

# IFIs and the Macedonian Railways

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## Active IFIs (International Financial Institutions) in Macedonia

### International Monetary Fund (IMF)

It provides technical assistance (expertise and support to countries). It lends money under two mechanisms:

- Standby arrangements (short term balance of payments assistance for deficit of a temporary or cyclical nature- 12-18 months)
- Extended Arrangements

Macedonia has just signed a three-year arrangement with the IMF for funding of structural reforms in the health sector, judiciary and labor market and improvement of business climate.

## Active IFIs (International Financial Institutions) in Macedonia

### World Bank

Specialized in reforms (loans and grants for technical assistance).

It consists of:

- International Bank for Reconstruction and Development (IBRD)
  - loans for the Governments (public sector)
- International Finance Corporation (IFC)
  - loans to private companies
  - helps companies to get loans from private commercial banks

Prepares a Country Assistance Strategy (CAS), a document which describes what the Bank is willing to provide loans for and under what circumstances.

2,5% of all WB finances have been used for the railways in Macedonia.

## Active IFIs (International Financial Institutions) in Macedonia

### EBRD (European Bank for Reconstruction and Development)

- The highest of environmental and transparency standards of the IFIs (Project summaries and EIA summary - 30 / 60 days before approval)
- The most complicated project approval procedures of the IFIs
- Loans for railway restructuralisation in Hungary and Poland (willing to finance social mitigation for the laid off employees)

EBRD mostly supports energy projects (gas, oil) but also transport projects (case of Macedonia where almost 20% of all EBRD finances went to transport- road projects).

Every 2 years, it prepares a Country Strategy, a document which describes what the Bank is willing to provide loans for and under what circumstances. Next Country Strategy for Macedonia will be prepared in 2006.

## Active IFIs (International Financial Institutions) in Macedonia

### EIB (European Investment Bank)

- The worst environmental and transparency standards of the IFIs (EIB often releases info on loans for projects only after loan approvals)
- The least complicated project approval procedures (...unless special conditions)
- The lowest interest rates

It usually finances transport projects. In Macedonia, almost 80% of all EIB finances went to transport (road) sector and only 3% went for railway sector (in 1984 and 1990).

EIB provides loans on ad-hoc basis (it has excess of resources, therefore utilizes every opportunity to provide loans).

## Railway Projects financed by IFIs

### World Bank

#### Past project

#### Transport Sector Project 1999

Improvement of the efficiency of railway system with IT

- new computer system
- new train dispatching system
- railway signaling upgrade

Failed, due to change of MR management and political power  
Initially planned finances not completely used.

This project enabled the development of a strategy for restructuring,  
studies for defining the restructuring courses and the legal framework.

## Railway Projects financed by IFIs

### World Bank

#### Present project

#### Macedonia Railway Reform 2005

Improvement of the financial viability effectiveness and productivity of railway operations through labor rationalisation, separation of infrastructure from operation, increase of accountability, competition of rail operations, restructuring and rationalisation of passenger services.

Great importance of component 1: technical assistance, consultancy services, etc and component 2: social mitigation- employment services etc.

Total EUR 15.64 million.

## Railway Projects financed by IFIs

### World Bank

#### Proposed project

#### TTFSEE II 2005/2006

- Streamline rail border crossings procedures and rail information systems on Corridor X
- Improve freight information flows on Corridor X

Total EUR 18 million; requested from Bank EUR 15 million.

## Railway Projects financed by IFIs

### EIB

#### Past projects

**Trans Yugoslav Railway 1984**

EUR 5,9 million.

**Trans Yugoslav Railway II 1990**

EUR 2 million.

## Railway Projects financed by the EU

### EU

Attempts for financing various railway projects but none actually happened.

Ministry of Transport and Communications proposed the rehabilitation of Corridor X (200 km) as a priority project- approved.

## Financing the Railways in Macedonia<sup>1</sup>

Institution	EUR million	%
Budget	201.98	85
Macedonian Railways	2.94	1.2
Grants	5.73	2.4
World Bank	18.92	8.0
EIB	7.9	3.3
EBRD	0	0.0
EU	0	0.0
<b>Total</b>	<b>237.47</b>	<b>100</b>

Information from the Public Investment Programme 2003-2005 and the Ministry of Transport web site