

Construction of a Motorway in Slovakia under the Juncker Plan: A public-private partnership with high costs and limited benefits

After being elected President of the European Commission, Jean-Claude Juncker introduced his investment plan to stimulate the European economy. The so-called European Fund for Strategic Investment (EFSI) should unlock additional investment of at least EUR 315 billion over a three year period (2015-2017). One of the projects benefiting from the financing concerns the design, construction, operation and maintenance of about 27km of a motorway around Bratislava.

What is European Fund for Strategic Investment (EFSI)?

The European Fund for Strategic Investments, launched jointly by the EIB Group - European Investment Bank and European Investment Fund - and the European Commission, is part of an initiative to help mobilizing private investments. This "Investment Plan for Europe" aims at improving the investment environment, at making sure investments reach the real economy (e.g. via the creation of the European Investment Project Portal and by increasing assistance to project promoters through the European Investment Advisory Hub) and to trigger additional investment of at least EUR 315 billion over a three year period (2015-2017). The EUR 315 billion investment target is supposed to be accomplished by financing provided by the EIB to projects carried out by private or public investors and based on a guarantee of EUR 16 billion from the EU budget, complemented by a EUR 5 billion allocation of the EIB's own capital. The EIB should provide funding for those economically viable projects which have a higher risk profile than ordinary EIB activities. It will focus on various sectors, including:

- Digital, transport and energy infrastructure
- Education, research, development and innovation
- Expansion of renewable energy and resource efficiency
- Support for smaller businesses and midcap companies

Bratislava bypass - project description:

The construction of the D4 motorway is part of the "D4/R7" project, a public-private partnership (PPP), that will provide the surroundings of Bratislava with a 27km motorway (the D4), connected to a 32km expressway (the R7), creating the Bratislava 59km bypass.

The D4/R7 Bratislava project is one of the biggest PPP in Europe to date, according to its own estimations costing the State of Slovakia over EUR 1 billion in total, during the 30 years of concession. However, while the financing of the D4 motorway is done under the Juncker plan, the financing of the R7 expressway is not financed by EIB.

The D4 motorway is part of the trans-European transport network (TEN-T) and the project is supposed to improve the transport network within the Bratislava region, increasing its capacity and enhancing the road's connectivity. Thus, according to the public authorities, socio-economic benefits are expected to result from the improvement and the reliability of journey times.

Finance capacity: EUR 1003.4 million total financing (up to EUR 500 million financed by EFSI)

Type of investments: Procurement of the project is made by a PPP under the terms of a design-build-finance-operate (DBFO) contract. Procurement started in December 2014 via a competitive dialogue procedure.

Status of the project: Project was approved by EIB in October 2015.

Environmental impacts of the project:

Concerning biodiversity:

Because it is a motorway, an environmental impact assessment (EIA) had to be undertaken prior the construction of the D4 (construction of motorways are subject to mandatory EIA procedure because it falls under Annex I (7) of EIA Directive 2011/92/EU). A first EIA was completed between 2008 and 2010. It received favorable opinion, subject to conditions from the Slovak Ministry of Environment (MoE).

After the amendment of the project, further assessments were undertaken between 2013 and 2014, in particular under the light of the Habitats (Directive 92/43/EEC). These assessments concluded that some sections of the project would have significant negative impacts on conservation areas located around the River Danube and especially on protected species and natural habitats (in particular nesting areas of three protected birds (the black stork, the black kite and the white-tailed eagle), alluvial forests and specific beetle habitats). Indeed, they would be destroyed by the effects of noise, vibration, air and light pollution. However, even though the assessment of the site was negative, the project was still allowed by the Government of the Slovak Republic in 2014, in accordance with article 6-4 of the Habitats Directive: because of the absence of alternative solutions, on the grounds of imperative reasons of overriding public interest (reasons of social and economic nature), and because of the compensatory measures stipulated in the environmental decision and planning permits.

Moreover, the construction of the motorway will require over 360 hectares of land to be altered, including agricultural land (approximately 92%), vegetation and forests, and urban areas.

