

The CEE Bankwatch Networks Mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation

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Ukraine:
National Ecological Centre of Ukraine (NECU)

CEE Bankwatch Network comments on the HLG report on TEN-T extension to the neighbouring countries

How to do it more economically and environmentally acceptably

Introduction

CEE Bankwatch Network welcomes the opportunity for comments on the HLG report on TEN-T extension to the neighbouring countries.

This paper was prepared by CEE Bankwatch Network, in cooperation with its partners from the Stability Pact Watch Group, and is based on CEE Bankwatch Network's long-term experience in working on the development of the Trans-European Transport Network (TEN-T) and its practical knowledge from the Balkan countries, Ukraine and the Caucasus region.

We are pleased to note that the High Level Group has drawn attention to:

- 1) the need for further studies and analyses of the economic, social and environmental impact of the proposed priority axes and projects, including mentioning a possible SEA on the TEN-T extension
- 2) the need for projects to comply with the best practice for Environmental Impact Assessment in European Union and the methodology asking for avoidance of environmental bottlenecks
- 3) the need for transparent public procurement procedures and a mid-term review of the plans for TEN-T extension

However, some of the projects proposed by HLG are not economically justified or contain severe environmental risks. **The TEN-T extension should only cover necessary connections that will benefit people if the EC really aims to bring development and peace in the neighbouring countries.** This approach would be both cheaper for international donors and the money-starved governments of neighbouring countries.

Therefore, we would like to stress that in its forthcoming Communication the EC should address a number of additional horizontal measures in regard to sustainability and environmental assessment of the proposed axes and projects. We want to highlight some of them in the beginning of our response, as measures for them are urgently needed. The recent development of several projects in the neighbouring countries, mentioned also as priority projects in the HLG report, demonstrate that project development and implementation does not always correspond with EU standards and often violates international agreements. Therefore we can see the extension of the TEN-T network as a positive development only if it is guaranteed that together with physical infrastructure, good environmental and democratic practices are built, such as:

- Strategic Environmental Assessment for the TEN-T extension
- Public participation and transparency of all the studies related to the TEN-T projects
- Implementation of the precautionary principle for valuable biodiversity
- Harmonization of environmental and social standards among the donors in the region
- Priority for the upgrading, optimisation, interoperability and modernization of the railway sector in neighbouring countries and regions
- Application of the user and polluter pays principle

Responses to the questions for consultation

Question 1. Do the five main transport axes highlighted in the High Level Group (HLG) report, in your view, represent the main axes for international traffic and what would you add/delete, if given the opportunity, and why?

We consider that further independent analyses of the proposed priority axes and projects, their impact on the sustainable development of the neighbouring countries, and alternatives to the projects are obligatory, as the examples below show that there are serious concerns about some of the axes branches and projects. These cases – the Lviv-Krakovets Highway (Ukraine), Corridor Vc (Croatia, BiH), Demir Kapija - Udovo-Smokvica (Macedonia) and the East-West Highway (Georgia) should be further investigated and addressed by the EC in its future Communication on TEN-T extension.

Before commenting on individual branches of Axes and projects, it is necessary to point out that the process by which the countries concerned have identified their priorities has been questionable, and it is not therefore surprising if some of the priorities are questionable. Most of the neighbouring countries do not have a Policy or Programme for the development of the transport sector, or where such documents do exist they have never passed SEA or public consultation. The priority projects have never been presented and discussed with the public prior to their submission to the HLG. They also tend to be heavily biased towards road transport and out of tune with the aims of the EU Transport White Paper. Therefore, the initiative for the development of transit corridors through these countries could seriously unbalance the development of sustainable transportation there. We consider that **neighbouring countries should be urged** to develop *and* discuss with the public a coherent transport policy, where the development and management of the local and regional transport networks is addressed together with the international corridors. **Technical support from the EC** for proper implementation of the Strategic Environmental Assessment on national transport policy will be fundamental.

Another general comment regarding the proposed axes and projects is that investments in the extension of the transport modes are often duplicated. This means that rail is put into direct competition with road transport, which is perceived as being more convenient but fails to cover its large external costs. In addition, rail-upgrading projects have been carried out later than parallel motorway construction projects, and with little of the publicity and extravagant predictions of economic growth which have often accompanied motorway projects. Therefore it cannot be expected that rail will increase or even maintain its modal share as motorways have been given a head start.

The following are concrete comments on several of the proposed priority axes and projects:

NORTHERN AND CENTRAL AXES: Multimodal connection Dresden – Katowice – Lviv – Kiev

Ukraine, project No 14: Upgrading of road Lviv-Krakovets (Poland border)

The HLG report categorizes project No 14 as upgrading of an existing road, but the upgrade will take place only on some sections of the road - **Part of the road is planned to be constructed on a green field route.**

We would also like to bring to the attention of the EC that the residents of Zashkiv and Zavadiiv villages (Lviv region) are strongly opposed to the construction of the Lviv-Krakovets highway, as it will significantly affect their livelihoods.

In 2002 the Lviv-Krakovets highway construction project was developed by the “Transmagistral”

consortium. The planned width of the highway is 30 metres and the highway capability should be about 20 000 vehicles per 24 hours. The approved Lviv-Krakovets project highway will go through the territory of the villages of Zashkiv and Zavadiv and impact a lake with high recreation potential. Seven houses of local citizens will be demolished because they are located at the construction site.

The major problem, however, is that the project envisages only 10 m around the highway to be determined as a zone with a protective (special) regime where residential houses and agricultural production should not be allowed. According to Ukrainian legislation the distance has to be between 25 and 100 metres for roads in the state network and for this category of highways the sanitary-epidemic zone should be 300 metres. Many residents' houses are located in the 25-300 m strip along the motorway and they will be significantly affected by the construction of the motorway. Resettlement of the residents from Zashkiv and Zavadiv villages from the protective zone is not foreseen in the project. Thus the motorway construction violates the right to a safe and healthy environment for these people, vested by Article 50 of the Constitution of Ukraine.

