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## **10. Construction and Transport**

### **10.1. Planned and implemented activities of the Government of RM in the reporting period**

#### **10.1.1. Construction**

The activities of the Government in the area of construction in the monitored period were divided into several areas.

##### **a) Roads**

Substantial program activities and measures undertaken by the Government of RM in the area of construction and maintenance of roads in the monitored period are:

- In cooperation with the RCRTS (Republic Council on Road Traffic Safety) the Government of RM formed a Coordinating Body composed of 11 members on the highest level for preparation of an Action Plan for conducting the responsibilities from the “National Strategy on Improvement of the Traffic Security on Roads” (2009-2014);
- Annual program for construction, reconstruction, maintenance and protection of national and regional roads for 2010 in RM was adopted;
- Annual program for maintenance and protection of national and regional roads for 2010 in RM was adopted. The amount of the allocated finances for maintaining and protection of the state roads (highways, national and regional), has not been changed for 4 years in a row and is more than a modest amount of 970 millions of denars (about 15.8 millions of euros);
- The amendments to the Law on Public Roads were enforced, which abolish the charge for road tax for vehicles registered outside of RM. Those amendments harmonize the Law on Public Roads with the European legislation, i.e. the Directive no. 1999/62/EC of the European Commission is implemented;
- The Ministry of Transport and Communications (MTC) announced a call in the national and foreign media, by which it is looking for concessionaires for two packages of roads in Macedonia-for the prequalification phase. The concession refers to the construction, reconstruction, maintenance, pay-toll and use of the roads for a period of 35 years;
- A rulebook has been adopted for the technical elements for construction and reconstruction of the public roads and the objects on the roads;
- MTC adopted a Decree on Determining the Criteria for Categorization of Public Roads and Their Signals;
- The State Inspectorate for Transport, in the period of November 2009 to February 2010, conducted control of the road tax payment for using the highway

according to the Law on Roads, and for the purpose of establishing order and consistent application of the Law and found and fined 101 persons that committed misdemeanors.

## **b) Railway**

Within the activities of PE “Macedonian Railways-Infrastructure” several projects are in the final phase:

- Realization of the project for introducing tele-command of the railway traffic on the line from Tabanovce to Gevgelija (Corridor 10). This project is expected to be officially in use in the course of April 2010.
- Elaboration of the main project for the line from Kriva Palanka to the border with the Republic of Bulgaria, i.e. the east part of Corridor 8;
- On the west part of Corridor 8, the draft project is currently being elaborated from Kichevo to the border with the Republic of Albania, which should be completed within the end of the first half of 2010;
- The preparation of technical documentation is currently being conducted for three new road crossings over the railway Skopje-Tetovo for the purpose of improving the security in the railway traffic.

In cooperation with the World Bank, projects for reorganization and modernization of PE “Macedonian Railways-Transport” JSC are currently being conducted:

- Introduction of electronic payment of tickets in the road traffic;
- Procurement of 36 new plato-wagons (the project is in the phase of realization, with a deadline to be completed in August 2010);
- Modernization of four diesel-electric maneuver locomotives (the project is in a phase of realization, with a final deadline within April 2010).

## **c) Spatial and urban planning**

In the direction of improving the work conditions in construction and its protection from the unfavorable influence of the world economic crisis, the following important measures have been adopted:

- In the Assembly of RM, a new Law on Construction has been voted;
- MTC adopted several by-law acts as a result of the Law on Construction, which regulate the issuing procedures, i.e. withdrawing the appropriate competencies and licenses which come out of the Law on Construction and the amount of remuneration for their granting is regulated;
- In the last months of 2009, MTC offered for sale (in the Macedonian and foreign media-“The Financial Times”), several thousands of square meters state-owned land, on attractive locations in many towns in RM, for the purpose of building hotels, floor parking garages, golf terrains and mini towns. If biddings are successful in the first try, and having in mind the deadlines for payment of the money and signing the agreements for alienation of land, the first foundation stones can be expected in the spring of 2010 at the latest.