Concerning Carbon emissions:

The new D4 motorway project connects to an existing border crossing between Slovakia and Austria (D2 motorway). Thus, the project is expected to redistribute existing traffic. Other impacts are expected, in particular impacts related to traffic-related air pollutant and exhaust gas and noise. These impacts will be even more intense during the construction phase.

Concerning the carbon footprint, annual 3rd party greenhouse gas emissions (vehicular use, existing and generated traffic demand) was estimated from the use of the D4 motorway project and part of the existing road network (D1 and D2 motorways). The forecast for absolute emissions (that includes both the existing and new network) is 107,300 tons of CO₂ equivalents¹ per year and the forecast for emissions created is 7,800 tons of CO₂ equivalents per year.

¹ Carbon dioxide equivalency is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO₂ that would have the same global warming potential (GWP), when measured over a specified timescale (generally, 100 years).

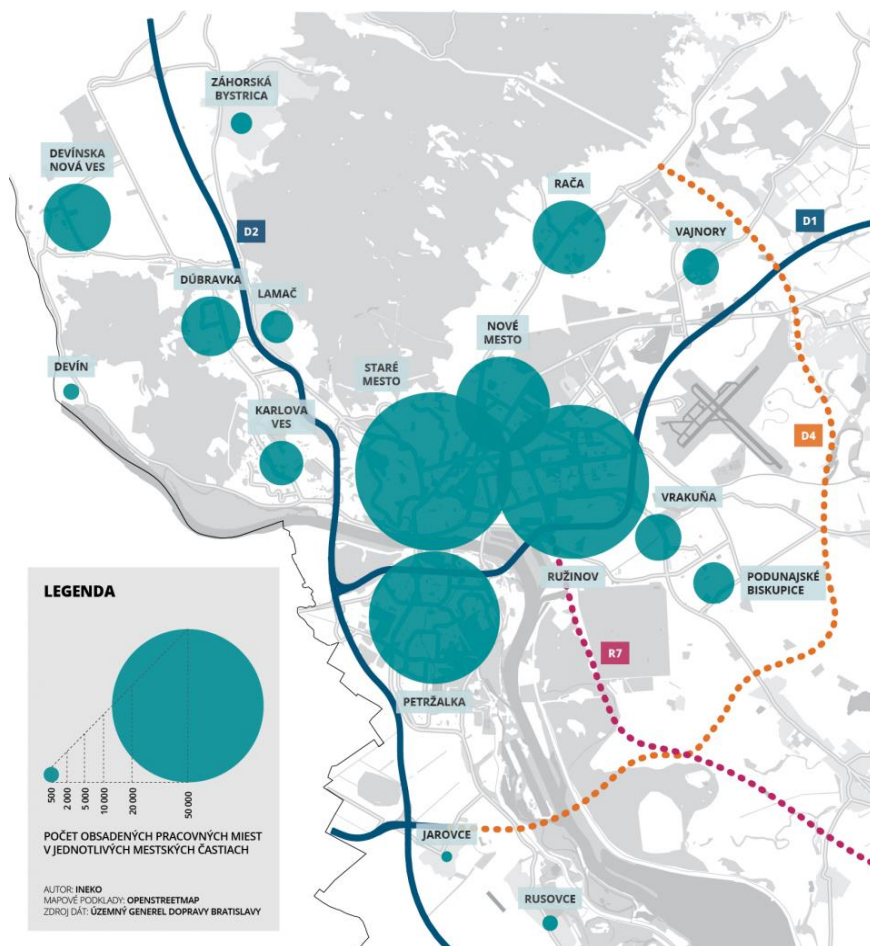
Limited utility of the project for the citizens of Bratislava:

The project was approved by EIB even though the state authorities have not provided a comparison of the highway bypass to other transport solutions, have not assessed potential alternatives (development of public transports to improve the road situation for example) and not done a comprehensive analysis of the reasons behind the traffic problem in the capital city.

