



EU SUPPORT TO MONTENEGRO

INVESTMENT INSTRUMENTS



EUROPEAN UNION
The largest provider of financial assistance to Montenegro

The **Economic and Investment Plan for the Western Balkans**, adopted by the European Commission on 6 October 2020*, aims to spur the long-term economic recovery of the region, to support a green and digital transition, to foster regional integration and convergence with the European Union. The investment package will be a key driver for facilitating increased public and private investments in the region by European and international financial institutions. *COM(2020)641 final

FLAGSHIP 2: Connecting North to South

The Rail Route 4, linking Belgrade to Podgorica to the Montenegrin port of Bar, will be fully rehabilitated from the Serbia border to the sea. The parallel road corridor will be further advanced. The Sarajevo to Podgorica capital to capital connection will be enhanced.

FLAGSHIP 3: Connecting the coastal regions

The Rail Route 2, linking the capitals of Tirana and Podgorica and extended to the port of Durres, will be enhanced. Major steps will be taken to complete the Blue Highway along the coast from Croatia down to Greece: the Budva bypass will be advanced.

FLAGSHIP 4: Renewable energy

The Piva Hydro Power System in Montenegro will be expanded with the start of the construction of the Komarnica Hydro Power Plant.

FLAGSHIP 7: Waste and waste water management

Integrated regional waste management systems, going hand-in-hand with the closure of non-compliant landfills, will be established.

FLAGSHIP 8: Digital infrastructure

The development and roll-out of national broadband infrastructure will continue – with the completion of the most advanced investment projects by 2024.

FLAGSHIP 9: Competitiveness of the Private Sector

Increase the grant amount and guarantee capacity to support the private sector and mobilise assistance for sustainable rural development.

The **Western Balkans Investment Framework (WBIF)**, including its private sector platform the **Western Balkans Enterprise Development and Innovation Facility (WB EDIF)**, gathers Western Balkans partners, bilateral donors and International Financial Institutions in support of the region and individual countries growth and convergence. The WBIF was created in 2009, with the European Union as major donor through the Pre-Accession Assistance Instrument (IPA).

The **Pre-Accession Assistance (IPA II)** also provides additional funds as bilateral grants directly to Montenegro, to support projects in the fields of transport, energy, environment, competitiveness, innovation and capacity building.

	WBIF grants 2009 - 2021	IPA II bilateral grants 2014 - 2021
Sustainable transport	€131.1m	€13.5m
Clean energy	€29.5m	-
Environment & Climate	€32.8m	€18.8m
Human Capital	€1.4m	€37.7m
Digital future	€0.5m	-
Private sector (incl. agriculture)	Breakdown of support provided below*	€96.9m
Total EU Support	€195.3m	€166.9m



'As a financial blending instrument, the WBIF is offering favourable conditions when it comes to implementing the Connectivity Agenda and the European Green Deal in order to link Montenegro to TEN-T and TEN-E corridors.'

Ambassador Oana-Cristina Popa
Head of EU Delegation to Montenegro

WBIF AND MONTENEGRO

MONTENEGRO AND THE WESTERN BALKANS INVESTMENT FRAMEWORK (WBIF)

Results

- 100 km of motorways
- 147 km of railway lines rehabilitated
- 287 km of electricity transmission lines upgraded
- Improved water/wastewater systems for 490,000 people
- Efficient solid waste services for 297,000 people
- Flood forecasting and warning system for 192,000 people in the Sava River Basin

In Montenegro, the WBIF also supports private sector competitiveness and innovation (including agriculture) with blended investments (grants and loans) through the following instruments:

WB EDIF • financing for SMEs	€28.1m
EFSE • sub-loan investments	€240.6m
GGF • sub-loan investments	€4.3m
REEP/REEP+ • financing for private sector	€5.2m
Total	€278.2m

WBIF GRANTS	Investment grants: €151.1m Technical assistance: €44.2m
SIGNED LOANS	SUPPORT TO PRIVATE SECTOR
€250m	€278.2m
ESTIMATED PROJECT VALUE	PROJECTS SUPPORTED
€1.8bn	20

Data as of September 2021

SME access to finance and competitiveness

WB EDIF Western Balkans Enterprise Development & Innovation Facility (WB EDIF)

The WB EDIF provides diversified access to finance for small and medium enterprises (SMEs) via a range of financial instruments, accompanied by advisory services to boost the SMEs investment readiness.

EFSE European Fund for Southeast Europe (EFSE)

The EFSE fosters economic development through the provision of finance to intermediate lending institutions that on-lend to micro and small enterprises (MSEs), farmers, agro-businesses, and households.

Private sector energy efficiency and renewables

GGF Green for Growth Fund (GGF)

The GGF finances renewable energy projects through the provision of finance to intermediate lending institutions that on-lend to MSEs and private households.

REEP/REEP Plus Regional Energy Efficiency Programme (REEP/REEP Plus)

The REEP/REEP Plus provides a combination of financing instruments to municipalities, SMEs and households for the sustainable energy efficiency projects.



WBIF PUBLIC SECTOR • Blending investments for major infrastructural projects



Orient/East-Med Corridor: Montenegro – Serbia R4 rail interconnection, Bar – Vrbnica section

Trans-Balkan electricity corridor: grid section in Montenegro

The extension of the Orient/East-Med Corridor into the Western Balkans along Route 4 is approximately 580 km (from Vrsac in Serbia/Romania border to Bar in Montenegro). The Bar-Vrbnica section is the main railway line of Montenegro's rail network, carrying around 20% of all passenger volume and 60% of freight. Many elements on this line are now reaching the end of their economic life. The signalling system is technically obsolete and also most of the bridges are in need of rehabilitation. Work has started on rehabilitation of steel bridges, financed by EIB, whereas the rehabilitation of concrete bridges and tunnels is supported through the WBIF grant. The project will benefit directly 750,000 passengers using the line on annual basis and indirectly the broader economy by facilitating trade, regional integration and sustainable growth.

