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## News release

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## The CEE region needs financing of up to 615 billion Euro by 2025 in improving infrastructure projects

Central and Eastern European countries account for 28% of the EU's territory and 22% of its population, but only 10% of its GDP. One of the main challenges that the region faces today is the financing of transport infrastructure development. More than 80 billion Euro has been invested in transport infrastructure in the CEE from EU Structural Funds in the 2007-2013 financial exercise. But the need for further investment in transport infrastructure remains large, with another **615 billion Euro** needed through 2025 in the broader CEE region. The keys to unlocking further investment for countries in CEE are discussed in a new report by PwC and the Atlantic Council entitled ***The road ahead – CEE transport infrastructure dynamics***.

The new report outlines the current state of play and provides a picture of remaining infrastructure bottlenecks in the region – analysing policy, regulatory and financial hurdles, and outlining a series of recommendations for speeding up development.

“Despite progress in recent years, there is still a great deficit throughout the CEE for more efficient and modern transport infrastructure. It is clear that the need for financing these infrastructure projects is far greater than the current possibilities of the national budgets of the countries in region, including Romania. That is why it becomes paramount to identify additional financial resources in the private sector, by implementing a viable Public-Private Partnership legislation. Unfortunately, although in Romania we have the basis of this legislation, it still lacks the application norms, being not-functional at the moment”, stated Ionuț Simion, Country Managing Partner, PwC Romania.

“Given the need for investment in infrastructure, we expect construction market growth in CEE to be 3.1% and outpace that of Western Europe over the next five years”, pointed out Sorin Petre, Partner, Valuation and Economics Services, specialized, amongst others, in economic analysis of large investment projects.

“Romania in particular needs massive investments and improvements in infrastructure. According to the Global Competitiveness Index published by the World Economic Forum, Romania has one of the lowest scores in the EU in terms of the quality of the infrastructure, 3.61, while the average for the EU 15 countries is 5.65 and the CEE average score is 4.02. In the 2007-2013 financial exercise, out of the total of 82 billion Euro of structural and cohesion EU funds spent in the CEE for transport infrastructure, Romania attracted less than 7%, while Poland accounted for over 30%”, added Ruxandra Chiriță, Director, Public Sector Services, who has been involved in several large scale public investment projects.

Following decades of underinvestment, CEE has made unprecedented progress in infrastructure development in recent years: approx. 5,600 kilometers of new motorways have been built over the last 20 years. This has been thanks in large part to EU funding: over EUR 150 bn has been invested from EU Structural Funds, with additional money made available from the Connecting Europe Facility and the European Investment Bank. Additionally, private investors have invested billions of euros in key transport projects in Poland, Slovakia, Hungary and Croatia. The authors of PwC and Atlantic Council report underline that although investor interest continues, they are looking for well-prepared projects with a balanced risk-reward profile. Striking the right balance between risk and reward will be key to unlocking continued investment.

The report provides a detailed look at the five key transport corridors that are expected to play a paramount role for connecting the CEE to the rest of the EU. (North Sea-Baltic, Baltic-Adriatic, Rhine Danube, Orient / East-Med and Mediterranean). More than EUR 384 billion across over 2,000 projects is still needed to complete these five transport corridors.

According to the report, one of the most crucial challenges for the CEE region is to build an effective process of financing transport infrastructure that will help close the gap between East and West. The average citizen of the “old EU” has twice as many kilometres of motorways to drive on than his/her counterpart from CEE.

Based on PwC's own project experience in CEE and discussions with stakeholders, the report makes six recommendations for delivering the transport infrastructure required to achieve the CEE countries growth ambition:

1. Political consensus
2. Coordination on a regional level
3. Prioritisation of projects
4. Mobilising the private sector to overcome financing constraints
5. Increasing the efficiency of existing projects
6. Monitoring of lessons learnt.

What will transport infrastructure in the region look like in the future? The report posits that 75% of the infrastructure that will exist in 2050 does not exist today – new technologies will impact not only the way transport infrastructure will be designed, built and operated, but also the demand for transport services. This suggests that a regional approach to the challenges of infrastructure development offers the best chance of efficiency and success, and undertakings, such as the recently launched Three Seas Initiative, can play a key role.

The full report can be found at: [www.pwc.pl/theroadahead](http://www.pwc.pl/theroadahead)

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