



# Policy Brief

Public infrastructure  
in Southeast Europe  
in whose interest?



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**BALKAN  
MONITORING  
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# Policy Brief

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## Public infrastructure in southeast Europe - in whose interest?

Public infrastructure is meant to serve the needs of the wider public. However, infrastructure projects are often not primarily designed with this in mind. Sometimes they result from pressure from investors,<sup>1</sup> often they are genuine but misguided or corrupted attempts to solve real issues, and sometimes they are vanity projects. Often they are a combination.

Within the *CSOs as equal partners in monitoring of public finance* project, 10 organisations from 7 countries<sup>2</sup> have examined trends in public infrastructure projects in southeast Europe, including the role of the EU and financing institutions, and compiled 12 infrastructure case studies.<sup>3</sup> The aim is to better understand what is needed to achieve socially, environmentally and economically sustainable infrastructure in the region.

## Overview and trends in public infrastructure projects in SEE

Southeast Europe is too reliant on climate-damaging and polluting fossil fuels in both energy and transport. Apart from Albania, the region is quite dependent on lignite for electricity generation and space heating, and all the countries are highly dependent on road transportation.

At the same time governments are under-investing in areas such as energy efficiency, public transport, waste prevention and recycling, health and education. Most countries in the region have relatively high levels of renewable energy use, however this is often not environmentally sustainable (eg. uncontrolled cutting of wood,<sup>4</sup> hydropower in biodiversity-rich areas<sup>5</sup>) and solar and wind power are not yet widespread.

Infrastructure investment decisions in the region are mainly influenced by a combination of the state-

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1 Risteska Sonja, Kjosev Sasho, Public infrastructure of Macedonia, available at: <http://wings-of-hope.ba/wp-content/uploads/2016/12/D3.4.2.4.-Analysis-on-Public-Infrastructure-Macedonia.pdf>

2 From the EU: Bulgaria and Slovenia, and from the Western Balkans: Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia.

3 Bulgaria: Struma motorway project – Kresna gorge, Lot 3.2, Sofia waste management project; Slovenia: 3rd Development Axis, 2nd unit of the Krško Nuclear Power Plant; Bosnia-Herzegovina: Corridor Vc motorway, New coal power plants; Kosovo: Route 6, Arben Xhaferi Highway; Macedonia: Corridor X, Demir Kapija - Smokvica motorway, Boškov Most hydropower project; Montenegro: Bar-Boljare motorway; Serbia: Second Beska Bridge over the River Danube on Corridor X, Kostolac B3 lignite power plant

4 See e.g. Euractiv: Energy poverty takes toll on Balkan forests, 20 June 2012; updated 14 December 2012, available at: <http://www.euractiv.com/section/social-europe-jobs/news/energy-poverty-takes-toll-on-balkan-forests/>

5 See e.. Boris Erg, Hydropower development in Western Balkans risks harming fragile ecosystems, IUCN, 26 April 2016, available at: <https://www.iucn.org/content/hydropower-development-western-balkans-risks-harming-fragile-ecosystems>

Socialist/Communist legacy - with environmentally harmful and economically unfeasible projects from decades ago frequently resurfacing - and EU policies. Some projects do not fit into either category, and are the result of apparently random decisions by decision-makers and companies.

The EU's policies are based on connecting the region physically (transport corridors, energy interconnections), economically (opening markets) and legally (adopting energy, transport, competition and environmental legislation to create a level playing field across the continent and create more certainty for investors). This has been most clearly reflected in the Energy Community Treaty, signed in 2005.<sup>6</sup> Along the same lines, the South East Europe Transport Observatory (SEETO)<sup>7</sup> was formed in June 2004 and in 2017, it was followed<sup>8</sup> by the Transport Community Treaty<sup>8</sup>.

From a public participation and environmental point of view, the Energy Community has brought improvements, and if fully enforced and expanded in scope, could bring many more. Benefits include environmental impact assessment of large projects, restrictions on energy sector subsidies, energy efficiency targets, and, in coming years, reduced air pollution is also expected. Even if implementation is slow, there is a relatively positive legislative framework in place and the Energy Community is making an effort to gradually expand it.

