



*The European Union Road Federation*



*Chamber of Commerce Belgium-Luxembourg  
South-Eastern Europe*



## **Extension of the Trans-European Network What perspectives for South Eastern Europe ?**

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### **Introduction**

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This paper was jointly produced by the European Union Road Federation (ERF) and the Chamber of Commerce Belgium-Luxembourg South Eastern Europe (CCBLSEE) as a contribution to a November 2005 report "Networks for Peace and Development".

South East Europe is a region of special significance to the European Union. After a decade of regional instability and conflict, many of its countries now aspire to join the Union. Developing efficient transport links is therefore instrumental in assisting the region in its current transition phase. Coordinated infrastructure investment policies supported by best practice exchange mechanisms are two fundamental instruments in achieving this goal.

While this contribution takes the proposed South Eastern European axis as a starting point, many of the recommendations – particularly in the area of financing and regional cooperation - are valid for the four other transport axes assessed by the High Level Group.

## Key points of the report

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The role of transport as an enabler of economic growth and regional cooperation has never been more evident than at a time when the European Union's borders are shifting further towards the East and to the South.

Well-interconnected networks between the EU and its neighbouring countries are a prerequisite for enhanced cross-border transport, set to grow by 100% between 2000 and 2020.

Based on these premises, the report produced by the High Level Group has advocated a number of key measures to extend the Trans-European Network to neighbouring regions:

- **Four land-based transport axes** (Northern, Central, South Western and South Eastern) in addition to the rather diffuse concept of "motorways of the sea" were identified. To be selected, axes were required to have a multimodal character in addition to significant international traffic flows.
- These axes were broken down into **88 specific projects** based on criteria previously established by the Van Miert group for the Trans-European Network. The prerequisites include a minimum size threshold (>0.15% of the country's GDP), strong socio-economic potential (>6% rate of return) and a firm political commitment by the countries involved.
- **The overall cost of upgrading these transport links is estimated at EUR 45 bn**, including EUR 35 bn for priority projects ready to start by 2010. The report's financing proposals include an earmarking of public funds and private sector capital. The report emphasizes the need to upgrade procurement legislation and assist the learning curve of the neighbouring countries through regional workshops and twinnings of countries.
- **A string of horizontal measures**, ranging from border control procedures to harmonised security measures will ensure trans-border bottlenecks for freight traffic are reduced.
- **For road transport**, the High Level Group advocates upgrading the network to international axle weight standards, improving traffic management systems and promoting a culture of road safety through measures that include road safety audits, vehicle controls and driver training.
- **A regional coordination framework** is needed to ensure a coherent implementation of these projects and overcome the risk of fund dispersal. The European Commission and the European Investment Bank are tasked with a coordination role in their respective areas of responsibilities.
- **Regular reporting** will ensure implementation is adequately tracked. In particular, the Group recommends that the major axes be reviewed and updated in 2010 and regularly thereafter.

## Transport in South East Europe today

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South East Europe, and specifically the five Western Balkan Countries (WBC), has traditionally been regarded as a crossroads of significance for the rest of Europe. This is attested to by the fact that no fewer than 6 of the 10 pan-European Transport Corridors pass through the region

The core regional transport network in South East Europe (SEE) has developed for centuries according to trade requirements but also to the geopolitical context. Both factors have significantly changed recently for the better, but the majority of the road links to the region remain sub-standard and provide a poor level of service, largely as a result of accumulated under-investment and a lack of adequate maintenance. Most of the initial investment took place in the 1970s and 1980s, and there now is a serious backlog in maintenance.

It is clear that a well functioning road transport system in the South East of Europe is of vital importance not only for the region but also for the entire continent. Improving the transport system as a whole requires action in many dimensions: infrastructure must be brought to an adequate standard; the regulatory framework must support the development of competition and European co-operation must be strengthened.

The Western Balkan Countries are confronted with a number of challenges linked to how their road infrastructure is built, financed and regulated that impede the free flow of people and goods and compromise the region's future chances of integration with the European Union.

