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South-East Europe Core Regional Transport Network Development Plan

Five Year Multi Annual Plan 2006 to 2010

Common problems – Sharing solutions

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South East Europe Core Regional Network Development Plan

Five Year Multi-annual Plan 2006 to 2010

Common problems – Sharing solutions

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Foreword

The Multi-Annual Plan for the Development of the South East Europe Core Regional Transport Network has been long in coming, from TIRS in 2001, through REBIS in 2003 and the Memorandum of Understanding in 2004.

This 5 year Plan for the Development of the Core Network is the first of many. It provides a clear regional development strategy, proposes a number of legal and management tasks for the participating governments and recommends a programme of priority projects and soft measures for implementation to 2010.

I would like to advise that more projects will be considered for 2007 to 2011 and subsequent plans, provided they are considered to be of high regional importance. In this respect I urge participants to pay close attention to the quality of the information that is presented to the SEETO, and to the evaluation criteria agreed by the Steering Committee.

The theme proposed for this plan - *Common problems – Sharing solutions* - has been chosen to underline the importance of our cooperation and of the synergy that is expected. Success in implementation will add credibility to the process of regional cooperation that is understood to be of great importance by all.

I am pleased to confirm that the Plan was adopted by the Steering Committee at its meeting in Sveti Stefan, Montenegro, on April 28, 2006.

Izet Bajrambasic

Steering Committee Chairman

Executive Summary

The Aim of the Plan is to i) provide concrete evidence of regional cooperation, ii) review the performance of the Core Network and identify obstacles to its development, iii) develop the strategy for solving the problems, iv) elaborate reform and management changes needed to implement the strategy, v) set out a limited number of the highest priority investments that most benefit the region, vi) programme implementation for both soft and hard measures, and vii) set up monitoring and evaluation of the results.

The process of formulating the Plan is becoming established in the Region, including submission of investment projects, agreement on the criteria for evaluation, the methodology for prioritisation and the approximate number of projects that can be included. There is general agreement also that soft measures are needed to support the investments and improve overall performance of the Core Network.

The Core Network comprises 6,100 km roads, 4,600 km rail, 640 km waterway, 11 airports and 7 seaports. Road traffic on corridors is up to 30,000 vehicles per day and on routes up to 14,000 vehicles. In the 2006 to 2010 Plan, capacity is not seen as an issue, there being sufficient capacity on road and rail to absorb traffic growth at 5% p.a. The most congested part of the Core Network is on Corridor X around Belgrade. Routes are in the worst condition in the poorest areas limiting accessibility, especially in remoter parts of the region.

Reforms are proceeding in all domains and in all sectors but in various ways. The main risk considered to the integrity of the core network is due loss of cohesion and interoperability. This is a technical not regulatory issue; railways, for example, are identified as being particularly at risk due to fragmentation, if several different sets of regulations applied over a relatively small regional network. In general terms, the plan advocates that adoption of EU directives should be consistently applied across the region. Common road safety and service levels are required. Assurance of funding for maintenance is particularly highlighted as a pre-requisite for investors and users.

The plan, when adopted, will help the private sector make long term investment decision, it acknowledges that there is an issue of cross-border financing, ie financing involving two or more countries, which requires to be solved.

A strategic approach is developed for adoption by participants and stakeholders to accommodate and harmonize differences between regional and national interests. The Core Transport Network Development Strategy focuses on i) enhancing regional interest, ii) stimulating economic development, iii) ensuring financial sustainability, iv) improving social and environmental conditions, and v) using appropriate technical standards.

In the Plan, a number of regionally important reform and management measures for the transport sector overall have been identified such as planning capacity building and for road, rail, maritime and Inter-modal transport. The most important measures included are to ensure that the reforms are well coordinated avoiding disparities emerging. For the transport sector as a whole, priorities for soft measures include harmonisation of implementation of the aquis communautaire, more improvement at border crossings and trade and transport facilitation, improving project preparation capacity and support to SEETO. For the road sector, priority soft measures include monitoring budgeting for routine maintenance of Core Network roads - a requirement of the MoU; promotion and monitoring of road safety audits; harmonising road user charges across the region and monitoring enforcement of planning controls of restricting road-side development, noted by SEETO as significantly undermining the value of core network routes. Railway priorities include facilitating through operations and technical acceptance of equipment; applying border controls on moving trains, preparing a railway sub-sectoral strategy that leads to a common network statement for all railways of the Core Network and possibly the SE Axis. The MAP promotes a regional approach to the development of Inter-modal transport through capacity building in the Ministries, preparation of a regional inter-modal transport development plan, and establishing an appropriate legal basis.

