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## **Role and significance of the Pan-European Transport Corridor III as an economic and logistics link between Poland and Ukraine**

**Abstract.** The Pan-European Transport Corridor III connects Germany, Poland and Ukraine. It is an axis along which many regions are activated and developed and a coordinated regional and trans-national transport policy is built, together with international cooperation in the area through which it runs. It is therefore worthwhile to consider all the opportunities and possibilities as well as threats that may potentially appear in the course of joint efforts. It is significant to recognise the exceptional opportunity created for Poland and Ukraine by the subsequent initiatives aimed at developing the corridor into a permanent overland connection between Europe and China.

**Key words:** transport, transport corridors, logistics, infrastructure, international cooperation

### **1. Introduction**

We currently perceive Ukraine mainly as our partner in the organisation of the 2012 European Football Championships. Certain themes emerge connected with the history we share, such as the Cemetery of the Defenders of Lviv or our road to freedom, but at times more difficult issues also have to be faced related to the past and to our geographical proximity. We have a lot in common, but some matters require a certain amount of historical reflection. One thing remains invariable, however, namely that we are neighbours and that we are going to benefit from this for our joint interest. Ukraine is an EU candidate state and also aspires to be a member of other structures; Poland has already joined the EU and our experience relates not only to the accession process and our entry as such, but also to the practical aspects of functioning within the European Union's structures.

Our coming Presidency in the EU Council (since 1<sup>st</sup> July 2011) is also important. Poland will host the majority of EU events during its presidency and it will play a key role in all the fields in which the European Union is active. Our country will be responsible for organising the EU meetings, shape the directions of the EU policy, as well as care about its development, integration and security. Thus, our country will become an even more attractive partner for its Eastern neighbour, Ukraine.

Leaving politics in the background, it is worthwhile considering what results from the fact that we are neighbours, what potential this situation has and what dilemmas arise in relation to it; we should also ask ourselves whether we can benefit appropriately from this geographical and cultural co-existence. Multi-aspect analyses are needed to answer such questions, taking various areas and issues into account. All the elements, restrictions and possibilities that appear are worth an accurate consideration. One of such aspects is certainly the Pan-European Transport Corridor III that connects our countries; it is hard to overestimate its value and significance, for instance in the context of revitalisation of the Silk Road and of the overland connection to China built using the Corridor, among other elements.

## 2. Transport corridors

A transport corridor is a tract comprising transport infrastructure of international significance, along which various routes run with the suitable technical parameters (e.g. a motorway and a railway line with enhanced technical and operational features), with transport nodes such as logistic centres located on them<sup>1</sup>. The idea of corridors and Pan-European areas was developed during two ministerial conferences held in Crete (in 1994) and in Helsinki (in 1997). The purpose of the corridors was to connect the EU-15 states to their neighbouring countries. Currently, as a result of the European Union's expansion in 2004 and in 2007, the corridors drawn up during the said conferences are located mostly in EU territory, and consequently belong to Trans-European Transport Networks (TEN).

The purpose of the activities undertaken to build the Trans-European Transport Networks has always been to ensure compliance of legislation, standards and technical specifications between the Community states, as well as with their main trade partners from outside the EU. The efforts undertaken made it possible to implement the provisions of the Lisbon agenda by promoting trade, sustainable development and

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<sup>1</sup> K. Ficoń, "Korytarze transportowe Unii Europejskiej", *Przegląd Logistyczny* (quarterly), June 2010, No. 2.

social cohesion<sup>2</sup>. A separate budget line was created within the EU budget to achieve the goals set. The EU allocated EUR 2345 million for the development of trans-European transport networks (TEN-T), energy networks (TEN-E) and telecommunications networks (e-TEN) in the years 1995-1999. The amount allocated for the period 2000-2006 was EUR 4600 million. A budget of EUR 8013 million was established only for the development of the TEN-T networks within the years 2007-2013<sup>3</sup>.

Table 1. Selected Pan-European Corridors

Corridor No.	Corridor route	Number of states involved
I	Helsinki – Tallinn – Riga – Warsaw/Gdańsk	6
II	Berlin – Warsaw – Minsk – Moscow – Nizhny Novgorod	4
III	Berlin/Dresden – Wrocław – Katowice – Krakow – Rzeszów – Lviv – Kiev	3
IV	Berlin/Nuremberg – Prague – Budapest – Constanța/Thessaloniki/Istanbul	8
V	Venice – Trieste – Koper – Ljubljana – Rijeka – Budapest – Bratislava – Uzhhorod – Lviv	7
VI	Gdańsk – Grudziądz – Toruń – Łódź – Katowice – Žilina – Ostrava	3
VII	The Danube River – Inland navigation route	7
VIII	Durrës – Tirana – Skopje – Sofia – Varna	3
IX	Helsinki – St. Petersburg – Moscow – Kiev – Ljubashevka – Chișinău – Bucharest – Dimitrovgrad – Alexandroupolis	9
X	Salzburg – Ljubljana – Zagreb – Beograd – Niš – Skopje – Veles – Thessaloniki	9

Source: author's own study based on the EU documents.

The policy concerning the trans-European transport network (TEN), revised in 2004<sup>4</sup>, focuses on 30 trans-national priority axes and projects. The policy concentrates mainly on the integration between networks in new member states. In December 2003, The Council of Europe emphasised that trans-European networks would contribute to increased competitiveness and cohesion in the expanded EU by improving the connections in the internal market. The TEN policy does not concern, however, the transport links between EU and neighbouring countries or other trade partners. Since the early 1990s such connections have been developed by means of pan-European corridors and areas.

