

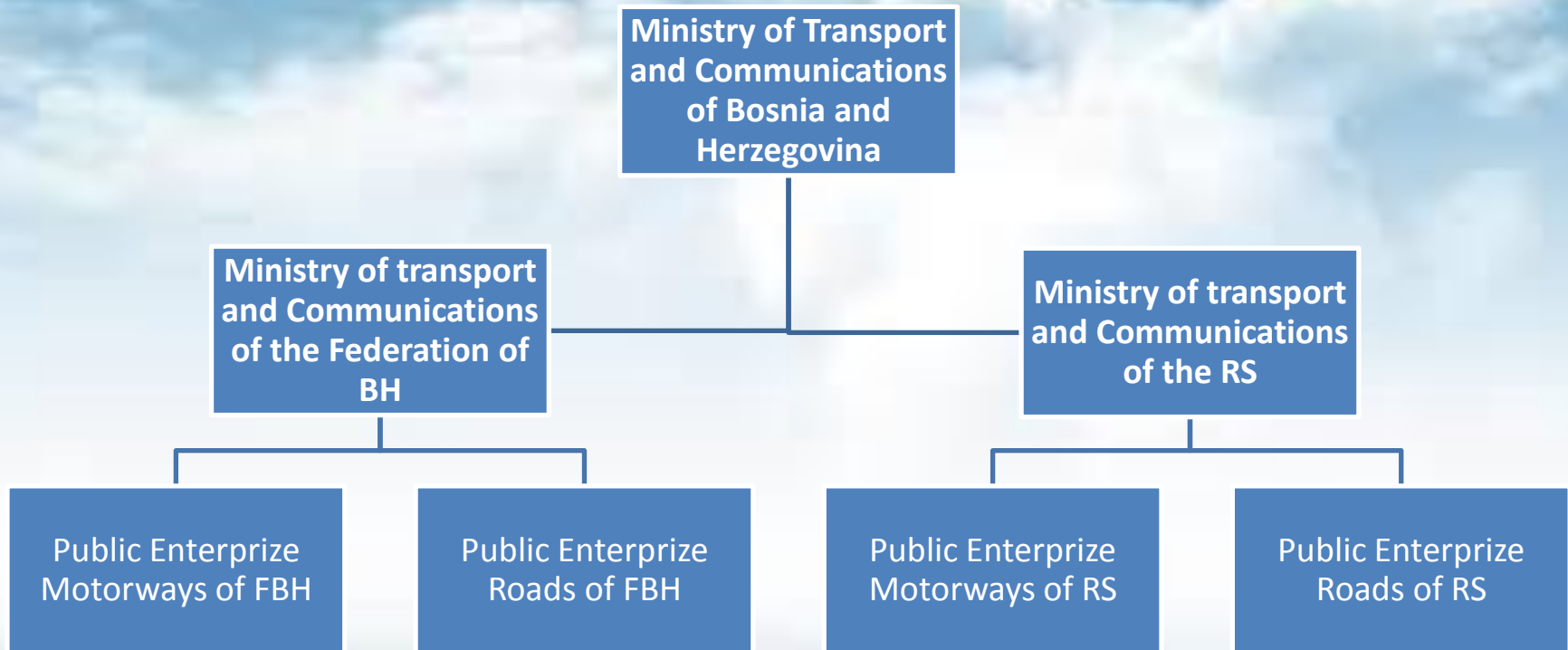


# iHEEP workshop on financing the infrastructure projects

## **Bosnia and Herzegovina**

**iHEEP workshop on financing the infrastructure projects, June 30th, 2016**

# BOSNIA AND HERZEGOVINA ROAD ADMINISTRATION



# Sources of financing of transport infrastructure projects

- BH budget
- Entities' budgets
- International financial institutions (IFI), i.e:
  - European Investment Bank (EIB)
  - European Bank for reconstruction and development (EBRD)
  - World Bank (WB)
  - European Central Bank (ECB)
  - Kuwait Fund for Arab Development (KFAED)
  - OPEC
- IPA funds – West Balkans Investment Framework (WBIF)
- PPP – there are plans and regulative framework, but still not in operation

