



EU Information Day - Transport Infrastructure Opportunities in Montenegro, 28 January 2025

Summary of Conclusions

The development of connectivity within Montenegro, with its neighbours in Western Balkans, and with the European Union is among strategic priorities of the Montenegrin Government and constitutes a flagship initiative under the European Union's (EU) Economic and Investment Plan for the Western Balkans. The European Union, through the Western Balkans Investment Framework (WBIF), funds the development of transport infrastructure in all Western Balkan countries and in Montenegro, in cooperation with the European Investment Bank (EIB) and the European Bank of Reconstruction and Development (EBRD).

Montenegro's current investment programme for transport infrastructure development amounts approximately to an ambitious € 9 billion, creating significant opportunities for investments and partnerships within Montenegro and the Western Balkans region.

To promote these opportunities to interested companies from the EU Member States, the region, and Montenegro, the Government of Montenegro and the European Commission, in cooperation with the EIB, organised an Information Day in Podgorica on 28 January 2025. The event featured presentations on upcoming road and railway infrastructure projects along the Trans-European Transport networks (TEN-T) in Western Balkans, particularly the Matesevo – Andrijevica motorway segment, as well as other priority projects in the transport sector.

Participants were also informed about the prevailing investment conditions and the reforms undertaken by Montenegro on its path to EU membership, which make the country an attractive and secure business environment. Presentations highlighted the role of the EU and International Financing Institutions in developing and financing projects in Montenegro, the importance of connectivity in the Western Balkans, the transition of the transport sector towards sustainable and smart mobility, upcoming transport infrastructure projects, and the regulatory framework for implementing large-scale projects in the country.

The event was attended by more than 120 participants from 28 contractor companies, 19 Embassies and 9 contractor and/or trade associations. The main points and conclusions of each presentation are summarized as follows:

Mr. Yngve Engstroem, Head of Cooperation, EU Delegation in Podgorica: An opportunity window for European and Montenegrin business communities

Connectivity within the region and of the region with neighbours from EU Member States together with safe, sustainable and resilient transport systems are of paramount importance and are promoted by the European Union (EU). The EU has since 2007 made available to Montenegro grants of the order of €968 Million for all sectors of the economy, including transport. These values and objectives are shared by EIB and EBRD as the two main International Financial Institutions (IFI), blending loans with grants in order to leverage the country's development. The EU's Western Balkan Investment Framework and Economic and Investment Plan for the Western Balkans, aims to spur the long-term economic recovery of

the region, support a green and digital transition, foster regional integration and convergence with the European Union.

Mr. Damien Sorrell, Head of the EIB Regional Representation for the Western Balkans, European Investment Bank (EIB): EIB Global in the Western Balkans & Montenegro

EIB is one of the world's largest multilateral lenders and borrowers. It is the lending arm of EU owned by the 27 EU Member States. Its Headquarters are in Luxembourg but has its regional representation for the WB in Belgrade, with representation offices in Sarajevo, Tirana and Skopje. EIB is accelerating the development of the enlargement countries in line with the EU accession process, the Green and Digital Agenda, the new Growth Plan and Reforms for Growth Facility. It has a strong cooperation with the public authorities, banking sector and IFIs. From the start of operation in the country, the total investments in Montenegro amount to €1.2Billion (including WBIF grants), while for 2024 they amount to €109Million. In the period 2009 – 2024, 25% of all investments in Montenegro were in the transport sector, mainly for railways. Looking forward, EIB is supporting the rehabilitation of the Vrbnica - Bar railway line through a €40m loan and €35.5m WBIF grant; implementation is expected to start in Q2 2025. Together with EBRD, EIB is expected to support the Montenegro Rail Route 4, rehabilitation of the Bar-Golubovci track for which financing agreements are expected to be signed in the course of 2025 and implementation to begin in the second half of the year.

Mr. Donald Mishaxhiu, Regional Head. Western Balkans, Romania and Bulgaria, Infrastructure, Europe, Middle East & Africa (EMEA), European Bank of Reconstruction and Development (EBRD): EBRD's support to transport infrastructure in Montenegro and the Western Balkans.