<sup>2</sup> Commission of the European Communities, COM(2007), 32 final version, Brussels, 31<sup>st</sup> January 2007.

<sup>3</sup> <http://www.plk-inwestycje.pl/index.php?id=200> [18<sup>th</sup> January 2011].

<sup>4</sup> Commission of the European Communities, Decision 884/2004/EC.

One of the corridors and areas listed above is Pan-European Transport Corridor III which starts in Berlin and Dresden, runs east to the border crossing in Görlitz/Zgorzelec, subsequently passes through the most important cities in southern Poland: Legnica, Wrocław, Opole, Gliwice, Katowice, Krakow, Rzeszów, Przemyśl, etc., and later to Ukraine through Lviv to Kiev (Fig. 1). The corridor is an important link connecting Germany, Poland and Ukraine latitudinally. Just as all the other pan-European corridors, this one is built using the multi-modal transport channel technology which emphasises the assets and utility features of the individual branches of transport<sup>5</sup>.



Fig. 1. Pan-European Transport Corridor III East-West

Source: [http://www.motogazeta.mojeauto.pl/Polskie\\_drogi/III\\_Europejski\\_Korytarz\\_Transportowy\\_Wschod](http://www.motogazeta.mojeauto.pl/Polskie_drogi/III_Europejski_Korytarz_Transportowy_Wschod) [15<sup>th</sup> January 2011].

The corridor comprises the building of motorways, the building and upgrade of a railway line, of electrical energy distribution networks and telecommunications network, as well as auxiliary facilities such as service stations as well as passenger and cargo terminals. A fully automatic gauge adjustment station for trains is to be built on the Polish/Ukrainian rail border crossing in Medyka, modelled on similar equipment used on the French/Spanish border. The programme is supposed to be implemented in many stages, and financing of the project is to be provided mostly by private investors, with the participation of the individual states and of the European Commission.

<sup>5</sup> K. Ficoń, op. cit.

The following features distinguish the Pan-European Transport Corridor III from other transport routes<sup>6</sup>:

- the international nature of the economic links and goods flows,
- the application of integrated multi-modal transport technologies,
- the intense transportation of bulk cargo flows, usually over great distances,
- the ensuring of convenient and effective connections between various areas and economic centres,
- the assuring of high technical and operational parameters and high travelling safety,
- the economic impact on spatial infrastructure on the local and international scale,
- the impact on transport system integration processes at the local, regional and international level,
- the stimulation of economic growth of areas located in the corridor axis and in a certain business neighbourhood,
- the implementation of state-of-the-art international transport, ICT and business technologies in the immediate transport corridor tract.

### **3. Ukraine as a business and logistics partner**

Looking at the map of Europe, one cannot but notice that there is a country just over our eastern border which may soon play a decisive role on our continent, not only from the point of view of the surface area or the number of inhabitants. Ukraine, with its 603,700 square kilometres, is the second largest country in Europe and the 43<sup>rd</sup> largest country in the world. According to data as of 1<sup>st</sup> March 2008, Ukraine's population is 46.3 million, of which 31.6 million people live in cities and 14.7 million in the countryside. Population density is 76 people per square kilometre. Average life expectancy is 62.16 years for men and 73.96 years for women. Migration is an important demographic phenomenon in Ukraine. If one adds the industrial potential, the extraordinary natural wealth of the Donbas and the inconceivable resources those areas have (if appropriately farmed, they could feed the whole of Europe), the image that emerges is one of a partner worth knowing better.

Ukraine's gross domestic product grew by 4.2% in 2010 compared to 2009 GDP<sup>7</sup>. Capital investments – between January and September 2010, the amount invested in the Ukrainian economy reached UAH 103.3 billion (compared to UAH 106.3 billion in the same period in the previous year), of which UAH 83.9 billion

<sup>6</sup> Ibidem.

<sup>7</sup> <http://zik.com.ua/pl/news/2011/02/15/272469>.

(81.2%) were investments in basic capital<sup>8</sup>. The industrial production volume grew between January and September 2010 by 10.8% (in the same period in 2009 industrial production decreased by as much as 28.3%). During the last year, the highest growth was recorded in the production of means of transport (mainly rail rolling stock) and in the machine industry (by 32.9%). A significant growth was also recorded in chemical industry production (by 20.2%), metal ore mining (by 19.1%) and metallurgical production (by 12.7%). There was a smaller growth in light industry (by 6.7%) and in the food industry (by 2.6%), among other sectors. Production volumes decreased in the energy mining industry (down by 4.5%) and in the petroleum processing sector (down by 0.8%)<sup>9</sup>.

Currently, from the point of view of goods trading, the largest commercial centre in the internal market is Kiev. It is there that most consumer goods such as electronic equipment, household products (chemicals and appliances), clothing, etc. are distributed. This is also the largest selling market because the inhabitants of Ukraine's capital have an incomparably higher purchasing power than people from the rest of the country. The second economic centre is Odessa – Ukraine's largest port and one of the most charming cities on the Black Sea coast. Maritime transport flows are handled there, including goods in transit to Russia. It is worth pointing out that Odessa, with the entire southern Region (Crimea included), forms a large tourist area, which is the favourite holiday destination of Ukrainians and Russians: a place that has to be supplied with the necessary goods in the season. It is also a place where fruit and vegetables are grown that need to be distributed all over the country. A third large area that to which logistics services are provided is the eastern part of the country, with Donetsk and Dnipropetrovsk. It is an industrial basin, where industrial resources are mined, as well as a large consumer market.