Public participation was not duly executed during the approval of the environmental impact assessment (EIA) of the highway project. In addition, assessments of the project's compliance with legislation on sanitary-epidemic protection of the population and its impact on species from the Red Book for flora and fauna were missing.

In October 2004 the residents of Zavadiv and Zashkiv applied to EPL (Ukrainian environmental advocacy NGO) asking it to protect their right to a safe and healthy environment during the building of the concessionary Lviv-Krakovets highway. EPL helped the residents to make a complaint to court (and represents residents in the court) challenging the decision of the state EIA approval, carried out with violation of residents' rights to public participation in environmental decision making and violation of the relevant legislation.

In August 2005 residents held a referendum and the overwhelming majority voted against the construction of the highway through the territory of Zashkiv and Zavadiv villages

CEE Bankwatch Network urges the EC to consider the inclusion of the Lviv-Krakovets highway in the list of priority projects only under the strong condition that the project is redesigned and uses an alternative route to avoid harm to the local population and environment.

NORTHERN AND CENTRAL AXES: Inland waterway Belarus – Kiev – Odessa (Dneper)

The proposed waterway includes navigation through the Pripjat River. Some sections of the Pripjat River are listed among waterway bottlenecks as being not sufficiently deep for navigation¹: Pripjat (E 40) from Stakhovo to Pkhov - low maximum draught (1.3 m), (E 40) from Pkhov to Belarus/Ukrainian State border - low maximum draught (1.5 m).

Removal of such bottlenecks will require intensive dredging, which could be problematic since the sections of the river mentioned lie in territories contaminated as result of the Chernobyl accident in 1986. The dredging of sludge and bottom soils that are heavily contaminated with radionuclides creates the risk of radiation spread.

CEE Bankwatch Network urges the EC to take into account the risk mentioned and properly address it during the detailed development of the related project in the scope of TEN-T extension.

SOUTH-EASTERN AXES: Multimodal connection Budapest – Sarajevo – Ploče

¹ TRANS/SC.3/159. ECONOMIC COMMISSION FOR EUROPE INLAND TRANSPORT COMMITTEE. Working Party on Inland Water Transport. INVENTORY OF MOST IMPORTANT BOTTLENECKS AND MISSING LINKS IN THE E WATERWAY NETWORK. Resolution No. 49

We find the inclusion of the Corridor Vc as part of South Eastern Axes unjustified. The Corridor Vc does not correspond to the criteria identified in the HLG report regarding the significant volumes of inter-regional long distance and international traffic², although we acknowledge that the southern part of the route connecting Zenica/Sarajevo and the Croatian port of Ploče has undoubted importance for Bosnia Herzegovina. The EC's REBIS report does not give traffic projections for the Hungarian/Croatian border, but only from the nearest town, Beli Manastir, to the city of Osijek, which in 2006 is estimated to carry only 6131 cars and 331 lorries and buses per day, so the border crossing figures would be even lower. On the stretch nearest to the Croatia/BiH border, only 1372 cars and 245 lorries and buses are estimated to use the route per day in 2006.³ We perceive that the inclusion of Corridor Vc as part of the South Eastern Axes implies acceptance of plans for the construction of the Corridor Vc motorway in Croatia, although the latter has not been chosen as a priority project in the HLG report. We consider this unjustified and environmentally detrimental, as the section north of Osijek would result in the destruction of the Drava wetlands, which are home to rare bird and amphibian species. Further details are outlined in the attached position paper of Croatian NGO network Green Forum (*Annex I to the CEE Bankwatch Network Comments*).

CEE Bankwatch Network calls on the EC to re-examine and de-prioritize the section of Corridor Vc north of the Corridor X and to limit Corridor Vc to the Bosnia-Herzegovina - Ploče section of the route.

Bosnia & Herzegovina Project No. 20: Road upgrading on Croatia border-Sarajevo-Mostar-Croatia border

Several degrees of 'upgrading' have been publicly discussed on this route, ranging from improvement of the most trafficked sections to a full motorway along the entire route which has recently been promoted by Bosnian-Malaysian company Bosmal, costing a massive €2.5 billion. We want to state again that we acknowledge the importance of renovating the existing road to improve the link between southern Bosnia&Herzegovina and the Croatian port of Ploče, but the proposal to build a full motorway along the route is of great concern. Full motorway construction is economically unjustified and will entail great cost implications for Bosnian&Herzegovina citizens. It would additionally give credence to Croatia's plans to build a motorway on its section of the Corridor, which are otherwise unjustified (*Annex I to the CEE Bankwatch Network Comments*).

CEE Bankwatch Network calls for immediate clarification of the exact scope of the proposed 'upgrading' of the Corridor Vc roads in Bosnia&Herzegovina and for scope of the road upgrading that is coherent with true traffic needs.

SOUTH-EASTERN AXES: Inland waterways Danube and Sava

Regional Project No. 1a: Reconstruction of the Sava river to 1990 standard (phase 1)

Regional Project No. 1b: Reconstruction of the Sava river to a higher navigability class (phase 2)

CEE Bankwatch Network welcomes attempts to move traffic from roads onto rails and waterways, but calls for more exact information to be made publicly available about the precise contents of the proposed projects, particularly the second phase.

We are aware that the River Sava's carrying capacity is not significant, but deepening and straightening the river in order to increase its navigation capacity will have a detrimental impact on

² "Network for peace and development. Extension of the major Trans-European transport axes to the neighbouring countries and regions", report from HLG chaired by Loyola de Palacio, November 2005

³ European Commission: Regional Balkan Infrastructure Project: Transport, Final Report, Appendix 3: Traffic Projections, p.18/19

a number of valuable biodiversity sites in Croatia, Bosnia-Herzegovina and Serbia. Furthermore, we are also concerned about the economic viability of the project No.1b (or phase 2) as the River Sava follows almost the same route as Corridor X, which already has a railway and motorway running along it between Zagreb and Belgrade. As can be seen from the project below the reconstruction of the railway line along Corridor X is planned and this could successfully cover the freight transport to a large extent.

