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TRANSPORT IN THE BALKAN REGION

by

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Introduction

A decade of conflict and economic decline has left some countries in the Balkan region in a parlous state. Economic output collapsed during the 1990s and has not regained its former levels in many countries. Trade fell dramatically and the wars have left a legacy of damaged infrastructure and outmoded transport systems.

It is clear that a well functioning transport system in the South East of Europe (SEE) is of vital importance not only for the region but also for the entire continent and its international trade and traffic. This is attested to by the fact that no fewer than 6 of the 10 pan-European Transport Corridors pass through the region. This note looks at the present situation and suggests some possible approaches. It does not focus only on road transport because it is essential that the entire system improves and that rational decisions are taken across all the modes.

Current Status of Transport Infrastructure

The Balkan region has a substantial transport network:

There are over 140,000 km of primary and secondary **roads** in the seven countries Albania, Bosnia-Herzegovina, Croatia, FR Yugoslavia, FYR Macedonia, Romania and Bulgaria. There are some 1,400 km of motorway. However the state of the network is very uneven, since most of the investment took place in the 1970s and 1980s, and there is a serious backlog in maintenance.

There are some 25,000 km of **rail** in the SEE Region of which 17% is double track and 40% electrified. Densities are low for countries like Albania, Bosnia-Herzegovina and the FYR Macedonia, but are close to the EU average for other systems. Reforms are underway in a number of the countries to modernise the systems and reduce excess staffing. Investment, however, has been neglected and the infrastructure is deteriorating, the rolling stock is outmoded and there have been few innovations in signalling and telecommunication technologies.

Inland shipping is dominated by the Danube which, with a length of nearly 3,000 km, is one of Europe's main transport arteries. The completion of the Rhine-Main-Danube Canal in the early 1990s provided a link from the Black Sea to the North Sea. However, traffic over the last decade has fallen sharply as a result of the economic decline and the successive conflicts. The Danube has been closed to shipping since April 1999, following the destruction of key bridges during the Kosovo conflict.

Ports access for the SEE countries on the Adriatic are Rijeka, Zadar, Split and Ploce in Croatia, Bar in FR Yugoslavia (Montenegro) and Durres in Albania. On the Black Sea Burges and Varna in Bulgaria and Constanta in Romania are the major outlets. Thessalonika in Greece is a natural outlet for FYR Macedonia and Kosovo. Modernisation and investment is needed at all of the ports.

There is an extensive **airport** network with each country having its own international airport. Infrastructure modernisation in airports is also essential.

Transport Sector Problems

The successive conflicts in the region have resulted in severe damage to infrastructure and major disruptions to the functioning of the transport system. There are many different estimates of the direct and indirect costs of these conflicts for countries in the region and for the transport companies and others affected. It is not particularly useful to go into these except to say that the costs have been very substantial, that they affect the whole region and that overcoming the accumulated deficiencies and problems will require major efforts over a lengthy period.

The infrastructure problems on the main corridors are severe with some links being closed completely and others very difficult to use. Restoring and rehabilitating these links requires sustained long-term investment.

Because of the wars and budgetary problems, maintenance of the existing capital stock has been severely neglected in many countries in the region. According to the EIB, the maintenance requirements for roads alone would absorb 4% of total government budgets, while actual expenditures are less than 1%. A similar situation applies for railways, where the deterioration of capital assets is leading to a situation whereby complete replacement is becoming the only option.

The other transport problems in the region are, in a sense, like those in other parts of Europe in transition except that they have been exacerbated by a decade of conflict and economic decline. As in other regions, transport sector reform has to be set in the context of general reform of public institutions, governance, competition policy, public procurement laws etc, all of which have probably fallen behind because of the unstable political situation.

As in other areas of Europe, the creation of new independent countries has led to additional border problems for transport and resolving these efficiently is one of the main practical challenges for the region.

Deregulation and privatisation of the road haulage industry poses similar problems to those in other transition countries. In addition to issues of management of the sector at national level, on the international side the problems of permits and visas for drivers are also present. The multitude of taxes and charges is also a problem.

