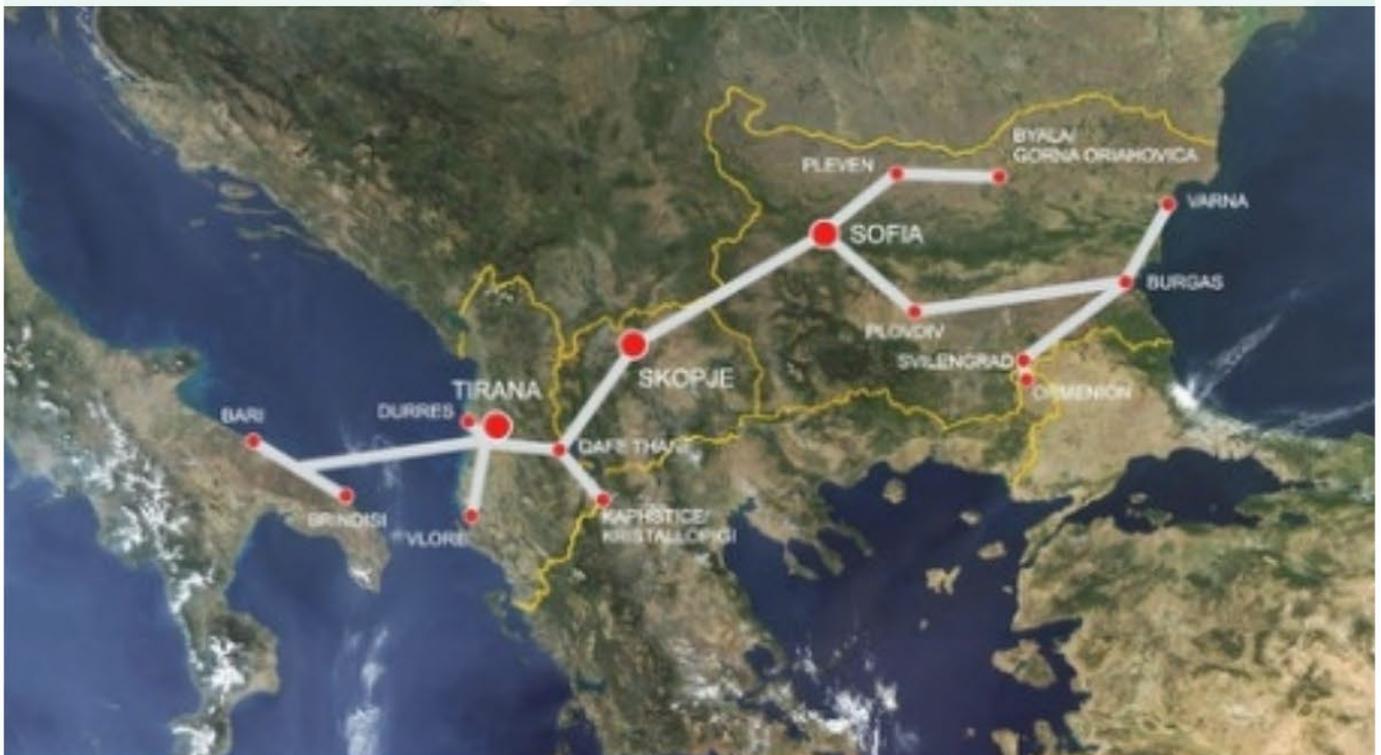


CORRIDOR VIII – EAST GATE: PROMOTING FLAGSHIP 1 “CONNECTING EAST TO WEST”



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CORRIDOR 8 – EAST GATE: PROMOTING FLAGSHIP 1 “CONNECTING EAST TO WEST”

Better and profound connections between EU member states and candidate countries as a basic systemic factor for growth and resilient democratic institutions in Southeast Europe

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LIST OF ACRONYMS

CEF	Connecting Europe Facility
IMTs	Intermodal terminals
NRIC	National Railway Infrastructure Company
RIA	Road Infrastructure Agency
TEN-T	Trans-European Road Network
WBIF	Western Balkans Investment Framework

I. RATIONALE

Is connectivity between the Black Sea and the Adriatic coast viable? Is there an economic rationale for enhanced connectedness stretching from Varna and Burgas in Bulgaria over Plovdiv-Sofia-Skopje-Tirana to Durrës in Albania and Bari in Italy?