CEE Bankwatch Network is aware of the Master Plan made by the European Agency for Reconstruction that includes massive dredging of the River Sava and we hope that the priority project from the HLG report is not identical with the one from the Master Plan. We would like to bring to your attention the fact that the EAR Master Plan was developed in an absolutely non-transparent and non-participatory manner. There was an absence of information and consultation with the affected people living close to the river or using the agriculture land along the river.

CEE Bankwatch Network additionally calls for a detailed examination of the economic viability of Sava navigation between Sisak and Belgrade taking into account the effect of the Corridor X railway and motorway.

SOUTH-EASTERN AXES: Rehabilitation of the railway line along Corridor X, South-Eastern Axes;

Croatia, Project No. 4: Upgrading of railway line Slovenia border-Zagreb-Serbia & Montenegro border

CEE Bankwatch Network welcomes action being taken to ensure that the Corridor X railway line in Croatia will be developed in line with the EU's goal of improving the modal split. However, it is not clear why the High-Level Group is simultaneously supporting the upgrading of the parallel Corridor X road, which is already a motorway except for stretches on Croatia's borders, which are under completion. (See below for more comments on this)

Serbia, project No. Reconstruction and modernization of railway line Hungary border-Belgrade-Nis- Bulgaria/FYR of Macedonia borders, including bridge over Danube in Novi Sad

There is already ongoing rehabilitation of the railway line along Corridor X in Serbia. The Nis-Dimitrovgrad section is finished and the Belgrade-Novı Sad section is supposed to be completed soon. However, we consider that there is a major problem with the competitiveness of railway transport along the Serbian part of the corridor that will not be resolved only with the planned reconstruction. The construction of the missing sections of the motorway along the corridor, such as the Nis – Dimitrovgrad section, is developing very quickly and therefore will provide quicker and cheaper transportation. There is a need for major development of the horizontal measures that stimulate rail transport, such as user charges covering the external costs of road transport and facilitation of border crossing for goods and passengers.

At the same time we would like to bring your attention to the fact that local railway lines in Serbia are constantly deteriorating. Many local destinations are starting to be abandoned, such as the ones in Banat (part of the Vojvodina province), especially Subotica-Sombor. There is a similar situation on the "Southern Route" to Montenegro where the terrible state of trains may have recently caused the serious fatal accident in Moraca gorge in Montenegro. We are concerned that local and regional railway lines will never be upgraded and extended in other directions if the Serbian government concentrates its investments in the development of Corridor X as suggested in the HLG report. Subsequently, it will affect also the functioning of the Serbian railway system and further detract from improvements to provide a comprehensive freight and passenger transport service.

CEE Bankwatch Network calls on the EC to emphasise horizontal measures to improve the modal split in Serbia and Montenegro and to support regional and local railways rather than developing only the Corridor X.

*FY of Macedonia, Regional project 8a: Rehabilitation of the railway line Tabanovci-Gevgelija
Regional project 8b: Rehabilitation of the railway line Tabanovci-Gevgelija (phase 2)*

The Macedonian Ministry of Transport has identified the rehabilitation of the Railway Corridor X as a priority project and it has asked the European Commission to financially support this idea. However we would like to inform you that the railway line along Corridor X was recently upgraded and although we support the development of the rail corridor, we consider that further upgrading of the its Macedonian part is economically and socially unjustified at present.

CEE Bankwatch Network, taking into account the development of the rail sector in Macedonia, considers that there is a need to focus financial support towards Corridor VIII rail development and regional railway links. Macedonia has a need for a well-functioning railway system which cannot be realised by supporting only parts of a network, but on the contrary, by investing into Corridor VIII and creating the missing link between Albania and Bulgaria and investing in local lines which would bring benefits to the public. Only that way we can see Macedonia enjoying the advantages of a whole rail network (*Annex II to the CEE Bankwatch Network Comments*).

CEE Bankwatch Network calls on the EC not to support further upgrading of the Corridor X railway at the moment, but rather to support construction of the missing links from the railway Corridor VIII and regional railway links within Macedonia.

SOUTH-EASTERN AXES: Road upgrading Corridor X

Croatia, Project No. 19: Road upgrading Slovenia border-Zagreb-Lipovac-Serbia & Montenegro border

Regarding the extension of the motorway towards the border of Serbia and Montenegro, the European Commission's 2003 REBIS report stated that "Existing traffic is low for this part of Corridor X, making it difficult to justify the project" (European Commission: Regional Balkans Infrastructure Study final report, Appendix 6, p. 17), and in 2006, according to the same report, there are only 6040 cars plus 879 lorries and buses using the stretch per day. (REBIS study, Appendix 3, p. 18/19). Unfortunately the project is already under construction without a satisfactory economic and social assessment. Although the project will be completed with or without the blessing of the High Level Group, the Group should not reward projects which do not appear to be justified in terms of either transport demand or positive environmental or economic impacts.

CEE Bankwatch calls on the EC to withdraw its support for this stretch of motorway.

Serbia, Project No. 22: Road upgrading Hungarian border-Belgrade-Nis-FYR of Macedonia border

While the highway projects in Vojvodina province are profitable and economically justified, the upgrading of the section Belgrade-Pozega, and Nis-Dimitrovgrad to motorway standards could be highly controversial from the economic and environmental point of view. Therefore the Serbian government proposes concessions for construction of the above-mentioned sections in a package with toll collection in Vojvodina. Such a financial agreement would cause large political opposition in Vojvodina that could even lead to potential political instability. This will also have an indirect impact on the maintenance of the whole road network, as currently road tolls are the main source of

income for the Serbian Road Agency. The issue of private concessions of the roads already financed by IFIs credits and loans is even more problematic, and needs to be analysed thoroughly.

CEE Bankwatch Network appeals to the EC to more closely examine the proposals for highway concessions in Serbia, which feature non-transparent and controversial agreements.

