Transport Cooperation across Borders: Towards Common Transport Policy in the Western Balkans

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Abstract: The implementation of infrastructure projects with cross-border significance, and pursuing a common transport policy in the Western Balkans which supports the regulatory and institutional reforms, have a substantial impact on the regional economies. They contribute to the opening of the regional markets and boosting the intraregional and international trade. For a region which suffered tremendously during the 1990’s and saw brutal abruption of the transport network across the region, leaving fragmented pieces of what used to be a nearly single transport system, the coordination of investments for large transport infrastructure projects and policies which facilitates such investments, is of utmost importance. The transport policy and investment coordination on regional level is conducted under the South East Europe Transport Observatory (SEETO), aiming to promote development of the multimodal SEETO Comprehensive Network, which now forms part of the Trans-European Transport Networks (TEN-T Comprehensive Network). The paper will firstly focus on the general conditions of the Network and elaborate the methodology and coordination mechanisms for prioritization of regional-scale projects, the investments in which, have reached €10.8 billion in 2007-2011 period. Although significant progress of the network conditions is apparent, the investments needs of the regional transport network are still quite high: €8.6 billion. (source: SEETO). Parallel to the development of the Network, the countries from the region endeavor to carry out measures that transform and modernize their national transport system in line with the EU Transport Policy. The paper will look at these soft/horizontal measures that aim at alleviation of the regulatory and institutional deficiencies, thus bringing added value to the regional transport policy. Finally, the paper will recommend further incentives for transport collaboration across border and actions at regional level which are likely to have greater impact on the transport and border-crossing facilitation as well as enhancement of the transport services.

Key words: Transport infrastructure, transport service, transport network.

1. Introduction

The multilateral regional cooperation is a general trend in the development of the inter-state relations in the second half of the 20th century, which is followed by the process of globalisation. In the South East Europe, or in the Balkans, to be more specific, this trend had come with a certain delay considering the happenings in the 1990’s, which significantly slowed down the perspectives of the region for its rapid inclusion in the mainstream of the European integration process. The appearance of numerous new initiatives and platforms exerting multilateral regional cooperation, by the end of the last century and the first decade of this one, had slightly made up for that delay. In fact, it is the number and intensity in actions of these relatively new regional initiatives that marks a significant turning point from the period of open hostilities, conflicts and divergence of the peoples and countries in the Western Balkans region [1].

Given the region’s fragmentation, especially its infrastructure within the last decades, and the need for its re-integration, followed by European integration, many institutional structures have been established to guide and/or to facilitate the regional cooperation in certain fields. Even though most of them are led by the perspective of integration to the EU, yet they have been constituted as specific policy mechanisms, thereby featuring an authentic regional interest that has been recognized.

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Such institutional mechanisms under the umbrella of which, the regional cooperation is exercised, are common in the fields of economic development, network industries and in the areas with high-intensity investment needs, where it is likely they have greatest impact for completing major cross-border geo-strategic projects for transport and energy interconnections. The benefits from the regional cooperation in the field of transport go beyond the intrinsic economic ones. Particularly in the case of the Balkans they have also political connotation as said before.

In general, the underlying idea of the paper is to present that in the transport sector, the regional cooperation is politically, economically and administratively justified and needed as it is imposed from the outside just as well as it is an answer to the inner needs for regional and cross-border connections through functional infrastructure and coordinated actions on the level of policies.

Therefore, the main objectives of a common transport policy to be developed for the Western Balkans are threefold: 1) support of the political cooperation; 2) contribution to the economic growth and regional cohesion; and 3) acceleration of the integration into the European Union [2].

2. Features of the Transport policy in the western Balkans

In the past ten years or so, one can observe a positive trend of harmonisation of the segmented national transport policies and steady efforts towards coordinated regional transport policy in the region of Western Balkans. With the EU Common Transport policy seen as a major driving force for integration of the Western Balkans transport market and contributor to the future economic growth of the region, the institutional platform created under the South East Europe Transport Observatory (SEETO) plays a crucial role in bridging the gaps between the transport strategies of the states in the region coordinated at regional level and the EU Common Transport Policy, the integration to which, remains their ultimate goal.

