



## **Weekly Briefing**

### **North Macedonia social briefing:**

### **Macedonian Railways: Missed opportunities for affordable, safe and clean transport connectivity**

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## **Macedonian Railways: Missed opportunities for affordable, safe and clean transport connectivity**

The Macedonian railway infrastructure was first established in 1873 with the launch of the first railway track from Skopje to Thessaloniki on the Oriental Railway (Chemins de fer Orientaux). 150 years later “Macedonian Railways” offer only a handful of national rail links and do not offer a single international rail link. Most of the railway network (which consists of about 925 km<sup>1</sup>) was constructed during the period (1945-1990) when the Socialist Republic of Macedonia was part of Socialist Federal Republic of Yugoslavia. In the 30 years following independence, the country’s railways have suffered from structural neglect and mismanagement, leading to a shift away from railways into road transport with numerous implications for passenger safety, affordability and reliability of transport, as well environmental consequences.

The rail network in the country follows the Trans-European networks along Corridors X and VIII. The large proportion of transport is performed on the 215 km long railway line along Corridor X (and its branch Xd<sup>2</sup>), from the border crossing with Serbia in the North to the border crossing with Greece to the South. The east-west railway line along the Corridor VIII has a total length of 315km, however only 50% of the railway line has been constructed so far. Consequently, there are no railway links with either Bulgaria or Albania. The Eastern part of the Corridor VIII towards Bulgaria requires another 89 km to be built (29% of the total), while in its Western section towards Albania another 70 km is needed (21% of the total). These two projects have been stagnating for years in spite of the availability of funds from diverse sources. In 2012, a €46.4 million loan from the EBRD was made available for building a 30 kilometer railway stretch on Corridor VIII.<sup>3</sup> In 2014 the EBRD made another loan of up to €145 million for the second phase of that project “to finance the modernization of railway infrastructure in Macedonia and to strengthen the country’s regional transport links”.<sup>4</sup> Unofficially however

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<sup>1</sup> Open line 699 km, Terminal tracks 226 km, Industrial tracks 102 km

<sup>2</sup> Xd of the Corridor X starts in Veles and ends at the border crossing Kremenica by Bitola.

<sup>3</sup> <http://www.balkaninsight.com/en/article/macedonia-secures-rail-upgrade-loan#sthash.8ie3vART.dpuf>

<sup>4</sup> <https://www.ebrd.com/news/2014/ebrd-connects-macedonian-railway-corridor-to-turkey-.html>

only 24 km or 5% of the rail track towards Bulgaria have been completed thus far. Another source of funding for the same rail-line along Corridor VIII has been IPA- the EU Instrument for Pre-Accession Assistance. In 2012, the EU granted Macedonia €50 million euros aimed at building new railway sections from the Macedonian part of the pan-European transport Corridor 8.<sup>5</sup> In the years that followed additional IPA funds have been withdrawn with no observable advances on the rail tracks along Corridor VIII.

The “Economic and Investment Plan for the Western Balkans” published in October by the European Commission includes the same project in its strategy. Under Flagship 1 of the Transport section of the Investment plan it is stated that the “Rail Corridor VIII between Skopje and the Bulgarian border will be substantially advanced to connect Skopje and Sofia”.<sup>6</sup> In light of the history of failure of the project, the new initiative will have a chance of success only if it identifies the causes of past delays, implements strict project management guidelines and delivers quick results.

However, the rail tracks are hardly the only problem affecting the railways in the country. According to the Business Plan of the “Macedonian Railways – Transport” for 2018, the company has 47 passenger cars, of which only 7 function. The situation with the freight wagons is similar. The company owns 1,311 freight wagons as property, out of which about 60% or 760 are out of service. The average age of freight wagons is 42 years.<sup>7</sup> There are only six new trains (four diesel and two electric) which were ordered from the Chinese company CSR Corporation Ltd back in 2014. The order, at the cost of 25 million euros, had been financed by a loan given by the EBRD.