548.6 million tonnes of cargo were transported in 2010 in Ukraine, i.e. 10.4% more than in the same period in the previous year. Freight volumes grew by 11.8% in road transport, by 12.6% in rail transport, by 14.4% in maritime and inland transport and by 3% in pipeline transport (transmission and transit of gas increased, respectively, by 11.4% and 8.5%, while transmission and transit of petroleum decreased, respectively, by 20.7% and 30.6%), and dropped by 0.7% in air transport. Passenger transport carried 5.1 billion people, i.e. 7.7% fewer than in the same period in 2009<sup>10</sup>.

Polish-Ukrainian trade exchange has been increasing for many years now. Lviv and Kiev constitute important Ukrainian centres from the point of view of Polish entrepreneurs. One needs to remember that relations with Ukraine depend to a large extent on the political situation in the country. Political upheaval

<sup>8</sup> <http://www.kijow.polemb.net/files/PDF/Dane%20ekonomiczne> [15<sup>th</sup> January 2011].

<sup>9</sup> *Ibidem*.

<sup>10</sup> [http://kiev.trade.gov.pl/pl/ukraine/article/detail,400,Podstawowe wskaźniki makroekonomiczne Ukrainy.html](http://kiev.trade.gov.pl/pl/ukraine/article/detail,400,Podstawowe%20wskaźniki%20makroekonomiczne%20Ukrainy.html) [15<sup>th</sup> January 2011].

Table 2. Ukraine's basic macroeconomic indicators

Specification	2007	2008	2009
GDP – global value (in UAH billion)	712.9	949.9	914.7
GDP – global value (in USD billion)	141.2	123.4 <sup>a</sup>	114.3 <sup>b</sup>
GDP per capita (market prices, UAH)	15 374.2	20 534.0	–
GDP per capita (market prices, USD)	3044.4	2667.0 <sup>a</sup>	–
GDP per capita (PPP, USD)	7100.0	7400.0	–
Actual GDP change (%)	7.6	2.1	–15.1
Industrial production (% change)	10.2	–3.1	–21.9
Agricultural production (% change)	–6.5	17.5	0.1
Public debt (in % of GDP)	12.4	20.0	33.0
Inflation rate (CPI, December to December)	16.6	22.3	14.3
Unemployment rate (ILO methodology)	6.9	6.9	9.6
Foreign trade turnover (goods, in USD billion)	109.9	152.5	85.1
Goods export (in USD billion)	49.2	67.0	39.7
Goods export (% change)	28.4	35.9	–40.7
Goods import (in USD billion)	60.7	85.5	45.4
Goods import (% change)	34.7	41.1	–46.9
Foreign trade balance (goods, in USD billion)	–11.4	–18.5	–5.7
Foreign trade turnover (goods and services, in USD billion)	123.8	170.9	110.5
Goods and services export (in USD billion)	58.2	78.7	54.2
Goods and services export (% change)	27.0	34.9	–36.6
Goods and services import (in USD billion)	65.5	92.2	56.2
Goods and services import (% change)	34.4	40.5	–43.7
Foreign trade balance (goods and services, in USD billion)	–7.3	–13.5	–2.0
Current account balance (in USD billion)	–5.9	–11.9	–1.8
Current account balance (% of GDP)	–4.2	–6.7	–2.9 <sup>c</sup>
Value of annual FDI inflow (in USD billion)	8.7	10.9	5.6
Value of annual FDI outflow (in USD billion)	1.2	0.85	0.9
Accumulated FDI value in Ukraine (in USD billion)	29.5	35.7	40.0
Accumulated Ukrainian FDI abroad (in USD billion)	6.2	6.2	6.2
Foreign exchange reserves (in USD billion)	32.5	31.5	26.5

<sup>a</sup> 1 USD = 7.7 UAH, <sup>b</sup> 1 USD = 8 UAH, <sup>c</sup> data for Q1 2009.

Source: Economic Department of the Embassy of the Republic of Poland in Kiev, [http://kiev.trade.gov.pl/pl/ukraine/article/detail,400,Podstawowe wskaźniki makroekonomiczne Ukrainy.html](http://kiev.trade.gov.pl/pl/ukraine/article/detail,400,Podstawowe%20wskaźniki%20makroekonomiczne%20Ukrainy.html) [15<sup>th</sup> January 2011].



impacts logistics – the flow of goods becomes rather irregular. Consequently, advanced logistics services, such as the transport of package freight, are still new to the Ukrainian market. Many customers have only recently started to discover the related benefits. An important element in the planning of package freight transport is the surplus of exports from Poland to Ukraine over imports to Poland.

Polish exports to Ukraine (according to data from the Polish Central Statistical Institute) were worth USD 2,822.9 million as of the end of September 2010, i.e. 16.5% more than in the same period in the previous year. The renewed growth of the Polish export to Ukraine has been gradually accelerating: the monthly value of deliveries grew from USD 284 million in the first half of 2010 to USD 371 million in the period from July to September 2010, but it is still far from the results attained in 2008. Deliveries to Ukraine after the first 9 months of 2010 were growing at a similarly dynamic rate as the Polish exports in general (17.2%)<sup>11</sup>.

The value of imports by Polish enterprises from Ukraine after the first 9 months of 2010 equalled USD 1,212.9 million and was 64% higher than in the period from January to September 2009. It has to be emphasised that imports from Ukraine kept growing at a much faster rate than deliveries from other countries: the Polish imports grew by less than 18% in the period discussed here. With its 23<sup>rd</sup> position, Ukraine still ranks low among suppliers of goods to Poland, despite its share in the Polish imports after the first three quarters of 2010<sup>12</sup>.