The evolving political context in which Croatia is basically fully integrated with the TEN-T network and EU Common Transport Market and Policy, while Montenegro has opened accession negotiations, to be followed by Serbia, gives even a greater impulse for the entire region to further enhance the regional transport planning, to address the outstanding issues in the complex reform process in many transport sectors and, by that, to reach satisfactory level of regional and EU integration in the field of transport [3].

2.1 Institutional Cooperation in the Transport Sector

The first most significant attempt to build the contours of a coordinated transport policy for the Western Balkans was the Memorandum of Understanding for development of the Core Regional Transport Network (MoU), signed in 2004 by the Governments of Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia and (at that time the UNMIK representation of) Kosovo and the European Commission. Being a suitable policy area for enhanced cooperation and due to the fact that the EU considers regional cooperation as a prerequisite to future EU membership for the Western Balkan Participants, the main idea of the signatories was first and foremost to tighten up the intraregional coordination in transport infrastructure development and the cooperation with the European Commission and all important stakeholders in the transport area, including the donor community, as well as to secure a greater commitment for developing a regional transport policy.

The objectives defined under the MoU still represent the basics for further integrated development:

- Developing the main and ancillary infrastructure on the multimodal SEETO Comprehensive Network, which is the fundamental transport regional network defined in the region of Western Balkans
- Improving connections with and fully integrating the SEETO Comprehensive Network into the
Trans-European Transport Network (TEN-T).

- Creation of a Multi-annual rolling action plan (MAP) in order to provide a platform for most efficient use of funds and know-how provided by public and private sources
- Fostering the most efficient and environmentally friendly transport modes at regional level
- Harmonising and standardising, wherever feasible, technical standards and regulatory or administrative provisions affecting the flow of transport in and across the region, in accordance with EU standards and directives
- Promoting and enhancing local capacities for the implementation of investment programmes, management and data collection and analysis in Regional Participants

Despite the fact that the MoU provisions are non-binding for the parties, still after 9 years since its signature, it is entirely in force. This is mostly due to the functioning of the South East Europe Transport Observatory (SEETO) whose Secretariat is based in Belgrade. SEETO Secretariat was established to foster the implementation of the MoU and provide support to the Steering Committee- which is the main responsible body for coordinating the transport infrastructure planning, as well as promoting and conducting national reforms in line with the decisions reached on regional level. On higher level, the process is guided through Annual Ministerial meeting- highest political forum of the Transport Ministers in the region and high level representatives from the European Commission, which sets the political guidelines within the process, and on which the main policy recommendations are delivered and continuous commitment is upheld. On more technical level, there are on board: National Coordinators- focal points for communication with the Secretariat and for coordination of the process on national level and Working Groups- constituted from national experts in different transport sub-sectors.

The organizational set-up described above, as well as the legal mechanism which is based on documents with non-binding effect (they are not subject to ratification in the national Parliaments) places SEETO in the so-called sui generis international organisations, the credibility of which is not deriving from the legal legitimacy but lays more on the soft law and general practice that has transformed it into a visible organisation with its own profile in the decision-making, strategic working documents, expert team, budget and delivered results.

Despite the very limited operational budget, the results achieved within SEETO in the past years are significant for keeping the “momentum” and for being used as an impetus in the conduct of the common regional transport policy. Some of the biggest achievements so far refer to: inclusion of the region as a whole, as well as each separate country in a different, quality elevated dialogue through which an intensive transfer of knowledge and best practices is carried out; adoption of a methodologically based prioritization of the national transport projects with regional and cross-border dimension; considerably improved coordination with the European Commission and International Financial Institutions (IFIs), especially within the existing financial instruments such as the Western Balkans Investment Framework (WBIF), which supports the infrastructure development through a blend of grants and loans; and at last, but not at least, the enclosure of the SEETO Comprehensive Network in the new TEN-T Guidelines, where it appears as indicative, which upon the accession in the EU it will de jure become part of the entire pan-European transport network that interconnects the whole continent.

