An overview of the transport sector of Ukraine

The present state of transport sector in Ukraine

The main problems of the transport system of Ukraine are inherited from the Soviet Union and deepened by the sharp economic decline during 1990-s. Governmental reports state the outdated infrastructure and lack of financing as the main problems of the sector. Being situated between the Central and Eastern Europe and most of the former USSR states, Ukraine has a large potential for becoming a transit country between the two regions. In fact, many official policy documents and laws repeatedly mention this potential and state the intention to increase international freight and passenger traffic.

Ukraine possesses a large network of roads and railways (22.5 and 168.5 thousand kilometers respectively). However, in both cases during the past decade this network did not experience any significant changes. In fact, in 1998 the total length of railways was reduced by 300 km (1.3%) in comparison to 1990, while the total length of roads slightly increased. Figure 1 shows the developments in the road and rail infrastructure between 1990 and 1998 in Ukraine compared to some CEE countries. In the case of Poland the length of railways slightly decreased, while Romania and Hungary managed to expand their networks. At the same time, all four countries managed to expand their road systems. Economic growth is being mentioned sometimes as a reason for road network expansion. From this prospective Poland and Hungary might need new roads because of economic growth. However, during 1990-1998 Ukraine experienced deep economic stagnation and lost over 60% of its GDP. Thus, the development of road network should not be directly linked to economic growth.

![Difference in total railways length, 1990-1998](image1)

![Difference in total road length, 1990-1998](image2)

Figure 1. Recent developments in the rail and road networks

During the last few years the total number of flights through the territory of Ukraine increased. However, the number of flights with takeoff or landing on the territory of the country dropped at the same period. Figure 2 illustrates the changes in air traffic during 1995-2000. The number of flights within the country significantly decreased. At the same time, the share of Kyiv airports in passenger transportation rose from 9.3% of total number of passengers in 1993 to 58.7% in 2000. Though in general the air traffic dropped, its regional pattern has changed dramatically and the environmental impact was ‘concentrated’ at one location. No survey of such ‘concentration’ was taken yet.
Figure 2. Total number of flights through the territory of Ukraine

Economic transition in Ukraine has had significant impact both on city and national-level public transport. One of the most important negative impacts on public transport during 1990s was lack of funds and investments. As a result, in the year 2000 the lack of new vehicles became an obvious problem. In particular, 69% of railway cars were older than 16 years, 53% of passenger buses, 91% of trams and 66% of trolley buses were older than 10 years. Besides of poor service quality, large share of outdated vehicles could lead to safety problems. Both of the mentioned problems can stimulate public transport system users switch to private cars, if this option is affordable for them.

According to the information of State Committee for Statistics, in 2000 the profitability of transport sector was –0.3%. On the one hand, negative financial results might mean that more state support is necessary, especially for the public transportation. However, during the past years private public transport has proven to be an effective alternative. As figure 3 shows, since 1995 the number of private buses has grown approximately threefold.

Figure 3. Changes in number of private buses

However, according to the Ministry of Transport, such development of private transport sector could contribute to further degradation of the state-owned enterprises. The problem is that about 17 million people (about 34% of overall population) in Ukraine have the right to use city public transport free of charge. Since private companies mostly refuse to provide free services, the share of passengers who do not pay at state public transport increased to 60-70%. In the official letter to the local councils of Ukrainian cities the Minister of Transport asked to increase subsidies for the state public transport. However, it would probably be wiser to review the state subsidy policy and create economic incentives for both state and private companies which provide public transportation services.
Impacts of the transport sector

Transport is the main source of atmospheric pollution in the major Ukrainian cities, being responsible for approximately 30% of all atmospheric emissions in the country. Ministry of Environment states that cars have been one of the major pollution sources. 65% of lead, 54% of CO$_2$, 32% of hydrocarbons and 24% of NO$_x$ emissions were produced by cars. The number of private cars grew significantly over the past decade (see figure 4). The share of public transport dropped at the same time. If the car fleet will continue to grow, it may cause significant environmental degradation. Introduction of effective regulations and incentives for public transportation is urgently needed.

![Private cars, 1990-2000](image)

Figure 4. Increase in the number of cars, 1990-2000

Greenhouse gas emissions from transport are approximately 10% of all GHG emissions in Ukraine. Though this number is lower than the average 30% for the Western Europe, the economic growth may cause significant increase of this number. Besides national regulations on atmospheric pollution, Ukraine has signed the Kyoto Protocol which introduces limits on the greenhouse gas emissions in the country on the level of 1990 until the year 2012. The rapid increase of number of private cars might be one of the factors contributing to the growth of GHG emissions. Decreasing the greenhouse gas emissions from transport will definitely result in decrease of total environmental impact of this sector.

Transport policy of Ukraine

The main framework law ‘On transport’ (1994) does not contain any environmental regulations except the requirement for all vehicles to comply the environmental standards. Two main documents define the development of the transport sector, the ‘Conceptual framework for development of transport and road complex until 2020’ and the law ‘On complex program of strengthening transit activities in Ukraine’. These two papers state that the environmental impacts of transport should be minimized by improving the efficiency of the vehicles. Also, harmonising the environmental standards with EU requirements is defined as a priority. Though the mentioned measures are important, the exact measures and incentives need to be set to protect the environment. Most of the numerous Ukrainian regulations on transport require to ‘address the environmental consequences of transport activities’. However, these documents do not state how and which environmental problems should be addressed.