At first glance, economic rationale is discussable since economic exchange between Albania, Bulgaria and the Republic of North Macedonia remains relatively modest. However, enhancing connectivity can foster economic relations not only between these countries but also serve as a boost for intensifying economic relations that go beyond the boundaries of the three states and eventually can bring benefits to stakeholders in Italy, Kosovo, Montenegro, Romania and Turkey.

There is an economic rationale behind the possible benefits for each and every one of them. For instance, Italy has been among the three biggest trade partners of Bulgaria for years – in 2019 alone, in the year before the pandemic, bilateral trade reached EUR 4.7bn. Therefore, one can assume that the availability of easier and faster connections will further positively impact bilateral trade. Improved connectivity will offer an easier access to companies from Romania to the Western Balkan countries as well.

To demonstrate that potential, it comes as no surprise that in 2019 Romania was the second biggest trade partner of Bulgaria with a total trade volume of EUR 5bn after Germany (EUR 8.5bn). Besides, Corridor VIII might provide Turkey, as a major regional economic powerhouse, whose trade volumes only with Bulgaria reached EUR 4.4bn in 2019, with an alternative route. Last but not least, Corridor VIII will increase directly or indirectly regional connectedness of Montenegro and Kosovo.

II. CURRENT STATE OF PLAY

It is beyond any doubt that further investments in infrastructure between the Black Sea and the Adriatic Sea are needed. In this regard, the lack of connectivity between Sofia and Skopje is often provided as a typical example for the regional connection shortages. Although both capitals are located on the already well-known Pan-European Corridor VIII, for different reasons, there is neither a railway nor a high-speed road connection between them, let alone a highway. Thus, Sofia and Skopje remain among the few European capitals without any direct railway connection. What is more, Skopje is the closest capital city to Sofia, located less than 250km away. At the same time, tourism and leisure travel between both countries have been on the rise in the last ten years, with 550,000 Macedonian citizens visiting Bulgaria and 430,000 Bulgarians going the other way in 2019.

In fact, Bulgaria’s cross-border core road network is still far from being completed. As a special report on the “The EU core road network: shorter travel times but network not yet fully functional” by the European Court of Auditors revealed in 2020, only one out of six cross-border sections on the core network is currently complete (with Turkey), and two others are in construction (with Serbia and Greece). Of the remaining three, one is shared with a non-EU country (North Macedonia) and two with Romania. The cross-border section with North Macedonia is not prioritised in key transport strategic documents. What is more, the Special report shows that the completion rate of the TEN-T core road network for Bulgaria was 46% (77% at EU level). To address this, Bulgaria’s 2030 Strategy envisages the completion of the TEN-T core road network by 2030, therefore putting a high priority to these sections. These sections are still being discussed as part of the post 2020 programming negotiations between Bulgaria and the European Commission.

While connectedness between countries is falling short, internal country connectivity is also lagging behind and Bulgaria is not an exception. Country’s efforts to develop and maintain road and railway infrastructure remain a focal point in civil engineering construction in recent years. According to the Global Competitiveness Index 2019, the road network in Bulgaria needs a continued improvement despite the vast investments in last years. The report reveals that Bulgaria is ranked 67th from 141 countries in the ‘Road connectivity’ component and 102nd in ‘Quality of road infrastructure’. Regarding railways, Bulgaria has a very good starting position since according to the same report of the World Economic Forum, it is ranked 26th in terms of railroad density and 66th when it comes to efficiency of train services.

II.1. ROAD CONNECTIVITY

Improving road infrastructure has been Bulgaria’s top priority in the last decade but still the general road connectivity is lagging behind developed EU member states. In the period of 2007-2020 highways in Bulgaria have almost doubled in length from 418 km to 806 km, but after their completion they have not been maintained properly. More precisely, the above-

mentioned special report on the Trans-European Road Network (TEN-T) by of by the European Court of Auditors concludes that 32% of roads are in a bad state and 27% in average condition.