# Sources of financing of transport infrastructure projects - BH budget

- Licences for global system for mobile communications (GSM)
  - From 2004 to 2011 for preparation of preliminary studies and designs on the the motorway on the Corridor Vc (31 Mil.€),
- Licences for Universal Mobile Telecommunications Sytem (UMTS)
  - From 2011 to 2015 for preparation of the main design of the priority sections of the motorway on the Corridor Vc (33 Mil.€).

# Sources of financing of transport infrastructure projects – Entity budgets

- Three main groups of sources of financing of roads on entity level are:
  - Public revenues,
  - Loans
  - Donations and grants

# Sources of financing of transport infrastructure projects – Entity budgets

- Public revenues include following sources:
  - Vehicles' registration fee
  - Fee from retail proces of fuel
  - Road charges for foreign vehicles,
  - Tolling of motorways, expressways and other particular roads,
  - Special fee “Help and information on the road”
  - Fee for extraordinary transportations,
  - Fee for excessive use of roads due to load and frequency of use,
  - Fee for road land use
  - Other fees.

# Minimum set excize duties on fuel in BH compared with the EU

<u>Propisane minimalne akcize na gorivo u EU (€/1.000 l):</u>			
<b>BMB</b>	<b>359</b>		
<b>DG</b>	<b>330</b>		
<b>MB</b>	<b>421</b>		
<b>BiH</b>		<b>RO</b>	
BMB	307	BMB	359
DG	282	DG	330
MB	332	MB	449
<b>HR</b>		<b>BG</b>	
BMB	424	BMB	363
DG	330	DG	330
MB	510	MB	424
<b>SLO</b>		<b>HU</b>	
BMB	566	BMB	416
DG	446	DG	383
MB		MB	419

Source: Study on road financing of FBH, 2014

- Available funds are insufficient for needed investment into improvement of the network, apart from construction of motorways.
- For trunk and regional roads most of interventions is related to maintenance activities.
- Between 2007 and 2011 Road rehabilitation program was implemented in both entities, total amount of ca 200Mil.€ is used for road surface improvement, not including any interventions requiring land acquisition.



- Road rehabilitation program was financed by loan from three major international financial institutions: WB, EIB and EBRD.
- Condition of road surface is significantly improved, but some important issues, requiring land acquisition, remain.
- That is the reason why road authorities have designed some new programmes, like following one: **FBH TRUNK ROADS MODERNIZATION PROGRAM.**