The EBRD Sustainable Infrastructure Group invests in transport and municipal Infrastructure and energy sectors. The investments in infrastructure in Montenegro amount to €296Million with priorities in promoting connected networks, supporting private sector, encouraging environmentally and socially responsible actions and seeking low carbon and innovative digital solutions. Currently the interest of the bank is for Bar – Boljare Highway; the connection of Podgorica with Sarajevo; the Coastal "Blue" Highway from Croatia into Greece and for the railway line linking Tirana with Podgorica (the section in Albania). The most important project is by far the Matesevo -Andrijevisa section of Bar – Boljare Highway with a sovereign loan of €200Million, while an equal amount of will be provided by EU (grants), and €205Million by the State budget. Another important project in Montenegro is the Golubovci – Bar section of the railway line Vrbnica – Bar, where a sovereign loan of €53Million is planned, similar to the loan amount to be provided by EIB, while €106Million grant for works and 6.8Million grant for TA for implementation will be provided by EU. EBRD is seeking to promote the efficient use of resources in projects selected based on value for money and long term benefits, while also promoting innovative solutions that enhance climate resilience and inclusion.

Ms. Tatjana Jovanovic, Head of Division in charge of Project Preparation and Financing, Transport Community Secretariat (TCS): Connectivity with neighbors and development of indicative TEN-T extension of Comprehensive and Core Network in Western Balkans

The Transport Community Treaty Secretariat (TCS) is the EU institution for the implementation of the Transport Community Treaty in Western Balkans (WB) that was established among regional partner with the support of EU. It mainly involves the development of the core and comprehensive transport networks in the region (road, rail, airport, port, internal waterways), as extension of the TEN-T network of EU and the implementation of the EU Acquis in WB regional partners, on which it reports through Annual TEN-T Reports and bi-annual Five year rolling Work Plans. TCS is monitoring the condition of the rail and road infrastructure along the designated TEN-T extensions in WB with notable improvements being envisaged between 2024 and 2027 for both rail and road core and comprehensive networks. The core railway network in Montenegro includes the Bar – Vrbnica (Serbia) and the Podgorica – Bajze (Albania) lines, while the railway line Podgorica - Niksic with future extension to Trebinje and Caplina is on the comprehensive network. When it comes to roads, the Bar – Boljare highway into Serbia with link from Andrijevisa to Kosovo*¹ and the Ioanian – Adriatic highway constitute the core network in Montenegro, while the road from Albanian Border (Hani - Hotit) – Podgorica – Niksic – Pluzine – Scepan Polje (Bosnia and Herzegovina) is on the comprehensive network.

Mr. Dragan Radevic, CEO Deputy to Capital Investments, Railway Infrastructure of Montenegro (RIOM) – Joint Stock Company (JSC): Renovating railway infrastructure on the Core Routes 2 and 4

The railway lines in Montenegro have a length of 250.5km of which 169.2km concern the Bar – Vrbnica line, and 24.7km concern the Podgorica – Bajze line (Albanian border), both on the core network. Considerable rehabilitation work -financed by EU grants and EIB and EBRD loans- has taken place along the first line which also constitutes the backbone of railway transport in Montenegro. But even more important projects are in the pipeline for the period extending to 2031 with a total budget of an estimated €491Million, of which €370Million for the reconstruction of Golubovci – Bar and Golubovci – Trebesica sections including Sozina tunnel and €70Million for the link Podgorica – Bajze (Albania). Of the total amount, €51Million have secured financing and projects have been tendered. Golubovci - Bar and Podgorica – Bajze sections -with an estimated budget of €290Million- are in design stage, following which they will be tendered. Of this amount an investment grant of €220Million is expected to be signed in 2025 while the remaining amount is expected to be provided through the Economic and Investment plan for WB. Only Golubovci – Trebesica section (€150Million) does not have secured financing. The railway line Podgorica – Niksic – Trebinje - Capljina is on the comprehensive network and beyond Niksic it is in planning stage. The Niksic – Trebinje section constitutes a new line of which 57.85km in Montenegro, while the remaining 131km are in Bosnia and Herzegovina.