Achieved progress in road infrastructure in the last 10 years can be attributed to the availability of EU funding, which is now practically phasing out due to EU’s shifting priorities in favor of modernization and construction of railway projects as more carbon-friendly way transportation. For this reason, road construction in recent years has been funded by national sources through the state-owned construction company ‘Avtomagistrali EAD’ company. In order to avoid public procurement procedures and possible delays as it was the case before, the Road Infrastructure Agency (RIA), owner of the capital of ‘Avtomagistrali EAD’, contracts directly its daughter company to work on major road projects. According to data disclosed by the Ministry of Regional Development and Public Works, as of December 2020 ‘Avtomagistrali EAD’ employed altogether 381 technicians, construction and administrative experts and owned 355 construction equipment units, which does not allow it to complete all projects on its own. Therefore, the state-owned company indirectly subcontracts private companies by renting equipment and paying for external services. This is how almost all major projects are now being executed with public funding.

The largest and one of the most important infrastructure projects, is the completion of ‘Hemus’ highway (Sofia-Varna) with a total length of almost 420km, 223km of which are not yet ready. Although officially it is not part of Corridor VIII, once completed it will provide a direct connection between the capital Sofia and the third largest city of Varna. This is to compensate the missing highway connection between Varna and Burgas. In fact, such a road connection has been planned long ago but as of today the Black Sea motorway between the port cities of Varna and Burgas has only 10km completed. When the remaining 93km between both cities will be completed is not clear because of the lack of funding.

The completion of the pending section Hemus’ highway is of paramount importance for the economic development of Northern Bulgaria. It is separated into two major parts:

- Boaza-Veliko Tarnovo (134.2km) costs EUR 575mln and includes 6 sub-sections. As of the end of 2020, building permits were issued for 3 of them but there were ongoing construction works on only 15km, whose readiness was estimated at 30%.
- Veliko Tarnovo-Buhovtsi (88.9km). Construction works are yet to start since the road is still in phase of engineering design.

The Vidin-Botevgrad speed road is a priority project in the investment program of the RIA and the Ministry of Regional Development and Public Works. The modernization of the section will provide easy connectivity between ‘Danube Bridge 2’ and ‘Hemus’, ‘Trakiya’ and ‘Struma’ highways. This speed road per se is not part of Corridor VIII but it can be regarded as its important extension to the North. Its construction works started in 2019 with the most complicated sections of Mezdra-Botevgrad (33km) and Vidin-Makresh (29.6km). In early

October 2020, it became clear that Avtomagistrali EOOD would build 65.8km of the section between Makresh and Montana, as the total amount of the contract is EUR 553mln. All ongoing sections are scheduled to be completed by end 2022.

In Southern Bulgaria, the road connection is ensured through the ‘Trakiya’ highway that links Sofia with Burgas (360km) thus making it a major road connection on the route of the Corridor VIII. In October 2020 a step-by-step renovation of 52km of ‘Trakiya’ highway started.

At present, there are ongoing negotiations between the Bulgarian government and the European Commission over the new Operational Programme ‘Transport Connectivity’ 2021-2027. There are 2 key projects with relevance to the connectivity in Northern Bulgaria, which the government is trying to include:

- Ruse-Veliko Tarnovo’ Highway in Northern Bulgaria with a length of 133km and an estimated value of EUR 750mln. Having in mind the high amount of investment, additional sources of funding will be sought (private-public partnership).
- ‘Shipka’ tunnel is an ambitious project connecting Southern and Northern Bulgaria. It includes a 10km-long road and 5 tunnels with a total length of 4km. Its total cost is estimated at EUR 136mln.

II.2. RAILWAY CONNECTIVITY

The policy on EU level for transforming economies to carbon neutral will reflect on the railway construction segment, which is expected to have an increasing importance in the years to come.

One of the major railway projects currently being implemented is Phase 2 of the rehabilitation of Plovdiv-Burgas railway line funded by the Operational Programme “Transport and Transport Infrastructure”. The project already has two completed sections, Strelcha-Tserkovski and Skutare-Orizovo, which have been renovated. Most of the funds for the project have already been contracted (EUR 250mln), and two small tender procedures are yet to be launched.