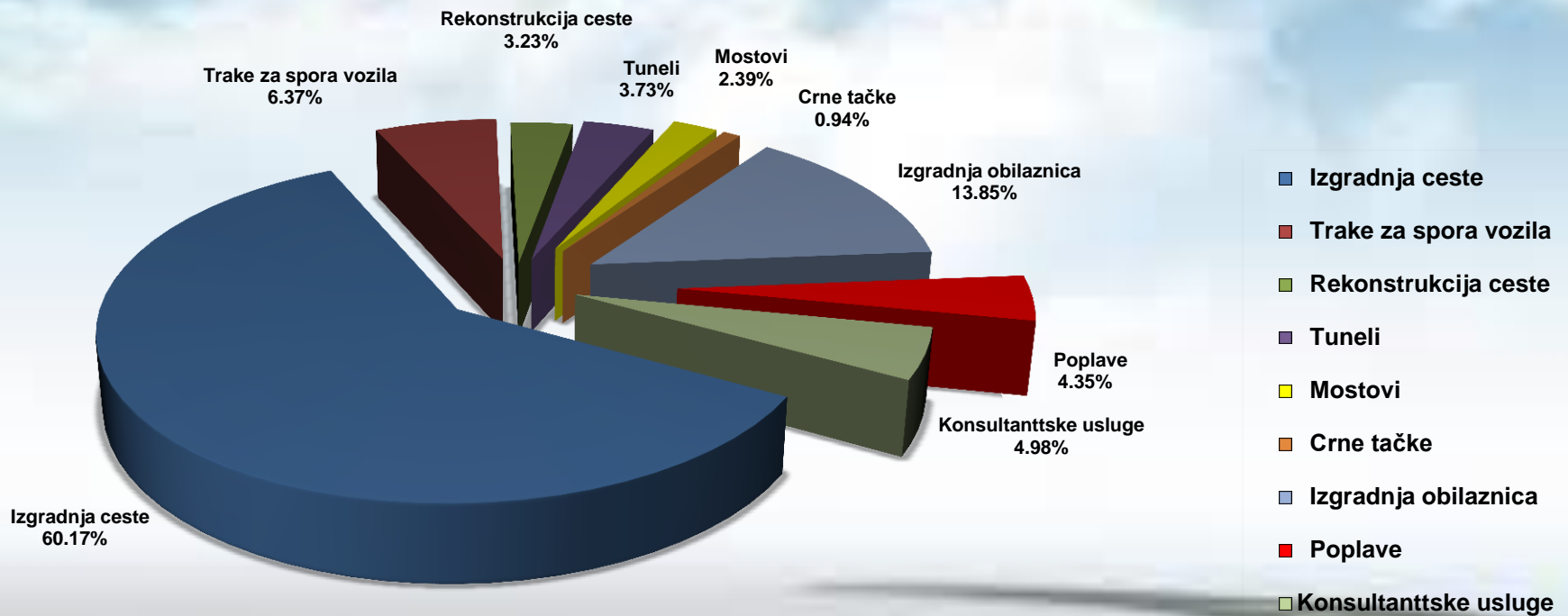
# Modernization program includes following groups of projects:

- construction of bypasses,
- reconstruction of alignment,
- construction of slow (crawling) lanes,
- reconstruction of road structures (bridges and tunnels),
- reconstruction of black spots and
- repair of remaining flood damages on roads in FBH.

# FBH TRUNK ROADS MODERNIZATION PROGRAM 2016-2020

- Current stage of preparation of the program is as follows:
  - Loan contract between BH and EIB signed in February 2016,
  - Negotiations with EBRD are finalized in May 2016, signing of the loan contract is expected in July 2016,
  - In May 2016 negotiations with the WB took place in Sarajevo, loan contract agreement expected in September 2016.

# PLAN OF REALIZATION OF WORKS PER TYPE OF WORKS



EIB + WB	EBRD I	EBRD II
[mil. €]	[mil. €]	[mil. €]
56.73	28.45	92.22
18.77	0.00	0.00
6.27	1.25	2.00
10.20	0.79	0.00
2.11	4.93	0.00
2.76	0.00	0.00
0.00	15.65	25.18
0.00	10.53	2.31
6.54	3.40	4.75
103.38	65.00	126.45
168.39		126.45
103.38	191.46	
	294.84	

# Procedure for loan/financing agreement, example from Road rehabilitation program 2007-2011

- Five different contracts (one loan agreement with EBRD):
  - Loan agreement between Ministry of treasury and finance of BH and EBRD,
  - Supporting contract between FBH and EBRD,
  - Subsidiary loan agreement between BH and FBH,
  - Loan sub-contract between FBH and implementator PE Roads of FBH,
  - Loan contract between EBRD and PE Roads of FBH, implementing body and beneficiary.

- Results of several studies regarding road financing show that available funds are not sufficient for road maintenance and further development of the network.
- On the other hand, available funds from IPA can't be used, since transport strategy on state level is not yet adopted. It is expected to be finalized in June 2016, before the Western Balkans Conference in Paris (4.7.2016), which is expected to introduce needed additional funds from sources currently not available.