FY of Macedonia, Project No. 24: Road upgrading Demir Kapija- Udovo-Smokvica

The criteria mentioned in the HLG report says, “Only projects with a sufficiently high economic rate of return, about 6%, should be considered.” This is not the case with this road Demir-Kapija-Udovo-Smokovica, because the overall return rate is 4.4 % for one scenario and 3.0 % for a second scenario⁴. Therefore, the project does not meet this criterion.

The chapter on criteria says that the proposed projects should meet the following criterion on environmental sustainability: “Reduction in air pollution, noise, greenhouse gases and other environmental impacts including the issue of biodiversity, e.g. through changes in the existing modal shift, re-routing to environmentally friendlier modes or infrastructures or through a reduction in congestion.” The Demir Kapija gorge has been protected since 1960 as a Monument of Nature and the region around Celevecka River has been protected since 1963 and placed in the category of individual animal habitats under the National Environmental Action Plan of Macedonia. The EIA study for this project proposes that it would be better not to undertake any activities for the upgrade of the road because the works around the tunnels will create unbearable conditions for the survival of endangered and rare species such as vultures and other birds, reptiles and amphibians. Therefore pursuing the project does not meet the above criterion either.

CEE Bankwatch Network calls on the EC to withdraw its support for this project.

- Road and railways upgrading in Georgia

CEE Bankwatch Network welcomes the fact that the HLG report speaks mainly about upgrading of existing roads and railway links. However, the widening of motorways from two lanes to four lanes is a cause for concern. (Please see below). This could have significant impacts on biodiversity, cultural heritage, and for sure will require significant resettlement.

Most of the motorways (including transit ones) in Georgia (as well as in Azerbaijan and Armenia) go through settlements and some cities (like Kutaisi or Ganja). Therefore, TEN-T extension plans should consider as the first priority the construction of bypasses around the affected cities. In case of simple widening of the existing roads, resettlement would be unavoidable. In addition, improvement of the situation on the roads will of course increase the traffic overload, which would have drastic impacts on cities and villages. For example the city of Vale, located on the border of Georgia/Turkey, is already half-destroyed by the movement of heavy trucks between Poti/Batumi to Turkey and vice versa. A bypass has never been constructed in Vale, despite the fact that the local population has been asking for it for more than 10 years.

CEE Bankwatch Network calls on the EC to undertake upgrading of roads only in conjunction with bypass plans which would ensure that traffic through settlements would not be drastically increased.

Current environmental and social problems with transport infrastructure development: The following example aims to demonstrate the low environmental and social standards in the development of transport infrastructure projects in Georgia, even in cases where Public Banks with

⁴ PHARE Trans-boundary programme for the Section Demir Kapija- Gevgelija, feasibility study/ Project/ Final Report

well-established environmental policies are involved. Therefore we appeal to the EC to ensure, through its Communication on the issue, that such an approach is not repeated.

In 2004 the World Bank financed the **East-West Highway Improvement** project. The WB project is the part of the South Eastern Axes, and there is an additional 300 mln USD WB project for road rehabilitation project along the same corridor in Azerbaijan. The project envisages a road upgrade from 2 to 4 lanes and support for the Rikoti Tunnel Concession. Unfortunately the project is categorized as B category and required only an Environmental Assessment, while the European EIA Directive (85/337/EEC) would require a full Environmental Impact Assessment procedure⁵. The Aarhus Convention also categorized it as an A Category project. The response of the World Bank to the public's concerns were the following: "We will be preparing investment projects for approximately 40 km of road. However, we will be financing these by three different credit projects. Therefore, we will address the three road sections of approximately 40 km road separately. In addition, we consider that some sections may need to deal with resettlement, while others will not. So, in order to be more efficient we think we may need to consider sections individually". We find that the approach of the World Bank completely disregards the European principles for assessment of the environmental impact of certain projects and public participation.

Other priorities:

Samtkshe-Javakheti Road. The Millenium Challenge Corporation is expected to provide 100-125 million USD for the development of the Samtke-Javaketi/Armiana connection road, which is an important initiative taking into account the situation in that region and the fact that this region is currently isolated from the rest of Georgia due to the bad roads. However, there was a railway line parallel to the road during the Soviet period, but so far it has not been considered for reconstruction. Although this corridor might not be a part of an international transit route CEE Bankwatch Network considers that the Commission should consider reconstruction of the railway line as it is likely to bring great benefits for the peace and development of the region.

Railway connection Georgia and Turkey: There is no railway connection between Georgia and Turkey, which increases the overload on the roads, and despite the fact that during bilateral negotiations usually both Georgia and Turkey underline the importance of developing the Kars-Batumi railway.

One possible route, from the Turkish city of Kars in Eastern Anatolia to the Georgian capital, Tbilisi, has been under consideration since 1993. The proposed line would require 98 kilometres of new railroad to be built at a cost of \$250 million. When completed (with possible extensions to Baku in Azerbaijan and the Turkish port of Trabzon), the line would not only open a new route for bilateral trade, but would also transform Georgia into Turkey's window to the greater market of Eurasia. Currently, Turkey's only railroad access to Central Asia goes through Iran. **The fact that this railway is not in the High Level Group report could point to the fact that road development in the region is being privileged over that of railways.**

CEE Bankwatch Network calls on the EC to consider this railway for further examination as a possible priority project.

Question 2. The HLG report outlines a number of measures, on so-called horizontal issues, are these the most important ones and do the recommendations made by the Group help to solve the problems?

⁵Annex 1 of EC 85/337/EEC as amended 97/11/EC 1997 stipulates an EIA procedure for "construction of new roads of four or more lanes, or realignment and/or widening of an existing road of two lanes or less so as to provide four or more lanes, where such a new road, or realigned and/or widened section of road would be 10 km or more in a continuous length"

CEE Bankwatch considers that the horizontal issues related to environmental assessment, public participation and transparency regarding priority axes and project assessment need to be addressed in the proposal for horizontal measures. The democratic deficit, governance and human rights issue in Russia, Belarus and the Caucasus region should be also considered under the conditions for granting EU and EIB support for the projects

CEE Bankwatch Network particularly welcomes the High Level Group's examination of cross-border rail inter-operability and marine safety, and considers these to be important areas. The reminder on p.19 of the report, that all projects must respect relevant EU legislation and best international standards in procurement and environmental assessment is likewise very welcome.