The MAP prioritises a limited number of investment projects from 160 that are included in the SEETO project pool. Prioritisation was carried out systematically and transparently using 16 criteria. The relative importance of each criterion was determined by the SC, EC and SEETO. Criteria that relate to the strategic objectives of promoting regional interest and economic development were considered as of equal importance. Other criteria such as those related to social, environmental and technical issues were of less importance. Projects in the pool were evaluated against each of the criteria. Multi-criteria analysis was used to identify projects that best satisfy these regional criteria and preferences. The top

40 projects were used to prepare the priority list. When the relative weighting of economic criteria was increased to 50% to reflect the requirements of IFI's and to test the sensitivity of the prioritisation, there was practically no change, so the priority list can be seen to be robust.

In addition to this regionally based approach, certain key strategic interests were also reflected in the final plan adopted by the Steering Committee.

The priority list of projects covers all the territories of the participants, all modes of transport, all corridors, and 4 of the 9 routes. Projects are grouped to provide continuity of improvement on specific parts of the network. On Corridor X, completion of the Belgrade Bypass is a high priority and should be completed by 2010 if serious congestion is to be avoided. Important new motorway projects along Corridor Vc in Bosnia and Herzegovina and along Corridor VII in FYR Macedonia are also included, which are conceived as investments requiring public-private partnership (PPP). Rehabilitation and upgrading works on the route between Sarajevo and Tirana will do much to improve connectivity between three countries and reduce poverty in this remoter part of the region. By 2010 all railway lines in Corridor X will be restored leading to substantial reductions in journey time and improved utilisation of assets. Projects at ports will help to prepare them for contemporary logistics whilst four airports benefit from projects to increase capacity.

The most obvious omission from the MAP relates to projects that facilitate the optimum utilisation of road and rail – that is to say inter-modal and multi-modal transport.

The Action plan proposed in the MAP sets out the time line for implementation of investments; it is to be noted that half of the projects are well prepared and capable of implementation from 2007, whilst 18 projects require feasibility studies to confirm their economic potential. The main issue is financing the 1.3 billion euro that is needed over the next 5 years. An annual investment of 260 million euro represents approximately 0.5 % of the regional GDP of 46 billion euro. Naturally, affordability relates to the individual borrowing capacity of the individual participants. Implementation of the soft measures is proposed through four programmes related to each of the sectors. The use of road and railways task forces that cover the entire region is suggested as a means of ensuring consistency of recommendations and results as well as efficiency. A budget of 13.5 million euro is estimated as being needed to implement the TA needed for soft measures. In addition, a regional fund of for equipment of 50 million euro to kick-start inter-modal development is also proposed.

The results expected are that levels of service will improve and that journey times will reduce slightly by road and significantly by rail. Accessibility will improve in remoter parts of the region, bringing communities closer together and reducing economic distance for trade.

The future of SEETO is described in the MAP as continuous provision a central coordinating role in the region, especially focusing on soft measures. It is proposed that SEETO would be in a good position to directly procure consulting services to promote and coordinate certain regional studies, the preparation of sub-sectoral strategies, and other activities to advance a common reform programme.

The High Level Group for the extension of the major trans-European transport axes to the neighbouring regions concluded its findings in November 2005. The Core Transport network is a part of the SE Axis. The projects included in MAP are also included in the SE Axis; this is not seen as duplication, but simply emphasises the fact that these projects are necessary for SEE as well as for wider Europe. It is acknowledged in the Plan that role of SEETO could broaden to include neighbouring countries and with other sectors such as energy, and may develop into the Secretariat for coordinating the development of the SE Axis.

