

POLICY REPORT



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Scanning Macedonia's performance under the European Commission's progress report's chapter 21: A race with obstacles? – Part I



Abbreviations

EU = European Union

EC = European Commission

TEN = Trans-European Networks

TEN-T = Trans-European Transport Networks

SEETO= South East Europe Transport Observatory

NPAA= National Plan for Adoption of Acquis of the Republic of Macedonia

UNECE= United Nations Economic Commission for Europe

IPA = Instrument for Pre-Accession Assistance

ISPA = Instrument for Structural Policies for Pre-Accession

Introduction

As a candidate country for an EU membership, Macedonia is being yearly assessed by the European Commission (EC) on the basis of its performance in implementing the Copenhagen criteria. Macedonia was awarded the candidate status in 2005 and has undergone the EC's assessment for the fifth time this year¹.

The idea of the Trans-European Networks (TEN), which constitute chapter 21, came as a result of the necessities of the EU Single market, which can not function effectively unless there is a sound and a high quality of infrastructure which connects that market.² Under chapter 21 as part of the third Copenhagen criterion addressing the ability of the country to assume the obligations of the membership, Macedonia was evaluated having achieved *some progress* in 2010 and has received critics regarding some of its obligations under the chapter. In the previous two years the state of affairs under the chapter was evaluated that *progress* has been achieved. This raises the question how well does Macedonia progress in completing the infrastructure projects along the pan-European corridors as part of chapter 21, which are considered to be the bloodstream of the EU's Single market. If having a regionally integrated infrastructure networks contributes to reducing the economic gap between Macedonia and the EU and strengths Macedonia's position for EU integration, why does it seem that Macedonia has achieved less progress under chapter 21 in 2010 then in the previous years?

This policy report tends to present and clarify Macedonia's performance under chapter 21 from 2006 till 2010 by inspecting the quality and the sustainability of the progress achieved; to focus on the accomplishments and setbacks reflected in the progress report for the year 2010 with the aim of defining the future challenges; to assess the work of the institutions in Macedonia relevant for the implementation of chapter 21; and to offer clear and research based recommendations for better performance under the chapter. The purpose of this policy report is by presenting recommendations and solutions to the relevant institutions to contribute to achieving better progress under chapter 21 in the following years with the overall aim of assisting Macedonia's integration in the EU. With the purpose of observing the report's length, this policy paper will cover only the first part of the whole report on chapter 21, i.e. the transport networks part (TEN-T).

For enabling profound and detailed analysis of the chapter, the methodology will be based on an analysis of the relevant original documents including the chapter's basic legal documents and the relevant Macedonian documents implementing chapter 21; and on interviews with relevant stakeholders including university professors and civil servants. The documents taken as an initial assessment point are the EC's progress reports on Macedonia 2006-2010. The case of Croatia

¹ There are so far five European Commission's progress reports on Macedonia – of 2006, 2007, 2008, 2009 and 2010.

² Internet page of the European Commission/ Trans-European Networks (2008): http://ec.europa.eu/ten/index_en.html last accessed on 26. 11. 2010.

presented as a best practice example will contribute to providing useful recommendations about possible better performance under the chapter.

1. General assessment of Macedonia's performance under chapter 21

Chapter 21 dealing with the Trans-European Networks (TEN) in the progress reports is structured in three parts: transport networks, energy networks and telecommunications networks. The language used for evaluating Macedonia's progress from 2006 till 2010 in each of the sub-areas of the chapter ranges from *reasonable*, *good*, *some*, *fair progress* up to *limited* or *no progress*. Some areas have been more generally described as areas in which *progress* has been made.

Table 1: Table of the language used for overall development assessment and assessment of developments in the sub-areas in chapter 21 in the progress reports 2006-2010 on Macedonia

Trans-European Networks	Transport networks	Energy Networks	Telecommunication Networks	Overall assessment
2006	Reasonable progress	Fair progress	/	Some progress
2007	Progress	Progress	/	Some progress
2008	Good progress	Progress	No progress	Progress
2009	Some progress	Progress	No progress	Progress
2010	Limited progress	Progress	Some progress	Some progress

Source: EC's progress reports on Macedonia 2006, 2007, 2008, 2009, 2010

The language used to assess Macedonia's progress in this chapter can be evaluated with the marks of 1 to 5, of which 1 is the best and 5 the worst mark:

- 1 - Good/ Reasonable/ Fair progress
- 2 – Progress
- 3 – Some progress
- 4 – Limited progress
- 5 – No progress

Table 2: Evaluation of the language assessment in chapter 21 in the progress reports 2006-2010 on Macedonia

Trans-European Networks	Transport networks	Energy Networks	Telecommunication Networks	Overall assessment
2006	1	1	/	3
2007	2	2	/	3
2008	1	2	5	2
2009	3	2	5	2
2010	4	2	3	3

Source: Own calculations based on the EC's progress reports on Macedonia 2006, 2007, 2008, 2009, 2010

From the evaluation made in the progress reports about Macedonia it can be concluded that:

- Macedonia's overall progress under chapter 21 has been slightly deteriorated. Most overall progress has been made in 2008 and 2009.
- In the area of transport networks there has been a clear deterioration of the progress in the last two years.
- In the area of energy networks, there has been a slight setback in the progress in 2007, but a steady progress is being stated since.
- As for the telecommunications networks there has been an improvement in 2010 after the stagnation of this sub-area in 2008 and 2009.

As a result of Macedonia's progress evaluation under chapter 21 it is to be stated that Macedonia was not able to achieve a sustainable and steady progress over the years under chapter 21 and that the biggest challenge lies in the area of transport networks. Therefore, an analysis of major issues mentioned in the Commission's progress report on Macedonia with focus on the TEN-T is undoubtedly necessary. Chapter 21 is very important due to the fact that it stipulates and stimulates concrete infrastructure projects which do not only mean making one further step towards fulfilling the Copenhagen criteria, but furthermore these projects are one of the preconditions for enabling economic growth and employment.

❖ Croatia as best practice example

Croatia's progress towards harmonizing its legislation with the EU legislation, the *acquis communautaire*, has been evaluated since 2005. Croatia's performance under chapter 21 shows that there was a continual devotement to completion of this chapter. In the area of transport networks, neither setbacks nor deterioration of the progress was reported. A continuous progress and sustainable results are also visible regarding the energy and telecommunication networks. The overall assessment was slightly improved in 2007 and has maintained its outstanding tempo till the present day. The steady and good progress achieved every year led to the final conclusion of the Commission that the harmonization with the respective *acquis* was completed³. Moreover, tracking Croatia's progress and comparing it with Macedonia's is easy and comprehensible due to the same time framework in which the both countries are progressing towards their EU accession. Therefore, Croatia will be taken as a best practice example. By comparing Macedonia with Croatia, there are two factors not in favour of comparison between the two countries: firstly in geographical terms Macedonia unlike Croatia is a land-locked country and secondly the condition of the corridors depends on the condition of the corridors of the country's neighbours, which puts Macedonia in a less favourable position. Despite these two factors, Croatia is taken as a best practice example because the EC's report highlighted problems for Macedonia as

³European Commission's progress report on Croatia 2005, 2006, 2007, 2008, 2009, 2010.

administrative capacity and IPA⁴ management which are not closely connected with the mentioned factors.

2. TEN- T

The progress made under the chapter 21 will be evaluated following the EC's finding and remarks. After presenting a clear and understandable framework of the problem by defining the key actors and documents, the raised issues will be inspected into more detail.

2.1 Analysis of the key actors and documents

In the Opinion of the EC on Macedonia's application for an EU membership, Macedonia was evaluated having an important land transport location in Europe⁵. The TEN-T deals with the transport networks. The elements of the TEN-T are the road, rail and inland waterway networks, motorways of the sea, seaports and inland waterway ports, airports as well as other interconnection points.⁶

The core document in regional context on which basis Macedonia is participating in the TEN-T is the Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network, signed in 2004 by Macedonia, Albania, Croatia, Bosnia and Herzegovina, Kosovo, Serbia, and Montenegro, with which Macedonia has obliged itself to: develop the infrastructure on the multimodal South East Europe Core Regional Transport Network; engage itself in regional cooperation with the other Memorandum's participants on the harmonization of its legislation with the relevant EU acquis; develop and implement an annual and multi-annual action plan with the aim of most efficient use of funds and know-how; and promote and enhance local capacity for the implementation of investment programs⁷. The legal framework for the TEN-T is part of the legal framework which regulates the transport policy

⁴The Instrument for Pre-Accession Assistance (IPA) is the financial instrument for the EU pre-accession process for the period 2007-2013. Assistance is provided on the basis of the European Partnerships of the potential candidates and the Accession Partnerships of the candidate countries: Internet page of the EU:

http://europa.eu/legislation_summaries/agriculture/enlargement/e50020_en.htm last accessed on 25.01.2011.