Not only did Poland become a desirable business partner for Ukraine as a result of the economic growth, but it is also a transit country for goods transported to wealthier and more economically developed EU countries. Apart from being a source of economic migration, we have become a country accepting immigrants to an increasingly higher extent, especially from our eastern neighbours. This is a result of European integration and globalisation processes, resulting for instance in an increased inflow of foreigners. Apart from the logistics-related contexts, this fact affects both the Polish labour market and the social image of neighbouring countries whose citizens often seek legal or illegal employment in Poland. Ukrainians are the most numerous and best visible group of economic immigrants in Poland (26.6% of all immigrants)<sup>13</sup>. All these themes, including, on the one hand, Ukraine's significant role as a desirable partner in economic development and, on the other hand, of Ukrainians as economic immigrants change the image of our reciprocal relations and of their perception.

Changes are necessary not only in mutual social perception and relationships. It is also important to eliminate all barriers and limitations in our relations in an efficient manner; in fact, according to Polish companies, such obstacles are

<sup>11</sup> Ibidem.

<sup>12</sup> Ibidem.

<sup>13</sup> *Imigranci w Polsce 2008*, <http://www.egospodarka.pl/36792,Imigranci-w-Polsce-2008> [10<sup>th</sup> January 2011].



quite numerous. Polish economic self-government bodies and businesses identify a series of barriers and difficulties of systemic and individual nature in their activities in Ukraine. The most serious restrictions in the access to the Ukrainian market and to the implementation of joint undertakings are the following:

- lack of transparency, incoherence and variability of the Ukrainian legal regulations,
- weakness of the judiciary and difficulties in the claiming of rights in court, lack of respect for the law or interpretations of the Ukrainian law by administrative bodies that are unfavourable for Polish companies, as well as lack of uniformity in the application of the regulations in force (especially on the part of local administrative bodies),
- corruption in administrative and judicial organs,
- insufficient support of investors by local authorities,
- keeping a series of non-tariff restrictions related to the admission of imported goods for market trading – e.g. compulsory certification, attestation, veterinary and phytosanitary regulations, etc.,
- questioning and increasing of the customs value of imported goods by the Ukrainian customs authorities (leading to higher customs duties) and frequent changes of customs regulations,
- excessively slow implementation of changes adapting the Ukrainian legislation to EU and the WTO requirements,
- significant delays or lack of reimbursement of overpaid VAT (the problem concerns mainly Polish investors operating in Ukraine and exporting their production outside that country),
- ineffective and corruption-generating Ukrainian public procurement system,
- bad condition of infrastructure and small number of border crossings, leading to long waits at borders, especially in the case of freight transport<sup>14</sup>.

Another problem, even though encountered sporadically, involves takeovers of Polish companies or of their assets taking place in an illegal or semi-legal manner.

All these issues, together with the economic crisis, much more visible in Ukraine than in Poland, causing problems to Ukrainian businesses, generate many additional difficulties for the cooperation between Polish entrepreneurs and their Ukrainian partners (insolvency, failure to perform contracts, etc.).

A chance to improve the situation should be seen in Ukraine's gradual fulfilment of the obligations it assumed when it entered the World Trade Organisation (Ukraine became a member on 16<sup>th</sup> May 2008).

The mechanisms aimed at supporting the development of Polish-Ukrainian economic cooperation have a significant impact on the improvement of the situation. At the intergovernmental level there is the Polish-Ukrainian Intergovern-

<sup>14</sup> Dept. of Promotion and Commerce of the Embassy of the Republic of Poland in Kiev.

mental Commission for Economic Cooperation which meets every year. During its fourth meeting, held in Warsaw on 28-29 September 2010, the general status of bilateral economic cooperation was assessed, issues related to the current cooperation between Polish and Ukrainian businesses were discussed, as well as projects were undertaken to intensify that cooperation.

The subject of bilateral economic cooperation development is also an element of talks between representatives of both countries' authorities during visits to Poland and to Ukraine. Such visits are frequently accompanied by delegations of business-people and by various forums that can discuss and seek out solutions to urgent problems during bilateral meetings, business seminars, training sessions and other events.

To recapitulate, it needs to be recognised that Ukraine is the largest European country, but it is still located outside the borders of the EU after the latter's expansion. It is also one of the most important economic and political partners for Poland. The strategic location of our countries on the intersection of many transport routes confirms that numerous joint actions should be undertaken, but also that obstacles in mutual relations need to be entirely eliminated. We must do everything in order to benefit efficiently both from our geographical location and from our potential as well as from the existing platforms of cooperation, which definitely include the Pan-European Transport Corridor III. The ability of using funds, cross-border initiatives and EU development concepts is key in order to take advantage from the aforementioned factors. This generates the need to become involved in an effective manner in already existing initiatives as well as points to the need to apply successfully for the funds allocated, as part of own initiatives and of the projects undertaken.

#### **4. EU funds and initiatives as elements of cross-border cooperation**

An important element of the Polish-Ukrainian cooperation is also the fact that our partner benefits from other initiatives and development possibilities the EU creates, apart from cooperation within the Pan-European Transport Corridor III. Some of the most important initiatives are those undertaken as part of what is referred to as **the Eastern Partnership (EaP)**. This results mainly from the fact that, according to calculations by the European Commission, the total allocation to EaP countries in the years 2010-2013 will amount to EUR 1.9 billion in ENPI (European Neighbourhood and Partnership Instrument) funds<sup>15</sup>.

<sup>15</sup> <http://www.msz.gov.pl/Informacja,nt.,procesu,uruchamiania,inicjatyw,UE,,w,ramach,Partnerstwa,Wschodniego,39768.html> [15<sup>th</sup> January 2011].

