



2019 Asian Evaluation Week

Quality Evaluation for Better Results: Local,
National, Regional Perspectives

2-6 September 2019 | Kunming, People's Republic of China

MAIN PRESENTATION: Evaluating Regional Integration Outcomes and Impact in Corridor Vc, Bosnia-Herzegovina

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- Regional Integration is one of EBRD’s new “transition qualities” (developmental objectives of financed projects)
- In the past, improvement of regional integration not explicitly targeted but often mentioned as one of objectives of infrastructure projects
- Evaluation to focus on the “physical connectivity”. Key evaluation question – **To what extent and how effectively has the EBRD contributed to regional integration of selected countries?**
- Examine how EBRD’s understanding of regional integration evolved

- Regional integration impact can be rarely derived from a single project thus related projects (realised before or after the main project) need to be taken into account during the evaluation
- Large infrastructure projects are often implemented in stages over many years, even decades and their “integration” impact might not be observable until all stages have been completed
- Unreliable traffic/throughput data (often not aligned with projections) is a major obstacle in evaluating regional integration impact of infrastructure projects

This presentation relates to the theme of “Quality Evaluation for Better Results: Local, National, Regional Perspectives (relates to topics 6 & 7 from Concept Note) by:

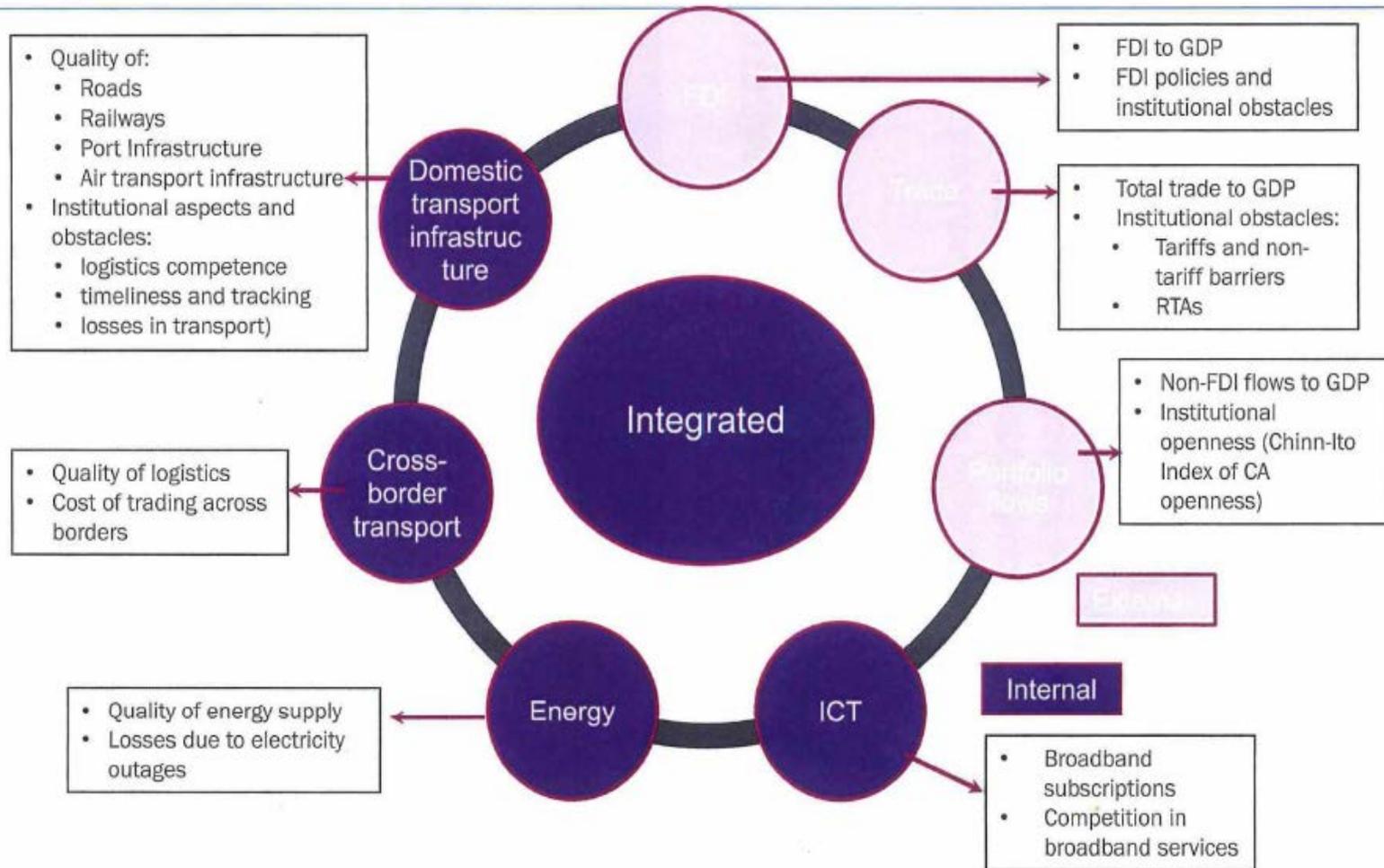
- Focussing on regional integration – a key element of Asian Evaluation Week
- Experience sharing on evaluation findings and lessons
- Understanding multilateral institutions