CEE Bankwatch Network also welcomes the High Level Group's examination of user charging and financing but feels that the conclusions reached in the report are too vague to play a decisive role in moving Europe towards fair charges for transport users. We consider that, at the minimum, the application of EU standards for user charges is crucial for ensuring adequate financing for the maintenance of the infrastructure and internalising the external costs for society caused by international traffic.

In addition, CEE Bankwatch Network considers that there are some outstanding horizontal issues that need to be included in the future EC communication on the TEN-T extension.

- Ensuring that Strategic Environmental Assessment is carried out on the plans for development of the corridors

In many countries SEA has still not been introduced on the national level, and the environmental impacts of transport are usually only considered in relation to protected natural areas rather than wider environmental impacts such as impact on greenhouse gas emissions. Likewise projects are not considered in relation to one another, leading to duplication of projects. Therefore the EC should ensure that SEA is carried out for the plans to extend the TEN-T network and clearly state whose responsibility it is to carry this out.

- Enforcement of the precautionary principle when transport projects could harm valuable biodiversity sites that are still not protected according national legislation

Infrastructure construction programmes are proceeding much faster than the implementation of nature protection programmes in the neighbouring and accession countries, with the consequence that sites which should be included eg. in the Natura 2000 network are not yet legally protected and are therefore threatened by infrastructure development. It needs to be made clear how these sites are to be taken into account during the project development process. Technical assistance on implementation of the precautionary principle and quality analyses of the EIA report about the priority project should be considered by the EC.

- Ensuring transparency and public participation in project development, implementation and public procurements

CEE Bankwatch Network's experience shows that transport infrastructure projects are often delayed due to poor public involvement especially in the early stages of project preparation. Public consultations are also a way for the projects to benefit from the public's knowledge and experience. Public access to the social, economic and environmental assessments of the specific transport project is an issue in most of the countries concerned. Taking into account the high cost of infrastructure construction for society and the relatively high corruption in most of the neighbouring

countries the EC should consider a special mechanism ensuring full access to the economic, social and environmental studies of the projects promoted.

- Ensuring respect for human rights in projects supported by the EC, EIB and other financial institutions where EU member states are involved (such as the World Bank, EBRD and ECAs)

Some of the neighbouring countries (Russia, Belarus, South Caucasus countries) are well known for their poor human rights record, torture and ill-treatment in custody, abusive law enforcement authorities, lack of independence of judges and lawyers and restrictions on freedom of expression. We want to bring attention to the recent Human Rights Watch report 2006⁶ that provide evidences of the above statement. In those circumstances transport projects could directly or indirectly involve the violation of fundamental human, as well as socio-economic and cultural rights as a result of forced resettlements, expropriation of land and disregard for public opinion and freedom of information and expression.

We are concerned that the EU financial mechanisms and International Financial Institutions and especially the European Investment Bank do not have policies and provisions giving guarantees that their investments should not cause human rights violations.

Therefore the EU should require the adoption and recognition of relevant international human rights norms and laws by implementing agencies and IFIs, as well as requiring the execution of these norms and laws by their clients and host governments, as well as require the incorporation of Human Rights Impact Assessment into the Integrated Environmental and Social Assessment process.

- Ensuring sufficient public resources for maintenance of regional transport networks and promotion of sustainable transport modes

TEN-T priority projects in neighbouring countries require a large amount of finance (around EUR 45 billion estimated in the report for both the short and longer term), which is a significant burden for the countries' national budgets. Therefore, there is serious danger of crowding out investment in smaller projects on the local and national level, which benefit citizens more directly than the TEN-T projects. An example is Croatia, where, according to Green Action's calculations, 38% of the entire transport budget is currently being used solely for building motorways, whilst many of the existing motorways are under-used. (See *Annex II to the CEE Bankwatch Network Comments*). The EC and donor emphasis on international routes encourages government tendencies to embark on grand mega-projects, at the price of neglecting local transport projects with the greatest benefits for the country. This therefore also means that taxpayers are not getting good value for their money. Therefore, the EC should not limit its support to TEN-T projects but open also to local and regional projects. CEE Bankwatch Network also calls on the EC to ask Neighbouring Country governments for firm commitments and data that prove sufficient public resources for the maintenance and improvement of local networks and sustainable modes of transport.

- Unequal development of modes

We regret to note that the HLG report does not address the problem of neglected implementation of rail projects in comparison with the road projects within the existing TEN-T networks. In 2004 the EC estimated: "For road, less than 4% of the length of planned links will still not be completed by

⁶ "Human Rights Watch: World Report 2006" <http://www.hrw.org/wr2k6/wr2006.pdf>

2010, and, for rail, up to 50% of the length of planned links will remain uncompleted”.⁷ Likewise, although more financing has been devoted to rail in the existing TEN-T projects, compared to the total estimated costs, it is a disproportionately small amount.