The actions planned as part of the Eastern Partnership include four main groups of tasks:

1. **Flagship initiatives** (the multilateral dimension of the Eastern Partnership)

a) **Integrated Border Management (IBM) Programme** – EUR 44.5 million budget.

b) **SME Facility** – EUR 57 million budget. The initiative is based on three pillars:

- the East Invest programme (aim: to improve the investment climate in EaP countries and to create links between small and medium enterprises in partner states and in the EU; grant from the European Commission: EUR 7 million),
- SME Facility financial support instrument (purpose: to support and extend the development of loan markets for SMEs in EaP countries by means of loans and guarantees from the European Investment Bank and from the European Bank for Reconstruction and Development for financial brokers in partner states, which will subsequently be given to small and medium enterprises; EU budget: EUR 30 million. Also, the European Investment Bank – EIB and the European Bank for Reconstruction and Development – EBRD declared up to several hundred million euro for loans intended for SMEs (probably up to EUR 350 million),
- TAM/BAS management and business advisory support programme, implementation of an EBRD programme with a budget of EUR 20 million.

c) **Programme for the Prevention Preparedness and Response to Natural and Man-Made Disasters (PPRD)** – budget of approx. EUR 12 million.

Two stages of implementation are planned:

- review of the legal framework concerning disaster management and civil protection mechanisms – budget of EUR 6 million,
- development of cooperation between EU and EaP countries, for instance by means of internships and training programmes, feasibility studies and equipment purchases – implementation in the years 2012-2013, budget of EUR 6 million.

d) **Regional energy markets, energy efficiency and renewable energy sources** – planned budget: EUR 41 million.

The initiative includes four elements:

- technical assistance in order to prepare expert opinions concerning the regulatory framework in the field of energy efficiency,
- feasibility studies and other activities aimed at facilitating access to the available sources of financing investments in the energy sector,
- support for the preparation and implementation of “sustainable energy action plans” by cities associated in the Covenant of Mayors, planned start: 2011,

- promotion of the partner states' participation in the Intelligent Energy Europe Programme.

The thematic scope of the programme (initiative) includes the "Eastern Europe Energy Efficiency and Environment Partnership". Sweden initiated the project, which is intended first for the Ukraine, and later for other EaP countries. The target budget declared by the Swedish party is approx. EUR 1.5 billion.

- e) **Environmental Governance** with a budget of EUR 12 million.

The purpose of the initiative is to promote environmental protection, including combating climate change, by reinforcing the environmental management process – increasing availability of reliable information concerning environmental protection, raising awareness and increasing the involvement of participants in partner states, as well as promoting the assessment of the impact of political decisions on the environment. The initiative includes activities in two areas:

- creating shared environmental information systems (SEIS) in EaP countries,
- access to information concerning the environment, planned start of activities: 2011.

## **2. Additional EaP funds for bilateral cooperation**

a) **Comprehensive Institution Building Programmes** – CIB with a planned budget of EUR 173 million for the years 2011-2013. The aim of CIB is to raise the administrative capacities of EaP countries and to support reforms facilitating the preparation for the conclusion and implementation of association agreements (AA) and the creation of deep and comprehensive free trade areas (DCFTA).

CIB programmes will be implemented based on memoranda of understanding which the European Commission has been signing with the individual EaP states. Suitable documents have already been signed with Moldova, Georgia and Ukraine. The signing of an MoU constitutes the starting point for the preparation of Framework Documents specifying the detailed framework of cooperation and for the preparation of Institutional Reform Plans by the EaP states, i.e. detailed lists of institutions to be reformed and of the methods and means that are going to be used to carry out such reforms.

The planned budget for CIB implementation in Ukraine in the years 2011-2013 is approx. EUR 43.37 million.

b) **Pilot Regional Development Programmes** – with a planned budget of EUR 75 million.

The programme is planned to be launched in 2012. Pilot Regional Development Programmes are currently being prepared on the basis of experiences of the EU cohesion policy related to EaP states. Their aim will be to even out the differences between the individual regions, taking into account the needs and the specific territorial nature of each of the EaP countries. Currently, the European

Commission is preparing to start talks with the partner states concerning the potential areas of support.

The indicative allocation of funds for the implementation of regional development programmes in the years 2012-2013 in Ukraine is EUR 30.79 million.

### **3. Actions within the EaP thematic platforms**

In parallel to the launching of flagship initiatives, funds intended for the development of the multilateral dimensions of EaP are also allocated to a series of soft initiatives, i.e. **training courses, seminars and workshops** related to the current activities as part of thematic platforms and expert panels.

### **4. Other actions**

a) **EaP Culture Programme**, programme budget: over EUR 11 million.

Two stages of implementation are planned:

- creation of a Regional Monitoring and Capacity Building Unit (EUR 3 million),
- call for proposals related to cultural cooperation projects – planned budget EUR 8.4 million (planned average co-financing as part of a single project: EUR 500,000).

b) **Special actions** as part of the **EU Culture Programme 2007-2013**, including projects concerning **cooperation with third states**.

In 2009 additional financing was provided for six projects aimed at EaP countries, with a value of EUR 887,000 including two projects with the participation of Polish entities<sup>16</sup>.

Implementation of the 2010 Action Programme projects started in November 2010: eleven projects were targeted at EaP states. The amount of additional financing provided was EUR 1.8 million (between EUR 50,000 and EUR 200,000 per project)<sup>17</sup>.

c) **Opening community programmes** to the participation of partner states in the field of education and scientific cooperation: Tempus, Erasmus, e-Twinning, Jean Monnet Programme, Youth in Action, Seventh Framework Programme, and others.

d) **Eastern Partners Facility** – an instrument of the European Investment Bank, approved in December 2009, including funds in the amount of EUR 1.5 billion for loans and guarantees for the EU businesses investing in EaP states and in Russia. Entrepreneurs may apply for the funds directly at EIB.