The next Plan for 2007 to 2010 may include more projects, ensuring that they demonstrate regional significance demonstrated with the fullest of information. The procedures for determining the performance of the Core Network have also made progress in terms of information flows, parameters and systems. The SEETIS will be increasingly used in the preparation of future Plans.

SEETO

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Volume 2

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List of abbreviations:

AADT	Average annual daily traffic
AGR	Accord européen sur les grandes routes de trafic international (European agreement on main international traffic arteries)
AGTC	Accord européen sur les grandes routes lignes de transport international combiné et les installations connexes (European Agreement on Important International Combined Transport Lines and Related Installations)
AGC	Accord européen sur les grandes lignes internationales de chemin de fer (European agreement on main international railway lines)
AMM	Annual Meeting of Ministers
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CER	Council of European Railways
Consultant	GOPA Consultants – TRADEMCO (SEETO Joint Venture)
DBMS	Database management system
DG TREN	Directorate General for Transport and Energy
EU	European Union
EC	European Commission
et. al.	et alii (= and others)
eg	exempli gratia (= for example)
GIS	Geographical Information System
IFI	International Financing Institution
IT	Information Technology
ISG	Infrastructure Steering Group
km/h	Kilometre per hour
LT	Long Term
MCA	Multi Criteria Analysis
MoU	Memorandum of Understanding
NC	National Coordinator(s)
PC	Personal Computer
PM	Project Month(s)
REBIS	Regional Balkan Infrastructure Study
SAP	Stabilisation and Association Process
SEE	South East Europe
SEETO	South East Europe Transport Observatory
SEETIS	South East Europe Transport Information System
SC	Steering Committee
ST	Short Term
ss	Sub-section
TA	Technical Assistance
TEN-T	Trans European Networks (Transport)
ToR	Terms of Reference
TINA	Transport Infrastructure Needs Assessment
TIRS	Transport Infrastructure Regional Study
TPPF	Transport Project Preparation Facility project
UNMIK	United Nations Mission in Kosovo
vpd	Vehicles per day

SECTION 1. INTRODUCTION

1.01 Context

Development of the regional core transport network is considered to be one of the most important policies for bringing long-term peace, stability and economic prosperity to South East Europe. It will also strengthen links with neighbouring countries, by improving the flow of international trade and by improving connectivity with its more remote areas.

Core network development is fully supported by the European Union. The European Commission has expedited this through continuous engagement with TIRS in 2001 – establishing the core regional transport network; REBIS 2002/3 – identifying projects and measures needed; the MoU – establishing a regional consensus to address the problems and develop the network; and currently SEETO 2004 to 2007 to implement the MoU.

The Steering Committee has instructed the SEETO Secretariat to draft the Multi-Annual Plan for 2006 to 2010. The Secretariat is composed of EU and regional experts, and is currently financed by the EC. The seven participating entities, the 'Participants', have agreed to co-finance the Secretariat as from 2006, and to finance it fully as from January 2008, when the present technical assistance contract will have ended.

1.02 Planning Procedures

The Plan to develop the Core Network is based on a strategic approach – that is to say why are actions needed? What are the common issues at the regional level that require to be addressed? What measures and projects are needed to address these issues? Where on the network should limited resources be allocated to improve the performance? When should the actions be carried out and how should it be organised and resourced?

Section 2 describes the Core Network, and introduces the concept of network performance indicators. Section 3 then sets out the main issues, and prepares a common strategic framework in which the measures and projects will be determined. Section 4 elaborates where action is most needed to improve the organisation and management of the core network, and Section 5 shows the proposed plan for physical improvements. In Section 6 the measures and projects proposed and actions needed are programmed for implementation plus an indication of the funding that will be needed to implement the plan, and Section 7 summarises the results that are expected and the basis for their verification. Following adoption of this Plan, the same model will be used for future Plans.

The Plan for 2006 to 2010 is the first of a succession of five-year plans. The investment needs of the transport network of SEE to take it to levels of performance consistent with those of trunk or primary routes elsewhere in Europe will be significant. To achieve this long-term target, a planning horizon of 2020 is proposed. This means that this is the first of eleven revolving, 5-year multi-annual plans, the last being for 2016 to 2020.