- The project for building apartments in the ownership of RM is continuously conducted. Electronic distribution of 102 social apartments has been done, located in the suburb Jurija and in the Municipality of Gjorche Petrov in Skopje;

- The reforms continue in the Real Estate Cadastre Agency for the purpose of improving the efficiency in the work and increasing the level of services for the users. The Project "Real Estate Cadastre and Registration" is supported by a lending of 10.3 millions of euros given by the World Bank. The implementation of the project started in 2005 and is planned to finish within 31 May 2010. The percentage of the established real estate cadastre on the territory of RM, as one of the main objectives of that project, is 96.22% until January 2010.

- One of the most substantial problems, which mainly affected the efficiency of the work of REC, i.e. of its departments, was the number of unsolved subjects. The current condition of unsolved 2.862 subjects is no longer considered as a serious problem and disadvantage in the work of the REC;

- The Swedish Agency for International Cooperation continued the support of REC in the following period of 3 years in the realization of the Project "Strengthening the Capacities of REC in the implementation of the Strategic Plan of REC 2009-2013", financed with the amount of 2.6 millions of euros. The implementation of the project started on 1 November 2009;

- The procurement of IT equipment was conducted, as well as a complete renovating and equipping of the training center of REC;

- REC decreased the costs of cadastre services for the citizens and companies in the amount of 10 to 72 percent, of the remunerations for the most frequently demanded services for registering real estate in the cadastre for issuing data to legal and physical entities.

### **10.1.2. Transport**

In the reporting period, in the area of transport, the following significant activities were realized:

- In the last three months of 2009, a minimal growth of 0.8% was noticed in the number of transported passengers on the airports in RM, while in the cargo transport there is an evident fall of 5.6% in comparison to the achieved dimensions in 2008. If one compares the total results achieved in both years, there is the conclusion that there is a decrease in the number of transported passengers of 8.1%, while the decrease in the cargo transport (goods and post) is 13.1%. Destinations the Macedonian citizens most frequently travel to are: Vienna (13,8%), Istanbul (13,5%), Budapest (11,2%), Ljubljana (10,5%), etc.

- The selected company "TAV" from the Republic of Turkey, which shall manage the airports in RM for a concession period of 20 years, after several prolongations of the start of the investment, has finally announced that as of 1 March 2010, it shall start the investment. However, according to the announcements, the start of the work shall be prolonged for the construction of the new cargo-airport in Shtip.

### **10.1.3. Telecommunications**

In the area of telecommunications, the following significant activities took place in the reporting period:

- AEC organized a tender for granting approval for use of the radio frequencies for UMTS standard (3G) in the mobile telephony and started the analysis of the markets for the purpose of providing virtual mobile operators;
- The operator of the digital televisions fulfilled the conditions from the tender documentation, started the commercial work and notices a significant growth on a subscriber basis.
- Changes of the plan were done for the distribution of the radio frequencies in RM in the direction of their harmonization with the European regulative in that area.

## **10.2. What remains to be implemented (not implemented yet or not yet finished) in the analyzed period**

More significant, and not implemented or not completed activities in the analyzed areas in the reporting period are as follows:

- Sanctioning of the black spots in the road network was not done according to the projected dynamics and in compliance with the National Strategy of RM for improving the safety of the road traffic;
- The deadlines from the Action Plan for Transformation of PE “Makedonijapat”, Skopje have been prolonged until the beginning of June 2010. According to the preliminary projections, the entire activities had to be done by 1 September 2009 and the two new joint stock companies had to be entered in the Central Register of Macedonia;
- The start of the Project for Introduction of the Integrated Electronic System for pay-toll is falling behind, i.e. modernization and enhancement of the pay-toll payment and the payment service (this project, which is realized in cooperation with the World Bank and should contribute to the modernization of the system and enhancing the efficiency of the activities, according to the program of MTC was supposed to be realized in 2007), which among other things, shall contribute to the decrease of corruption as well;
- The completion of the Project for Introducing Electronic Payment of Tickets in the railway passenger traffic has been prolonged.