The Eastern Partners Facility extends EIB activity undertaken in Eastern Europe so far, carried out under what is referred to as an external mandate, for instance in the field of transport, communication, environmental protection

<sup>16</sup> [http://eacea.ec.europa.eu/culture/funding/2009/selection/documents/strand\\_1\\_3/projects\\_selected\\_co-fundingv2.pdf](http://eacea.ec.europa.eu/culture/funding/2009/selection/documents/strand_1_3/projects_selected_co-fundingv2.pdf).

<sup>17</sup> [http://eacea.ec.europa.eu/culture/funding/2010/selection/documents/strand\\_1\\_3\\_5/strand13-publicationprojectssselected.pdf](http://eacea.ec.europa.eu/culture/funding/2010/selection/documents/strand_1_3_5/strand13-publicationprojectssselected.pdf).

and SMEs. EIB made funds available for such actions in the years 2007-2013 of up to EUR 3.7 billion.

Loans as part of the EPF may be allocated mostly for investments in the industrial, agricultural and services sectors, with a particular focus on medium-sized and large projects with a value of over EUR 25 million. Financing may not exceed 50% of project costs. EPF beneficiaries may be businesses from the EU or joint ventures with the participation of an enterprise from the EU.

**5. EaP Technical Assistance Trust Fund** – a decision was made to create this body and EIB is currently working on it in consultation with the interested EU countries – planned budget is EUR 10 million.

It is also worth mentioning at this point the direct initiatives undertaken by Poland towards Ukraine. Projects implemented as a part of the “2010 Foreign Aid” programme can be taken as a reference point, corresponding to the main areas of support for Ukraine determined in the Polish foreign aid programme, comprising, for instance, activities related to institutional development and good governance promotion, self-government cooperation, European and Euro-Atlantic integration (including reforming the judiciary, customs and border services, agricultural development) as well as energy savings.

In 2010, 44 aid programmes were implemented in Ukraine by non-governmental organisations, government administration, territorial self-government bodies and research & development entities. The Embassy of the Republic of Poland in Kiev, together with the German-Polish-Ukrainian Association, also implemented the project entitled “Give the Children a Home – reconstruction of building No. 2 at the ‘Nasze Dzieci’ centre”. The aim of the project was to create and promote an alternative model of care for children deprived of it. The project budget was PLN 649,850<sup>18</sup>.

The total cost of activities carried out as part of Polish foreign aid in 2010 in Ukraine was approx. PLN 11.9 million<sup>19</sup>.

The funds mentioned above are not the only sources of financing: other sources include the Cohesion Fund, funds intended for innovative economy development (OP IE) and the Norwegian financing mechanism. Such actions are aimed to use the EUR 170 million the EU recently resolved to allocate to key infrastructural projects in Europe<sup>20</sup>.

<sup>18</sup> <http://www.polskapomoc.gov.pl/Ukraina,9.html>.

<sup>19</sup> A list of projects implemented as part of the said activities can be found at: [http://www.polskapomoc.gov.pl/files/Kraje%20priorytetowe/UKRAINA\\_2010\\_lista%20projektow.pdf](http://www.polskapomoc.gov.pl/files/Kraje%20priorytetowe/UKRAINA_2010_lista%20projektow.pdf).

<sup>20</sup> <http://polskawue.gov.pl/UE,przyznaje,170,mln,EUR,na,kluczowe,projekty,infrastrukturalne,w,Europie,7065.html>.

## **5. Initiatives aimed at activating the Pan-European Transport Corridor III concept**

As it has already been mentioned, a budget of EUR 8013 million was established only for the development of the TEN-T networks in the years 2007-2013. These funds are supposed to be used as part of the Pan-European Transport Corridor III for instance to provide additional financing for the following projects<sup>21</sup>:

- modernisation of E30 railway line on section Kraków – Medyka state border – TEN-T 2004-PL-92601-S,
- modernisation and expansion of the Katowice Railway Junction – TEN-T 2008-PL-92001-S.

Also, the following are supposed to be carried out using the funds allocated this year<sup>22</sup>:

- feasibility study concerning the modernisation and expansion of the Katowice Railway Junction with a budget of approx. EUR 3,500,000,
- pilot implementation of the Lower Oder RIS (MAP RIS) with a budget of approx. EUR 160,000.

Another element of the corridor infrastructure is the modernisation of the E 30 railway line which is part of the Pan-European Transport Corridor III connecting Germany, Poland and Ukraine. The Polish section of the line, with a length of 677 km, connects the most important centres and economic regions of southern Poland: Lower Silesia, Upper Silesia, Lesser Poland and Subcarpathia. The line runs through Poland on the route from the state border with Germany through Zgorzelec – Legnica – Wrocław – Opole – Zabrze – Katowice – Kraków – Tarnów – Rzeszów – to the border with Ukraine in Medyka. Modernisation of the E 30 line has been carried out in stages since 2000 by the Polish Railways company PKP Polskie Linie Kolejowe S.A. The route is supposed to comply with the parameters of main international railway lines (covered by AGC agreements) and main international combined transport lines (AGTC), i.e. ensure speeds of up to 160 km/h for passenger trains and 120 km/h for freight trains, as well as an allowable axle load of up to 221 kN. The investment is planned to be completed in 2015.

As a part of the concept, an agreement was signed on 10<sup>th</sup> February 2011 concerning additional financing for the project entitled “Modernisation of the E 30/C-E 30 line on the Kraków – Rzeszów section, stage III”. The total value of that stage of the project is PLN 4,672,078,377 including support from the Cohesion Fund in the amount of PLN 2,181,018,096. The project is implemented

<sup>21</sup> <http://www.plk-inwestycje.pl/index.php?id=200> [18<sup>th</sup> January 2011].

