Reconstruction and extension of the Sofia airport  

*Who will pay the bill?*

**History**

Sofia is the capital of Bulgaria, situated almost in the center of Balkan Peninsula. Two Trans European Corridors – N4 and N8 – pass through Sofia.

The General Master Plan for Reconstruction, Development and Extension of the Sofia Airport was developed by the British Company „Sir Halkrow and Partners“ and adopted by the Bulgarian Government on 12th November 1996. The Master plan includes construction of a new Passenger Terminal, a new Cargo Terminal and a new Runway. The plan also developed two scenarios for levels of service concerning passenger capacity. The total cost of the project varies from USD 162.7 million for the low scenario to USD 254.7 million for the higher scenario. The Environmental Impact Assessment of the Master plan was conducted and approved in September 1996. The arguments against the existing location of the airport and its extension raised by the local communities and NGOs during the EIA procedure was not taken into account. No alternative locations were discussed and assessed in the EIA report.

Nevertheless the concrete project had not been drawn up when the European Investment Bank approved a loan of EUR 60 million in September 1997. Several months later, in June 1998, additional financing of EUR 40 million came from the Kuwait Fund for Arab Economic Development. Then PHARE granted 7.6 million for technical assistance for project planning, design and supervision, and for management of the airport. As a justification of the PHARE involvement, it was stated that „….without PHARE participation, providing technical assistance for Sofia Airport, the disbursement of first tranche under the finance contract with EIB will not take place…“*. At that time a concrete project did not exist, but the scope of the modernization of the Sofia Airport was decreased. The grant covered only the design of the new passenger terminal and new runway. The cargo terminal is no longer mentioned in the project documents. The low service scenario was chosen and the total project cost was estimated at EUR 184 million.

The development of the so-called „high priority“ project continued at low speed until a new financial supplement from the EU could be secured. In April 2000 the ISPA program approved a EUR 50 million grant for the project. At that time the extension was still in the design process and a final EIA of the concrete project was not finished. An EIA of the entire functioning Sofia Airport as has never been done.

In December 2000 the EIA procedure for the new runway was opened. The EIA report identified substantial faults in the water treatment system of the new runway and the supporting facilities. The new runway crosses the Via Aristotelis migration birds way, which has not been taken into account. This issue is also in straight correlation with the risk for plane accidents. The EIA report was approved in April 2001 with 20 conditions. During the public hearing, people living in the nearby area (around 1
km) of the Airport expressed concerns about the noise level. As a sufficient study regarding the noise effect had not been conducted, the Ministry of Environment demanded, as part of approval conditions, a project for Noise protection to be developed by the Sofia Airport before April 2002. The project will not be subject to public discussion. Another condition from the EIA decision – the development of a Public Control Action Plan with a deadline of May 15, 2001 has still not been implemented.

The EIA report failed to make a comprehensive assessment of the existing and future environmental problems stemming from operation of the Sofia Airport, covering only a part of the project for extension and even smaller part of the entire Airport.

Another partial EIA report was done in July 2001 for the second part of the Airport modernization – the new Passenger Terminal. The Deputy Minister of Environment stated that the report had to assess the existing problems and examine the impact of the new terminal. The report did not fulfil that condition. In assessment of the waste treatment system and the central heating system, substantial problems and violations of environmental standards were discovered. Once again the accomplishment of the new terminal was allowed with numerous conditions.

Problems

**Financing a project without assessing alternative solutions.** There is a long history of looking for alternative locations for the Sofia Airport. The expansion of the existing airport, because of its closeness to human settlements and the Iskar river creates a long list of environmental problems.

**EIB approval of funds for an undeveloped project.** EIB financing allocated before the development of the project was a leverage for additional investment, including EU grants. It also was an element used by the Bulgarian Government to push further with the project without followi strict environmental standards.

The first loans approved for the Sofia Airport by EIB were for ECU 60 million in 1993 and 1994 for upgrading of the air traffic system (part TEN).

**EIA procedure in full contradiction with the EU EIA Directive.** Instead of a comprehensive EIA report there were partial assessments of the new construction without taking into account the existing problems of the currently operational Sofia Airport. Approval of the construction under the numerous conditions, for which is not clear who and how will supervise them, is one of the bad practices in Bulgaria.

**Sustainability of the project.** The first estimate in 1998 was that the project had an 8-8.5% Internal Rate of Return (IRR). Later on the EIA reports showed that meeting of environmental standards is not included in the project development which assumed an underestimated project price. Thus there is a great possibility for underestimated project costs and incorrect IRR with the aim of making the project more self-sustainable. Naturally the EIB is not interested in investigating further. The Bulgarian Government will take the loan and Bulgarian citizens will pay it back.

*Summary Project Fiche, Project number: BG 9808*