## **10.3 Evaluation of the potential risks from (non)implementation or from (non) quality implementation of activities**

As potential doers, who in the following period would impact on the possible risks from the Government reforms and projects in this area, individually or in joint activities by several of them, could be:

- Insufficient public debate and not consulting the Macedonian expert public for particular expert questions and projects in the appropriate area;
- Ambitious plans and short deadlines for the realization of the planned activities, which can bring to partial or substandard implementation of the planned activities;

- Restricted financial resources, as well as inappropriate expert capacities in certain institutions, which can be the reason that will hamper or affect the realization of the planned projects;
- Falling behind of certain reforms and prolongation of the deadline for implementation of the planned activities, which can lead to a halt or delay of the planned reforms;
- Inconsistency in the efforts for conducting reforms and realization of certain projects;
- Resistance towards the institutions where reforms are projected with a possible decrease in the number of employed persons;
- Political opposing between the Government and the opposition, with a possible obstruction of the reforms by the opposition.

#### **10.4. Overall evaluation by the expert on implemented activities for the reporting period, with possible recommendations**

In the past three years construction was progressing, however in 2009 it was evident that the global recession would strongly affect that business branch. Construction companies almost had no work abroad, but it was in a way compensated with the newly opened projects on the national market, where the state appeared as the biggest investor.

Most of the work of the construction workers on the foreign markets was stopped, while on the domestic market the level of investments in the construction projects has been decreased, particularly in the construction of buildings (flats and offices). The decreased activity can be best seen in the decreased production of the construction materials (for example, in the Cement Factory “Usje” in 2009 there was a decrease in the sale for 15%, in “Knauf-Radika” for 23%, etc.). According to the managers of the business subjects in the area of construction, the economic condition in the third quarter of 2009 was evaluated as the most unfavorable so far. The expectations of the construction workers for the number of employees in the upcoming period are pessimistic. The evaluation for the current situation with orders is the most unfavorable so far compared to any quarter from the previous years, and the quantity and quality of the mechanization is still unsatisfactory. In December 2009, 303 approvals were given for construction or for 18.5 percent less compared to december 2008, which proves the previously mentioned facts. Out of the total amount of issued approvals, 221 are planned for building construction objects, 25 for roads and 57 for objects for reconstruction. According to the issued approvals for construction, the foreseen value of the objects is 2.916.326.000 of denars, which is for 19,7 percent less compared to December 2008.

As a result of the new legal regulation with which a positive change has been done for issuing construction licenses forcing fair competition, the insufficiently expert companies and companies with only one employee are disabled to take part in tenders.

However, the Law on Construction has its own disadvantages as well. They refer primarily to the provisions of Article 138, which is disputed in front of the Constitutional Court of RM. There are serious remarks from the expert engineer public in the view of

naming the Chamber (Article 102). For the purpose of avoiding such disadvantages, in future, the experiences of the expert associations should be consulted and used.

Realizing the disadvantages of the non application of the recommended measures by the "National Strategy of RM for Promoting Safety in the Road Traffic", as well as the unfavorable conditions of the safety in the road traffic (the data are identical as in 2008: 15.000 car accidents, 1.000 badly hurt and 160 deceased persons), And for the purpose of changing those conditions in traffic safety, the Government of RM adopted a decision and established a Coordinating Body which tasks is to prepare Action Plan for Realization of the National Strategy (deadline: March 2010), to monitor its implementation and to submit quarterly reports to the Government of RM for the realized activities.

The transport policy of one country is a complex problem which affects many areas of social living, has a wide approach and enables undertaking a wide range of measures in many areas of its improvement. After the periods of insufficient investment in the transport infrastructure, RM is in a period when it has to do it, according to the defined global transport policy. At the same time, RM as a continental country, it is required to develop its roads and railways, as well as to pay attention to the development of integrated transport systems, which shall contribute to the improvement of services and the mobility of the population.

The inexistence of quality and completely established SUP, and within it a sub-system for managing roads, should seriously alarm the country for it will result in inadequate managing and allocating modest financial means (about 15,8 millions of euros), for maintaining and protection of public roads (highways, national and regional), which in RM is a chronic condition throughout the whole period of transition. The intended amount for that purpose, according to some calculations, even in 2002 should have been doubled. With the continuous aging and amortization of the road network, as well as with the increase of its areas (by constructing new roads), the allocated financial means cannot satisfy even the minimal needs. A radical turnover is necessary in the manner of managing and maintaining the roads in RM regarding the retrograde strategy so far. Because of its high cost, the roads are subject of multi-criteria analysis, and the adoption of expert decisions for construction and maintaining roads is done on the basis of a permanent monitoring of their condition, as well as establishing a data bank about them.