An important assumption is that even after 2010, when some of the beneficiary countries may have become EU members, regional cooperation and collaboration in the transport sector will be of value. As a regional organisation supporting the process, SEETO is expected to continue with its operations well into the future - a fact that was asserted by the Participants in a resolution in Skopje in November 2005.

This Plan is the first step in establishing a sustainable process of regional cooperation in the development of the core transport network for at least the next ten years.

Publication of the first Plan is also a significant step in a process leading to improved planning practices regionally and, it is hoped, nationally as well. The process systemises the collection and collation of project information, and prioritises projects according to various criteria that reflect the regional strategic approach.

Preparation of the Plan has been a participatory process involving many experts from around the region and beyond who have made contributions on the form and methodology to be used. The Plan indicates an increasing understanding of the problems in common, and an appreciation that there is much to be gained in working together towards the solutions that are needed.

The theme of this Plan is – 'Common problems – Sharing solutions'

1.03 Implementation of the Plan

The participating governments of the process, namely Albania, Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Serbia and Montenegro and UNMIK/Kosovo, together with the European Commission, are responsible for implementation of the recommendations made in the Plan.

Each of the signatories is represented on the Steering Committee established to coordinate the development of the South East Europe core transport network and the implementation of this Plan.

SEETO is in charge with the responsibility to both prepare and monitor the implementation of the Plan

The signatories appointed SEETO National Coordinators with day-to-day responsibility for promoting the planning processes, encouraging participation, and coordinating implementation of the Plan by the respective participants.

There are many information gaps in this first Plan that will need to be filled in for subsequent Plans. Part of the reason is lack of resources at this stage, but another reason is that sources and users of information are increasingly devolved from a central organisation like a Ministry. Improvement is expected through deployment of information systems, enhancing the capacity of National Coordinators and better promotion of SEETO activities to all providers and users of information. To that end the SEETO web site provides a gateway to all SEETO activities. Refer to www.seeto.int.org.

Production and Implementation of the Plan also requires coordination with other interested organisations, namely the Secretariats of Transport Corridors, International Financial Institutions and various other International Organisations. Ways and means of strengthening coordination will be developed.

With increasing interest in the SEE region, one of the challenges will be to ensure that there is co-operation but not overlap between the activities of stakeholders. The Infrastructure Steering Group (ISG), comprising IFIs, the EC and key stakeholders, provides a very good forum to foster cooperation. The SC supported by SEETO works closely with the ISG. The modalities for co-operation between stakeholders will be developed including recommendations for strengthening those relationships. Future Plans will need to increasingly involve a wider audience. For the future this will include neighbouring countries which are connected and heavily dependent on the SEE Core Transport Network; infrastructure management organisations that are devolving into semi-autonomous enterprises; transport operators who are also becoming owners and operators of core network facilities under concession; and transportation operators, freight and travel agents.

The planning process focuses on the supply side of the transport economy. Clearly the demand side must not be excluded. Market research, through questionnaire (already existing in a rudimentary form on the SEETO web site), will be developed. Road-side interviews will be conducted, and coordination with bus, rail, air and shipping companies will be fostered to obtain an improving picture of transport needs.

Closer interaction with stakeholders such as trade unions and community representatives are also envisaged to provide the Plan with a more comprehensive remit.

The core transport network has been defined in the MoU. Possible future changes will be a part of the planning process.

SEETO's role is also to impart better planning practices and will be facilitating the overall planning process in the future by developing and managing a Geographically Based Information System SEETIS. Version 1, which works off-line, will be available in mid-2006, and the on-line Version 2 will be fully operational in 2007. Participants will be able to share information that will expand common knowledge and improve the quality of the solutions proposed.

