



**BOSNIA AND HERZEGOVINA**  
**Ministry of Communications and Transport**

**Motorway on Corridor 5c**

**Foreign Direct Investment of 6,3 billions KM**  
**(business and investment opportunity)**

Presented by: **Izet Bajrambašić**, Assistant Minister (e-mail:[i.bajrambasic@mkt.gov.ba](mailto:i.bajrambasic@mkt.gov.ba))

**Final results from 2.5 years long work  
(Council of Ministers/Ministry of Communications and Transport)**

- **Preliminary Design**
- **Environmental Impact Assessment**
- **Traffic Study and**
- **Feasibility Study**

# **Financing and implementation of Project according to the Feasibility Study**

There are two different ways:

1. Traditional way and
2. Public Private Partnership (PPP)

# Traditional way

Depending on the kind of the project and financial requirements according **traditional way** following financing sources are used:

- International Financial Institutions (IFI),
- Government Finances,
- EU programmes (IPA),
- Commercial Banks,
- Capital Markets and
- Export Credit Agencies.

# Public Private Partnership for Motorway on Corridor 5c

## Project basic data

(length 291 km/expenditures 6,3 billions of KM/22 mil. KM per km)

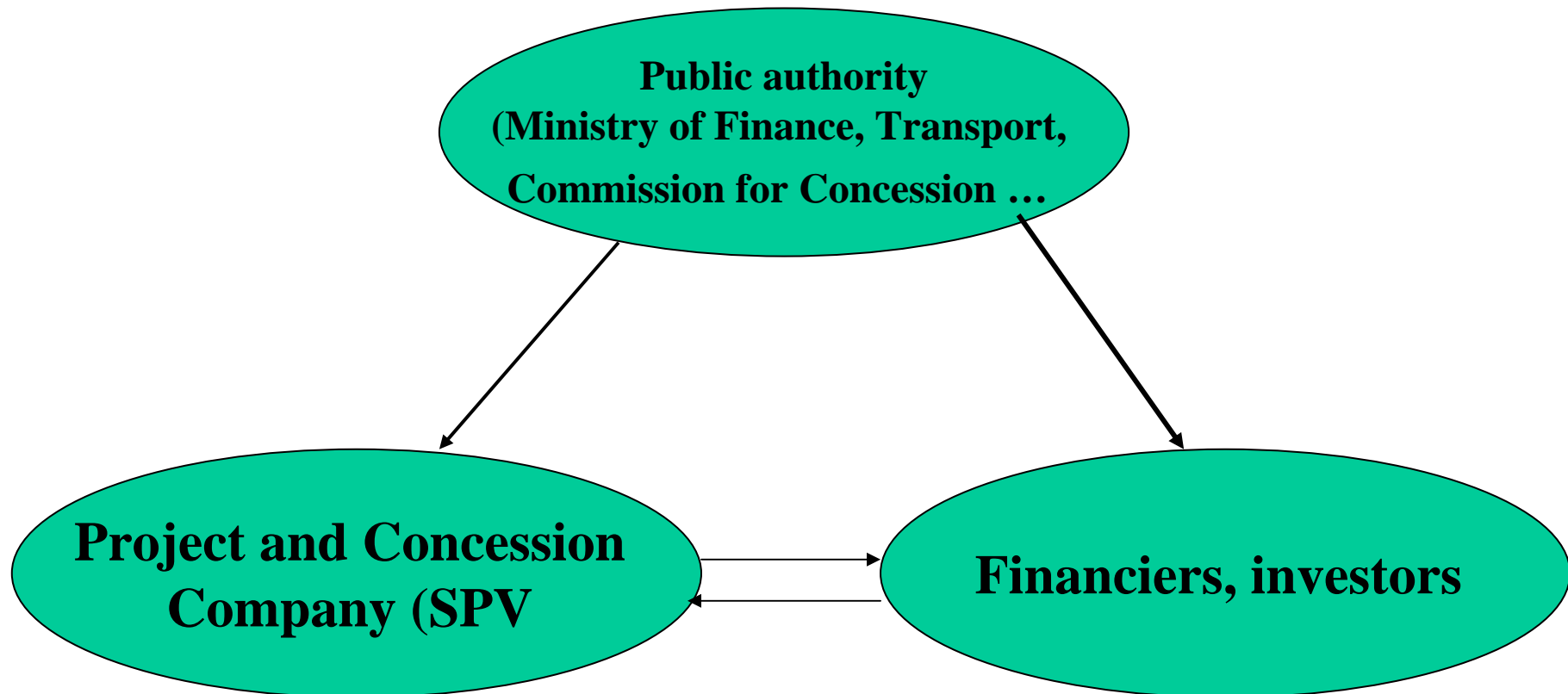
- Motorway in full profile (2x2)/TEM standards
- Length from north (Svilaj on Sava River) to south point (border with Republic of Croatia) 336 km reduced for 45 km (section under construction Kakanj-Vlakovo) amounts 291 km.
- Construction costs of 6.317 millions KM include all phases (designing, expropriation, supervision, construction works, unexpected works) except for 17% of VAT amounting 1.073 millions KM.
- Average costs (without VAT) per km amount 22 millions KM.
- Feasibility Study Team have proposed **BOT model**.

