



**STABILITY PACT**  
FOR SOUTH EASTERN EUROPE

## Working Table II: Economy

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Brussels, 2 March 2006

**Comments on the report from the High Level Group chaired by  
Loyola de Palacio  
on  
“Networks for Peace and Development”  
(extension of the major trans-European transport axes  
to the neighbouring countries and regions)**

Dear Dr Thielmann,

We thank you for the invitation to comment on the above report which the Commission extended to all interested parties through its website and which you reiterated during our meeting last month.

The development of transport and energy infrastructure in SEE has been a constant concern for the Stability Pact for South Eastern Europe, since a reliable network connecting the countries of the region among themselves and with the EU and Turkey is a pre-condition for growth and stability. Our aim has been and is that both the countries of the region and the international community take a regional strategic approach to infrastructure development based on co-financing and institutionalised partnerships, with a view to prioritising capital investment in order to benefit from economies of scale. We are therefore grateful for the opportunity of making a few comments on the Report, comments which are restricted to the geographical area of our beneficiary countries.

- 1.) Firstly, we would like to emphasise that this report fully reflects the mandate given to the Group led by Mrs de Palacio, which was to identify how to better connect the enlarged European Union with its neighbours in the area of transport. It was not within the mandate of the Group to assess the degree of priority of transport axes which might be important to improve communication within the region, but do not play a significant role in connecting the EU with the broader world<sup>1</sup>.

<sup>1</sup> This is clearly spelled out in the footnote N° 16 on page 15

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We do hope, however, that the Report will not be missinterpreted by IFIs and other financiers and lead to a loss of interest by the IFIs for projects and regions that are not on the major axes identified in the report. Already in the REBIS study, Montenegro and Kosovo have only been linked to the South East Europe transport network by "routes" (route number 2b and 4 for Montenegro and route number 6, 7 and 10 for Kosovo). We must emphasize that economic development and stability in Kosovo and Montenegro might be endangered if they are not well connected with a major axis.

- 2.) We fully concur with the emphasis put by the Report on the so-called "horizontal measures" to remove the non-physical barriers. These are often costless (for example the streamlining of procedures and checking at border crossing) and far more effective - in terms of the time they allow to be gained on a particular journey - than physical investments. They should thus receive the highest degree of priority.
- 3.) We regret that the Report does not prioritize even more inland waterway transport (IWT). It enjoys surplus capacity, is particularly safe and energy efficient. Moreover, the estimate cost of € 1'2 billion for removing existing bottlenecks and rehabilitating the infrastructure on the Danube is just a fraction of the cost for rehabilitating and developing other transport mode (road, rail) in South East Europe. We recommend to identify mechanisms and/or process(es) which could encourage freighters to shift cargo from road to this environmental friendly transport mode. The Danube represents an excellent opportunity to achieve this goal in this region. The programme NAIADES and the possible admission of the EC to the Danube Commission are highly welcomed measures, but might not have the desired effect if not accompanied by incentives to shift cargo from road to IWT in SEE.

The proposed projects on the Danube and Sava (projects on South Eastern Axis no. 1a, 2, 3 in the short to medium term period) deserve to be supported, but they are probably not comprehensive enough to have a lasting effect on promoting IWT in SEE.

We would also advocate for the development of River Information Services in IWT as one of the applications for Galileo.

- 4.) We welcome the reference to the extension of the Single European Sky Initiative and to the work done to assess the feasibility and implement functional airspace blocks in SEE. The anticipated traffic growth in SEE is high (11 to 18% short term forecast ) as compared to other regions of Europe and neighbouring countries. Part of the SEE region is already facing a need to increase capacity while evidence indicates that this need will extend to the whole of the region in the mid-term. This increase will put challenging requirements on the States and the Air Navigation Service Providers to ensure that capacity is available and an optimal air traffic route network is provided.



- 5.) We agree with your cautious assessment of the potential of Public Private Partnership projects in the transport sector. However, the limited capacity of most of the SEE countries to take further debt makes it imperative to seek the best way to mobilize private funds. The guiding principles for the preparation and evaluation of PPP projects are sound. The Business Advisory Council of the Stability Pact advocates for the creation of guarantee mechanisms for the risks that can be ill-assessed by private investors (changes of policies or in the regulatory framework, traffic risks). This is in line with the suggestion of the Group on page 51.

We recognise that complementing public funds with private capital in form of PPP is probably more feasible and recommendable for other infrastructure sectors such as waste and waste water, energy, telecoms. Developing PPPs in these sectors could spare public resources for the transport sector, and play therefore a positive role for the latter.

We hope that these comments will help and look forward to the continuation of our dialogue on these highly important issues.

With my best personal regards,

Laurent Guye  
Director of Working Table II