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Eco-Sense comments on the draft EBRD country strategy

Eco-Sense welcomes this opportunity to comment on the EBRD's draft Country Strategy for Macedonia. Our organisation has been active in following the Bank's activities in Macedonia, especially its infrastructure projects, for several years and we hope that the EBRD will give our comments due consideration.

In Macedonia the Bank is mostly focusing on transport projects, as the current portfolio also shows. We would like to stress that there should be a shift from investment in new construction towards sustainable modes of transport, such as urban transport, and that the Bank should also support renewable and energy efficiency projects in Macedonia. We believe that the EBRD can play a valuable role in promoting such types of projects in the country and attract other donors in that respect.

We would like to draw attention to the following specific issues in the draft Strategy:

Transport

p.7 *"The Bank's strategic priorities in the Transport sector will focus on (i) promoting road and railway transport networks in the country and their regional interconnection; (ii) the support to Macedonian Airports concession; and (iii) restructuring of the road maintenance sector. The Bank will promote introduction of private investors in the infrastructure including through PPPs."*

p.20 *"In transport, the main challenges are (i) further upgrade of the regional and local road networks, including the development of motorway concessions; (ii) sound implementation of the airport concession system; and (iii) addressing railway border-crossing bottlenecks and increasing the competitiveness of the railway operations."*

p.24 *Transition goals: "In transport, develop further the involvement of the private sector in road management issues and support the government in developing motorway concessions and the sound implementation of the airport concession."*

p.25 *"The Bank will continue to provide support for the development of the road network, with the emphasis on the key regional links (Corridors VIII and X).*

[...] The Bank will continue to support the commercialisation of the road sector, with the main focus on ensuring a predictable and stable flow of funds and further improvement of road maintenance.

FYR Macedonia has active program for the development of transport infrastructure through the PPP model.

[...] The Bank remains ready to provide financing to preferred bidders, providing that projects are bankable and the concession award process is consistent with the Bank's guidelines.

[...] The Bank will seek to provide financing for further development of the Macedonian railways with investments focusing on the key corridors and rolling stock. The Bank will also support further restructuring with the focus on establishing adequate legal framework that would facilitate third party operators to use the Macedonian railway network.

The Bank's strategic priorities in the Transport sector will focus on (i) promoting transport networks in the country and their regional interconnection; (ii) the support to Macedonian Airports concession; (iii) restructuring of the road maintenance sector; and (iv) support to the regional railway's links. The Bank will continue to promote introduction of private investors in the transport infrastructure including through public-private-partnerships.

We agree that transport should be a focus of the EBRD's activities in Macedonia, and propose the following priorities:

- support to railways - we agree with the emphasis on Corridor VIII but also see a need to concentrate on local rail services. This latter aspect does not seem to be present at the moment and we would ask why this is so.
- improving road maintenance - we would prioritise this above the development of new or upgraded roads at present.
- urban transport – we believe that the Bank should consider investment in urban transport in Macedonian cities, since finances have been very difficult to obtain and the Bank can have a strong demonstration effect.

We are concerned that the emphasis is currently on regional links, which have fewer benefits for local people than internal transport links and branches from the Corridors. **We ask the EBRD to increase its focus on local transport links.**

In railway investments we would also **emphasise the need for affordability for users**. We are aware that the EBRD promotes a reduction in subsidies for rail transport, however this must not result in fare increases to such an extent that passengers reduce their use of rail as a mode of transport.

We are also concerned to hear about the planned EBRD support for PPP motorway concessions, and remain unconvinced of their value for money. The use of PPPs in Macedonia appears to have more to do with following a trend than being the result of any careful analysis showing that this would be the best solution. Such complex arrangements need competent and experienced public authorities if value for money is to be achieved, however we find this very unlikely in Macedonia as the public authorities have little experience in managing even traditional projects to a satisfactory degree. We believe that issues which plague publicly procured projects, such as poor needs assessments, corruption, lack of competition, rising costs and delays in implementation will most likely simply be transferred to PPP concessions, as the complexity of the projects is a fertile environment for such problems. Both Croatia and Serbia have had negative experiences with motorway PPPs and we would like to avoid such expensive mistakes here. **We therefore ask the EBRD to remove the promotion of motorway PPPs from its strategy.**

We hope that the EBRD will take our comments in consideration in finalising its strategy for Macedonia.

Sincerely,



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