

# Corridor Vc in Bosnia and Herzegovina

## IFIs' role

PFG meeting, November 2019



# Key part of the Connectivity Agenda for the Western Balkans



- Main international transport corridor in BiH, linking Budapest with the port of Ploče in Croatia through Bosnia and Herzegovina
- Part of the Western Balkans Core Network ,its development is **strongly supported by the EU through the WBIF**
- More than 50% of the population of BiH lives in the area around the Corridor and over 60% of the country's GDP is generated within 30 km of the Corridor
- **The most important infrastructure project in the country**
- The IMF strongly supports the project which they see as key for the future growth of the private sector

# IFI role in Corridor Vc

- Provide long term loan financing for the Corridor, **all sovereign or sovereign guaranteed debt**
- Facilitate access to WBIF for TA and investment grants
- Improve the prioritization, preparation and implementation of projects through advice and support to high quality:
  - Feasibility studies and technical designs
  - Procurement documents and procedures
  - Environmental & social safeguard management, stakeholder engagement
  - Independent supervision of works
- Enhance the “enabling environment” through support to:
  - Establishment of the Federation of BiH and Republika Srpska motorway companies (through covenants)
  - Introduction and updating of the fuel excise levy as a direct revenue stream to the motorway companies.
  - Introduction of tolls to cover operation and maintenance costs

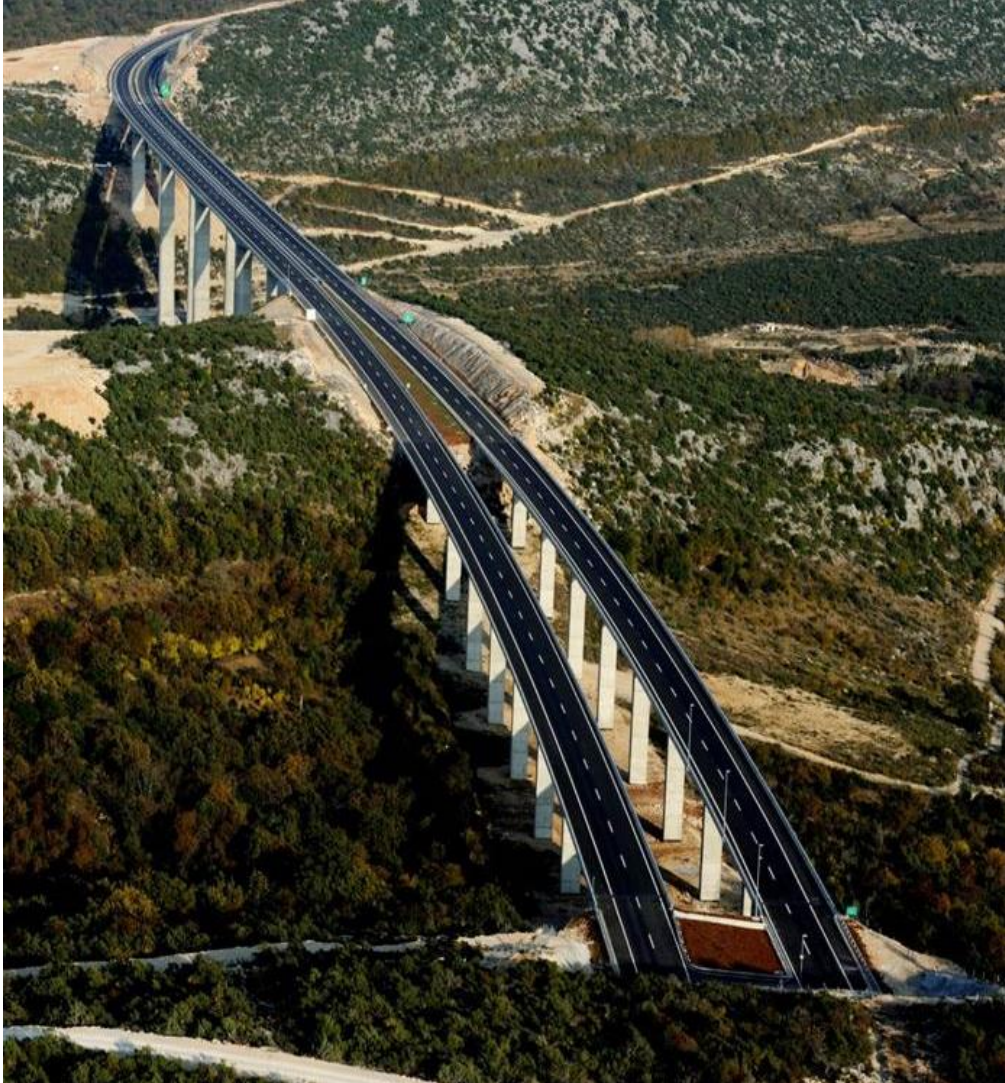


# Sections already built and under construction

Amounts in mil EUR	Length (km)	EIB	EBRD	OFID	KFAED	PPP	WBIF	Commercial banks	Own funds	TOTAL
Completed sections	100	382	225	15	-	-	-	-	257	879
Under construction	76	430	338	109	36	-	105	-	-	1,018
<b>TOTAL</b>	<b>176</b>	<b>812</b>	<b>563</b>	<b>124</b>	<b>36</b>	<b>-</b>	<b>105</b>	<b>-</b>	<b>257</b>	<b>1,897</b>

- As of January 2019, 100 km (out of 322 in total) have been completed and are open to traffic (all 100 km are in the Federation of BiH)
- A further 76 km are under construction and all are expected to be completed by 2023 (including the first section in Republika Srpska)
- **EBRD** financed 26 % of the completed sections and is financing 33 % of the sections now under construction
- **EIB** has been the dominant financing source, financing 43 % of the already built sections and 42% of sections under construction (OFID and the Kuwait Fund have also participated in FBiH)

# Financing of the uncompleted sections of the Corridor Vc



- The Corridor is 322 km long in BiH and passes through some very challenging terrain, resulting in a total cost running close to EUR 4 billion for full completion (in Bosnia & Herzegovina)
- Both banks continue to foresee substantial contributions over the coming years
- Banks seek to complement and not crowd out other sources of finance.
- PPP option remains
- Chinese are lobbying to build/ finance sections in both Federation and RS
- Electronic tolling may enhance funding situation and allow for “polluter pays” application through differentiated tariffs

# Financing of remaining sections

Amounts in mil EUR	Length (km)	EIB	EBRD	OFID	KFAED	PPP	Commercial banks	TOTAL
Planned by authorities	146	852	620	-	-	330	200	2,002

- The remaining 146 kilometers of Corridor Vc in Bosnia and Herzegovina currently does not have secured financing
- Based on current financial models and recent financials, the fuel excise levy (at current rates) could finance an additional EUR 1,410 million of debt in the next five years, the majority at sovereign pricing, but with EUR 260 million of commercial debt envisaged for the Mostar bypass
- Sovereign pricing from EIB and EBRD is needed to maximise the use of the sole source of debt service – the fuel excise levy