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From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

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To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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Subject: ANNEX to the 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

Delegations will find attached document COM(2020) 641 final - ANNEX I.

Encl.: COM(2020) 641 final - ANNEX I



Brussels, 6.10.2020
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ANNEX

ANNEX

to the

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
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An Economic and Investment Plan for the Western Balkans

{SWD(2020) 223 final}

ANNEX

In the context of the twin Green and Digital transition the Commission will examine the costs the benefits and the impact of the following priority investment flagships and their corresponding project proposals with a view to taking them forward actively and expediently.

In the area of transport, the Commission foresees the following **investment flagships** to be completed or advanced by the end of this Commission's mandate:

FLAGSHIP 1 - CONNECTING EAST TO WEST

Major east to west connections will be completed or advanced by 2024:

- The **“Peace Highway” in Kosovo*** (linking Pristina with Niš in Serbia) **will be finished with the Serbia section substantially advanced.**
- While the (core network of the) road corridor (Corridor X) south-east from Hungary through the region to Bulgaria, Greece and beyond has been practically completed, including with EU support, the parallel rail corridor will be fully modernised. In particular, the Niš railway bypass in Serbia will be finalised in this timeframe. The project on Corridor X to upgrade the rail connection between Serbia and Croatia, which is a vital link in terms of rail freight, will be considerably advanced, as will the project to upgrade the rail link to North Macedonia.
- **Rail Corridor VIII between Skopje and the Bulgarian border** will be substantially advanced to connect Skopje and Sofia.
- **Demining of the Sava river and addressing bottlenecks on the Danube river** will be completed or advanced to improve the sustainable transport mode of these important waterways as part of the TEN-T network, and to facilitate further development of intermodal exchanges.

FLAGSHIP 2 - CONNECTING NORTH TO SOUTH

Major north to south connections will be completed or advanced by 2024:

- **75% of the main north-south road corridor** linking central Europe capitals through Sarajevo in Bosnia and Herzegovina to the port of Ploče on the Adriatic coast (**Corridor Vc**) **will be completed to motorway standards.** The rail connection along the same corridor will also be upgraded.
- **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, in particular the Podgorica bypass.**
- **The Sarajevo to Podgorica capital to capital connection will be enhanced,** linking further to the existing and planned networks in Bosnia and Herzegovina, and providing more direct links between neighbours.
- **Railway Route connecting Belgrade with Pristina will be further upgraded** through construction works in Kosovo and by preparing the necessary technical documentation for the rehabilitation works in Serbia.

FLAGSHIP 3: CONNECTING THE COASTAL REGIONS

The following will be **completed or advanced by 2024**:

- The **Rail Route 2 linking the capitals of Tirana and Podgorica, and extended to the port of Durres**, is a key project for the region and will be enhanced through the rehabilitation of 120 km of railway line in Albania towards the border with Montenegro.
- Major steps will be taken to complete the “**Blue Highway**” along the coast **from Croatia down to Greece**: the **Tirana road bypass** will be completed and **two further sections in Albania** plus the **Budva bypass in Montenegro** will be substantially advanced.

In the area of **energy**, the Commission suggests the following **investment flagships**:

FLAGSHIP 4 – RENEWABLE ENERGY

Increased use of **renewable energy sources** will be supported, in line with the region’s potential and national preferences.

The following concrete projects could be supported:

- The **Fierza Hydro Power Plant rehabilitation in Albania** will be completed, and the construction of the **Skavica Hydro Power Plant** advanced, in order to increase the potential for the country and ultimately the region with view to increase export of electricity from clean energy.
- The Piva Hydro Power System in Montenegro will be expanded with the start of the construction of the **Komarnica Hydro Power Plant**.
- Preparations for the construction of the **Ibër-Lepenc Hydro System Phase II in Kosovo** will be accelerated.
- **Wind park and solar power plant investments in North Macedonia** will be substantially advanced and serve as an example for future proof investments making use of the renewable energy potential of the region.

FLAGSHIP 5 - TRANSITION FROM COAL

The transition from highly polluting coal to more sustainable and green sources of energy production will be key for the region to meet its commitments under the Paris Agreement. Future-proof gas pipelines supportive of the low carbon transition and transit of decarbonised gas and hydrogen will play a key role, as well as performant electricity transmission lines and smart grids for increased use of renewable energy sources in line with the region’s potential.

The following concrete projects could be supported:

- **As part of the Trans Adriatic Pipeline, the construction of the Fier-Vlora gas pipeline in Albania** will be completed, and the Ionian-Adriatic pipeline along the coast will be prioritised, facilitating a major diversification of the sources of gas supply to the Western Balkans region and beyond
- The **Gas-interconnector Bosnia and Herzegovina – Croatia**, complementing the above diversification, and increasing the potential and diversification of the existing gas distribution system in the country, will be completed

- The **North Macedonia – Kosovo Gas Interconnection**, and extending the already ongoing investment of the North Macedonia – Greece interconnector, would start construction.
- The **North Macedonia – Serbia Gas Interconnection** will be prepared for construction.
- The **Trans-Balkan Electricity Transmission Corridor in Serbia** as part of interconnection between Serbia, Montenegro, and Bosnia and Herzegovina will be completed to provide the backbone for the electricity distribution of the whole region and towards the EU.