Transport sector cooperation in the region is less advanced so far, and as the Transport Community is new, it is not yet clear in which direction it will go. EU transport policy has been prone to concentrating too much on large infrastructure with its Trans-European Transport Network (TEN-T)<sup>9</sup> concept, which has also been extended to eastern and southeastern Europe.<sup>10</sup> SEETO has developed a list of priority transport infrastructure projects,<sup>11</sup> but it is not very clear how they were chosen and whether they are the most relevant priorities for today, nor why they should be higher priority than local urban transport services which people use every day.

The EU's influence on other infrastructure, such as waste management, water supply and wastewater treatment, is mixed from an environmental and public participation standpoint. Legislation such as the Water and Waste Framework Directives should improve water quality, waste prevention and recycling. However, although the Waste Framework Directive clearly prioritises waste prevention and recycling, the goal of diverting waste from landfill is often used to push waste incinerators or so-called "waste-to-energy" facilities. These were until recently a rarity in the region but a new facility was opened in Elbasan, Albania in 2016 and looks set to be followed by others.<sup>12</sup> Sofia, Bulgaria, one

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6 More available at: Energy Community <https://www.energy-community.org/aboutus/whoweare.html> [accessed on 27.09.2017]

7 More available at SEETO's official web page: <http://www.seetoint.org/> [accessed on 27.09.2017]

8 European Commission, 2017 Western Balkans Summit – stepping up regional cooperation to advance on the European Union path, available at: [http://europa.eu/rapid/press-release\\_IP-17-1938\\_en.htm](http://europa.eu/rapid/press-release_IP-17-1938_en.htm) [accessed on 20.07.2017]

9 European Commission: About TEN-T, available at: [https://ec.europa.eu/transport/themes/infrastructure/about-ten-t\\_en](https://ec.europa.eu/transport/themes/infrastructure/about-ten-t_en) [accessed 27.09.2017]

10 Transport Infrastructure Needs Assessment (TINA), European Commission Directorate General VII: Status of the Pan-European Transport Corridors and Transport areas, December 1998, available at: <http://aei.pitt.edu/39350/1/A4030.pdf>

11 More about SEETO priority projects for funding available at: <http://www.seetoint.org/projects/seeto-comprehensive-network-projects/eligible-for-funding/> [accessed 29.09.2017]

12 Balkan Green Energy News: First waste-to-energy plant inaugurated in Albania, May 9, 2017, available at: <http://>

of our case studies, is another example of a city which recycles very little but is planning to invest in waste incineration. This is problematic for several reasons, not least because it crowds out waste prevention and recycling initiatives that should take much higher priority, both financially and in terms of competition for materials.<sup>13</sup>

## Public financing for infrastructure in southeast Europe

Most financial support for infrastructure in southeast Europe comes from EU sources and multilateral development banks. In the Western Balkans, the European Investment Bank (EIB) claims to be the largest international investor, with financing worth EUR 6.4 billion since 2006.<sup>14</sup> The bulk of this is dedicated to small and medium enterprises, but most of the remainder goes to infrastructure projects, particularly transport.<sup>15</sup>

The European Bank for Reconstruction and Development (EBRD), meanwhile, mostly concentrates on infrastructure and credit lines but also support for agribusiness and other private companies.<sup>16</sup> The World Bank mostly finances non-infrastructure projects aimed at privatisation or increasing the efficiency of companies or governments, but also supports infrastructure.<sup>17</sup> Its private sector arm, the International Finance Corporation (IFC), has in recent years among other things supported agribusiness in the region, provided credit lines and financed energy infrastructure.<sup>18</sup>

These multilateral institutions are also joined by Germany's KfW, which mostly invests in public sector energy projects but also wastewater,<sup>19</sup> and the EU's Instrument for Pre-Accession Assistance (IPA), which mostly finances horizontal measures and technical assistance but also limited amounts of infrastructure, for example roads in Albania and wastewater in Kosovo.<sup>20</sup>