However, if the Balkan is to be moved away from the “grey zone” in the map of Europe towards the more attractive transit area where the regional and international traffic flows traverse, many efforts are still necessary to reform the inherited robust and inefficient transport systems, as well as focused and coordinated investments for upgrading the infrastructure and facilitation of the operations, aiming finally towards interconnection of the networks and
interoperability of the systems.

3. SEETO Comprehensive Network: the Backbone of the Common Transport Policy

The most visible and tangible part of the coordinated transport policy in the Western Balkans is the determination of a regional transport network, the development of which is a highest priority for the states in the region. The network has been constantly monitored and in time it was modified following the agreed criteria, making it compatible with the TEN-T Comprehensive Network. Similar to the EU where the existence of the common EU Transport Policy is supported by major transport axes (Trans-European Transport Network), in the region of Western Balkans, the regional transport policy is concentrated on the defined SEETO Comprehensive Network.

Today, SEETO Comprehensive Network presents commonly defined one-layer network that provides high level connectivity of the region with the TEN-T and together with the designated ports and terminals forms integrated multimodal network. In the present form, the SEETO Comprehensive Network is consisted of 6,529 km of roads, 4,807 km of rails, 4 rivers, 8 inland waterway ports, 10 seaports and 17 airports, as presented on the Fig. 1 below. The accession of Croatia to the EU since July 1st, 2013 which makes its network part of the TEN-T, will drastically reduce the extent of the SEETO Comprehensive Network.

Since the definition of the SEETO Comprehensive Network in 2004, significant investments were directed into its development, thereby setting the foundations for regional integration and economic development. Total investments in the Network, in terms of disbursed funds are estimated to €9.2 billion up until 2012, and in committed funds around €4 billion foreseen until 2021 [4]. Although substantial resources have been invested, significant difference of transport infrastructure standards are apparent between the Regional Participants and EU Member States.

Fig. 1 SEETO Comprehensive Network- all modes.
Despite the impact of the global economic crisis on the regional market which is evident in the downward economic trends, the investments in the SEETO Comprehensive Network took the upward trajectory and therefore, the Network has been undergoing a steady development. However, this development is far from being balanced, both with regards to the individual states in the Western Balkans and the individual transport modes.

The annual disbursed investments in transport infrastructure have risen in absolute terms steadily from €0.4 billion in 2004 to €1.2 billion in 2008, presented in the Fig. 2.

Road infrastructure remained the highest receiver (79%) throughout the whole period (2004-2012), although other transport modes, primarily airports and seaports have increased their share of investment overall. Disbursement share per transport mode is presented in the Table 1.

Nevertheless, by far the largest expenditures every year has accounted road infrastructure, even though environmentally transport modes are promoted on the European level, but also in the national transport strategies of the Regional Participants, with regards to their major benefits. This is understandable to a certain point, given the fact that the road transport has the biggest share in the transport of goods and passengers. A positive output of these large investments in the road

![Disbursed investments in the SEETO Comprehensive Network per transport mode](image)

**Fig. 2** Disbursed investments in the SEETO Comprehensive Network.

| Year | Road | Rail | IWW | Seaport | Airport | Total |
|------|------|------|-----|---------|---------|-------|
| 2004 | 77%  | 23%  | 0%  | 0%      | 0%      | 100%  |
| 2005 | 82%  | 15%  | 0%  | 2%      | 0%      | 100%  |
| 2006 | 87%  | 10%  | 0%  | 2%      | 0%      | 100%  |
| 2007 | 88%  | 8%   | 0%  | 3%      | 0%      | 100%  |
| 2008 | 88%  | 9%   | 0%  | 3%      | 0%      | 100%  |
| 2009 | 80%  | 15%  | 0%  | 4%      | 1%      | 100%  |
| 2010 | 82%  | 6%   | 0%  | 4%      | 8%      | 100%  |
| 2011 | 78%  | 9%   | 0%  | 5%      | 8%      | 100%  |
| 2012 | 84%  | 5%   | 0%  | 7%      | 3%      | 100%  |