Electricity trading in the Western Balkans is expected to grow due to both domestic consumption and demand generated by the new interconnection between Italy-Montenegro (1000MW HVDC cable). This project comprises the construction of a new 400 kV transmission line from Lasta-Pljevlja to the border with Serbia, including the construction of a new substation, grid connection from Lastva substation to the existing 400kV Podgorica – Trebinje line. The planned investments will normalise voltage levels, stabilise load flows and frequency fluctuations, and decrease technical losses in the overall transmission system. Moreover, the Montenegrin power system will be integrated into the wider European energy market.

EU grants: €69m

EU grants: €26.9m

EIB loans: €34m

KfW loan: €25m; EBRD loan: €60m

Total investment: €244.3m

Total investment: €128.9m



Montenegro regional sanitary landfills

Pljevlja centre for elderly

Waste management in Montenegro represents a significant challenge due to its complexity and level of negative impact on the environment. Inappropriate disposal of solid waste and lack of recycling practice has been recognised as one of the most burning issues in the sector. WBIF supports two projects dealing with waste landfill in Montenegro. These projects will contribute to improved public health; improved air, groundwater and surface water quality at the neighbouring environment; sustainable waste management capacity. All of these benefits will result in increased service quality and higher customer satisfaction.

The municipality of Pljevlja is one of the biggest municipalities in Montenegro, and yet one of the most poverty affected ones. Those who reside in villages are most often elderly households (incl. with disabilities). These households are heavily affected by poverty, social exclusion and isolation, especially in winter times. To mitigate this issue, WBIF provided grant support for the construction of a new care centre for the elderly in Pljevlja providing full-time accommodation to 68 elderly and daily care for an additional 30 persons. The project was ultimately transferred to the Regional Housing Programme and National IPA.

EU grants: €1m

EU grants: €0.1m

EIB loan: €2m

Total investment: €30m

Total investment: €2.4m

WBIF PRIVATE SECTOR • Access to finance and competitiveness, energy efficiency and renewables

WB EDIF Western Balkans Enterprise Development and Innovation Facility | wbedif.eu

GREEN FOR GROWTH FUND | ggf.lu

Objective: Improve capacity and access to affordable finance for companies in the Western Balkans.

The Western Balkans Enterprise Development & Innovation Facility (WB EDIF) is the EU-led platform for private sector development in the Western Balkans. It unites key stakeholders including the Western Balkan governments, IFIs, regional organisations, and bilateral donors to pull and leverage together financing and expertise. WB EDIF provides diversified access to finance for small and medium enterprises (SMEs) via a range of financial instruments (i.e. guarantees, equity and loans). This is accompanied by advisory services to boost the SMEs investment readiness and support for policy reforms in the region.

- €28.1m in financing for SMEs
- 943 SMEs supported
- 2 equity investments (€0.43m)
- €3.1m in technical assistance and advisory to SMEs

EFSE European Fund for Southeast Europe* | efse.lu

Objective: Provide sustainable funding to micro and small enterprises and low-income families.

The European Fund for Southeast Europe (EFSE) is an EU supported public-private fund fostering economic development through the provision of finance to intermediate lending institutions that on-lend to MSEs, including farmers and agro-businesses, and to private households. Its development facility provides technical assistance to build the capacity of the entrepreneurial ecosystem (e.g. entrepreneurs, financial institutions, public institutions). KfW is the initiator and lead investor of the Fund.

- €240.6m sub-loan investments since inception
- 39,136 sub-loans provided since inception
- 41 technical assistance projects since inception

Objective: Support regional measures to cut energy use and CO2 emissions by 20%.

Under the same structure than EFSE, the Green for Growth Fund (GGF) finances renewable energy projects. Intermediate lending institutions on-lend to micro and small enterprises (MSEs) and to private households. The Fund has a special focus on energy efficiency and renewable energy investments. Its Technical Assistance Facility supports MSEs to prepare investment projects and builds the capacity of intermediate lending institutions. The initiators of the GGF are the European Investment Bank (EIB) and Germany's KfW Development Bank.

- €4.3m sub-loan investments
- 1,804 sub-loans
- 9,095 MWh/yr primary energy savings
- 2,874t CO2/yr emissions reduction

REEP/REEP Plus | wb-reep.org

Objective: Create a sustainable market for energy efficiency in the Western Balkans.

The Regional Energy Efficiency Programme for the Western Balkans (REEP/REEP Plus) provides a combination of financing instruments, technical assistance and policy dialogue to address market barriers and stimulate longer-term market development. Implemented by the European Bank for Reconstruction and Development (EBRD), the Energy Community Secretariat and KfW with the support of the EU and other bilateral donors, the programme supports the improvement of the regulatory environment for investments in energy efficiency, sustainable and renewable energy. It also facilitates access to finance to municipalities, SMEs and private households.

- €1m in financing for residential sector (GEFF)
- €4.2m in direct financing for private sector
- Improved energy efficiency



Amplitudo is a leading digital innovator in Montenegro, specialising in software development and marketing. During the COVID-19 pandemic, the company and the Ministry of Education developed an online learning platform so that students could continue their lessons from home. Past business advisory projects supported by the EU and the European Bank for Reconstruction and Development (EBRD) (through WB EDIF) helped the company tackle everything from strategy to quality control.