In the EU countries of the region, EU funds play a much larger role. Slovenia has been allocated EUR 3.87 billion for the 2014-2020 period to cover sectors including water and wastewater treatment.<sup>21</sup>

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balkangreenenergynews.com/first-waste-to-energy-plant-inaugurated-in-albania/

13 Global Alliance for Incinerator Alternatives: Waste Incinerators: Bad News for Recycling and Waste Reduction, October 2013 available at: <http://www.no-burn.org/wp-content/uploads/Bad-News-for-Recycling-Final.pdf>

14 More about European Investment Bank: The Western Balkans available at: <http://www.eib.org/projects/regions/enlargement/the-western-balkans/index.htm> [accessed 29.09.2017]

15 More available at EIB website: <http://www.eib.org/projects/regions/enlargement/the-western-balkans/bosnia-herzegovina/index.htm>, <http://www.eib.org/projects/regions/enlargement/the-western-balkans/serbia/index.htm>, <http://www.eib.org/projects/regions/enlargement/the-western-balkans/albania/index.htm> [accessed 29.09.2017]

16 More available at EBRD website: <http://www.ebrd.com/where-we-are/serbia/data.html>, <http://www.ebrd.com/albania-data.html>, <http://www.ebrd.com/fyr-macedonia-data.html>

17 For details see World Bank website: <http://projects.worldbank.org/country?lang=en&page=>, accessed 29.09.2017

18 More available at IFC: IFC in Western Balkans, <http://www.ifc.org/wps/wcm/connect/ac9e65004cc2e9ebbc21fd-f81ee631cc/Western+Balkans+Factsheet+FY15.pdf?MOD=AJPERES> [accessed 29.09.2017]

19 KfW project database available at: <https://www.kfw-entwicklungsbank.de/Internationale-Finanzierung/KfW-Entwicklungsbank/Projekte/Projektdatenbank/index.jsp> [accessed 29.09.2017]

20 European Commission: Overview - Instrument for Pre-accession Assistance, available at: [https://ec.europa.eu/neighbourhood-enlargement/instruments/overview\\_en](https://ec.europa.eu/neighbourhood-enlargement/instruments/overview_en) [accessed 29.09.2017]

21 European Commission: European Structural and Investment Funds country factsheet: Slovenia, April 2016, available at: [http://ec.europa.eu/regional\\_policy/sources/policy/what/investment-policy/esif-country-factsheet/esi\\_funds\\_country\\_factsheet\\_si\\_en.pdf](http://ec.europa.eu/regional_policy/sources/policy/what/investment-policy/esif-country-factsheet/esi_funds_country_factsheet_si_en.pdf) [accessed 29.09.2017]

Bulgaria has been allocated EUR 9.88 billion for the same period, and investments include waste management, wastewater treatment and energy efficiency.<sup>22</sup>

Other sources of infrastructure financing in the region include China, Russia, Turkey and other sources from the Middle East. For now the EU and multilateral sources still dominate in energy and transport, but the importance of other actors is growing.

## Energy

In the last two decades there has been a lot of talk about energy infrastructure investment in SEE but considerably less action. However some projects are moving ahead. The largest is the Trans-Adriatic Pipeline (TAP), currently under construction in Albania. This is part of the Southern Gas Corridor designed to export gas from Azerbaijan to Europe. The project is heavily backed by the EU, but was designed and prioritised without meaningful consultation with affected people along the route.<sup>23</sup>

The World Bank, EIB and EBRD all declared a virtual halt to coal financing in 2013,<sup>24</sup> perhaps partly as a result of the EBRD and EIB's involvement in the loss-making Šoštanj lignite power plant in Slovenia, whose cost doubled during implementation.<sup>25</sup> However the region's governments have not learnt from this and are pushing forward new lignite power plants. Our case studies of the planned new units at Kostolac in Serbia and Tuzla, Banovići, Kamengrad, Ugljevik and Gacko in Bosnia-Herzegovina show that neither poor economics nor non-compliance with the latest EU legislation are enough to make the region's decision-makers pause for thought and reconsider the projects. We could equally have chosen other cases in the region such as Pljevlja II in Montenegro, Kosovo e Re in Kosovo or the Oslomej reconstruction (or modernization as Macedonian officials name it) in Macedonia and the story would have been similar.<sup>26</sup>