The main priority of the official transport policy of Ukraine is the development of international transit traffic through the country. Besides supporting the development of
international transport corridors, Ukrainian government proposes two more options of regional transport links: Black Sea – Baltic Sea and Europe – Asia. While in the case of proposed regional links development the financing is planned from the state budget, some of the activities on developing the trans-European network might require additional funds from IFIs. At present the government plans to rehabilitate the Chop-Kyiv motorway (corridors 3, 5) using the loan from EBRD.

In 2002 the plans of the Ukrainian transport ministry to construct a waterway channel in the delta of Danube has resulted in wide campaign involving NGOs, scientists and public. The ministry planned to construct a waterway from Danube to the Black Sea through the internationally protected biosphere reserve site. Although the construction of the waterway was banned by the presidential decree, the same issue was recently brought to the parliamentary Committee on construction, transport, household and communications. The draft decision of the committee proposes to construct the Danube – Black Sea waterway as a part of trans-European corridor 7. The draft also proposes to start negotiations with IFIs in order to obtain financing for the construction.

Most of the present transport initiatives of the government are aimed at restructuring and repair of the existing transport network. However, latest activities aimed on the construction of a new waterway from Danube to the Black Sea can cause serious and irreversible environmental damage. Full EIA procedure including public participation should be strict pre-condition for any activities on the projects such as Danube – Black Sea waterway construction.

Participation of international financial institutions and foreign investors in transport-related projects in Ukraine.

The government of Ukraine set the development of transit transport activities as a priority for the country’s policy. The main obstacles for the development of transport sector stated by the government are following:

- Complicated tax and customs system;
- Relatively high prices for freight traffic;
- Poor roads condition;
- Rail tracks incompatible with the European standards;
- Outdated equipment (especially passenger and goods cars).

While tax and customs problems could be solved by changes in the legislation, the existing road and rail networks need remediation; outdated vehicles should be replaced. In the year 2000 over 65% of all roads are described as ‘roads of 4th class’, while only 1,3% were the 1st-class roads; 69% of railway cars were older than 16 years. Thus, investments are crucially needed in order to support the transport system of Ukraine. In 2000 the total sum of investments to the transport sector was UAH 1 644 million (USD 309 million). Figure 5 shows the share of investments by different transport modes.

According to the statistical data, the development of pipeline network received the major share of investments. The main activity in this field in 2000 was the construction of Odesa-Brody pipeline. This project was widely criticized for its possible negative environmental impact. The EBRD refused to support the project and it was implemented by Ukraine alone. At present the future of Odesa-Brody is unclear, since no contracts were made yet for oil transportation.
The rail network and city public transport were among the major recipient of investments in 2000 and in total received approximately USD 109.8 million or 35.5% of total amount of investments. IFI participation provided an important part of total transport sector financing. As shown in table 1, IFI loans were mostly used to support the existing transport system. According to the latest information, the participation of foreign companies is highly probable in the project of developing trans-European transport corridors 3 and 5 (Chop-Kyiv highway). However, the details of the motorway project are not clear yet. According to the information of Ukrainian government the Chop-Kyiv motorway, which is the main part of this corridor in Ukraine, should be constructed by 2004 with the participation of EBRD. Other sources state that, a Hungarian company, which already participated in the construction of a part of the trans-European corridor 5, has expressed interest in this project.

### Table 1. IFI-sponsored transport projects in Ukraine

<table>
<thead>
<tr>
<th>Financing institution</th>
<th>Year of approval</th>
<th>Brief project description</th>
<th>Amount of loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBRD</td>
<td>2000</td>
<td>Ukraine International Airlines company development</td>
<td>EUR 6 million</td>
</tr>
<tr>
<td>EBRD</td>
<td>2000</td>
<td>M06 highway (Chop-Kyiv) rehabilitation</td>
<td>EUR 75 million</td>
</tr>
<tr>
<td>EBRD</td>
<td>1999</td>
<td>State railway company (Ukrzaliznytsya) commercialization and sustaining the Lviv-Kyiv rail line</td>
<td>USD 51.9 million</td>
</tr>
<tr>
<td>World Bank</td>
<td>1995</td>
<td>City public transport support</td>
<td>USD 35 million</td>
</tr>
<tr>
<td>EBRD</td>
<td>1993</td>
<td>Boryspil international airport rehabilitation</td>
<td>EUR 4.87 million</td>
</tr>
</tbody>
</table>

During the past years the IFI loans were a significant part of transport sector financing in Ukraine. However, these loans were mostly aimed at the rehabilitation of the existing transport system rather than creating new infrastructure. In the case the government of Ukraine will conform to the official transport policy, the restructuring of the transport sector should remain the major priority of investment activities.

**Conclusions**

The main problems of the transport sector in Ukraine are related to the outdated road and railway network as well as to lack of new public transport vehicles. Therefore, main activities of the government and IFIs are rather concentrated on supporting the existing transport
infrastructure. Large share of investments (about 26% of total amount during 2000) to public transport is a good sign, though the private sector was developing much faster.

Transport is the major source of atmospheric pollution in Ukraine. However, the regulations addressing environmental impacts of transport are too general and unclear. Attempts to contact the Ministry of Transport had shown that the officials are unwilling to communicate to the public and answered only to written requests. On the other hand, NGOs in Ukraine are mostly not concerned with the transport-related problems. At present the level of public participation in the decision-making in transport sector is very low.

**Recommendations:**

- The activities on transport infrastructure development (in particular, the trans-European corridors) should be focused on rehabilitation of the existing road and railway network;
- Any transport projects involving construction should pass full EIA procedure including public participation;
- Public participation in decision-making in transport sector to be assured both by more openness of the governmental institutions and by more active NGO work in the field;
- More investments and government support should be given to public transportation system;
- Proper legislation to address environmental impacts of transport should be developed.