Mr. Gligor Bošković, Civil Engineer for Road Design, Monteput: New investment plan for upgrading and construction of roads, expressways and highways.

There are three main highway/expressways projects in Montenegro. The Bar – Boljare highway has a total length of 191km, of which 42km are completed. It belongs to the core network. The Matesevo – Andrijevisa section of 22km is mature for Yellow Book FIDIC

¹ * This designation is without prejudice to positions on status and is in line with UNSCR 1244 (1999) and the ICJ Opinion on the Kosovo declaration of independence.

tender. The sections Andrijevica – Crnca (28km), Crnca – Boljare (23km), Smokovac – Tololi (10km) and Virpazar - Stari Bar (26km), with preliminary designs underway are planned to be tendered in 2026 for a total budget of €1.45Billion. Three more sections are at the phase of conceptual design, either at the stage of its review or its preparation and are considered less mature. The link Andrijevica – Kosovo Border (27km) is on the core network and at the phase of conceptual design. It is planned as expressway with an estimated budget of €480Million and planned tendering in 2029. The link Smokovac – Bozaj (Albania) is 24km long and is on the comprehensive network. The conceptual design for this section is in review stage, with preliminary design and tender to follow, the latter in 2028 for a budget of €322Million.

The Adriatic Ionian Highway runs through Croatia – Bosnia and Herzegovina into Montenegro, continuing to Albania and thereafter into Greece. This is a completely new highway, which shares a common part with the Bar – Boljare highway between Gradac and Stari Bar. Of this highway only sections Cevo – Gradac (25km) and Stari Bar – Albanian Border (26km) are in conceptual design phase, the first undergoing review while the second design is ongoing. Tendering of these 2, plus 2 more (17km+16km) sections that are not common with Bar – Boljare highway, is foreseen in 2027 and after. The total budget is estimated to €1.26Billion.

The Coastal Expressway runs from Croatia into Montenegro, crossing the environmentally very sensitive area of Kotor Bay, linking into the common part of Bar – Boljare and Ionian Adriatic highway. The sections Border with Croatia – Jaz and Jaz – Bar - Boljare highway have lengths of 16km and 43km respectively and a total budget of €1.47Million. They are currently at conceptual design phase. The tender for the first section is planned in 2026 while for the second section in 2028. This highway is included in the core network.

There are 2 more expressways planned in Montenegro. 1) the road Podgorica – Danilovgrad - Niksic -Savnik - Zabljak - Plevlja with a total length of 145km and an estimated budget of €2Billion. With the exception of section Danilovgrad – Niksic which is in conceptual design phase, the design of the other sections has not started. 2) the road Crnac – Plevlja – Border with Bosnia and Herzegovina with a total length of 94km and an estimated budget of €1.3Billion. The two sections of the road are under conceptual design phase. Tendering is foreseen in 2028.

Mr. Gligor Bošković, Civil Engineer for Road Design, Montepuť: Presentation of the Road Route 4, Bar-Boljare Highway project, Matesevo – Andrijevica section.

In particular, for the 22km Matesevo – Andrijevica section of the Bar – Boljare Highway, which has a budget of €549.3Million, it should be mentioned that it establishes the connectivity of South and Central Montenegro with the North and is considered the most difficult section of the entire highway. Of the 22km, 3.9km are in one twin-tube tunnel and 7.1km are in bridges of which one is 1.4km long. An open tender for the construction will be launched in February 2025 and is planned that the contract will be signed during the same year. The tender for supervision consultant is underway; the prequalification stage is completed and the evaluation report with the shortlist has been sent to EBRD for no-objection.

Ms Jelena Jovetić, General Director, Ministry of Finance, Directorate for Public Investment Management and Public Procurement Policy: Fiscal Strategy and Regulatory Framework for Strategic Investments.

