Construction of Nis – Merdare Highway (semi-motorway)
    a) Phase 1: Nis – Plocnik
    b) Phase 2: Plocnik – Merdare
2. Mediterranean Corridor: Serbia – Croatia CX rail interconnection, Stara Pazova – Sid and Indjija – Golubovici sections
3. Construction of an intermodal terminal in the vicinity of Belgrade, in the location in Batajnica (IPA 2015)
4. Rhine-Danube Corridor: Belgrade Port
5. **Removal of the German sunken vessels from WWII from the Danube, sector Prahovo**
6. Gas interconnection Serbia — North Macedonia
7. Trans-Balkan Electricity Transmission Corridor Phase I
    a) Section 3: Construction of new double circuit 400 kV overhead power line Obrenovac — Bajina Basta, with reconstruction of substations in Obrenovac and Bajina
    b) Section 4: Construction of double-circuit 400 kV interconnection between Serbia, Montenegro, and Bosnia and Herzegovina
8. Wastewater treatment in medium-sized municipalities in Serbia - Program VI
9. Regional wastewater management system for Zlatibor and Moravica district
10. Regional waste management system Kragujevac
11. **Introduction of new generation broadband networks in schools in rural areas - next generation broadband connectivity for rural white *(sic)* areas**
12. Regional portal for employment

Annex 2 - Flagship projects endorsed for grants under the Western Balkans Investment Framework (WBIF), February 2022

The list below shows the projects which were approved, together with the amount of grant funding. Not all projects on this list appear in the list of proposed projects provided by the European Commission from Annex 1. Those which do not are marked with an asterisk. We assume this is because they were proposed by governments at an earlier stage than during the collection of project proposals for the Economic and Investment Plan.

Transport

1. Serbia, Removal of the German sunken vessels from WWII from the Danube, sector Prahovo, EUR 15.9 million.
2. Kosovo, Orient/East-Med Corridor: Kosovo – Serbia Route 7 Road Interconnection, Pristina – Merdare Section, EUR 38 million.*
3. North Macedonia, Orient/East-Med Corridor: North Macedonia – Bulgaria CVIII Rail Interconnection, Kriva Palanka – Border with Bulgaria Section, EUR 149.2 million.
4. Serbia, Orient/East Med Corridor: Niš – Dimitrovgrad Xc Railway Line, Niš Bypass, EUR 34.4 million*
5. Serbia, Orient/East-Med Corridor: Belgrade – Mladenovac – Niš X Railway Line, Stalać – Đunis Section, EUR 80.2 million.*
6. Bosnia and Herzegovina, Mediterranean Corridor: Šamac – Doboj – Rječica Vc Railway Section, EUR 83.1 million.[41]
7. Bosnia and Herzegovina, Mediterranean Corridor: Corridor Vc: Johovac Interchange – Vukosavlje Interchange Motorway Section EUR 179.8 million.[42]
8. Bosnia and Herzegovina, Mediterranean Corridor: Corridor Vc: Medakovo – Ozimice Vc Motorway Subsection EUR 79.1 million.*
9. Bosnia and Herzegovina, Mediterranean Corridor: Corridor Vc: Mostar South – Kvanj Tunnel, EUR 30.3 million.*
10. Bosnia and Herzegovina, Mediterranean Corridor: Corridor Vc: Kvanj Tunnel – Buna Vc Motorway Subsection, EUR 23.1 million.*
11. Albania, Mediterranean Corridor: Tirana Bypass, EUR 34.7 million.*
12. Albania, Mediterranean Corridor: Vorë - Han i Hotit Route 2 Railway Line, EUR 133.4 million.

Energy

13. Albania, Vau i Dejës Floating Solar, Photovoltaic Power Plant, EUR 2.6 million.*
14. North Macedonia, Oslomej 1 Solar Photovoltaic Power Plant, EUR 1.6 million.*
15. North Macedonia, Oslomej 2 and Bitola Photovoltaic Power Plants, EUR 5 million.

[41] According to its press release of 25 February 2022, the European Commission intends to sign the respective contribution agreement for this investment only after the return of Republika Srpska to the full functioning of state institutions.

[42] According to its press release of 25 February 2022, the European Commission intends to sign the respective contribution agreement for this investment only after the return of Republika Srpska to the full functioning of state institutions.

16. Serbia, Trans-Balkan Electricity Corridor: Serbia-Montenegro-Bosnia and Herzegovina 400 kV Interconnection (Bajina Bašta to Bosnia and Herzegovina and Montenegro borders), EUR 8.5 million.
17. Serbia, Advanced System for Remote Meter Reading EUR 7.8 million.*

Environment and climate

18. Montenegro, Podgorica Wastewater Treatment Plant, EUR 22.9 million.
19. North Macedonia, Skopje Wastewater, Treatment Plant, EUR 69.8 million.

Digital future

20. Serbia, Rural Broadband Rollout Phase 2, EUR 33 million.

Human capital

21. Serbia, University Children's Hospital Tiršova 2 in Belgrade, EUR 35 million.*

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