# WHY BOT MODEL?

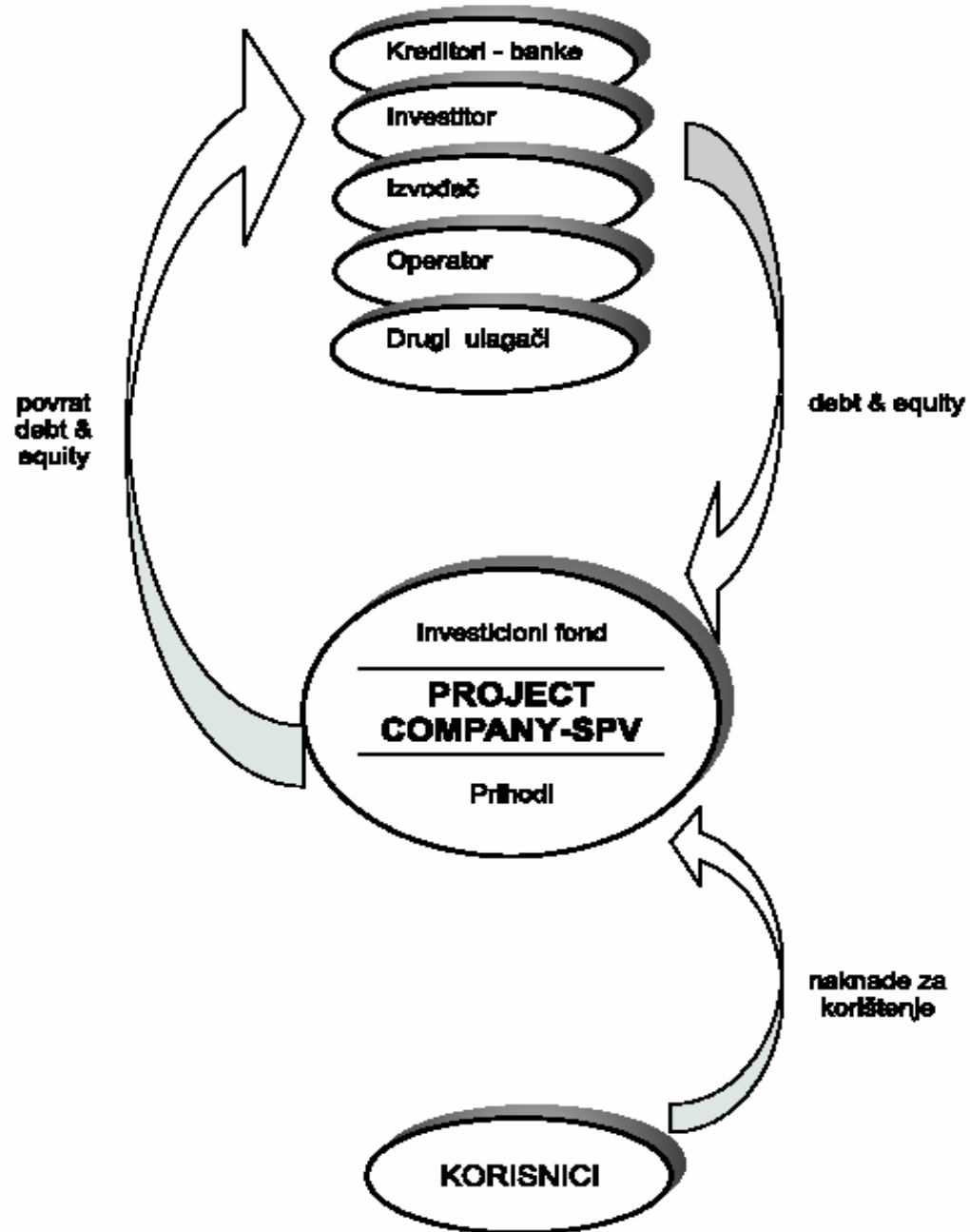
(Build, Operate, Transfer)

