STABILITY PACT
FOR SOUTH EASTERN EUROPE

The experience of the Stability Pact in supporting the South East Europe Core Regional Transport Network

Stability Pact for South Eastern Europe
Working Table II, Economy
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The context

- Transport infrastructure damaged by the wars
- Ten years of poor maintenance
- Need to enhance cooperation on transport infrastructure among SEE countries
- Need to integrate SEE network into the pan-European transport network
- Limited capacity of SEE countries to take further debt: need to prioritize projects

Initial steps

- 2001: EC Working Paper sketching the core SEE network
  - based on relevant sections of pan Europeans corridors IV, V VII, VIII and X
  - connecting all capitals of the region + important cities
  - Concentrating on limited number of ports and airport
- 2001-2003: additional technical studies TIRS (Transport Infrastructure Regional Study) and REBIS (Regional Balkans Infrastructure Study) applying the TINA (Transport Infrastructure Needs Assessment) methodology
- Endorsed by Ministers of the region

Why a Memorandum of Understanding ?

- Complex multi-modal network – five countries + transit links with neighbouring countries
- Implementation requires
  - Political commitment
  - Monitoring mechanism
  - Technical back-up (data collection and analysis)

The Memorandum

- Signed in Luxemburg on 11th June 2004
  (Albania, Bosnia-Herzegovina, Croatia, Serbia & Montenegro, FYRO Macedonia, UNMIK, EC)
- Not a legally binding document
- Expression of a “firm political intent” to cooperate in the development of the core network and the policies that facilitate such development

The Memorandum (2)

- Definition of the core network
- Need for further studies
- Free exchange of information
- Homogeneity of technical standards
- Minimising delays at border crossing
- Involvement of the private sector
- Steering mechanism
- Establishment and role of SEETO

Figure 2.5 Routes and corridors, roads.

the SEE Core Regional Transport Network - road

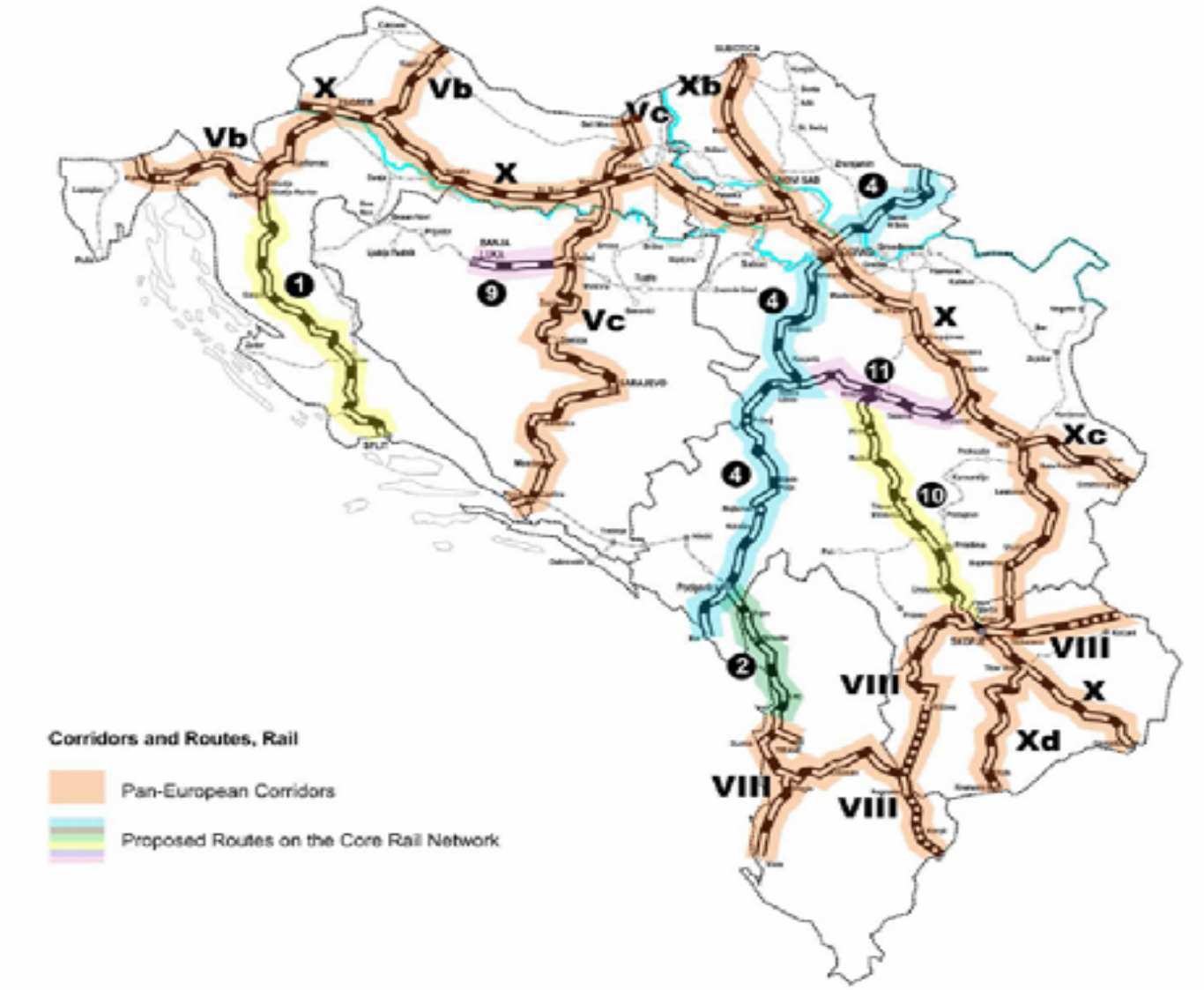

Figure 2.6 Routes and corridors, railways.