- Concentration on Transport Infrastructure sector (plus one pipeline project)
- 8-9 recently completed projects selected based on the review of portfolios, Board Reports and discussions with Banking Department
- 3 country-wide assessments (Croatia, Azerbaijan and Turkey) to identify fit of EBRD projects into national transport/regional integration strategies
- Evaluating:
 - Impact of EBRD-financed projects on increase of cross-border traffic or goods/passengers movement pre-and post project (hard integration)
 - Adoption of international standards and practices, or creation of institution - impact of TCs related to financing projects (soft integration)
 - Key indicators – traffic/trade/throughput levels, people movement, share of heavy trucks in traffic, share of international vehicles/ships/planes in traffic, cost savings, adoption of EU laws

Integrated transition quality– general indicators



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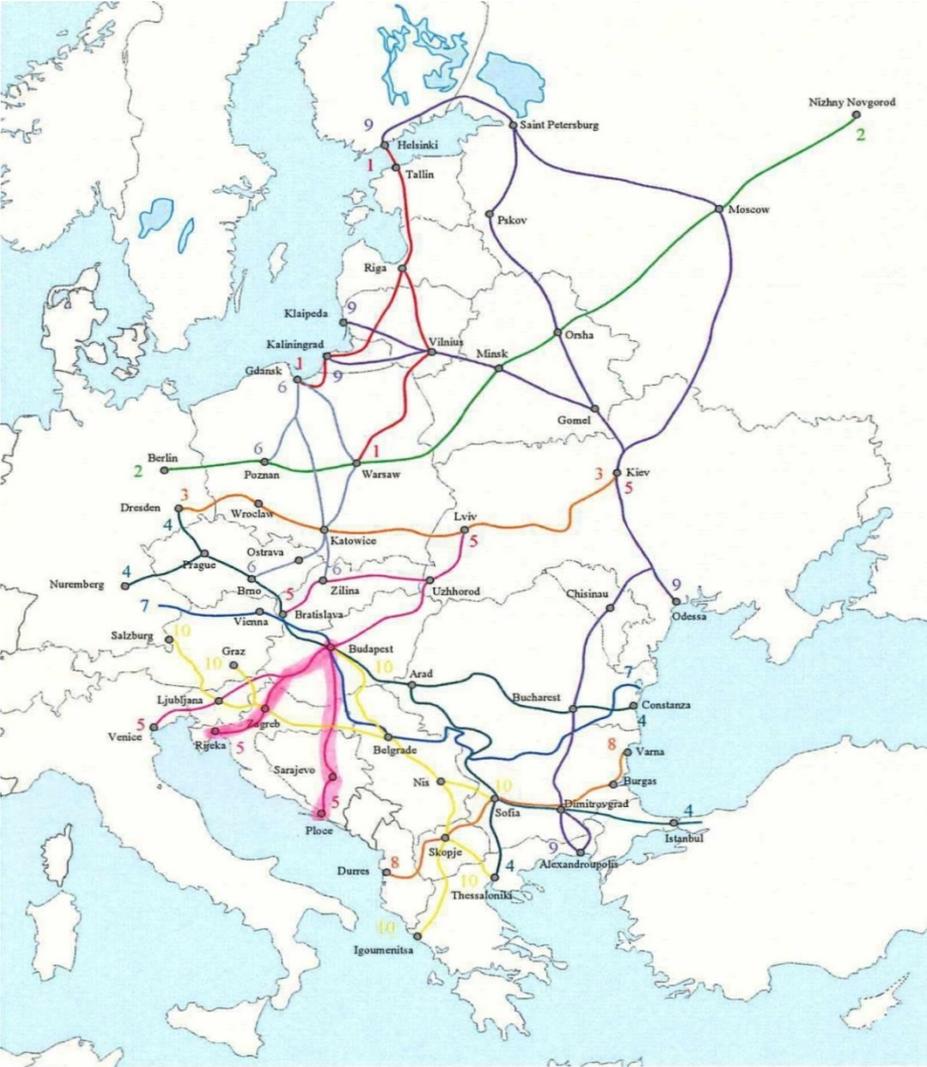
Core evaluation projects