Source: SEETO Investment Report 2012.
Infrastructure is perceivable in 36% increase of roads in motorway or dual carriageway standards from 2006-2011, and in the rise of the road network condition (very good, good and medium condition) from 85% to 93% from the total network.

After a long period of underinvestment in the rail infrastructure, current ongoing and planned projects indicate that the revitalisation of the main rail lines has commenced. In addition, upon finalisation of the major road projects implementation expected in 2016, the focus will be shifted towards railways where €1.2 billion of committed funds are expected to be disbursed in the period 2013-2021.

The concerning fact is that inland waterways continued to attract the lowest, marginal share of infrastructure investments albeit with moderately growing prospects in all three Regional Participants with navigable rivers (Bosnia and Herzegovina, Croatia and Serbia). Although among all transport modes, inland waterways are at least capital-intensive, best suited for carrying over-dimensional cargo, require minimum land acquisition and have low infrastructure costs, still, they recorded lowest disbursement (€30 million) that were focused on the improvement of inland navigation conditions and safety on the Danube River (77%) while the river Sava accounted significantly smaller share (23%).

Private sector driven investments have been noted in the seaports and airports sectors, where through different applied concession agreements, steady increase of investments are reported, which resulted in expansion, reconstruction and modernisation of the terminals and adjacent infrastructure, notwithstanding that their capacities still meet current demands.

Looking at the infrastructure investments per source of funding, illustrated in the Graph 3, one can notice that IFI loans recorded highest share in total (41%) and that the annual disbursement of IFI loans has grown on 10% yearly average from 2009-2012. Out of the total loans, the European Investment Bank (EIB) predominantly operates in the region, even though disbursed loans from the European Bank for Reconstruction and Development (EBRD) grown by 50% between 2009 and 2012 [4].

Another striking observation is the very low availability of EU grants since 2004, which coupled with the limited absorption capacities of the countries in the region, results in generally low exploitation of the EU assistance, when infrastructure development is concerned. It has to be mentioned that the EU
pre-accession assistance programme for the Western Balkans is designed to follow the policy logic of the pre-accession, that is to primarily address the gaps in the administrative capacities and the lack of project documentation, as well as to create the positive conditions and climate for further attracting larger investments, being it form the Instrument from Pre-accession Assistance (IPA), or from other financial sources.

One of the most significant movement forward in the process of priority projects prioritization and thus in the cross-border cooperation, was the adoption of the Priority Project Rating Methodology which provides comprehensive overview in the quality of each individual project on the SEETO Comprehensive Network nominated by the Regional Participants for the SEETO Multiannual Plan (MAP), according to the agreed criteria. Therefore, the rated projects against the set of criteria in the Methodology enable not only to enhance further the credibility of the regional priority project list in front of the external partners and potential investors, but also allow for a process of genuine cross-border infrastructure planning, as a major component of a common regional Transport policy.

3.1 Policy (“Soft”) Measures

Parallel to the development of the “hard” infrastructure projects, the countries in the region endeavour to carry out measures to reform their domestic networks, technical standards and operators through legal transformation and institutional restructuring. These so called “soft” measures have essentially horizontal character as they focus on the region as a whole, rather than on individual Regional Participant; they aim at alleviation of regulatory and institutional deficiencies of the national transport systems, intervening in areas where common regional efforts are likely to have greater impact than the efforts of a single state. Particularly these accompanying measures are those that bring added value of the coordinated transport policy.