The Fiscal Strategy of Montenegro for the four-year period 2024-2027, includes plans to invest about 2 billion euros for the implementation of capital projects from the budget of Montenegro. The stated amount of investment is planned to be financed from general budget revenues (through the Capital Budget of Montenegro), about 500 million euros from donations and grants from the European Union and, additionally, from dedicated credit arrangements with relevant international credit institutions (EBRD, EIB, CEB and others). Other than the Public Procurement Law, the Law on Public Private partnerships (PPP) and the rules of IFIs and donors regarding project implementation procedures, a new Law on Strategic Investment is expected to come soon into operation. According to this law, for Strategic Investments, administrative acts and opinions of state and local administration bodies and legal entities that exercise public powers competent for their adoption are obliged to pass them within 5 days, and take administrative actions within 3 days of receiving the duly submitted requests of private or investors or the Investment Agency (fast track). Deciding on the disposal of state property and public infrastructure in connection with the realization of a strategic investment and for expropriations, the relevant administrative bodies decide according to the abbreviated administrative procedures. Similar abbreviated procedures apply to approvals related to environmental conditions.

Ms. Snezana Djurovic, Director, Montenegrin Investment Agency: Labour market, Taxation for international business making in Montenegro: Incentives and risks.

The Investment Agency has been set up to fast track private and public sector investments, including PPPs. Montenegro is a service economy with 11% unemployment (Q3, 2024), well trained and specialized workforce, and needs increased Foreign Direct Investments (FDI) which after reaching €1.1Billion in 2022, hover in the years that followed around €800Million. To enable that, the tax burden on minimum wage was reduced from 39% to 20.4%, corporate taxes are maximum 15%, as is personal tax and tax on dividends, inheritance and real estate tax on transfers stands at 3%. VAT ranges between 0-21%, the latter applying also to the construction sector. Personal and corporate tax stands at 0% for those established in less favourable areas for a period of 5 and 8 years respectively. The concession of Podgorica and Tivat airports is in the 2nd phase of the tender and contract with preferred bidder is expected to be signed in 2025. A similar concession tender for the Port of Bar is being planned. The Law on PPP stands since 2019 and is fully aligned with EU standards. Among the risks, one can consider that shortages in the labour market, as in most European countries and that all equipment and materials in construction sector need to be imported. The laws on Spatial Planning and Construction of Structures, on Construction Products, on Environment and on Environmental Impact Assessment, on Expropriation and on VAT should be consulted for companies interested to operate and invest in Montenegro.

Summary of the Information Day and general conclusions:

- ❖ The event was highly successful, with over 120 attendees, exceeding initial expectations.

- ❖ EU and regional construction companies expressed interest in the Montenegrin construction market and acknowledged the importance the Government places on the country's transport infrastructure development.
- ❖ During the event, future road and railway infrastructure projects along the TEN-T networks were presented, particularly the Mateševo –Andrijevisa highway section, as well as priority rail projects.
- ❖ Participants were also informed about investment conditions, and the reforms Montenegro is implementing on its path to EU membership, aimed at creating an attractive and secure business environment. Most of the questions during the discussion focused on this topic.
- ❖ The presence and role of the EU and international financial institutions in developing and financing projects in Montenegro were strongly emphasized throughout the event, highlighting their crucial participation in the implementation of upcoming major transport infrastructure projects.
- ❖ The Info Day provided a valuable opportunity to connect Montenegrin and regional construction companies with EU-based companies specializing in transport infrastructure development.
- ❖ Relevant discussions took place during coffee and lunch breaks, fostering meaningful connections.
- ❖ Additionally, in the final session of the event, a series of B2B meetings and discussions with relevant institutions were organized. These facilitated knowledge exchange, the promotion of best practices in infrastructure development, and the creation of joint ventures that could accelerate the modernization of Montenegro's transport network in line with EU standards.
- ❖ The feedback from most participants was highly encouraging. They expressed satisfaction with the organization and content of the Info Day and confirmed that they received valuable information to support their business development plans in the region, particularly in Montenegro.
- ❖ Due to the short notice of the invitations, many EU contractors—especially those without a local presence through branches or subsidiaries—were unable to attend. Nevertheless, the inclusion of embassy representatives from EU Member States and countries in the region as well as from contractors' and/or trade associations are expected to help disseminate the information across EU Member States and in WB.