⁵European Commission, *Analytical report for the Opinion on the application from the former Yugoslav Republic of Macedonia for EU membership, COM (2005) 562 final*, (Brussels, 2005), p.102/ Internet page of the European Commission:

http://ec.europa.eu/enlargement/archives/pdf/key_documents/2005/package/sec_1425_final_analytical_report_mk_en.pdf last accessed on 3. 11. 2010.

⁶Internet page of the European Commission/ European Commission Mobility and Transport (2009):

http://ec.europa.eu/transport/infrastructure/networks_eu/networks_eu_en.htm last accessed on 26. 11. 2010.

⁷Memorandum of Understanding on the development of the South East Europe Core Regional Transport Network (2004), p.3-4/ Internet page of the European Commission:

http://ec.europa.eu/ten/infrastructure/doc/2004_06_11_memorandum.pdf last accessed on 7. 12. 2010.

under chapter 14⁸ but for the purposes of the observing the report's length the analysis will be strictly focused on the TEN-T as part of chapter 21.

The Memorandum has set the basis for the establishment of the South East Europe Transport Observatory (SEETO) whose role is supporting the decision-making body of the Memorandum, the Steering Committee⁹. The Steering Committee is composed of senior civil servants of the participating countries who are to coordinate the joint work under the Memorandum¹⁰. As stated in the Memorandum, the SEETO develops a South-East Europe Core Regional Transport Network Development Plan with an accompanying Five Year Multi Annual Plan on annual basis¹¹ which contains the priority projects of the participating countries defined in regional context and proposed by the countries themselves¹². The South East Europe Core Regional Transport Network is aligned with the relevant pan European Corridors which cross the region¹³, of which Corridor VIII and Corridor X pass through Macedonia. There are road and rail corridors, meaning that each of the pan European Corridors as part of the transport networks is consisted of road and railway network.

⁸Government of the Republic of Macedonia, *Nacionalna porgrama za usvojuvanje na pravoto na Evropskata unija – revizija 2011*, (Skopje, 2010), p.237/ Internet page of the Secretariat for European Affairs, Government of the Republic of Macedonia: http://www.sep.gov.mk/content/Dokumenti/MK/NPAA2011_narativen_del.pdf last accessed on 20.01.2011.

⁹Memorandum of Understanding on the development of the South East Europe Core Regional Transport Network (2004), p.11/ Internet page of the European Commission: http://ec.europa.eu/ten/infrastructure/doc/2004_06_11_memorandum.pdf last accessed on 7. 12. 2010.

¹⁰Ibid., p.9-10/ last accessed on 7. 12. 2010.

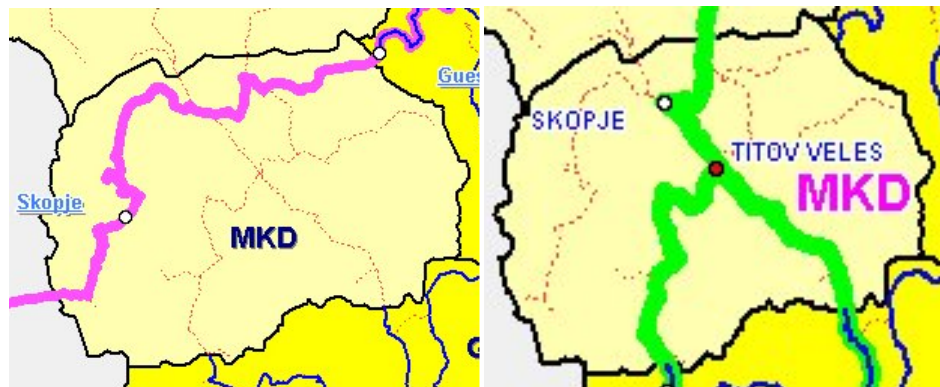
¹¹Internet page of South East Europe Transport Observatory/ Library – Plans & Reports: http://www.seetoint.org/index.php?option=com_content&view=article&id=1&Itemid=4 last accessed on 7. 11. 2010.

¹²Interview with Darko Spiroski, Head of Department for European Union, Ministry of Transport and Communications, Republic of Macedonia, conducted on 03.01.2011.