Railway reform is a preoccupation, as it is in most other ECMT countries. The difficulties are added to by the neglect of expenditure over a long period, by the changes in trade flows, by the restructuring of the economic activities and by the catastrophic shortage of funds.

The key issue is the lack of resources to deal with the problems. As seen above the domestic resources are not even enough to cover maintenance expenditures. The international community therefore has a crucial role to play in providing access to finance, in aid, in technical expertise and advice.

A Regional Policy Framework

Economic recovery in the Balkans will depend on factors outside the control or responsibility of Transport Ministries. The focus here is on the transport sector only as one of the motors for economic development. An efficient transport system is not a guarantee of economic success, but without it, the economic development sought is much less likely.

Improving the transport system requires action in many dimensions: infrastructure must be brought to an adequate standard; the regulatory framework must support the development of competition and market forces; the institutions at national and international level must be able to support the objectives; international co-ordination and co-operation must be strengthened.

There are already models and frameworks at international level for the organisation and development of the transport sector. As far as infrastructure is concerned, the Pan-European corridors provide a framework for future development. A satisfactory technical and regulatory framework is provided by the UN/ECE conventions and agreements. The EU acquis is, for most of the countries in the region, a clear target. In many policy areas ECMT resolutions (as well as the multilateral quota) provide a framework for co-operation and development.

There are already numerous initiatives and fora where the issues can be discussed. These include the Central European Initiative (CEI), the Black Sea Economic Cooperation Organisation (BSEC), South Eastern Europe Cooperation Initiative (SECI), the project for Trade and Transportation Facilitation in Southeastern Europe (TTFSE) as well as the new context provided by the Stability Pact.

Developing a regional transport approach requires close co-operation and co-ordination between the countries as well as the different organisations and agencies involved. It also requires agreement on the priorities both in the infrastructural and policy areas. A multiplicity of additional initiatives or institutions is not required - but rather a clear structure and processes within which policies and projects can be discussed, co-ordinated, initiated and monitored. ECMT is involved in discussions under way on a regional transport strategy in the context of the Stability Pact.

Role of ECMT

The ECMT, as a high-level policy coordination forum among ministries of transport, can facilitate dialogue among the Ministers directly concerned, can help to coordinate initiatives and to monitor progress while at the same time ensuring compatibility with the policy approach across the entire ECMT. Moreover, involving the region more intensely with the ECMT contributes as a first step towards eventual structured accession to the European Union.

One of the concrete contributions of the ECMT is the multilateral license quota system, which contributes to liberalising trade while safeguarding the environment by encouraging carriers to equip themselves with the safest and cleanest technologies. In this respect, it is an instrument for progress. It must also be remembered that a special quota of licenses was set aside for countries faced with particularly severe difficulties.

In developing a regional strategy some lessons should be learned from the efforts to define Pan European Transport Corridors. There are two principal ones: first, there is no point in making over-elaborate and unrealisable infrastructural plans. It leads to over-expectations and creates a large gap between theory and reality. This is reinforced in the Balkans because of the political uncertainty. Consequently, it seems essential that the first steps in infrastructural planning for the region should be

based on what exists, so that it is rehabilitated and put into good working order. The second lesson is that serious attention must be paid not just to infrastructure but issues of policy and governance both of which are weak and where progress can be made more cheaply.

A Stability Pact Regional study should try and put these principles into practice in coordination with the Countries of the region and the other actors involved. But there is so much activity on the international front that a first step must be to put together the wealth of existing studies, ideas, projects and then by careful dialogue and discussion set out a framework for ordered rehabilitation and development of the transport system into one that supports economic growth and integration in a sustained way.

Roads are a key to this. They need to be improved to acceptable standards as soon as possible. The roads themselves are one part but the efficient use of them is the other and the security, the charging regimes and the border crossing and customs arrangements all need to be worked on simultaneously. ECMT is ready to play whatever role it can in helping this practical and political process.