<sup>22</sup> <http://polskawue.gov.pl/UE,przyznaje,170,mln,EUR,na,kluczowe,projekty,infrastrukturalne,w,Europie,7065.html>.



as part of Measure 7.1 of the Infrastructure and Environment Programme – Development of rail transport.

Reconstruction of the railway line between Krakow and Rzeszów is one of the largest infrastructural projects currently under implementation in Poland. Together with the A4 motorway, which is being built simultaneously, it will contribute to a definite improvement of infrastructure in south-eastern Poland and to its full integration with German and Ukrainian transport and logistics infrastructure.

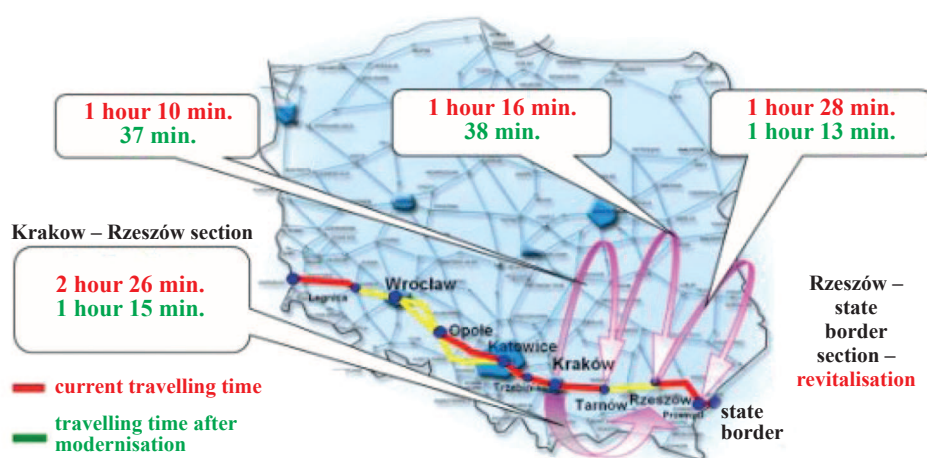


Fig. 2. Modernisation of the E 30/C-E36 railway line, section Kraków – Rzeszów, stage III  
Source: CUPT.

For the development of the Pan-European Transport Corridor III it is extremely important to implement the European project ED-C III “Via Regia”, being a part of the INTERREG III B CADSES initiative<sup>23</sup>.

As the spatial integration of Europe proceeds, the significance of Poland’s transit location keeps growing, although the economic globalisation and the international progress in the development of transport means and networks have revealed the significant diversification in the levels and standards of economic development, transport infrastructure as well as accessibility between the regions of Western and Central-Eastern Europe. It is therefore important to connect the Central-Eastern European region as soon as possible to international logistics centres by building/upgrading a modern network, motorways and expressways as well as modernising railway lines, in particular as part of the planned strategic transport corridors.

<sup>23</sup> [www.ewt.gov.pl/WstepDoFunduszyEuropejskich/Documents/ZABINSKI\\_VIA.pdf](http://www.ewt.gov.pl/WstepDoFunduszyEuropejskich/Documents/ZABINSKI_VIA.pdf).

Recognising the importance of the arguments presented above, the city of Wrocław, together with other cities and regions in the area of impact of the Pan-European Transport Corridor III, undertook cooperation in 2006 as part of the international European project ED-C III “Via Regia” and its development “Via Regia Plus”, with a budget of EUR 3,200,200.00. The project is implemented as part of the European Territorial Cooperation – CENTRAL EUROPE PROGRAMME<sup>24</sup>. The goal of the “Via Regia Plus” programme is to put into practice the key assumptions of the spatial development strategy developed as part of implementation of the ED-C III “Via Regia” project.

The following three specific objectives were assumed in order to achieve the main goal of the project:

- increasing accessibility by developing a sustainable transport system,
- strengthening of transport corridor nodes as development sources,
- activating the tourist potential of the area covered by the support.

The project will take care of the following main issues:

- accessibility by rail and road transport,
- development of metropolitan areas and urban regions,
- tourism,
- sustainable development with particular focus on areas of environmental value along the Pan-European Transport Corridor III.

The project is being implemented with the extensive involvement of local, regional as well as national and trans-national institutions and organisations the issues concern. The project leader is the City of Wrocław. There are 16 partners from Germany, Poland, Czech Republic, Slovakia and Ukraine participating in the project.

The Steering Committee of the Pan-European Transport Corridor III supervises the implementation of the projects mentioned above as well as of other initiatives; the Committee is chaired by Jürgen Papajewski, representing the Ministry of Transport, Building and Housing of the Federal Republic of Germany. The activities undertaken result, among other things, from the 9<sup>th</sup> meeting of the said Committee, held on 5-6<sup>th</sup> November 2010 in Przemyśl. The meeting was initiated by the Ministry of Infrastructure, the Customs Chamber in Przemyśl and the General Directorate for National Roads and Motorways (GDDKiA), Rzeszów Branch. The participants of the meeting included representatives of transport ministries from Germany, Ukraine and Poland as well as representatives of PKP S.A., PKP PLK S.A., PKP CARGO S.A., GDDKiA, ZMPD and the Customs Chamber in Przemyśl.

The main item on the agenda during the 9<sup>th</sup> meeting of the Steering Committee of Corridor III was the site inspection and assessment of road and rail connections in the Polish-Ukrainian border area, including in particular the road and rail bor-

<sup>24</sup> <http://www.um.gliwice.pl/bip/index.php?id=20542/1>.