The major turnaround in the coal sector in recent years has been the entry of Chinese state policy banks into the region. Although most of the projects still do not have financing confirmed, the Stanari plant in Bosnia-Herzegovina has already been built and financing has been signed for Kostolac B3 in Serbia<sup>27</sup> and Tuzla 7 in Bosnia-Herzegovina.<sup>28</sup>

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22 European Commission: European Structural and Investment Funds country factsheet: Bulgaria, April 2016, available at: [http://ec.europa.eu/regional\\_policy/sources/policy/what/investment-policy/esif-country-factsheet/esi\\_funds\\_country\\_factsheet\\_bg\\_en.pdf](http://ec.europa.eu/regional_policy/sources/policy/what/investment-policy/esif-country-factsheet/esi_funds_country_factsheet_bg_en.pdf) [accessed 29.09.2017]

23 CEE Bankwatch Network project profile available at: <https://bankwatch.org/project/southern-gas-corridor-euro-caspian-mega-pipeline> [accessed 4 December 2017]

24 Although the World Bank and EBRD have phrased their commitments in a way that may allow exceptions for projects in Kosovo and Mongolia available at: <https://bankwatch.org/news-media/blog/eib-finally-limits-coal-lending>, <http://www.ebrd.com/what-we-do/sectors-and-topics/ebrd-energy-strategy-switch-coal.html>, <http://www.world-bank.org/en/news/feature/2013/07/16/world-bank-group-direction-for-energy-sector> [accessed 30.09.2017]

25 Focus Association for Sustainable Development: TEŠ6 Economics Mythbuster, December 2014, available at: <http://www.focus.si/files/programi/energija/2014/mythbuster.pdf>

26 Available at CEE Bankwatch Network website: <https://bankwatch.org/project/coal-in-the-balkans> [accessed 4 December 2017]

27 CEE Bankwatch Network, Balkan energy projects with Chinese involvement - state of play June 2017, available at: <https://bankwatch.org/publication/balkan-energy-projects-with-chinese-involvement-state-of-play-june-2017>

28 CEE Bankwatch Network, Ekotim, Center for Ecology and Energy Tuzla: Rushed loan approval for Tuzla 7 coal plant, but project far from ready, 28 November 2017, available at: [https://bankwatch.org/press\\_release/rushed-loan-ap](https://bankwatch.org/press_release/rushed-loan-ap)

There has also been an explosion in the number of hydropower projects across the region in recent decades. Albania alone awarded concessions for no less than 435 hydropower projects from 2007 to 2013.<sup>29</sup> A 2015 Bankwatch study identified just under 1000 planned and potential projects in the region, pointing out that this is likely to be an underestimate.<sup>30</sup> A Fluvius study also found that half of the planned plants are in biodiversity-rich protected areas.<sup>31</sup> Among these is the Boskov Most plant in Macedonia, one of our case studies, for which the EBRD in 2011 approved financing but in early 2017 finally announced that it was cancelled.<sup>32</sup>

Financing for smaller hydropower projects is very difficult to trace and in most cases likely originated from commercial banks. However a surprisingly large number of investments by the international financial institutions (IFIs) were identified.<sup>33</sup>

## Transport

In the last two decades, SEE countries and the EU have invested heavily into connecting the region to the TEN-T corridors. Investments in building or upgrading highways have been among the largest in the region. The majority of our case studies involve European Corridor projects, and the sums spent are staggering for such small and cash-strapped countries.