¹³Memorandum of Understanding on the development of the South East Europe Core Regional Transport Network (2004)/ Internet page of the European Commission: http://ec.europa.eu/ten/infrastructure/doc/2004_06_11_memorandum.pdf last accessed on 7. 12. 2010.

Picture 1 (left): Corridor VIII passing across Macedonia

Picture 2 (right): Corridor X including its section Xd (from the city of Veles stretching in south-west direction) passing across Macedonia



Source: Internet page of UNECE/ TEN and Pan-European Corridors: <http://www.unece.org/trans/main/ter/Countries/Corridors/corr8.jpg>; <http://www.unece.org/trans/main/ter/Countries/Corridors/corr10.jpg> last accessed on 10. 12. 2010.

The National Strategy on Transport is the single key document implementing the TEN-T. This Strategy is to be executed by the Ministry of Transport and Communications of the Republic of Macedonia¹⁴, which is the single policy maker in the TEN-T, while the Agency for State Roads, responsible for managing, controlling, construction, maintenance, investing in the public roads and other obligations according the Law on public roads;¹⁵ and the Macedonian Railways – Infrastructure, responsible inter alia for building, reconstruction and maintenance of the railway infrastructure¹⁶, are the conducting bodies in the road and railway related projects respectively¹⁷.

The Corridors VIII and X are defined as highest state priorities. The rail and road infrastructure of Corridor X are defined as short term goals; Corridor VIII road and rail is to be a task for completion in the long term and Corridor Xd rail is a medium term goal¹⁸. Furthermore, the completion of the Corridor X Road and the upgrading and modernization of the transport

¹⁴Internet page of the Secretariat for European Affairs/ Government of the Republic of Macedonia/ NPAA: http://npaa.sep.gov.mk/npaa/vNLpodredenilist.aspx?x_Poglavje=21&z_Poglavje=%3d.&vNLpodredeni_psearchtyp_e=&vNLpodredeni_psearch= last accessed on 05.01. 2011.

¹⁵Zakon za javni patishta, Official Gazette of Republic of Macedonia 84/08, p.63/ Internet page of the Official Gazette of Republic of Macedonia: <http://80.77.144.32/2008/9C8BE756C108374B9E7384DDC63C2B4F.pdf> last accessed on 28. 12. 2010.

¹⁶Zakon za transformacija na javnoto pretprijatie "Makedonski zeleznici" C.O. Skopje, Official Gazette of Republic of Macedonia 29/05, p.46-47/ Internet page of the Official Gazette of Republic of Macedonia: <http://80.77.144.32/2005/2B55BCB15891E144B555BA0302455CB6.pdf> last accessed on 28. 12. 2010.

¹⁷Interview with Darko Spiroski, Head of Department for European Union, Ministry of Transport and Communications, Republic of Macedonia, conducted on 03.01.2011.

¹⁸Ministry of Transport and Communications of the Republic of Macedonia, *Nacionalna transportna strategija 2007-2017*/ Internet page of the Ministry of Transport and Communications: http://www.mtc.gov.mk/new_site/images/storija_doc/104/NTS%202007%20-%202017.pdf last accessed on 30. 11. 2010.

infrastructure among are considered to be priority axis for IPA funds¹⁹. The prioritization of Corridor X is due to the fact that in regional context, Corridor X is most frequent²⁰. An additional added-value for the importance of Corridor X is the connection of Macedonia to the Thessaloniki sea port²¹.

2.2 The challenges

In the progress report of the European Commission 2010 under chapter 21 –TEN-T the following issues were defined as challenging for the implementation of the infrastructure projects²²:

- **Lack of financial resources – a problem which is being repeated in every report since the first;**
- **Need of strengthening administrative capacity;**
- **Delay in preparation of some of the projects (e.g. IPA co-financed project for the corridor X motorway section).**

2.2.1 Lack of finances for the projects

The pressing problem of lack of finances stated in each of the EC's reports for Macedonia's progress in fulfilling the Copenhagen criteria is more complex than it seems. The necessity for finances is directly connected with the infrastructure condition of the corridors. In Macedonia in 2009 23% of the road infrastructure along the corridors has been assessed to be very good, 27 % good, while almost half of it to be of a medium quality²³. The condition of the railway is worse – including the fact that the infrastructure sections along Corridor VIII, which should connect Macedonia with Albania and Bulgaria, are missing²⁴. The upgrading, rehabilitation and construction projects for road and rail infrastructure projects demand high costs. In addition, as

¹⁹Government of the Republic of Macedonia, *Operational Programme Regional Development 2007-2009*, (2007)/ Internet page of the Ministry of Transport and Communications:

http://www.mtc.gov.mk/new_site/images/storija_doc/1160/OPRD_26_09_2007.pdf last accessed on 09.01.2011.