	Length	Estimated costs	Investments 1996-2001
TEN road	75 200 km	€120 billion	€49.7 billion
TEN rail	78 000 km	€324 billion	€84.1 billion

Source: European Commission: Commission Staff Working Paper: Trans-European Transport Network Report From The Commission To The European Parliament, The Council, The European Economic And Social Committee, And The Committee Of The Regions On The Implementation Of The Guidelines For The Period 1998-2001, 2004, p. 8, 11-13

The IFIs also predominantly finance road development in Europe. Between 1998 and 2003 58% of European Investment Bank (EIB) investment in the transport sector in CEE countries went for motorway construction and only 17% for railways. Only the EBRD has shown a shift towards more investment in the railway sector in the period 1998-2003, from 29% on average in the last 12 years to 52%. (For more details see CEE Bankwatch’s Transport Investments study “Heading Down Dead Ends” at www.bankwatch.org)

In addition to the lack of recognition of the above-mentioned problem in the HLG report, we also see a serious problem with investments in duplicated expansion of the modes’ capacity in the list of priority projects proposed by the report. This is of serious concern because 1) the current and future traffic volumes on the corridors could hardly justify such a double expansion of capacity, and 2) the neighbouring countries and regions have still unequal charges and standards for transport modes that have worked to the disadvantage of the railway sector for more than 15 years already, so duplicated investments/corridors will result into unfair competition between the two modes at the railways’ expense. Considering the objectives of the EU’s 2001 Transport White Paper to increase rail’s share of transport and to optimise the existing infrastructure, we appeal to the EC to consider in its further communication on the issue the following guiding principles when granting Community support (including EIB loans) to the TEN-T extension projects:

- 1) Projects eligible for Community support (including EIB loans) are exclusively projects for upgrading, optimisation, interoperability and modernization of the railway sector in neighbouring countries and regions.
- 2) Only projects for rehabilitation of the existing roads and bypasses of the residential areas and valuable biodiversity sites could be eligible for community support, if the conditions of the existing roads represent a serious danger for transport safety, human health and protected habitats and species.
- 3) Upgrading of roads and new road/motorway infrastructure should be eligible for the community support only when the conditions of the existing roads represents a serious danger for transport safety, human health and protected habitats and species.

Question 3. Financing transport investments is a headache. How can the implementation of these axes and horizontal measures be best financed? What could be the role of the private sector and user charges?

CEE Bankwatch considers that the main problem here is the projects’ economic viability and real benefits for the neighbouring countries’ citizens. All private and public financial institutions in the neighbouring countries should demonstrate good quality economic assessment and transparency.

⁷ European Commission: Commission Staff Working Paper: Trans-European Transport Network Report From The Commission To The European Parliament, The Council, The European Economic And Social Committee, And The Committee Of The Regions On The Implementation Of The Guidelines For The Period 1998-2001, 2004, p.32

The neighbouring countries have already received funding from different private and public financial institutions for many of the priority projects. Therefore, CEE Bankwatch Network does not share the understanding that funding of the transport infrastructure is a headache for national governments. However, we have serious concerns that the current investments in the transport sector development in the neighbouring countries could be a serious headache for future generations. There is no practice at the moment for the disclosure of loan agreements and contracts for public-private-partnership schemes that are mainly used for financing transport infrastructure in neighbouring countries. Without such practice there is a serious concern of undue profit of the private companies involved in PPP or project implementation and conditions that affect the public interest. Taking into account that most of the agreements for financing transport infrastructure are for long periods (between 20-30 years), the negative impact of decisions taken by current governments could be extended to future generations. We want to stress again here that the level of democratic process and respect for human rights in many of the neighbouring countries is not satisfactory, corruption is widespread and that many of the financial institutions are missing adequate standards on these issues. The EC should, therefore, address in its future communication on the TEN-T extension and any other relevant documents the need for disclosure of the projects' economic assessments, loan agreements and contracts for any relevant funding scheme as well as demand proper public consultations over the proposed axes.

We also urge the EC to consider harmonization of the neighbouring countries' practices for user charges with European standards in order to ensure implementation of the user and polluter pays principle. Upgrading national roads to the standard 11.5 tonnes and 4-metre benefits solely international transit traffic while the cost is going to be paid exclusively by the national governments, e.g. citizens of neighbouring countries. CEE Bankwatch Network's experience shows that as result of the simplified border-passing procedures and lower road charges international transit traffic in the new member states and accession countries has increased by up to 70%. In such cases road freight transport companies gain significant benefits at the cost of deterioration of the environment, the transport infrastructure in the transit countries, and current and future public expenditures.

4. For the implementation and coordination of the recommended actions, the report calls for either a memorandum of understanding or an international agreement – do these help to achieve the objectives? If not, how would you ensure the implementation and coordination of the actions?

CEE Bankwatch Network considers that the requirement for implementation of the horizontal measures suggested in this document should become part of the Bilateral agreements between EU and neighbouring countries and a condition for granting EU aid and EIB loans to neighbouring countries.

Through bilateral agreements with the neighbouring countries (e.g. Accession, Association Agreements and Action Plans) many of the horizontal measures raised in this document could be successfully addressed. The EC should also consider the possibilities for ongoing communication with civil society and public in the neighboring countries and the establishment of a complaint mechanism as part of the EC Directorate External relation and European Neighboring Policy. Furthermore, a regular meeting of the national government country representatives and EC, where NGOs are invited as observers, could be a useful mechanism for monitoring and facilitating the process of TEN-T extension.

We also appeal to the EC to take a leading role for harmonization of the donor standards for environmental, social and economic assessment in neighboring countries and regions. The example from Georgia mentioned above and our experience from Central and East European countries show that WB, EIB, EBRD and often also EU-financed projects violate EU environmental standards and

international treaties. We consider that the EC should strive to sign a memorandum with all donors in the region, pledging respect for EU environmental, social and economical standards. Transparency and public participation should also be an integral part of such an agreement. We see this as a fundamental step for bringing meaningful peace and development to the neighbouring countries.

5. The Group has envisaged integrating the existing agreements and memoranda of understandings into a coherent framework. Should an international treaty be envisaged for this?

Yes, moreover stronger monitoring of implementation of the provisions under the international agreement signed by the neighbouring countries should also be considered by the EC. New international treaties could be considered in case this is not currently in place.

The neighbouring countries have signed a number of International Agreements for environmental protection and public participation such as the Aarhus Convention, Bern Convention, Bonn and Ramsar Convention. The implementation of the provisions of these treaties is far from satisfactory in most of the neighbouring countries. We invite the EC to take a more active stand in the meetings of the Parties to the International Agreements and existing complaints mechanisms (such as the Aarhus Convention Compliance Committee) in order to ensure the proper implementation of the principles of these treaties. This implementation should be a prerequisite for signing any agreement on TEN-T extension and on any financial decision of the European Commission or the EIB.