Source: [www.ewt.gov.pl/WstepDoFunduszyEuropejskich/Documents/ZABINSKI\\_VIA.pdf](http://www.ewt.gov.pl/WstepDoFunduszyEuropejskich/Documents/ZABINSKI_VIA.pdf).

The meeting, organised in Poland, continued the German-Polish-Ukrainian cooperation with the participation of the European Commission. The cooperation is regulated by a Memorandum of Understanding, which is a declaration signed by the ministers of transport of the countries mentioned above and by the EU Commissioner for Transport. The results of the Committee's meetings are constantly monitored by the Coordination Group for Transport Corridors created within the European Commission.

– a conference was held on 1<sup>st</sup>-2<sup>nd</sup> October 2009 in Wrocław entitled “Impact of passenger and freight air transport on the development of the Pan-European Transport Corridor III”, organised by The International University of Logistics and Transport in Wrocław,

<sup>25</sup> SUW2000 – a system for adjusting rail car gauge from wide to regular, developed in the early 1990s by R. Suwalski, an engineer from ZNTK (Rolling Stock Repair Company) in Poznań.

<sup>25</sup> SUW2000 – a system for adjusting rail car gauge from wide to regular, developed in the early 1990s by R. Suwalski, an engineer from ZNTK (Rolling Stock Repair Company) in Poznań.

infrastructure along the corridor, involving expansion of transport infrastructure and creation of conditions for the development of centres considered important for the economy. Particular attention was drawn to the elimination of bottlenecks in the access to main transport routes, which frequently represent barriers for economic development and for the development of multi-modal transport by rail and by road. The corridor's current and future role in the flow of people and goods between Europe and the Far East was also discussed during the conference. Corridor III is currently becoming the most important one in Europe due to the revitalisation of the Silk Road concept, according to Stefan Krenzel from the Ministry of Economy and Labour of Saxony. This is not only the point of view of that particular German federal state, but an expression of the general tendencies<sup>26</sup>.

All these actions are undertaken assuming that the Pan-European Transport Corridor III is becoming one of the most important axes for activation and development of Central & Eastern European regions as well as of the EU. It is also becoming one of the most important areas of cross-border cooperation. Actions aimed at assessing and developing the potential of the area are supposed to contribute to the strategic functions the corridor is starting to perform. Development of the corridor's infrastructure will constitute an essential stimulus supporting the development of the regions located along it. Consequently, these regions will stimulate further development of the corridor as a result of their economic development. The cooperation platform created is supposed to eventually lead to the transformation of Corridor III in 2020 into one of the most attractive and competitive transport and economic axes in Europe. In order to achieve this goal, however, many elements need to be specified in more detail and synchronised, including the interests and aspirations of the individual regions with regional, national and trans-national transport policies, infrastructure development plans as well as the existing plans and development strategies for German, Polish and Ukrainian regions.

## **6. Conclusions**

There is an entire series of interconnected issues, including a particularly large number of aspects related to logistics and transport, in which Poland/EU and Ukraine share an interest. In order for Ukraine to benefit fully from tighter relations with Poland, and consequently with the entire EU (and vice versa), our transport systems must be suitably linked in order to meet the requirements resulting from the increased trade exchange leading to more intense transport. Many new initiatives need to be undertaken and successfully implemented in order to gain better access to common markets as well as to increase links and economic potential. Initiatives

<sup>26</sup> <http://www.wnp.pl/artykuly/bramy-europy-na-wpol-przymkniete>.

and joint undertakings should cover a broad spectrum of actions, but transport-related issues are particularly important, including not only the development of a road network, but also the improvement of rules concerning international transport in the territory of our countries, international transit of goods, formal and legal conditions concerning the performance of transport services by carriers or the joint undertaking of initiatives aimed at increasing transport security. The experiences related to joint activities and initiatives undertaken as part of the Pan-European Transport Corridor III East-West may contribute to a large extent to the implementation of such actions.

There is no doubt that further development of the corridor is necessary in order to release its full potential, so that the areas and countries it connects can benefit from it. It is worth mentioning at this point that a common transport policy is regarded within the EU as one of the most important tools used to create a dynamic and competitive image of the world until 2015<sup>27</sup>. Therefore, it has always been an important element of the EU's transport policy to create and improve a trans-European transport network and to improve the quality of transport links between the EU countries and other states, including Ukraine. Poland and Ukraine should use the opportunities created by the concept of development and improvement of the TEN-T network to support our joint actions and development.

The international cooperation within the Pan-European Corridor III, spanning about a dozen years, has contributed to a significant extent to its development, but further actions are necessary. The new possibilities and needs, especially taking into account the extension of the corridor towards China and the Far East, constitute a new innovative qualitative challenge for the corridor and for our countries. The corridor must become one of the most important truly multimodal transport axes of the European Union.

The Pan-European Transport Corridor III plays an extremely important, if not key role in the building of economic relations between Germany, Poland and Ukraine. Progress in the creation of the corridor has been relatively good, but requires further coordinated efforts and cooperation of all the interested parties.

Using the concentration effect and economies of scale, the Pan-European Transport Corridor III offers Poland and Ukraine exceptional possibilities of economic and financial growth and integration as well as technical and operational potential related to the optimum use of functions of the individual transport sectors and the accompanying branch technologies in organisation and improvement of international goods flows. Taking advantage of this opportunity makes it possible not only to ensure flexible and efficient deliveries and to combine the functions of various transport branches in the performance of comprehensive "door to door" services, but first and foremost to become part of the modern European and global logistics system, which is an extremely important aspect.

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<sup>27</sup> K. Ficoń, *op. cit.*

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