The analysis demonstrating the PPP's suitability seems biased in this sense because: it does not reflect important realities about the relationship between mobility and transport in Bratislava; it does not include a comparison of the estimated transport intensity before and after the project is realized; it does not study any other alternatives.

Thus, there is no evidence that this project would be the best option for addressing the transport needs of the city inhabitants. However, it seems that for this amount of money, Bratislava could put in place other alternatives and get a new modern integrated transport system enabling people to switch from cars to urban transport and contributing to EUs carbon objectives.

An alternative analysis² of workplace distribution and traffic flows published by INEKO³ in November 2015 shows that 59 per cent of all work places are situated in the central urban area, far from the planned D4 bypass.



Map: Work place distribution compared to D4 bypass routing

Legend: number of people working in different areas

Source: INEKO 2015⁴

2 http://www.ineko.sk/file_download/900/Anal%C3%BDza+-+PPP+obchvat+Bratislavy+m%C3%B4%C5%BEE+by%C5%A5+predra%C5%BEen%C3%BD+a%C5%BE+o+miliardu+eur.pdf

3 Institute for Economic and Social Reforms (INEKO): a non-governmental non-profit organization established in support of economic and social reforms which aim to remove barriers to the long-term positive development of the Slovak economy and society-
<http://www.ineko.sk/about/about-us>

4 <http://www.ineko.sk/about/about-us>

Thus, the D1 central highway will remain heavily used, while the D4 will have a minimal impact on traffic flows in the central urban area of Bratislava. This is also valid for cargo transit passing through the Bratislava metropolitan area, as transit road transport accounts for just a small portion of D1 use. **Using data from the INEKO study, it is possible to calculate that the beltway would alleviate usage on the most-heavily used motorway by only 13% - 20%, and it would have zero positive impact on the city's other heavily used routes. Hence, there is a risk that the transport congestions will only shift from the city's peripheral areas and entry-points to the center of the city.**

Lack of transparency at both national and EU levels:

During project development and tendering procedures the Ministry of Transport, Construction and Regional Development did not provide all the information required through the Law on Access to Information. The public has not been informed properly about results of the analysis demonstrating the PPP's suitability, as the Ministry published lots of information in a very short time before the opening of the bids for the PPP.

Also, concerns have been raised that the author of feasibility study was in conflict of interest. The government has procured the feasibility study together with complex consultancy services for the PPP development. This directly motivated the winner of the procurement to favor the PPP. Analysis of the feasibility study data and results undertaken by INEKO supports this suspicion.⁵

Moreover, not enough information about EIB decision-making has been provided. No proper evaluation and technical preparation of the project and its design and concept was undertaken. Especially, JASPERS (Joint Assistance to Support Projects in European Regions), the assistance required for infrastructure projects financed by EU and defined as "major projects" did not take place in the case of Bratislava Bypass. The EIB did not provide any explanation on the fact that JASPERS did not interfere, even though the construction of roads is regarded as a "major project".

Problems with projects economics in Slovakia:

An analysis of the project was made by the Slovak think tank INEKO⁶, which challenge the economics of the project. Different issues are pointed out:

- Conflict of interest of the company preparing the study demonstrating the PPP's suitability;
- There would be an inefficient use of public money and a standard public procurement on the market would be significantly cheaper than a PPP, because of the high interest rates related to PPP procurement and potential off-balance sheet liabilities. Therefore, one of the explanations justifying the use of PPP by the authorities is that it would be exempted from national debt, according to the national accounting rules, which could prevent from debt increase.

⁵ INEKO: Bratislava bypass could be overpriced by a billion. 2015.

⁶ <http://www.ineko.sk/about/about-us>

Next steps:

The new Slovakian Minister of Transport (resulting from the national elections held on the 5th of March 2016) postponed the decision about the PPP before finally accepting the project in May 2016 and the implementation of the project will continue. However, the evolution of the project needs to be watched and action still needs to be taken to get a decrease of public costs as much as possible. EIB and ERBD are especially targeted as they are major contributors to the project. The Foundation "Stop corruption" has already asked the Bank to withdraw with an official complaint and is now waiting for a response.

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