FLAGSHIP 6 – RENOVATION WAVE

The Commission proposes to expand the “**EU renovation wave**” to the Western Balkans.

The building sector accounts for over 40% of total energy consumption¹ in the Western Balkans. Renovating public and private buildings to meet minimal energy performance standards can make a very significant contribution to the reduction of greenhouse gas emissions, improve the living standards of citizens, as well as their health. A building renovation wave implemented with the help of the Energy Community will assist the Western Balkans in decarbonisation of public and private building stock, with a strong emphasis on digitalisation and taking into account energy poverty. The EU together with international financing institutions, will support the efforts of the Western Balkans partners to triple the current renovation rate and energy savings in existing buildings and achieving nearly-zero energy and emission standard in new buildings.

In the **environment sector**, the Commission foresees the following **investment flagship**:

FLAGSHIP 7 – WASTE and WASTE WATER MANAGEMENT

Sustainable and reliable ways of managing water supply, waste water and waste disposal are crucial for the protection of the environment and of the health of citizens and can have positive impacts on tourism in the region. This is essential for the green perspectives of the region, and safeguarding the health and welfare of its people

The following concrete projects should be supported:

- Construction of **wastewater treatment plants in Skopje and Pristina will be completed**. These projects have a high transboundary impact and improving the living conditions of the population.
- The implementation of an **environmental investment programme in Serbia**, comprising modernised waste water treatment projects for large and medium sized towns, will be undertaken
- Integrated **regional waste management systems in Albania, Montenegro, North Macedonia and Serbia**, going hand-in-hand with the closure of non-compliant landfills, will be established. Similar investments elsewhere in the region should also be supported in the future, including better management of waste in cross-border areas.

¹ Source: Energy Community Secretariat - WB6 Energy Transition Tracker, July 2020: https://www.energy-community.org/dam/jcr:2077a2ba-805a-4ca2-afcb-91c90ecc0878/EnC_WB6_072020.pdf

- Support for the establishment of proper **air and water monitoring systems and pollution prevention measures**.

In the digital field, the Commission foresees the following **investment flagship**:

FLAGSHIP 8 – DIGITAL INFRASTRUCTURE

The following concrete projects should be supported:

- The development and roll-out of **national broadband infrastructure in the six Western Balkans partners** will continue – with the completion of the most advanced investment projects in the region by 2024. The preparation of further investments elsewhere will be accelerated with particular focus on connecting rural areas.
- Setting up secure, energy-efficient and trustworthy data centres, edge and cloud infrastructures while ensuring alignment with EU’s rules and fundamental values, including data protection, as well as linking to EU initiatives on high performance computers, digital incubators and innovation hubs.
- Building on ongoing initiatives such as the Balkan Digital Highway, synergies with other connectivity areas such as transport and energy should be fully explored in the context of infrastructure-sharing. In addition, using technology and data purposefully to make better decisions has a high potential to deliver a better quality of life for the citizens in the region. Support will also be provided for adapting to the rapid transformative technological development in order to remain prosperous and competitive. The EU will promote cooperation in digital education globally through the renewed Digital Education Action Plan (DEAP) and promote equality in access, in particular for disadvantaged groups, including Roma.

To support the private sector, the Commission proposes the following **flagship**:

FLAGSHIP 9 – INVESTING IN THE COMPETITIVENESS OF THE PRIVATE SECTOR

The development of a robust, innovative and competitive private sector is essential for the socio-economic development of the Western Balkans and its regional integration. This requires, in particular, increased investments in SMEs and their capacity to innovate, scale-up and grow. In order to unlock the potential of the private sector, the EU should:

- Plan to **increase the grant amount** to support the private sector under the Western Balkan Investment Framework. 50% of EU private sector funding should be dedicated to innovation and green growth.
- Plan to **increase the guarantee capacity supporting investments to, primarily to strengthen the competitiveness of SMEs** and enhance employment creation, particularly catering to young people, through the **Western Balkans Guarantee Facility**.
- Mobilise assistance for sustainable transformation of **agri-food systems and rural development** in the region.

To support employment and offer solutions and perspectives for young people at local level, the Commission proposes the following **flagship**:

FLAGSHIP 10 – YOUTH GUARANTEE

The Youth Guarantee is an activation scheme to ensure that all young people receive a good quality offer of employment, continued education, apprenticeship or traineeship within a period of four months of becoming unemployed or leaving formal education.

The Youth Guarantee flagship should be implemented by Western Balkan governments in line with the EU Youth Guarantee. It is proposed to implement it in four phases, which could all potentially benefit from EU support:

- Phase 1 – **Implementation plan**: identification of planned measures and their timelines, budget, necessary changes to legal framework, definition of a central coordinating body and the roles of relevant public authorities (line ministries and their agencies, including employment services and centres for social work, education and training institutions including VET schools, etc.) and stakeholders (employers and trade unions, chambers of commerce, youth organisations, NGOs, etc.)
- Phase 2 – **Preparatory work**: building commitment at political level; building the commitment and capacity of public authorities and stakeholders, staffing and infrastructure development; changes to legal framework, preparation of monitoring and evaluation frameworks
- Phase 3 – **Pilot phase**: implementation in a limited number of localities/regions, monitoring and evaluation
- Phase 4 – **Progressive/General deployment**: implementation in more regions/countrywide, monitoring and evaluation

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