The focus so-far, but also in the future is expected to be streamlined under three major areas: 1) railway reforms, 2) border-crossing facilitation and 3) road safety. It is expected that the work to be done under these areas along with the national sector reforms, can bring impetus to move the region forward in catching up with the EU standards and level of services in the transport sector, in improving the operations and in making the market more efficient.

A recent initiative that is still under elaboration, has exactly the above mentioned as a primary guiding aim. It is a model for cross-border policy cooperation along selected multimodal axes (Corridors/ Routes) from the SEETO Comprehensive Network whereby physical and non-physical bottlenecks are going to be pinpointed and plausible measures for reducing travel times and transport costs are going to be analysed and proposed. From those measures, implementation should be sought for the ones with the highest cost-benefit ratio.

This sort of “flagship” project should serve as a pioneer project in facilitating the traffic flows across the borders, the results of which can be then applied to the entire Network. In order to provide a competitive transport performance in the Western Balkans, quality assurance measures needs to be established, maintained and continually improved, corresponding to the expectations of operators, shippers, industry etc. on today’s transport services. The Project shall provide a multimodal competitive analysis in order to present relevant information for improving attractiveness of the axis and decreasing administrative barriers.

It is expected that the project will put higher political weight to the process of regional transport planning. The involvement of many authorities across the borders will also add to this exercise in terms of technical cooperation, while the potential involvement of EU coordinator will transfer know-how in management of corridor-based projects. Finally, it will strengthen the political cooperation and build trust in
the wider region, tremendously needed among the actors in the region when it comes to free trade and free movement of people.

What the region also clearly lacks is an overall and comprehensive Multimodal Regional Transport Strategy that should set priorities and actions for further sustainable development of the transport sector in the region until 2030, and of its efficiency in terms of resources, costs and reliability.

The regional Strategy with horizon 2030 will follow the logic of the EU White Paper on Transport, thus can be perceived as a cornerstone of a more coherent regional transport policy. It is likely to contribute in overcoming the legal, administrative and institutional bottlenecks on long run which if not addressed on regional level, can create distortions and hinder the free flow of passenger and goods.

Being multimodal, the strategy should look in-debt at the specificities of all transport modes, but should also come up with co-modal solutions with stronger focus on the energy-efficient and environmentally-friendly transport modes. Another focus of the Strategy should be the introduction of innovative and “smart” technologies, the use of which is severely limited in the region.

In summary, the Strategy should clearly present a vision for a resource-efficient, safe and competitive transport system that removes most of the obstacles to the transport market, promotes clean technologies and modernises transport systems and network in the entire region of Western Balkans.

4. Challenges ahead of the Regional Transport Policy

In spite of the significant progress made in the past years in promoting, recognising and embracing the SEETO work in transport policy areas, as well as in identification of those areas where further interventions are needed at regional level, there is still a lack of demonstrable progress in specific priority areas of transport policy, as noted in the SEETO Annual Report 2012. Therefore, creating an institutional and regulatory framework monitoring mechanism for the compliance with the EU transport acquis communautaire and policy will certainly provide a common ground for better quality assessment and for instigating future policy measures.

Another weakness that holds up the conduct of a regional transport policy is the fact that SEETO lacks ‘teeth’ to appropriately enforce the regional actions and measures which are currently reflected in the Multi-annual Development Plans and Ministerial Conclusions and further interfaced and conveyed to the national governments. For example, the closure of the Macedonian market for railway services to other operators apart from the national incumbent “Macedonian Railways”, against the agreed guidelines and accrued obligations deriving from the regional agreements is a classical example of the improbability of the SEETO mechanisms to enforce those rules, simply because no sanction is foreseen within the current system [5].

With the accession of Croatia to the European Union, and with the evolution ahead of the Western Balkans Investment Framework (WBIF), including the lending policy of the IFIs and the limited capacity for borrowing of the states, the political and investment climate in the region is changing its setting. It is becoming more important than ever to take fully into account the support of the policy framework when supporting infrastructure investments, not only because that is a pattern to be followed by WBIF and the European Commission which introduces sector (policy) based approach in its revised Instrument for Pre-accession Assistance (IPA 2), but also because sustaining an ever-shrinking regional transport market to which Croatia until recently had had a significant part is impossible without fully integrating it into the enlarged EU market.