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Macedonian Rails- a potential that must be seized

Introduction

The Macedonian Ministry of Transport has identified the rehabilitation of the Railway Corridor X as a priority project and it has asked the European Commission to financially support this idea. This paper has the aim to show that there are other priorities and potentials to the rail transport than the forcing of the Corridor X. Macedonia has a need of a well functioning railway system which cannot be realised by supporting only parts of a network, but on the contrary, by investing into Corridor VIII and creating the missing link between Albania and Bulgaria and investing into local lines which would bring benefits to the public. Only that way we can see Macedonia enjoying the advantages of a whole rail network.

Background information on the Railway system in Macedonia

Railway infrastructure and services

The railway network in Macedonia mainly consists of an operating Corridor X with several branches (some of them closed for passenger transport or operate only single type of freight transport). In its current status, the Macedonian railway system offers limited and incomplete services. Even more recently, several lines have been closed (Table 1) which previously were overloaded with passenger transportation. Rail workers state that the reason for this event is the inappropriate time schedule for the trains which was developed to suit the rail workers and not the passengers. That way, the passengers can not use the trains in for example, 2 a.m in the morning and decide to therefore utilize a different mode of transport. As a result of a drop in passenger traffic and great losses in the freight transport that occurred, the lines were declared as unprofitable and therefore, closed.

An interesting example is the one for the marble transport from Prilep to Greece. The line from Bitola to Greece (line length less than 5 km) has been closed due to low speeds and need for rehabilitation. Estimation of costs for the rehabilitation is around EUR 3 million. Instead of carrying out a rehabilitation of the line and enabling constant transport of the marble to Greece, the marble is currently being transported by trucks for more than 200 km across the country.

By closing the lines and declaring them as “unprofitable” Macedonia is ending up having no internal rail transport- as only the Corridor X which connects Western Europe with Greece functions. There is a great need of modernizing the railway company in order to make it more competitive and passenger oriented. The World Bank “Railway Reform” project is aimed to “...improve the financial viability, productivity, and effectiveness of railway operations...”¹ and as a result ensure the efficiency and competitiveness of the company.

Concerning the Corridor X, an information paper prepared by the Macedonian Ministry of Transport states that “...priority is given to increasing of speed at certain sections from 100km/h, and with that improvement of the infrastructure level, in order to achieve technical conditions for the Corridor [X]”. The European Commission’s report “Status of the Pan-European Transport Corridors and Transport Areas” states that although the conditions of the Corridor X are satisfactory, the feasibility and technical studies financed by the EIB determine the needs for the rehabilitation of the rail Corridor X. In its communication to the European Commission, the Macedonian Ministry of Transport has declared the rehabilitation of the Corridor X as a priority project and requested finances for its support.

The question remains, does Macedonia really need the rehabilitation of an already well functioning Corridor, or it needs smart investments in the other lines, currently closed but with great potential for the passenger and freight transport?

¹ World Bank Project Information Document for the “Railway Reform” Project

Table 1. Railway corridors in Macedonia and their status

Railway Lines	Location	Status	Speed km/h
Corridor X	Tabanovci- Gevgelija- through Skopje and Veles	Single-track line, electrified. Its last renovation on most sections is already 30 years old.	110 km/h
Corridor VIII	Gorce Petrov-Jegunovci	This line was constructed in 1952/1969 partially and only for freight transport, for the Ferro-nickel mine in Jegunovci	60-80 km/h
Skopje-General Jankovic	continues to Pristina and connects with the Yugoslav network	Only for freight transport for KFOR needs	60-80 km/h
Branch D of Corridor X	Veles-Bitola	Functions for passenger and freight transport	60-80 km/h
Kumanovo-Beljakovce	towards the Bulgarian border to the east	This branch may be the first section of the link between the Macedonian Railways and the Bulgarian Railways, on Corridor VIII. Since the beginning of the construction of the new line, this line has been closed.	60-80 km/h
Corridor VIII	Jegunovce- Kicevo	Good conditions and most recent line (1968) works only for livestock transport 2 months annually	80-100 km/h
Corridor X branch B	Veles- Kocani	Closed for passenger transport in the last 2 years, occasionally works for freight	40-60 km/h
Corridor X branch D	Bitola- Greek border	Secondary and low standard lines. It has been constructed in 1939 but closed for the last 5 years.	5-10 km/h
Corridor X	Gradsko- Sivec	Operates only freight transport	40-50 km/h

The potential of Macedonian Railways

Railway Corridor VIII

The Government's priority concerning the development of the Macedonian railway system is to construct the line between Beljakovce and the Bulgarian border. In the past decade, EUR 201.98 million of state money have been invested in this railway line. However, the line is still not finished as additional EUR 150 million is needed. This particular line represents a part of the Corridor VIII and it would connect Bulgaria with Macedonia, forming a link which would bring benefits to both countries, in terms of freight and passenger transport.

However, in spite of the importance and priority of this project, none of the International Financial Institutions have ever expressed a will to invest in this line. Moreover, only EUR 7.9 million have been invested in the rail sector (specifically in the construction of rail lines in 1984 and 1990) by the European Investment Bank (EIB) and EUR 18.92 million by the World Bank (loan for projects concerning the restructuring of the rails, and not infrastructure projects). As seen above, the investment into rails has been highly neglected and on the contrary the construction of highways highly supported by the IFIs. Almost 20 % of the total EBRD investment in Macedonia and almost 80 % of the total EIB investment have gone into the road sector. On the other hand, EBRD has not financed any rail related project in the country.

Solutions to the traffic problems in the capital

The public transport in Macedonia is operated by Public Transport Companies which operate exclusively with bus transport. Efforts have been made by the capital authorities to introduce tramway and metro transport but none have succeeded with the explanation that Skopje has large number of underwater channels that might block any attempt to construct metro tunnels. The development of a tramway system in the city was practically excluded after the unsuccessful referendum for the development of tram lines in Skopje in the 80ties.