SECTION 2. PERFORMANCE OF CORE TRANSPORT NETWORK

2.01 Information Needs

A key function of the Plan according to Annex II of the MoU is to provide and keep updated an inventory of the condition, operation and performance of the core network to justify the priority action plan. The purpose of this section is to provide an appraisal of the performance of the core transport network, as a basis for decision making within the planning process, and for determining information needs and the processes set up to provide the information. The parameters relate to the strategic development needs outlined in Section 3 and the evaluation and monitoring function in Section 7. Performance will be measured in terms of infrastructure and its condition; operational aspects such as journey time and capacity; traffic levels and forecasts; and progress with the proposed rehabilitation and upgrading of the network.

Not all these data are yet available. The South East Europe Transport Information System (SEETIS) will facilitate advances in data collection in time for inclusion in the 2007-2011 Multi-Annual Plan, due in October 2006. For this plan, the most comprehensive available data relate to the proposed

rehabilitation and improvement projects, to which initial priority was given following a requirement of the Memorandum of Understanding. In future Plans, however, detailed data will be available for all the parameters listed above. Background economic and social data will also be obtained and analysed in future plans in order to support activities such as prioritisation of projects, and analysis of project affordability.

A detailed listing of key performance indicators is given in Annex B, while Annex A contains reference maps of the SEE region and the different modal elements of the Core Network. The mapping will gradually improve as the digital information is processed.

2.02 Description of the Core Network

The Core Network has been defined to include road, rail and inland waterway links in the seven SEE entities, together with a number of designated seaports, river ports and airports. The main international axes include four road/rail routes (European Corridors or Axes) plus one main international waterway (the Danube). All these routes connect with other European countries in both directions. Seven road routes and six rail routes within the region also have been defined as additional components of the network.

The road and rail corridors making up the Core Network have been divided by SEETO into some 300 sections, listed with lengths in Annex A. For future Plans, detailed data will be collected for each of these sections, to be analysed using the SEETIS software developed under the project.

Total length of the core road network is 6,113 km, including approximately 1,200 km of dual carriageway, while length of the core rail network is 4,600 km, of which only about 900 km is double-track. The length of the River Danube within the SEETO region is 642 km, of which 446 km are within Serbia (partly forming the border with Romania), and 196 km form the border between Croatia and Serbia.

A substantial proportion of the core road network is in deteriorated condition, with projects submitted by Participants covering over 40 per cent of the total length. Even more of the core rail network is significantly deteriorated, with 85% of the length being operated with permanent speed restrictions of 50% of the design speed.

Full information on current condition of the Core Network should be available in the Multi-Annual Plan for 2007-11.

2.03 Traffic

SEETO will compile during 2006/07 a traffic database that will provide a reliable source of information for planning purposes. For this plan, the latest traffic information is to be found in the data submitted in support of projects, but this is only partial at present. An analysis of selected available data is presented in Appendix B. In Serbia, for instance several rural flows exceed 10,000 vehicles per day, while those near to Belgrade exceed 20,000 vpd. Rail traffic on the Zagreb-Belgrade-Nis-Skopje axis peaks at 140 trains per day in Serbia, but does not exceed 40 trains per day in Macedonia. Cargo flows on the Danube are indicated at 10 million tons per annum. Airport passenger traffic ranges from 2 million per year at Belgrade down to fewer than 0.5 million in Nis.

Once basic data have been obtained for current traffic levels, forecasts for future traffic will be prepared.

2.04 Core Network Performance

Sets of indicators are required that will be used to evaluate projects and also the general changes in performance of the Core Network. For this purpose detailed questionnaires have been prepared (refer to Annex K) in which data will be collected. The data are mainly those specified by REBIS. A set of standard performance indicators will be compiled once the database has been assembled. They will be compiled for national systems, for modes and links on the network, and for corridors and routes. This will in turn facilitate comparisons of available system capacity with present and forecast usage. Thereby it will be possible to identify parts of the system which already have, or which may be expected to develop, capacity problems in the short or medium term.

Sets of monitoring indicators will be compiled to show the progress made in implementing projects and measures. Refer to Annex I for the list of proposed indicators. These will monitor changes in the principal system deficiencies requiring attention.