There are three conspicuous problems:

- **Inadequate and unsafe roads**, leading in many places to delays, congestion, pollution and accidents. Most major arteries in WBC are unable to handle the EU standard of 11.5 tonnes per axle. Road safety also needs urgent attention: Serbia and Croatia's road casualties per 1,000 population are up to four times the rates found in the UK, a performance gap which is increasing every year.
- **No stable financing mechanisms**: According to official sources, 70% of major roads in the region need improvement or replacement of pavements. However, basic maintenance of the region's road networks requires levels of funding which are simply not available from the public sector.
- **Incomplete regulation** with the risk of unfair competition with the EU-25. For road haulage, checks on admission to the occupation, driving times and rest periods are woefully inadequate. In the medium term, Western Balkan Countries will face the challenge of implementing and enforcing a large body of transport *acquis communautaire* comprising several hundred regulations, directives and decisions. The road transport *acquis* is particularly extensive, covering market access and social, technical, fiscal, safety and environmental requirements.

## Comments on the South Eastern Axis

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The South Eastern axis links the EU through the Balkans and Turkey to the Caucasus and the Caspian Sea as well as to Egypt and the Red Sea. For the West Balkan Countries (WBC), the axis comprises the following links:

- ➔ Multimodal connection Salzburg – Ljubljana – Zagreb/Budapest – Belgrade – Nis, including the following connections
  - Sofia – Istanbul – Ankara – Georgia/Armenia – Azerbaijan (Traceca)
  - Skopje – Thessaloniki
- ➔ Multimodal connection Budapest – Sarajevo – Ploce
- ➔ Multimodal connections Bari/Brindisi – Durres/Vlora – Tirana – Skopje – Sofia – Burgas/Varna
- ➔ Inland waterways Danube and Sava

A first level of comment needs to be made regarding the modal distribution of the transport projects in the WBC, which once again **carry the ideological burden of European transport policy objectives**. The report recognises that road transport is and will remain the backbone of the transport system but then allocates a majority of the Region's infrastructure priorities to rail schemes. In particular, the High Level Group's criteria of selecting projects with a 6% or above rate of return flies in the face of every known study on the economic impact of rail construction projects. At present, it is widely estimated that railway subsidies alone account for 1-2% of the Region's GDP.

ERF and CCBLSEE also take stock of the report's avowed decision to focus efforts on a limited number of major axes linking the EU with its main trade partners, but draw the High-Level Group's attention to a number of geopolitical realities prevalent in the Region. At present, the South-Eastern axis proposal perpetuates the "**Balkan Black Hole**" with regional capitals entirely absent from the Group's drawing board, such as Podgorica (Montenegro) and Pristina (Kosovo). In a context of conspicuous political transformations in the Region, tomorrow's trans-European axes simply cannot afford to bypass provinces that aspire to autonomy. Nor does the Report give due credit to ongoing multilateral discussions between the governments of Croatia, Bosnia-Herzegovina, Serbia and Montenegro and Albania to develop surface coastal links between Split, Ploce, Bar and Tirana and an additional inland link between Bar and Belgrade, both of which are needed to connect economically isolated agglomerations and develop tomorrow's tourism in the Region.

A final consideration is the Report's insufficient reference to the **importance of a capillary network of secondary roads** linking the major axes with manufacturing centres and urban agglomerations. Taken at face value, there is a patent risk the report's long-term recommendations could divert political attention in the Region away from short term rehabilitation priorities on the secondary road network. ERF and CCBLSEE call for balanced investment schemes which take into account the socio-economic aspirations of citizens of the Region in addition to long-term European integration objectives.

## Financing options

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The High Level Group acknowledges four potential sources of funding:

- **Community funding** for technical assistance, currently worth EUR 300 million annually, to be progressively regrouped within six regional funding instruments (including one for pre-accession countries and the WBC). However, the report's proposal to increase this amount by 40% for the period 2007-2013 does not sit particularly well with current EU budget perspectives, at a time when there is widespread speculation funding for the TEN itself may be drastically cut.
- The long-term **financing institutions** (EIB, EBRD and WB), with a joint annual lending potential of EUR 7.3 bn. The Group's recommendation for the Commission, the funding institutions and the target countries to jointly steer their funding programmes is to be welcomed as a step in the right direction, provided the specific lending objectives of each institution are preserved.
- **Public-private partnerships:** the report recognises that only certain types of transport infrastructure projects (roads and airports) can be financed through private capital while other, less attractive, modes of transport will continue to rely on public funds. The High Level Group further acknowledges that PPP projects require greater transparency of the public procurement process, an acceptable risk allocation guarantees and changes to the legal framework in many of the target countries. However, the report falls short of suggesting mechanisms, such as guaranteed loans, that would boost private sector confidence in long-term investment schemes in the Region.
- Finally, part of the income may come from **users of the network** themselves. Current per capita income levels in the Region (EUR 1,000-5,000 EUR p.a) suggest that toll-based concessions are still a decade away and cannot seriously be considered as a short-term financing option. Interestingly, the Group also proposes earmarking user charges to an investment fund covering the major axes identified by the Group. While interesting in principle, it should be noted that such a proposal has never been accepted within the EU itself, as evidenced by the running dispute on the Eurovignette Directive.

ERF and CCBLSEE believe in the merits of public-private partnership schemes as an indispensable instrument to achieve the goals set out by the High Level Group. To provide the private sector with the institutional guarantees required for long-term infrastructure investments, ERF and CCBLSEE propose extending the mechanisms figuring in the European Commission's 2003 "**Initiative for Growth**" (2003/690/EC) to the priority projects figuring in the report.

Regarding the allocation of scarce funds, the report needs to recognise that new investment necessarily competes with maintenance and rehabilitation needs. ERF and CCBLSEE therefore suggest adding **voluntary road maintenance targets** (expressed as a percentage of GDP) to ensure that one objective does not conflict with the other.

## Going forward with regional partnerships

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ERF and CCBLSEE share the High Level Group's assessment that regional partnerships are needed to increase the learning curb of the target countries.

Believing in the fundamental importance of regional and inter-regional co-operation as a source of progress and integration, ERF and CCBLSEE signed in July 2005 a joint knowledge partnership in the field of road transport covering joint research programmes, training workshops, information services, regulatory affairs and policy recommendations.

In 2005, the two organisations jointly staged two major regional conferences:

- **"EU-Serbia Seminar on safer road engineering"** (Cacak, 10 June 2005). Held in the presence of H.E Velimir Ilic, Minister of Capital Investment, the event attracted over 90 participants including senior representatives from the national road directorate. The purpose of the event was to presenting successful road engineering practices, such key as preventive hazard identification, safe road design and road maintenance funding schemes.
- **"Building Tomorrow's Transport Infrastructure In South-East Europe"** (Belgrade, 16-17 November 2005). Held in the present of 150 participants including six Ministers from all across the Region, this two-day event brought together distinguished specialists from regional ministries and international banking institutions to assess the long-term financing options required to achieve a safe and well-interconnected transport network.

ERF and CCBLSEE draw the High Level Group's attention to initiatives such as these which operate in a framework that is both complimentary to traditional inter-governmental platforms and entirely aligned with the fundamental objectives set out by the High Level Group. Knowledge platforms are needed to ensure the Report's political impulse translates into tangible measures (workshops, briefings, information portals, etc.) that support the Region's move towards European standards and practices.

## The authors

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**The European Union Road Federation (ERF)** is a non-profit association which coordinates the views of Europe's road sector and acts as a platform for dialogue and research on mobility issues. ERF is committed to working with all European Institutions in order to achieve a range of policies and programmes that will improve road networks both in the European Union and in neighbouring countries. With Members active in 15 European countries, ERF represents a wide cross-section of the stakeholders active in the construction, equipment and operation of Europe's road network.

**The Chamber of Commerce Belgium-Luxembourg South Eastern Europe (CCBLSEE)** constitutes a unique Brussels-based, Public-Private Partnership Platform for the South-Eastern Europe Region. The Chamber acts at European level to support the development of trade and build economic and technical links with the Region. The periodicals edited and published by the Chamber, are distributed electronically, free of charge to more than 4,350 individuals worldwide, mostly the Belgium and Luxembourg business community, and different EU & SEE institutions and governments.