A tender for concessions was organized on the basis of the prepared study by consulting firms. The tender was organized for two concessions: East (177,5 km long and West (196 km long), with deadline for construction of 8 years and time period for concession of 35 years. According to some calculations, the concessionary for construction of those roads shall invest about 1 billions of euros, and an income of about 2,3 billions of euros is expected. The future concessionary, besides the pay-toll charge, shall benefit on a number of basis, such as: remuneration for excessive road use, part-time transport and remuneration of damage done on the road or on the objects on the road. The cost of the pay-toll shall be jointly determined by the Government of RM and the concessionary, and the Government of RM can pay reimburse to the concessionary for maintaining the socially accepted price.

The construction of roads with concessions, because of its benefits, looks excellent in theory (dismantling state monopolies as a primary objective and giving

budgetary means as a secondary objective, which shall be later used by the country for other projects), however it has numerous disadvantages, which can be seen in the examples in different countries in the world (USA, Spain, Mexico, the countries in South America and the Republic of Serbia), and what they have in common are the manifested problems that follow: extremely smaller assessments of the traffic density, significantly increased expenses, request of additional guarantees from the countries, changing agreements and their non-fulfillment, which in the end is followed by mediators, and then international arbitration courts as well.

In the railway, the realization of the project for introducing the Tele-command of the traffic on the Corridor 10 is in the final phase, which shall increase the level of traffic safety, and the capacity of the railway line from Tabanovce to Gevgelija will be increased. In PE "MR-Infrastructure", besides the already completed and operating four completely automated road crossings on the railway line Skopje-Tetovo, the preparation of technical documentation is in progress for three more road crossings which shall bring the safety of the railway traffic at the level of the European standards. All of the noted activities are in the function of improving the railway system, i.e. increasing the efficiency, improving safety, decreasing expenses and enhancing the services that the railway gives to the users.

However, the expert evaluation is that the actual required investments in the railway are several times greater than the current ones, if we want to keep track with the development that is present in the European railways, as well as to follow the needs of the users of the services (it is about classical railway lines for a speed of 160 km/h).

After the dynamic increase in the airline traffic in 2007 and the more moderate one in 2008, the impact from the economic recession and in a way the influence of the termination of the activities of the national airline transporter "MAT", has caused a fall in the airline traffic in 2009. 559.519 passengers were transported from the "Alexander the Great" Airport in Skopje, which is a decrease of 8,1% compared to 2008. Besides the already mentioned reasons, that was influenced by the visa barrier for the Macedonian citizens and the ticket prices. However, after abolishing the visas, it was obvious that the mobility of the population is greatly affected (if not solely) by the ticket prices (for example, a return ticket on the relation Skopje-Paris-Skopje costs 300 of euros, while the same ticket for the relation: Prishtina-Paris-Prishtina costs only 95 euros).

For the offered state land for sale, it can be said that the manner in which it is done is transparent (in contrast to the past times when the sale was done in 'four eyes'), with advertisements in the national and foreign well known media. Within that land, the land of the former military barracks is also for sale in many towns (Strumica, Gevgelija, Debar and "Ilinden" in Skopje, which have been recently given on disposal to the municipalities), which are on attractive locations in towns. On all of the locations, building of mini towns is foreseen, as well as complex of apartment and office buildings, educational and public institutions, sport terrains, etc.

The only remark can be put about the fact that the advertisement for sale is not supported by urban plans (they have not been completed, i.e. shall follow additionally), as well as the lack of calculations how much money the country will get if the land parcels are sold at least in the determined price at the bidding.

It is understandable that the undertaken reforms, as well as the realization of the planned projects is not possible to be on-time and completely finished everywhere

because of a number of reasons, and one of the most important is the quality and capacity of the state institutions. Detection of the weaknesses and their adequate and forehanded removal can be a step in the right direction.