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## **Economic and Investment Plan for the Western Balkans**

**Prepared by the European Commission, the Economic and Investment Plan for the Western Balkans (WB6) aims to strengthen two parallel integration processes: firstly, harmonization of the WB6's economies with the economy of the European Union, and secondly, creating stronger regional economic and infrastructural ties. It is a continuation of the policy initiated at the Berlin Summit in 2014, inaugurating the Berlin Process for the Western Balkans. It gives priority to the economic development of the region as well as the economic and infrastructural integration of the Western Balkan countries with the EU countries.**

On October 6th, 2020, the European Commission adopted a comprehensive Economic and Investment Plan for the Western Balkans (EIP). The main goals of the European Commission are the long-term economic recovery of the region, the ecological and digital transformation as well as the integration and convergence of WB6 with the EU. The implementation of the plan means further economic integration of the region into the EU, regardless of the delays in the EU membership process.

According to the European Commission's communication, the EIP provides for a significant investment package of EUR 9 billion. It will serve as a support for the sustainable development of infrastructure, human capital and a double transformation: ecological and digital. The statements of EC officials indicate that access to funds allocated to the Western Balkans under the Economic and Investment Plan for the Western Balkans will have to be justified in the prepared projects. The EC also places a particular emphasis on expenditure control.

As a complement to subsidies awarded to the region, the EC wants to provide loan guarantees that will help reduce the costs of financing public and private investments and reduce the risk for investors. The representatives of the European Commission emphasized that the support provided through this instrument will contribute to the launch of potential investments worth up to EUR 20 billion in the coming decade. The EC representatives also suggested that trade preferences should be included in EIP, facilitating the allocation of WB6 products on the European market and reducing the significant WB6 deficit in trade with the EU.

**Public investments.** The plan presented by the European Commission means strengthening the role of the state in the process of redistribution of the EU aid funds. The EIP defines ten flagship investment projects: support for major road and rail connections in the region, renewable energy generation and coal abandonment, renovation of public and private buildings to increase their energy efficiency and reduction of greenhouse gas emissions, development of waste and sewage management infrastructure and the development of broadband infrastructure. In practice, each of these projects will mean the involvement of the administration, and thus the participation of the authorities in the allocation of available resources. Other proposed initiatives, such as increased investment in the private sector to increase competitiveness and innovation, or the Youth Fund, are not sufficient for the private sector to be adequately strengthened.

The most important elements of the new plan are bringing WB6 closer to the European Green Deal strategy and the development of road and rail infrastructure. These areas will entail, in a relatively short time, the largest investments, and will also have a significant impact on the structural conditions of further economic development of the region.

**The Green Deal in the Western Balkans.** In parallel with EIP, planned as an aid for the region, the European Commission has presented guidelines for the implementation of the Green Program of Action for the Western Balkans. The prepared guidelines are primarily aimed at adapting to a whole range of solutions approved by the EU, such as the EU climate law, the European Climate Pact or the EU Emissions Trading System. They are to be adopted at the Western Balkans Summit in Sofia in November 2020. The program foresees actions focusing on

five pillars. These include activities in the following areas: 1) climate, including decarbonization, energy and mobility; 2) circular economy, especially in the context of waste, recycling, sustainable production and resource efficiency; 3) biodiversity to protect and restore natural the region's wealth; 4) opposing air, water and soil pollution; and 5) sustainable food systems and rural areas. A key factor enabling progress in the above-mentioned areas will be digitization, in line with the idea of a double ecological and digital transformation. The EU's efforts in this area are focused on giving the WB6 economic transformation an appropriate development vector that will enable faster and deeper integration of the region into the EU market, and thus further economic dependence of the WB6 on the EU.

The detailed projects include, among the others, the completion of the renovation of the Fierza hydropower plant in Albania and the continuation of the construction of the Skavica hydropower plant. There are also plans to expand the Piva hydropower system in Montenegro by building the Komarnica hydropower plant. Additional expenses are planned in Kosovo to prepare for the construction of the Ibër-Lepenc II hydropower plant. In North Macedonia, it is planned to prepare model investments in wind and solar farms.

**Transport and infrastructure.** The European Commission endeavors to strengthen those infrastructure projects that will enable better connections within the region. This includes, for example, the completion of the "highway of peace" between Pristina in Kosovo and Nis in Serbia. The end of this project will, in practice, mean a faster and more convenient connection between Serbia and the Albanian ports of Durrës and Vlora. Another example is the modernization of the rail link that runs parallel to the pan-European road Corridor X, which runs through Belgrade, Niš and Skopje, connecting Budapest and Zagreb with Sofia and the Greek ports of Igumenitsa and Thessaloniki. Projects to improve the crucial rail freight link between Serbia and Croatia, as well as the project to upgrade the rail link to North Macedonia, will be significantly improved. Pan-European Railway Corridor VIII between Skopje and the Bulgarian border will also be improved to connect the capitals of both countries.

Several projects will coincide with the postulates of the Three Seas Initiative. One of them is the plan to complete the main north-south road corridor connecting Central Europe, via Bosnia and Herzegovina to the port of Ploče on the Adriatic coast (Corridor Vc). There are also plans to improve the rail connection on the same corridor and to renovate the Railway Route 4 that connects Belgrade with the Montenegrin port of Bar. There are plans to improve further the parallel road corridor, especially the Podgorica bypass. Additional funds are to be allocated to the modernization of the Sarajevo-Podgorica connection, which connects to the existing and planned road networks in Bosnia and Herzegovina, thus ensuring more direct connections between the neighbors. There are also plans to repair the railway line connecting Belgrade with Pristina through construction works in Kosovo and preparation of the necessary technical documentation for renovation works in Serbia.

In addition, the European Commission wants to strengthen connections between coastal regions. A key project for the region is Railway Route 2, linking Podgorica and Tirana, with an extension to the port of Durrës. Further expenses are planned to complete the "blue highway" along the Adriatic coast connecting Croatia with Greece. In addition, the Tirana bypass and the Budva bypass in Montenegro are expected to be completed.

**Conclusions.** The Economic and Investment Plan for the Western Balkans shows the intentions of the European Commission, which, despite the crisis in the enlargement policy and the ongoing intra-EU disputes, supports the economic development of the region and its further integration with the EU countries. If the planned projects are implemented, they will strengthen the attractiveness of the region for external investors. The implementation of the program assumptions will facilitate trade within the framework of the Central European Free Trade Agreement – CEFTA, associating the WB6 countries. It will also increase the accessibility of the WB6 markets to Central European commodities and investors. The key problem remains the proper and effective use of available financial resources by local enterprises. Currently, major construction and technology projects are implemented mainly by companies outside the region, which makes it impossible to use all the benefits of the development aid provided. Poland, along with other emerging countries in the Three Seas Initiative, has a chance of deeper involvement in the region due to the experience in using European funds to build a road network and modernize railways. Moreover, the Polish experience in negotiating the path of energy transformation can be of great help to the Western Balkans countries.