Project	Country	EBRD's finance m€	Signed/ portfolio	Short description
Corridor Vc	Bosnia & Herzegovina	205	2008/state	Construction of new pan-European highway from Central Europe to Adriatic
Corridor Vc Completion	Croatia	59	2010/state	Croatian sections of corridor Vc
Azeri Road Reconstruction	Azerbaijan	750	2011/state	Upgrading of TRACECA corridor linking Baku with Europe
Pan-European Corridors	Ukraine	450	2010/state	Rehabilitation of 2 key highways connecting Ukraine to the EU
DCT Gdansk	Poland	25	2014/private	Construction of a second deep-water container terminal at the port of Gdansk – largest on the Baltic, part of the Baltic-Adriatic TEN-T,
Asya Port	Turkey	62	2013/private	New container terminal, largest on the Marmara sea, connecting with the global network
Port of Split	Croatia	25	2012/state	Extension and development of port of Split to enable large cruisers and ferries, linking Croatia to Italy
Dalaman Airport	Turkey	81	2014/private	Construction of a new terminal, linking southern Turkey with European hubs
Southern Gas Corridor - TANAP	Azerbaijan/ Turkey	500	2017/state	Construction of a gas pipeline form the Caspian Sea to Europe

Corridor Vc – project background



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Corridor Vc – Project Specifics

- Objective - to add 66.5 km of highway standard road to existing 45 km
- Bank's flagship project in BiH: €180 m sovereign loan to Bosnia and Herzegovina (FBiH), increased by €25 m in 2013, to construct 4 sections of Corridor Vc
- Parallel co-financing of €300 m provided by EIB.
- €1 m Technical Assistance package to prepare resettlement action plan, project implementation and institutional support for the Ministry of Transport, and to prepare PPP tender

Transition impact – key elements

- New fuel levy
- Transformation of Ministry's Highway Directorate into a public company (financed by the levy, servicing EBRD's debt)

Other objectives

- Preparation of a corporate plan and continued development of the newly established company
- Preparation and implementation of a PPP strategy for future corridor Vc sections
- Launch of the first PPP tender

Corridor Vc – associated projects

- All together, almost **€1 billion committed by EBRD** for corridor Vc
 - 2005-15 - €150 m for 5 projects in Hungary, financing M6 highway private concessions (Budapest – Croatian border)
 - 2015-19 - € 555 m for 5 projects financing further sections of corridor Vc in Bosnia and Herzegovina
 - 2007-15 - €11 m for 2 projects in port of Ploce in Croatia (at the end of Corridor Vc)
 - 2010- €60 m for a project financing various sections of corridor Vc in Croatia
- 2 Bosnian projects disbursing (after long delays), 3 not yet effective
- EU technical standards for highways followed (the EU provided a grant to prepare technical specifications for the project).