²⁰Interview with Darko Spiroski, Head of Department for European Union, Ministry of Transport and Communications, Republic of Macedonia, conducted on 03.01.2011.

²¹Interview with Zlatko Zafirovski, MSc, Assistant, Department for Railways, Faculty of Civil Engineering – Skopje, conducted on 16.12.2010.

²²European Commission *The former Yugoslav Republic of Macedonia 2010 Progress report accompanying the Communication from the Commission to the European Parliament and the Council Enlargement Strategy and Main Challenges 2010-2011*, COM (2010) 660, (Brussels, 2010), p.12-13/ Internet page of the European Commission: http://ec.europa.eu/enlargement/pdf/key_documents/2010/package/mk_rapport_2010_en.pdf last accessed on 05.01.2011.

²³South-East Europe Transport Observatory, *South-East Europe Core Regional Transport Network Development Plan 2011 Multi-Annual Plan 2011 to 2015 Common problems – Sharing solutions*, (2010), p.12-13/ Internet page of SEETO: http://www.seetoint.org/index.php?option=com_content&view=article&id=372&Itemid=104 last accessed on 11.01.2011.

²⁴Ibid., p.18, last accessed on 11.01.2011.

result of the history of under-investment in the transport infrastructure in the past, there is a need of big amount of finances²⁵.

For the purpose of presenting the financial situation of the corridors investment, several core documents as the state budget for the year 2011 and government's documents about finance planning for the purpose of implementing of the acquis will be scanned.

The budget of the Republic of Macedonia for 2011 shows that the Ministry of Transport and Communications will spend in 2011 inter alia half of the budget for this Ministry as part of the development subprogramme on the public transport buses project; only 22% with additional 6% budget finances from loans on investments are secured for the railway infrastructure; and 15% on the Ministry's budget will be spent on the funicular railway project which is to be a touristic attraction enabling a connection to the mountain Vodno²⁶. The Agency for state roads will spend almost ten times more finances for construction and reconstruction of roads than the Ministry of Transport and Communications on the railway infrastructure, all of which come from funds²⁷. The projected finances from the budget for the year 2011 for the TEN-T account for more than 503 Million EUR and this sum is almost 15% less than the one for the previous year²⁸.

The financial sources for the infrastructure projects along the corridors which pass through Macedonia are the state budget, IPA funds, and loans from international financial institutions. Macedonia has considered the European Bank for Reconstruction and Development, the European Investment Bank, the World Bank, the IPA funds and Republic of Greece as foreign financial sources for the completion of the TEN-T infrastructure projects. For the year 2011 it was envisaged that more than 93 Million EUR will be secured from IPA funds, while the non-IPA funding is planned to be more than three times higher²⁹. Moreover, the initially planned finances from the state budget for the period 2010-2014 were cancelled and replaced by funds from the World Bank³⁰.

²⁵Interview with Darko Spiroski, Head of Department for European Union, Ministry of Transport and Communications, Republic of Macedonia, conducted on 03.01.2011.

²⁶Ministry of Finances of the Republic of Macedonia, *Budzet na Republika Makedonija za 2011 godina*, (2010), p. 78/ Internet page of the Ministry of Finances: http://www.finance.gov.mk/files/Predlog%20Budzet%20na%20RM%20DO%20SOBRANIE_%20%202025.10.2010.pdf last accessed on 04.01.2011.

²⁷Ibid., p.82, last accessed on 04.01.2011.

²⁸Proektirani buzdetski sredstva za periodot 2010-2012 (2009), p.4/ Internet page of the Secretariat for European Affairs, Government of the Republic of Macedonia: <http://www.sep.gov.mk/content/Dokumenti/MK/Prilog%20Proektirani%20budzetski%20sredstva%202010%20-%202012.pdf> last accessed on 04.01.2011.

²⁹Pregled na tekovna i planirana stranska pomosh za periodot 2010-2012 (2009), p.10-11/ Internet page of the Secretariat for European Affairs, Government of the Republic of Macedonia: <http://www.sep.gov.mk/content/Dokumenti/MK/Prilog%20Pregled%20na%20tekovna%20i%20planirana%20stranska%20pomosh%202010%20-%202012.pdf> last accessed on 04.01.2011.