The first section of the Bar-Boljare highway in Montenegro originally cost EUR 809 million, but due to the fixed exchange rate agreed for the loan from China Exim Bank, the estimated cost as of August 2017 was almost EUR 1 billion - an increase 4 percentage points of GDP.<sup>34</sup> The Pristina-Elez Han highway in Kosovo has also raised questions about its EUR 600 million-plus price tag, considering Kosovo's poor financial situation and numerous competing priorities.<sup>35</sup> The northern and southern sections of the 3rd Development Axis in Slovenia are expected to cost even more - over EUR 2 billion altogether.<sup>36</sup>

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proval-for-tuzla-7-coal-plant-but-project-far-from-ready

- 29 Kraja, Durim, Concessions In The Hydropower Sector In Albania – Challenges And Opportunities, Studies in Business and Economics, undated, available at: <http://eccsf.ulbsibiu.ro/articole/vol91/917kraja.pdf>
- 30 CEE Bankwatch Network: Financing for hydropower in protected areas in Southeast Europe, Riverwatch and EuroNatur, December 2015, available at: <https://bankwatch.org/publication/financing-for-hydropower-in-protected-areas-in-southeast-europe>
- 31 Schwarz, U., 2015. Hydropower Projects in Protected Areas in the Balkan Region. RiverWatch & EuroNatur, available at: <http://balkanrivers.net/sites/default/files/Protected%20areas%20and%20hydropower%20dams%20in%20the%20Balkan190515.pdf>
- 32 EBRD statement on Boskov Most hydropower plant, 17 January 2017, available at: <http://www.ebrd.com/boskov-most-cancellation>
- 33 CEE Bankwatch Network: Financing for hydropower in protected areas in Southeast Europe, Riverwatch and EuroNatur, December 2015, available at: <https://bankwatch.org/publication/financing-for-hydropower-in-protected-areas-in-southeast-europe>
- 34 International Monetary Fund: Montenegro - Selected Issues, September 2017, available at: <https://www.imf.org/~media/Files/Publications/CR/2017/cr17277.ashx>
- 35 Estimate by KFOS and Riinvest: "Route 6: Highway Prishtina – Skopje", RIINVEST, 2015, available at: [http://www.riinvestinstitute.org/uploads/files/2016/September/21/Autostrada\\_Prishtine\\_Shkup\\_eng1474445138.pdf](http://www.riinvestinstitute.org/uploads/files/2016/September/21/Autostrada_Prishtine_Shkup_eng1474445138.pdf)
- 36 Republika Slovenija, Ministrstvo za infrastrukturo, Infrastrukturni projekti v Republiki Sloveniji, August 2015, available at: [http://www.mzi.gov.si/fileadmin/mzi.gov.si/pageuploads/Kabinet\\_ministra/15\\_10\\_13-Seznam\\_investicijskih\\_projek](http://www.mzi.gov.si/fileadmin/mzi.gov.si/pageuploads/Kabinet_ministra/15_10_13-Seznam_investicijskih_projek)

However it is not only an issue of cost. The Struma motorway in Bulgaria, the Corridor Vc motorway in Bosnia-Herzegovina, and the Corridor X, Demir Kapija-Smokvica motorway in Macedonia, are all examples of cases where a Corridor was defined without taking environmental considerations into account at the strategic stage. Since all these routes pass through highly biodiverse areas (Kresna Gorge, Demir Kapija Gorge and Prenj mountain respectively), this severely restricted the options for the least damaging variant later on.

No less than EUR 12.5 billion has been disbursed, committed or secured for TEN-T extension in the Western Balkans since 2004.<sup>37</sup> By far the largest amount has been for roads.

From 2004 to 2016 around 38% of financing came from IFIs, 29.7% from national budgets and 27.5% from “other sources”, including the China Exim Bank, Russian loans, the Abu Dhabi Fund, Islamic Development Bank, Italian government, Kuwait Fund, OPEC and others.<sup>38</sup> This category has increased significantly as it was only 16% in 2014.<sup>39</sup>

Governments have committed and disbursed almost exclusively for road projects, while IFIs and “others” have committed and disbursed some financing for rail but much more for roads.<sup>40</sup>

While many of the region’s existing roads certainly need improvement, rail needs some positive discrimination in financing if it is going to become a relevant transport mode again in the region.