In fact, it is exactly due to the small size of the countries from the region and their national markets that the development of infrastructure and policies
should be synchronised on regional level to allow for the exploitation of economies of scale and foster closer integration to the common transport area. As stated by many international rating stakeholders, improvements in hard infrastructure often fail to improve the overall trade effectiveness if not accompanied by well-performing sector reforms. Therefore, appropriate regulation should be put in place, in order to guarantee that lower transport costs, subsequent to improved infrastructure, are indeed translated into lower transport prices.

As mentioned before, the current policy framework for regional transport integration lacks a legally binding agreement and perhaps that is the most serious impediment to the creation of a common transport area in the region. The Transport Community Treaty which should replace the current 2004 MoU is expected to provide fresh impetus to regional transport integration in the Western Balkans. As a legally binding agreement, it would require a much higher degree of commitment from governments to policy reform and much greater awareness among external financiers of the priority transport investments required. It would also strengthen the legal and regulatory environment for the transport sector thus providing greater security and certainty for potential investors.

5. Conclusions

As seen from the previous chapters, the features of the coordinated Western Balkans transport policy are looser than those of the EU Common Transport Policy. Nevertheless, it can be claimed that the Regional Participants by improving their intra-regional and inter-regional cooperation progressively harmonise the policies among each other and with the EU Transport policy, obtaining many common elements which further harmonise their national transport systems. The future Multimodal Transport Strategy should also support the goals of a common transport policy in the Western Balkans.

The institutional umbrella of SEETO may be used to a greater extent as a platform where different national reforms and transport project planning are most effectively utilized due to the regional-driven and EU-driven approach of coordination, harmonization and streamlining. Consequently, the SEETO can provide shared solutions for some common problems in transport field. However, the future Transport Community Treaty elaborated previously is seen as a step further in achieving greater level of regional cooperation and cross-border transport planning.

The EU assistance in hard infrastructure projects remain low, and interventions are unlikely to have a noticeable macro effect, since only a small proportion of the real investment needs identified within the national transport development plans and strategies is targeted. Nevertheless, if smartly used, the investment in knowledge and experience in this period of pre-accession would certainly pay-off later in improving the absorption of capital investments. Yet, the paper argues that the need for more capital investments rather than technical assistance projects which will leverage the economy as a whole and improve the credibility of the EU should be balanced and backed up with strong reform measures in the transport sub-sectors.

This must be put in the context of the evolving transport policy. The focus of that policy is inevitably to be directed towards market oriented legal and institutional framework aligned with the EU acquis communautaire and measures which will complement and bring added value to the infrastructure development. In the absence of infrastructure investments, the sector-related reforms could incentivise the private sector investments and the generation of growth.

In the region where the development of the infrastructure is lagging behind, it is often forgotten that physical investments cannot be fully maximized, for instance, without sound management of the public utilities. No new motorway can optimize the benefits if no accompanying measures for border-crossing
facilitation, performance-based management, maintenance and road safety are taken into due account. Neither a railway link can serve to the passengers and businesses if the railway transport is not performed in a liberalized way that allow for competition, quality of services and equal conditions for different modes of transport. It is a two-way relation- these complex undergoing reforms in the transport sector which have great return of investments can be speeded up if infrastructure investments are tangible and directed to well-coordinated projects with cross-border dimension [6].

To summarize, the underlying notion of the transport policy coordination platforms as well as of the soft measures carried out on a regional level, is to strategically position the region in a wider mid-term perspective as a region with faster connections, better services and lower transport costs. At a bottom line, they strive to facilitate the flow of goods and mobility of people across the region of Western Balkans and beyond its borders.

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