The busses are mainly old (some are even 20 years old) and heavily pollute the environment. Researches have shown that 60 % of the air pollution in Skopje is generated by the public busses. The situation became even worse when a private consortium started operating the

same bus lines by private, even older busses. This leads not only to excessive traffic jams but also increases the number of road accidents and pollution.

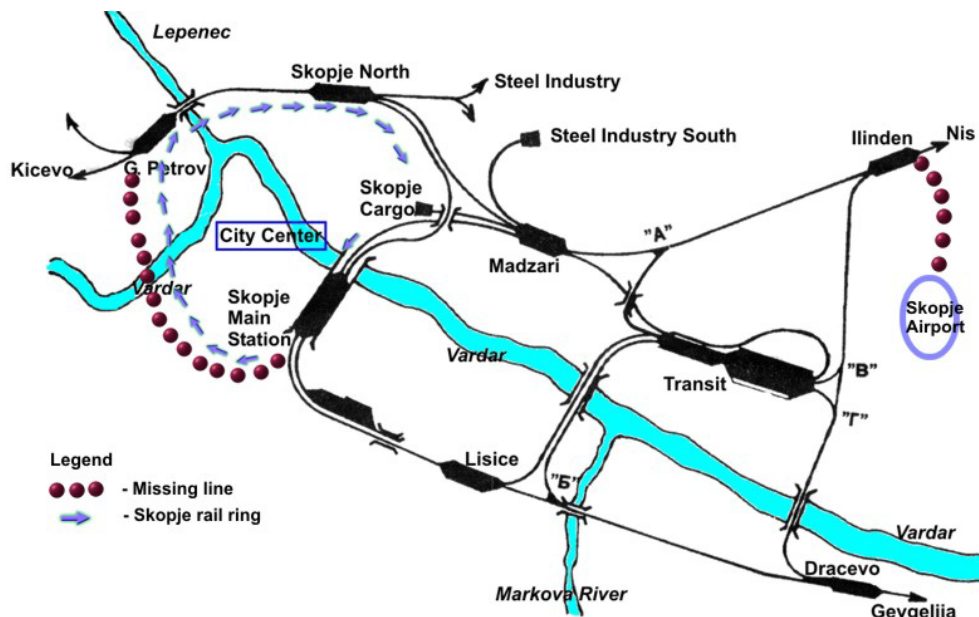
Parking spaces in Skopje are a luxury. With the exception of 2 public parking lots in the city centre, parking space can not be found. A common image is a line of cars parked at the first lane of a street- the most expensive parking space. The bicycle lanes are a rarity and mostly blocked by parked cars.

Skopje is in a transport chaos as traffic jams occur throughout the entire day. Experts have indicated that in 5 years, the number of private cars will significantly increase, the number of persons transported by each car would decrease and the city will suffer even heavier traffic jams if soon things do not change. Moreover, no strategy has been developed by the city authority to alleviate this situation.

Solution for the urban transport to the Skopje Airport

Usually, it takes one 30 minutes to get from the city centre to the Skopje Airport. Travelling one way, one needs to pay for gas (EUR 1 per litre unleaded gas) and toll (EUR 0, 57), or for taxi service (EUR 10). According to the Public Airport Enterprise, annually there are 550 000 passengers travelling by plane. These passengers are usually accompanied by at least one more person (taking them to the airport). The number of the employees that travel every day to the Airport is around 400. This amounts to around 1.2 million people that would benefit from rail transportation on annual basis.

If the rail line to the Airport is constructed (2, 5- 3 km needed), one would be able to reach the city centre in less then 15 minutes. Also, this would create revenue for the railways, as according to the estimations, around EUR 600 000 of income would pay off the new construction in less then 5 years.



Urban rail transport in Skopje centre

The old railway line between the new railway station and the station in Gjorce Petrov has been covered with asphalt by the construction of new roads. This line perfectly links the city centre with the north-west part of Skopje, creating the rail circle around the city. The other lines forming the circle are in very good conditions (speeds up to 100 km/h) and can be used for urban transport instead of the buses and possible tram/metro transport. The length of this particular line is around 7 km. With an investment of EUR 14 million that would repay itself quickly after operation starts, Skopje can have the most unique and practical urban transport. Having in mind the chaos of Skopje's bus transport, high prices of single ticket (EUR 0, 5) and lack of proper bus routes, the rail ring around Skopje is more of a necessity than a caprice. More over, similar city train systems exist in many European cities like Rome and Paris and they are considered as quick and comfortable means of transport.

Skopje has been built in adjacent to the industrial zones and most of the factories are linked to the existing railway lines. All of these could be used by the employees on daily basis, and it

would both create benefits for the railways and enable the workers to arrive at work in half the time needed for the bus or car transport.

Main conclusions and recommendations

It is clear that Macedonia railway system suffers from lack of investments and strategic approach that will develop the potential of the sector. We however, consider that rehabilitation of the of the already well functioning corridor X will absorb the limited public resources that are so needed for competition of the railway network. We also consider that selection of the Corridor X as priority project was made in completely non transparent and non participative way. Therefore we think that in the light of the forthcoming TEN-T extension to the neighbouring countries following steps should be considered:

- 1) Development of the comprehensive program for modernization and development of the railway system in Macedonia and improvement of the links with neighbouring countries.
- 2) Development of the West-East railway line for the use of passenger and freight transport. The rail sector in Macedonia needs additional investments in the construction of the Corridor VIII, the link between Albania and Bulgaria through Macedonia.
- 3) Development of the profitable short distance lines. It is of great importance the construction or rehabilitation of local and short lines that would enable the urban transport, bring benefits for local people and overall, bring revenues to the railway sector.
- 4) Modernization of the services. Also, investments in trains are essential, such as the Pendolino which are more efficient and fast then the existing trains in Macedonia.

We consider that EU and IFIs could play important and positive role in enabling Macedonia to begin the development of its transport sector according to a well designed transport strategy and policy (which the country at this point lacks) and contribute to the sustainable transport development in Macedonia.