### **Failed restructuring under the guidance of the World Bank**

Between 2005-2009, a process of restructuring of the Macedonian Railways was led by the World Bank. As part of it, in 2007 the state company “Macedonian Railways” was divided

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<sup>5</sup> <http://www.balkaninsight.com/en/article/macedonia-secures-e5%C3%A5-million-from-eu-for-infrastructure#sthash.E7o25hzH.dpuf>

<sup>6</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/communication\\_on\\_wb\\_economic\\_and\\_investment\\_plan\\_october\\_2020\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/communication_on_wb_economic_and_investment_plan_october_2020_en.pdf)

<sup>7</sup> <https://en.scoop.mk/the-last-nail-in-macedonian-railways-hammered-50-years-ago/>

into two parts, Macedonian Railways – Infrastructure, a state company that takes care of the railway and railway stations and Macedonian Railways – Transport, a state company that takes care of locomotives, wagons and other means of transport moving along the rails. The division of the Macedonian Rail into these two separate units has resulted in the division of the (banking) accounts between freight accounts and passenger accounts. The impact has been a shortage of skilled staff, discord between the workforce, miscoordination on the rail tracks, and a fragmentation of the railway workforce. The World Bank restructuring package also suggested layoffs of 2700 out of the total workforce of 3800 workers and the privatization of the railway. Although the Government at the time did not admit to be implementing the proposal in full (688 employees were laid off in May 2005 instead of the proposed 2700) the cuts have been taking place in stages, have been made across the board and, combined with a hiring freeze imposed by the Ministry of Finance, led to skill shortages, especially in traffic signaling and overhead cable maintenance. As a result, the existing workforce of under 1000 employees is not only over-burdened but also internally fragmented due to the existence of numerous trade unions. Whilst before 1990, there was only one trade union for a workforce of 13,000, now there are numerous unions for a workforce which is below 1000 and constantly shrinking.

At its outset the World Bank restructuring process planned to achieve “financial viability, productivity, and effectiveness of railway operations”.<sup>8</sup> 10 years after the restructuring process has been completed, it cannot report any positive outcomes. According to the latest available official data, only 467 thousand passengers were transported in 2017. 30 years earlier, in 1986 the same company transported 6,8 million passengers, indicating a drop of almost 20 times. What is more, according to a survey of the Railway Regulation Agency, only 9% of passengers were satisfied with the service of Macedonian Railways – Transport.

The decline of railway transport has resulted in a corresponding shift towards road transport, which is comparatively less safe and environmentally unfriendly. On average 150 people have died and 6000 have been injured every year between 2010 and 2019 as a result of traffic accidents. A major bus accident claimed the lives of 16 passengers on the highway Tetovo-Skopje in February 2019. One factor that contributes to road unsafety is the catastrophic state of the road transport infrastructure. The other has to do with the growing trend of motorization in the country. Following a new regulation in 2010 which allowed import of used

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<sup>8</sup> <http://documents.worldbank.org/curated/en/384221474564286245/pdf/000020051-20140626104218.pdf>

vehicles with lower European standards, the average level of motorization rose. Currently, there are around 250 vehicles per 1000 inhabitants. This trend has detrimental implications on the environment. The 2017 environmental statistics from the State Statistical Office show that transportation is the second main source of air pollutants in the country (accounting for 14% of pollution). Bearing in mind that trains are much more sustainable, whether in terms of CO2 emissions, energy consumption, use of space, or noise level the devastation of railway transport and the corresponding rise in motorized road travel has had adverse environmental consequences.

The systematic neglect and mismanagement of the Macedonian Railways in the post-socialist period is an example of the impact of bad governance on public services. In the absence of a comprehensive railway development strategy and governance capacity necessary for its implementation, it is difficult to see how the railways will be revitalized in ways which yield wide-spread social benefits. Railway transport has a great potential to deliver safe, affordable and an environmentally friendly model of transport. Unlocking that potential should be an urgent priority for any government which is interested in delivering sustainable development for the benefit of its society.