- Excellent fit with FBiH government's priorities - 50% of the country's population lives, and 60% of GDP is produced, within 30 km of this corridor.
- Weaker fit with priorities of Republika Srpska, which prioritises east-west connections with Belgrade in Serbia
- Strong correlation to EBRD's new country strategy
 - 50% of the Bank's volume in BiH in 2014-2016
 - New country strategy hailed "*Improved regional integration through EBRD funding of Corridor Vc motorway*" as a key achievement of previous country strategy
 - Regional Integration through the development of key transport and energy cross-border links - one of 3 strategic priorities
- Relatively strong additionality as EIB limited by 50% financing, WB in the railway sector, no commercial banks able to provide 15-year loan

Operational results

- One year delay, 14% cost overrun (€25 m, new loan extended)
- Funds reallocations, scope changes, 55 km (rather than 66 km planned) built

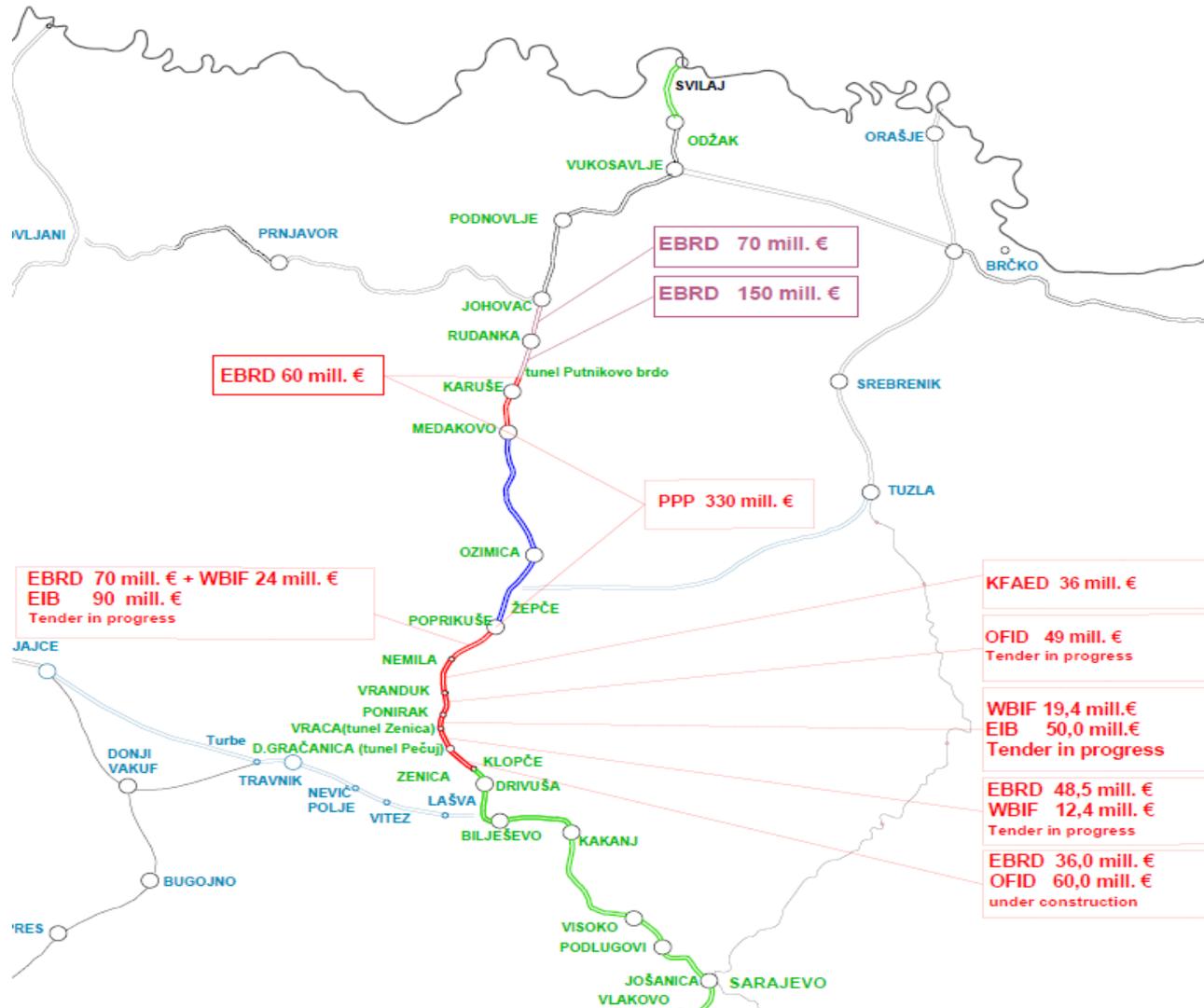
Transition results

- Motorways Directorate transformed into a limited company - Autoceste FBiH, its corporate plan prepared and MIS introduced.
- €0.05/l fuel levy introduced (directly passed to Autoceste) - main source of loan repayment
- Resettlement plan prepared, consultants ensured payment of fair compensation for land expropriation
- PPP strategy prepared and the tender for the construction was organised - one bidder with inflated requirements - tender cancelled

Corridor Vc – Current status and new financing



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Corridor Vc – impact on Regional Integration

- The longest section of Vc (335 km) in BiH (61%). As of mid-2019 100.5 km completed (29%), mainly north and south of Sarajevo and close to both Croatian borders.
- More than doubled the length of the highway grade Corridor Vc in BiH
- Difficult to measure traffic because of unreliable data
 - Autoceste: traffic grew 1.8% annually on average in 2008-2015, and picked up to 9.4% in 2016-18
 - SEETO's 2018 report: 2010-16 traffic on Corridor Vc decreased by 2.5% (drop from 8,000 to 7,800 AADT) – the only drop in Western Balkans
 - In comparison with feasibility study projections traffic on 3 sections financed by EBRD was about 55-60% below forecast for 2018
 - 15% of traffic from cargo trucks. 94% from BiH, 3% from Croatia and only 3% from other countries.

Corridor Vc – reasons for weak integration impact



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- Unfinished status of Corridor Vc
 - Less than 1/3 of its length upgraded with remainder suffering from low quality surface and bottlenecks (often related to the ongoing construction on several sections)