- Rational and clear distribution of partners' rights and obligations
- Simple control of private sector's work
- State is involved in the Project but it doesn't get into strong debt
- State can resolve its remnants in the meantime
- Private sector is relieved from local problems (construction permits, expropriation, main project...)
- Common concession company of private and public sector charged with this Project only,
- The Company finances and manages Project (get into debts, issues securities, accepts participations/contributions, pays back debts,...)
- Concession company ensures repayment of investment and loans exclusively from Project cash flow and state budget is not used.

# Stakeholders in BOT Project



# Functioning of Project/Concession Company





# WHY IS THIS PROJECT ATTRACTIVE?

- 1 billion Euros with interest rate and fees of 3% for Project requested by the Government from WB, EBRD, EIB and IDB
- Public sector participation minimally 20%.
- BOT model, common concession company
- Project is divided into nine sections (8+1 – look on page 7)
- Project is listed in EU priorities to 2020 (HLG –Nov. 2005)
- B&H rank is B2
- Partnership for Peace Agreement (NATO) was signed
- Significant reforms and clear approach path to EU
- Fixed currency, free movement/flow of capital, minimum inflation...
- Credit warranty of the state in case of periodic unliquidity of Concession Company.

## Two Scenarios on Public Private Partnership

- Total construction costs without VAT  
(eight sections) 6.317.078.206 KM
- VAT 17% 1.073.903.295 KM
- Total construction costs with VAT  
(eight sections) 7.390.981.501 KM
- Assessment for section Kakanj-Vlakovo (ninth)  
45 km (not included in previous costs) 800.000.000 KM

## Scenario A

Entity of FBiH section Kakanj-Vlakovo 45 km / (not included in costs of 7.391)	800 mil. KM
B&H expropriation of land and other property	161 mil. KM
B&H VAT 17%	<u>1.073 mil. KM</u>
Total participation of public sector	2.035 mil. KM

Partnership ratio between public (2.035 mil. KM) and private sector  
(6.156 mil. KM) is:

**25:75**

Financial inter rate return (FIRR) 6,5%

Economic inter rate return (EIRR) 13,0%

## Scenario B

Entity of FBiH section Kakanj-Vlakovo 45 km / (not included in costs of 7.391)	800 mil. KM
Entity of FBiH section Vlakovo-Tarčin 19 km	387 mil. KM
Entity of RS section Johovac*-Karuše (bypass Doboј) 16 km	290 mil. KM
B&H expropriation of land and other property	161 mil. KM
B&H VAT 17%	<u>1.073 mil. KM</u>
Total participation of public sector	2.712 mil. KM

Partnership ratio between public (2.712 mil. KM) and private sector (5.479 mil. KM) amounts:

**33:67**

Financial inter rate return (FIRR) 7%

Economic inter rate return (EIRR) 13%

\*Johovac is intersection planned for road Banja Luka - Doboј

## **Following steps from January 1, 2007**

- o Presentation of concept to relevant institutions and authorities of B&H
- o Approval that the Project is concession – Commission for concessions of B&H
- o Consultant BOT/PPP – Grant from the World Bank
- o Preparation of tender procedure – Ministry/Commission for Concessions
- o Tender issuing and following activities
- o Selection of the most favorable bidder (proposer/proposal)
- o Negotiations with bidder, IFI, EC, banks, investors and other participants
- o Section nine (Kakanj-Vlakovo) should be constructed in continuity and completed to the end of 2009

Thank you very much

**Izet Bajrambašić**, Assistant Minister (e-mail:[i.bajrambasic@mkt.gov.ba](mailto:i.bajrambasic@mkt.gov.ba))