³⁰Interview with Vladimir Panovski, Assistant Director General for Infrastructure, PE Macedonian Railways Infrastructure, conducted on 15.12.2010.

The Public Investment Programme 2009-2011 has the goal of creating an environment of a bigger inflow of investments in the country. The government proposes different ways of enabling capital for investment: foreign capital including especially direct investments, joint ventures, concessions, public-private partnerships and donations as well as providing financial means from the budget. Annexed to this Programme is a list of priority projects for which the funds has not been yet provided. This annex shows that the country lacks large amount of funds for implementation of the infrastructure programmes³¹. The lack of finances as a major problem is also pointed out by the interviewed experts. Having secured the necessary finances, the construction and study work along the corridors would be able to proceed a bit faster³².

❖ The rationale behind investing in the infrastructure

Completing the corridors which run along Macedonian territory is far more important project than just fulfilling EU criteria. The idea of the advantages of a vast European market without any borders is "responsible" for the birth of the Single market, the EU economic giant from which millions of consumers benefit. A high quality of infrastructure is the glue which keeps the vast market going: it stimulates trade, tourism, travel. Investments in infrastructure are productive and as a result they will contribute to economic growth, job creation and poverty reduction.

2.2.2 Need of strengthening administrative capacity

As the single policy maker in the chapter 21, the Department for European Union within the Ministry of Transport and Communications is responsible inter alia for following the directives and regulations of EU which are in the scope of the Ministry, coordination and realization of projects from the EU Programmes in the field of transport, planning of projects and coordination and implementation of EU IPA funds, IPA planning of priorities and requirements deriving from NPAA, IPA programming, coordination of project preparation and implementation, monitoring and evaluation³³. The Department is consisted of two sub departments – one for IPA and a second one for negotiations with an overall number of twelve civil servants of which most of them are engineers. Since 2009 the Ministry has been accredited for decentralized implementation of IPA funds. The Department manages the programming, monitoring and implementation of IPA funds from the component for Regional Development³⁴. The central

³¹Government of the Republic of Macedonia, *Public Investment Programme 2009-2011*, (Skopje, 2009)/ Internet page of Invest in Macedonia/ Public Investment Programme 2009-2011: <http://www.investinmacedonia.org/UserFiles/File/Sectors/PublicInvest.pdf> last accessed on 6. 12. 2010.

³²Interview with Zoran Krakutovski, PhD, Associate Professor, Head of the Department for Railways, Faculty of Civil Engineering – Skopje, conducted on 16.12.2010; Interview with Slobodan Ognjenovic, MSc, Assistant, Department for Roads, Faculty of Civil Engineering – Skopje, conducted on 16.12.2010; Interview with Vladimir Panovski, Assistant Director General for Infrastructure, PE Macedonian Railways Infrastructure, conducted on 15.12.2010.

³³ Internet page of the Ministry of Transport and Communications/ Department for European Union (2011): http://www.mtc.gov.mk/new_site/en/storija.asp?id=139 last accessed on 11.01.2011.

³⁴Interview with Darko Spiroski, Head of Department for European Union, Ministry of Transport and Communications, Republic of Macedonia, conducted on 03.01.2011.

body, the Central Finance and Contracting Department within the Ministry of Finance, the Head of IPA Operating Structure, is responsible for the drafting of the annual and multi-annual programmes, programme implementation monitoring etc., while the IPA Unit within the Ministry of Transport and Communications and the IPA Unit within the Ministry of Environment and Physical Planning are the special bodies for the IPA Component III³⁵.

The biggest challenge which Macedonia faces according to this Department is the preparation of the project documentation by EU standards. A successful project managing lies in a solid project proposal and a well prepared project³⁶.

❖ Croatia's example

In Croatia within the Ministry responsible for chapter 21 TEN-T, the Ministry of the Sea, Transport and Infrastructure, beside the Department for European Integration and Transport Policy, responsible inter alia for preparation of the strategic documents for Croatia's accession in the EU and the organization of the *acquis* implementation, there is a separate Directorate for Strategic Infrastructural Objects. This Directorate takes part in the planning, preparation and implementation of the major infrastructure objects as well as is responsible for the preparation, coordination of the drafting and monitoring of the strategic and operative documents for fund managing from the EU funds in the area of transport infrastructure development and project proposing etc. It is divided into three units: 1) for study of projects and project preparation, 2) for project implementation and funding and 3) for EU programmes for the transport infrastructure. Furthermore, the last unit is divided in two sub-units dealing with 1) EU programmes planning and 2) funding³⁷. This example is given because the EC's progress reports contain no negative remarks regarding the administrative capacity.