Another large project is Elin Pelin-Kostenets (EUR 514mln / 51 km), which is divided into three sections. After the start of construction works on the first section in November 2019, the remaining two were contracted during the summer months of 2020. At present there is 30-month delay of the project implementation due to appeals on procedures of public procurement and expropriation. Therefore, part of the activities will be funded with EU funds.

Under the Connecting Europe Facility (CEF), the National Railway Infrastructure Company (NRIC) is implementing four major projects that have more or less direct relation to Corridor VIII:

- Sofia-Elin Pelin (EUR 72mln): it is advancing as half of all activities are completed. Its total completion is expected for 2022.
- Kostenets-Septemvri (EUR 184mln): construction works started in H2 2020 and the project is to be completed in 2024 due to its technological complexity. The project

includes the construction of the longest tunnel on the Balkan Peninsula with a length of 6.8 km.

- Sofia railway junction-Sofia-Voluyak (EUR 104.2mln/ 9,9 km): after multiple appealing procedures the project was launched in autumn 2020 – 5 years after financing was ensured by the CEF. The project is scheduled for completion in 2024.
- The contract for the modernization of Plovdiv railway junction (EUR 103.5mln) was signed in the summer of 2020 with an expected duration of 35 months.

The new EU programming period 2021-2027 is to direct more funds towards environment friendly transport. Railway infrastructure in Bulgaria needs massive renovation and therefore nearly EUR 3.3bln are to be invested between 2021 and 2027. Notable projects under the Operational Programme ‘Transport Connectivity’, which are also important in light of Corridor VII, for the next programming period are:

- Modernization of railway section Elin Pelin-Kostenets phase 2.
- Modernization of railway line Sofia-Pernik (EUR 360mln/48.6 km).
- Pernik-Radomir phase 2.
- Railway connection between Burgas railway station and Burgas Airport.
- Railway connection between Plovdiv Airport and Plovdiv railway station.

Under the CEF, NRIC plans to apply with project proposals for several sections among which most important for Corridor VIII is Radomir-Gyeshevo-Border of the Republic of North Macedonia.

II.3. OTHER TRANSPORT-RELATED CONNECTIVITY

Intermodal transportation (combining several types of transportation) is seen instrumental in reaching carbon neutrality. Therefore, the ‘National Plan for Development of Combined Transport in the Republic of Bulgaria until 2030’ envisages the construction of at least 3 new intermodal terminals (IMTs) by 2027 – two in Ruse (located along the Danube) and one in the Black Sea city of Varna.

Additionally, the cargo capacity of Sofia and Burgas should be also expanded. These large projects count predominantly on EU funding. Another source could be public-private partnership, which is still not represented and regulated sufficiently in Bulgaria.

III. THE ROAD AHEAD

A significant push to the real implementation of what is commonly known as Pan-European Corridor VIII is beyond any doubt the EU perspective of the Western Balkan countries. The economic rationale is also present – systematic global economic crises were traditionally followed by an infrastructure construction boost. In the three countries along that route there is a plenty of potential for such investments. The difference now is in the details – the EU is embarking on a green and digital future, therefore, railway and digital connectivity will be prioritized and financially supported. Therefore, regional connectivity should be seen in a larger perspective and putting it in practice should not be limited to classical infrastructure only. This necessitates that stakeholder embark on a new way of strategic thinking and acting by:

- combining transportation, energy and digital connectivity projects. This will allow countries not to build a single type of interconnection facilities but rather a combination of them. This approach will enable countries to skip several development stages by directly applying latest technologies.
- setting smarter goals in realizing connectivity – obviously not all projects will and can be supported in the same time, way and scope, which necessitates that adoption of specific, measurable, achievable, realistic, time-bound, efficient and resourced goals;
- by bringing together complementary funding sources: national budgets, EU funding (EU's Multiannual Financial Framework, Connecting Europe Facility), International financial institutions, EU's Recovery and Resilience Facility, Western Balkans Investment Framework (WBIF), Three Seas Initiative Investment Fund, etc.;
- by exploring other new international and regional opportunities – since Bulgaria is hosting the Three Seas Initiative in 2021, it can advocate for the development of an East-West branch within the North-South connectivity nexus of the Initiative, thus it can contribute to reviving and financially securing at least partially the Pan-European corridor VIII.



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