## Regional issues highlighted by the case studies and difficulties identifying best practice cases

Our case studies highlight a number of trends relevant to the whole region, both EU and non-EU. In no particular order of importance, these are:

1. In all the countries, there is a lack of public information and debate when projects are selected on a strategic level. Priorities are pre-decided by the authorities and almost never changed as a result of consultations.
2. “Strategic” projects are usually anything but strategic. Governments rarely provide compelling evidence in favour of prioritising these projects. In many cases the projects have been around for so long that it is quite unclear why they were chosen.

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tov\_v\_RS2015.pdf

37 SEETO Multi-Annual Development Plan: Five year multi-annual plan 2016 update, available at: <http://www.seetoint.org/wp-content/uploads/downloads/2017/02/SEETO-Multi-Annual-Development-Plan-Q.compressed.pdf>

38 Ibid.

39 Ibid.

40 SEETO: Multi-Annual Development Plan, Common problems – Shared solutions, Five Year Multi-Annual Plan 2016, available at: [http://www.seetoint.org/wp-content/uploads/downloads/2016/01/SEETO\\_brosura\\_lowres.pdf](http://www.seetoint.org/wp-content/uploads/downloads/2016/01/SEETO_brosura_lowres.pdf)

3. In many cases, it is mainly domestic and international construction companies who benefit from projects rather than the wider public. In some cases this may be a side benefit of the project but in too many cases it appears to be the main driver for decision-making.
4. Public consultations, where they take place at all, are done at a very late stage when the decision to go ahead with the project has already been made. This contradicts the Aarhus Convention which states that *“Each Party shall provide for early public participation, when all options are open and effective public participation can take place.”*<sup>41</sup> It also means that substantial comments from the public are rarely taken into account.
5. Environmentally harmful options like coal power plants, motorway construction, and waste incineration still dominate investments. Although financing is available for eg. rail, wind and solar and recycling, governments are not taking advantage of this.
6. There is very little systematic information available about how much is being invested by governments in schools, hospitals, smaller scale energy projects, urban public transport and cycling/pedestrian schemes, and energy efficiency.
7. The EU’s role is mixed. Promoting EU environmental standards in the region is valuable, but sometimes the EU has de facto supported environmentally unacceptable projects by eg. endorsing regional strategies containing projects or corridors that have not been screened for compliance with EU environmental legislation.
8. Often when a project is labeled as an “EU priority” it provides an excuse for the respective government to push ahead, even if it is controversial and even when the EU and IFIs later decide not to provide financing.
9. Procurement procedures still regularly raise questions. Some companies have track records of corruption and/or cost overruns, yet are allowed to go on winning contracts.
10. We were not able to identify any examples of infrastructure projects developed in a genuinely participatory way. We did find some projects which are useful and environmentally acceptable, but little information is available about the details of the procurement procedures or public participation, which makes it risky to endorse them wholeheartedly. Some of the projects named as problematic cases such as the Beška Bridge and upgrading of the road from Prishtina to Elez Han could in fact have been reasonably useful if they had been developed differently. Often a democratic deficit, corruption, incompetence - or all three - means that projects that try to address real problems fail to do so, or do so at excessive cost. This reflects a worrying

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41 Convention on access to information, public participation in decision-making and access to justice in environmental matters, Aarhus, 25 June 1998, <https://www.unece.org/fileadmin/DAM/env/pp/documents/cep43e.pdf>

lack of accountability around infrastructure projects.

## Recommendations

### For local and national governments

The selection of infrastructure projects must be based on real needs and must be demonstrated to be the most economically, socially and environmentally sustainable way to fulfill those needs.

In practice this means:

- » Strategic documents need to be up to date and based on very recent data, as well as upcoming legislation and goals such as the EU 2050 climate goals.
  - » Updates/development of strategies and plans need to be approached with openness to truly change the country/region/city's priorities, not just to reconfirm pre-decided options. Projects need to be frequently re-assessed in order to make sure they are still the best way to address an identified need, rather than being endlessly copy-pasted into new strategic documents.
  - » Honest and level-headed evaluation and re-evaluation are needed of the implementation of previous strategies and projects. Evaluations must be publicly available.
  - » Strategies and plans need to be publicly consulted at a stage when all options are open, also in the pre-drafting stage. The process must be transparent and meaningful and ordinary members of the public, NGOs and independent experts must have as many opportunities to participate as industry representatives.
  - » Feasibility studies for public infrastructure projects must be published before final investment decisions are taken.
  - » Environmental sustainability needs to be treated ambitiously, not just "slightly less harmful than the current situation," in order to avoid locking SEE countries into sub-optimal projects which will prevent them reaching policy targets.
- Transport: re-focus away from building new motorways towards rail, urban public transport, maintaining existing roads and pedestrian/cycling infrastructure.
  - Energy: no more new coal plants or fossil fuel infrastructure can be built if the world is to