2.2.3 Delay in preparation of the IPA co-financed project for the Corridor X motorway section

The mentioned delayed project along Corridor X motorway section in the Commission's progress report for 2011 was firstly planned as an upgrading of the road section Demir Kapija-Udovo-Smokvice. After the initial studies, it was decided that a better option is to abandon the proposed section and to construct a complete new section directly connecting Demir Kapija-Smokvice. Having the project changed, more cost arose and due to the Greek crisis, the planned financial support from Greece in an amount of 50 Million EUR, which was planned in the

³⁵Government of the Republic of Macedonia, *Operational Programme Regional Development 2007-2009*, (2007)/ Internet page of the Ministry of Transport and Communications: http://www.mtc.gov.mk/new_site/images/storija_doc/1160/OPRD_26_09_2007.pdf last accessed on 09.01.2011.

³⁶Interview with Darko Spiroski, Head of Department for European Union, Ministry of Transport and Communications, Republic of Macedonia, conducted on 03.01.2011.

³⁷Internet page of the Ministry of the Sea, Transport and Infrastructure of the Republic of Croatia (2009): <http://www.mmpi.hr/default.aspx?id=161> last accessed on 08.01.2011.

government's document on the foreign financial support review³⁸, was cancelled³⁹. This state of affairs required further search for financial resources. The Ministry of Transport and Communications assures that the finances for this infrastructure project have been finally secured by the European Investment Bank, the European Bank for Reconstruction and Development and by IPA and that the procurement documents and all other project documents are prepared⁴⁰.

The basic misperception about the infrastructure projects lies in the fact that one project starts when the construction starts. In fact, the more important work is the preparation of the project documentation. Moreover, as mentioned before, a single project preparation can take up to 3 years or more⁴¹. The professors and assistants in the area of railway and road infrastructure agree that the infrastructure projects are a step by step process, for which considerable time is necessary⁴². The whole project implementing process starting from the feasibility study up to the finalization of the construction or reconstruction can take up to 10 years⁴³.

Defining projects which focus on smaller sections or part of the infrastructure which follow the different construction features of the track as the case with the studies about Corridor VIII rail infrastructure in direction of Bulgaria is a good idea, and as example for the first part of this railway infrastructure less money will be necessary⁴⁴.

❖ Croatia's example

The EC in its progress report for Croatia in 2010 has pointed out that Croatia has achieved a good progress in the implementation of ISPA and IPA railway and inland waterway projects as part of the TEN-T⁴⁵. Croatia has on national level a separate office called Central Office for Development Strategy and Coordination of EU Funds which is responsible for the overall coordination of EU funds available to Croatia; it performs expert and administrative tasks related

³⁸Pregled na tekovna i planirana stranska pomosh za periodot 2010-2012 (2009), p.10/ Internet page of the Secretariat for European Affairs, Government of the Republic of Macedonia: <http://www.sep.gov.mk/content/Dokumenti/MK/Prilog%20Pregled%20na%20tekovna%20i%20planirana%20stranska%20pomosh%202010%20-%202012.pdf> last accessed on 04.01.2011.

³⁹Interview with Darko Spiroski, Head of Department for European Union, Ministry of Transport and Communications, Republic of Macedonia, conducted on 03.01.2011.

⁴⁰Ibid.

⁴¹Ibid.

⁴²Interview with Slobodan Ognjenovic, MSc, Assistant, Department for Roads, Faculty of Civil Engineering – Skopje, conducted on 16.12.2010; Interview with Zlatko Zafirovski, MSc, Assistant, Department for Railways, Faculty of Civil Engineering – Skopje, conducted on 16.12.2010.

⁴³Interview with Slobodan Ognjenovic, MSc, Assistant, Department for Roads, Faculty of Civil Engineering – Skopje, conducted on 16.12.2010.

⁴⁴Interview with Vladimir Panovski, Assistant Director General for Infrastructure, PE Macedonian Railways Infrastructure, conducted on 15.12.2010.