the SEE Core Regional Transport Network - rail

Definition of the Network

- Pan European Corridors V, VII, VIII and X (which includes Inland Waterway Alignments)
- Plus routes such as route 1, 2a, 2b, 2c, 3, 4, 5, 6, 7, 8, 9, 10 and 11 as described in the REBIS study
- Nominated airports and seaports
- Interconnection and transshipment facilities (combined transport infrastructure)
- Ancillary installations (such as signalling, traffic management, toll systems, access links, border crossing stations, freight and passenger terminals)

Source: European Commission – Memorandum of Understanding on the development of the SEE Core Regional Transport Network

Status of the road network

- The geometrical characteristics of the core road network varies substantially - from 2-lane roads with less than 7m pavement to 4-lane roads and motorways,
- sufficient capacity to carry the present traffic - but insufficient for the future
- region bottlenecks of around 870 km of roads need widening or realignment
- Due to poor maintenance conditions, most roads need some form of new pavement (70% of the road network)

Source: REBIS study financed by the EC

Status of the rail network

- 86% of the network has only single track
- 59% of the network is electrified
- ample capacity to carry the present traffic volumes.
- Limited speed due to geometry of the alignment.
- Main challenge is the restoration of original design speeds and technical standards of the network.
- Lines in poor condition – low operation speed
- Long waiting times at borders
- Unpredictable customs services (not only rail)

Source: REBIS study financed by the EC

Long term investments

Table 3.1 Long-term investments on the Core Network.

Corridor/route	Road investment cost, EUR million	Rail investment cost, EUR million	Total investment, EUR million
Corridor V b	421	1,099	1,520
Corridor V c	461	1,593	2,054
Corridor VIII	409	1,167	1,576
Corridor X	689	2,731	3,420
Corridor X a	27		27
Corridor X b	132	369	501
Corridor X c	75	173	248
Corridor X d	75	304	379
Route No. 1	672	671	1,343
Route No. 2	463	244	707
Route No. 3	150		150
Route No.4	256	2,157	2,413
Route No.5	20		20
Route No. 6	144		144
Route No. 7	231		231
Route No. 9		213	213
Route No. 10		1,343	1,343
Route No. 11		288	288
Total	**4,225**	**12,352**	**16,577**

Long term investment

- Most of the identified investment required in the railway sector (€ 12 billion)
- To date, economically not justified due to insufficient traffic (hen and egg problem)
- Road investments required approximately € 4 billion
- Maintenance of road and rail also requires substantial funds
- Maintenance estimated at EUR 10-15.000 per kilometre of road as well as railway
- Limit of 1.5% of the GDP usually considered as a ceiling for total investment in transport infrastructure →excessive debt burden
- In three countries(S-M, B-H & FYROM), required investments go much beyond this limit

Long term investment

Table 3.2 Comparison of GDP and investments.

	Sum of GDP from 2003 to 2015 (both incl.) in EUR million	Road investment, EUR million	Rail investment, EUR million	Total, EUR million	Total investment in percent of GDP
Albania	102,410	607	821	1,428	1.4
Bosnia and Herzegovina	99,420	889	1,584	2,473	2.5
Croatia	407,491	1,084	2,549	3,633	0.9
FYRO Macedonia	69,880	341	1,233	1,878	2.7
Serbia and Montenegro	233,322	1,304	5,861	7,165	3.1

Coordination and priority setting

- Gap between investment needs and available funds calls for strict priority setting and good coordination among IFIs and donors
- Two mechanisms: Infrastructure Steering Group and SEE Transport Observatory
- ISG (European Commission, World Bank, European Investment Bank, European Bank for Reconstruction and Development, Council of Europe Development Bank and Stability Pact) : coordination among multilateral donors
- SEETO (based in Belgrade): supports the work of the Steering Committee; data collection and analysis; preparation of a workplan (=prioritized list of projects)

Problems encountered

- Data quality and collection: insufficient information system for the management of the transport sector (condition, traffic and accidents)
- Setting priorities among projects based on objective criteria (effective traffic flow, IRI, etc.)
- National vs regional thinking ; insufficient regional co-operation (border crossing)
- Weak administration and insufficient regulations

Financing
– still a difficult question

- Public funding is often limited by budgetary restrictions.
- Indispensable to attract private funds, for instance in the framework of Private Public Partnerships, but:
  - Very sensitive to the quality of investment climate
  - Credible long term commitments by host governments on regulatory conditions
  - Guarantees against political risk
  - Long and complex preparation and negociation process
  - Need for solid and reputable partners
- So far, few success stories only in the Western Balkans !
- PEP Southeast Europe Infrastructure: regional IFC managed facility in Sofia to support the preparation of PPP projects

Lessons learnt

- Political commitment to regional cooperation
- Strengthened by strong encouragement by the international community / EU
- Strategic planning based on solid data
- Mechanism to set clear priorities
- Good coordination among IFIs / donors
- Soft vs hardware measures (measures to ease border crossing more effective – and far less expensive - than a new road !)
- OSCE strategic orientation well focussed

Contact the SP

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