- BiH status as a non-EU (and non-Schengen Treaty) country, which requires longer and more complex custom procedures (Corridor Vb leads through Croatia, which is in the EU and is expected to become a Schengen country soon)
- The underdevelopment of the port of Ploce, which specialises in bulk and liquid cargo (more suitable for transportation by train than by trucks) and has only a small container terminal, while Rijeka and Koper have huge terminals and the fully completed Corridor Vb to connect them with key markets
- Uncompleted Adriatic-Ionian highway (Trieste-Peloponnese)

- Confirmed positive impact on BiH (moderate utilisation by local population and businesses) but current regional integration impact rated *weak*
- Not much progress achieved in harmonising BiH's laws with those of the EU - *Commission Staff Working Document for BiH 2018: "limited progress has been achieved in addressing non-tariff barriers to trade with the EU, such as required sanitary standards, overall compliance with these requirements remains a problem"*.
- Completion of corridor Vc planned for 2026/27 (optimistic scenario) but 2030 more realistically, assuming €3.8 billion more needed will be available
- Progress on streamlining customs and tariff regime is needed.

Recommendations for strengthening regional integration impact of EBRD's future projects in BiH

- Conduct a diagnostic survey among key BiH and selected Central European companies to assess their intention to actually use specific infrastructure
- Include assistance to BiH authorities to streamline custom procedures and simplify tariff and non-tariff regimes
- Develop container terminal at Port of Ploce
- Develop the Ionian-Adriatic highway, particularly its Montenegrin section. Completion of this highway will substantially enhance the regional integration potential of Corridor Vc
- Consider joining forces with the World Bank on restructuring and upgrading BiH's railways, particularly alongside Corridor Vc

- Regional integration impact of physical infrastructure projects to connecting countries, (such as highways), might not be observable for many years, even decades, as they are only gradually realised and their impact can be measured only after their full completion
- Speed of custom procedures (even better – their absence) is an important factor deciding the routing of shipments. Often longer routes are preferred to ensure flawless shipment
- Regional integration impact can be rarely derived from a single project – as modern transport systems are interlinked, to have an impact, a set of projects (often in different sub-sectors) is needed to evaluate the impact