⁴⁵European Commission, *Croatia 2010 Progress report accompanying the Communication from the Commission to the European Parliament and the Council Enlargement Strategy and Main Challenges 2010-2011, COM (2010) 660*, (Brussels, 2010), p.45/ Internet page of the European Commission: http://ec.europa.eu/enlargement/pdf/key_documents/2010/package/hr_rapport_2010_en.pdf last accessed on 11.01.2011.

to preparing the Development Strategy of Croatia; monitors the implementation of objectives established by the Strategy; and for the purpose of completing tasks the Office cooperates with other state administration bodies, the non-governmental sector and the European Commission services⁴⁶.

3. Conclusion and recommendations

This policy paper aimed at presenting Macedonia's performance under chapter 21 over the year with focus on the achievements and setbacks emphasized in the newest Commission's progress report on Macedonia. It included a complete analysis of the TEN-T, with the three problematic issues mentioned in the progress report 2010 as a starting point for analysis. All in all, having in mind the colossal importance and benefits of the TEN-T, it is to be concluded that the race for fulfilling the requirements under chapter 21 must not be a race with obstacles.

Taken in consideration the extremely high costs necessary for implementing the SEETO's Five Year Multi-Annual Plan 2010 and the National Strategy of Transport, securing finances for these projects infrastructure projects have to be given priority. Spending so much budget means for urban infrastructure projects with touristic purpose as the funicular railway or on public transport buses, whereby other means of financing could be secured (via projects, investments) is on the cost of the infrastructure projects. Moreover, although IPA funding is not an easy task, receiving a grant with requires only a co-funding from the state is much more financially convenient than the bank loads, which have to be returned in full sum with an additional interest rate. The huge amount of money necessary for investment in the public sector, supports the arguments that the country is investment depended to a large extend.

For the EU team in the Ministry of Transport and Communications of the Republic of Macedonia an additional asset for an even more successful EU fund managing is the team to consist of a broader range of professional profiles including civil servants with previous experience in implementation of projects financed by the international financial institutions. Croatia's example shows clearly that within the Ministry of Transport and Communications of the Republic of Macedonia there should be more complex division of the departments regarding IPA projects and documents preparation and funding. Moreover, there should be specialized units within the Ministry dealing with the separate steps of project proposing, drafting funding and implementing. "Divide and conquer" can be applied in the meaning of dividing and specializing the civil servants in separate units, what will result with more successful fund managing and project implementation.

Having the opportunity to define and draft its own priority projects as part of TEN-T, Macedonia is the decisive actor in defining its progress in implementing its own infrastructure projects.

⁴⁶ Internet page of the Central Office for Development Strategy and Coordination of EU Funds (2009): <http://www.strategija.hr/en/about-us> last accessed on 08.01.2011.

Proposing precise projects which focus on smaller infrastructure sections and which are not very broad and are usually less costly, means that such projects have more chances of success for IPA funding. Once state finances have been planned for the TEN, they should not be spent otherwise. Furthermore, in case of Croatia, there is a national office dealing only with EU funds coordination, which undoubtedly makes the EU fund managing tasks easier and more transparent. The non-existence of a national office in Macedonia specialized in coordination of IPA funds can endanger the country's strategic planning for IPA fund management.

On the basis of the complete analysis of the TEN-T, it is to be recommended:

✓ Securing more finances from the budget for the TEN-T infrastructure projects;
✓ Prioritizing the TEN-Infrastructure projects over the urban transport and infrastructure projects in the state budget;
✓ Strengthening the administrative capacity of the transport sector in Macedonia for adequate project documentation and hiring civil servants with previous experience in project management of projects financed by the international financial institutions;
✓ Dividing the IPA unit in the Department of the EU, the Ministry of Transport and Communications into separate sub-units specialized in the separate steps of the project managing: project preparation, funding and implementing;
✓ Focusing on managing more IPA funds;
✓ Proposing priority projects to SEETO which are less broad and focus on smaller infrastructure sections;
✓ Establishing a coordination office for IPA funds on national level.

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POLICY REPORT

Energy and Infrastructure Programme

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Ana Stojilovska, *Research Fellow of the Programme*
astojilovska@analyticamk.org

Contact

Address:

*Dame Gruev
No: 7-8/3
1000 Skopje, Macedonia*

Tel: 00389 (0)2 3121 948

Fax: 00389 (0)2 3121 948

E-mail: info@analyticamk.org