limit climate change to 1.5-2 degrees Celsius.<sup>42</sup> Invest in demand-side energy efficiency and sustainable forms of renewable energy.

- Environment: invest in flexible, sustainable systems, eg. in the waste sector, reducing waste and recycling. Incineration facilities should be avoided, especially in countries with low recycling rates, as they crowd out sustainable solutions.
- » Small can be more useful. More attention should be paid to local projects, considering that a large percentage of people's time is spent in their local area using local services.
- » Avoid "putting all one's eggs in one basket". If a project requires a large percentage of a country's resources it should be reconsidered. Enable year-on-year, steady investment.
- » Alternative solutions need to be more seriously considered, ie. not just alternative routes for motorways, but eg. dual carriageways instead of motorways or combinations of road and rail improvements.
- » Adaptability to future uncertainties and risks needs to be taken into account more - eg. climate change, shifts in the global economy, security issues, technology changes.
- » For EU countries, under OP Environment, governments should decrease funding for grey infrastructure and start to provide support for green infrastructure.<sup>43</sup>

Implementing and managing major projects is very demanding, and should be treated as such. The project management capacity of the public sector needs to be strengthened in each county and much more action needs to be taken to tackle corruption:

- » Perceived impunity needs to end. Corruption cases need to be concluded. Those convicted must be permanently barred from public office and those formally charged must be barred from office for the time of the trial.
- » Transparency, public participation and accountability on budgeting needs to be increased.
- » End the practice of contracting large infrastructure projects without tender procedures and then justifying it with interstate agreements. Carry out public procurement transparently, with public information on the criteria, bids and reasons for the selection made.
- » During project implementation, authorities should focus on establishing and enhancing trust among stakeholders by investing in monitoring of their implementation.

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42 Oil Change International: The Sky's Limit: Why the Paris Climate Goals Require a Managed Decline of Fossil Fuel Production, 22 September 2016, <http://priceofoil.org/2016/09/22/the-skys-limit-report>

43 [https://ec.europa.eu/environment/efe/themes/land-use-and-soil/moving-grey-green-infrastructure\\_en](https://ec.europa.eu/environment/efe/themes/land-use-and-soil/moving-grey-green-infrastructure_en)

## For the EU, international financial institutions and other project financiers

- » Appearances are crucial. If the EU or an IFI appears at any stage to support a project, governments will use this to push the project forward.
- » EU-supported regional-level strategic documents need to be developed with extreme caution and environmental issues already need to be analysed at this stage through an SEA-like process. Disclaimers that projects still need to pass environmental assessment have proven insufficient as the message has already been sent that the project has EU support and should go ahead.
- » In accession countries, the EU needs to actively promote legislation which could limit unsuitable infrastructure projects, eg. the Birds/Habitats and Water Framework Directives and should require the region's governments to apply these recommendations.
- » Ensure that no investments are financed which would make it difficult to reach European GHG emissions reduction targets; halt direct and indirect financing for all fossil fuels and withdraw eligibility for unsustainable renewables and climate action measures which have detrimental environmental impacts.
- » Prioritise demand-side energy efficiency investments over new energy generation and transmission projects, both on the national scale as well as locally.
- » Shift funding towards infrastructure with long-term climate change mitigation impacts such as circular economy processes or smart energy distribution.
- » Be tough on corruption and be seen to be tough on corruption. Develop clearer procedures for dealing with complaints about fraud and corruption, acknowledging submissions on these issues and publicising the outcomes of investigations.