It is likely that some data will not be readily available in the desired form. In this case other available statistics will be reviewed, and discussions will be held with government ministries, transport operators and other parties in the different entities, in order to obtain the most suitable available alternative data. Development of an acceptable data base is likely to be an iterative process, and to lead to gradual data improvements as successive Plans are produced under the project. The process should, however, be fully tested and operational by the time the 2008-12 Plan is produced.

Present network performance is considerably reduced by several problems and constraints, including the following:

- Deteriorated condition of road and rail links;
- Lack of maintenance of the Danube waterway;
- Limited funding for routine maintenance;
- Serious constraints on key transport operators, especially railways, due to heavy operating losses;
- Reduced speeds over deteriorated road and rail links;
- Delays due to the number of new border crossings;
- Loss of through international traffic, and associated revenues, for reasons outlined above.

It is therefore important that rehabilitation of the network should be considered an urgent necessity in the process of economic recovery. It will be desirable, once network performance measures have been adequately defined, to set targets for their improvement as the rehabilitation and improvement programme is carried out.

2.05 Sharing and Use of Information

The procedure for submission of projects by the Participants to SEETO was launched in July 2005, requiring completion of a detailed questionnaire that can be used to present and update project information. Generally most projects are at a relatively early phase, so information is still incomplete. Acceptance by SEETO of a project requires a minimum of information, as defined on the questionnaire. SEETO planning experts provide guidance to improve the presentation of project information.

The sharing of information will be a key element in implementing the Memorandum of Understanding and in preparing successive multi-annual plans. Therefore, as these Plans are developed, SEETO will seek to achieve the maximum level of consultation with transport sector stakeholders in all SEETO entities. In this way it is intended to enhance the flow of information and exchange of ideas.

SEETIS, the GIS-based information process developed for the project, and recently installed in the SEETO offices, has been designed to help improve the process of information provision and use. This will be achieved through implementation of information sharing agreements with providers and users, SEETIS software licensing, and training in the SEETIS processes. Information users are expected to be Ministries, Road Directorates, Railways Authorities or Infrastructure Managers, Inland Waterway authorities, Airport and Sea Port Authorities. It is also envisaged that with increasing private sector involvement, infrastructure concessionaires and operators will also be users of SEETIS. An obligation of the information sharing agreement is to provide training to its users.

SECTION 3. TRANSPORT POLICY, SECTORAL AND SUB-SECTORAL STRATEGY

3.01 Policy

SEETO has been established to provide a co-ordinated regional dimension to development of the Core Transport Network in the Western Balkans region. The governments of the seven territorial entities have all expressed their overriding intention to continue with economic reforms, develop modern market economies, and move towards eventual accession to the European Union. However, the pace of reform and of progress to accession has varied substantially in the different territories.

In the transport sector, there will be a corresponding general movement towards development of market-orientated transport services, measures to ensure that infrastructure is technically and financially sustainable, and harmonisation of transport policies with those of the EU. These goals are stated as the strategic aims of all SEETO entities, and are broadly supported by the European Commission and the principal IFI's including the European Investment Bank, the European Bank for Reconstruction and Development, and the World Bank. The activities of these IFI's in the region are linked through the co-ordinating efforts of the Infrastructure Steering Group.

As noted above, the reform and convergence processes are currently proceeding on different tracks and at different speeds. Moreover, within the SEETO area planning, administrative and operational functions over the different transport modes have become fragmented, and are no longer co-ordinated as in the past. Transport infrastructure and rolling stock have suffered heavy damage as a result both of military action in the wars of the 1990's, and of severe economic and financial constraints which prevented adequate maintenance of the road, rail and inland waterway facilities over an extended period of time. Finally numerous new border crossings have had to be set up between the new states, which cause delay, disruption and increased costs for both passenger and goods traffic moving within, into, out of, or through, the Western Balkans Region. In the face of all these impediments, the

challenge must still be to ensure eventual achievement of a well co-ordinated SEETO regional network within the whole European transport system.

As the EC turned its attention in the 1990's to integrating the emerging market economies of Central and Eastern Europe into the rest of Europe, it developed the concept of transport corridors; more recently it has developed the wider-ranging concept of Trans-European Transport Axes giving through routes to Asia, the Middle East and Africa. Links specified in 'Networks for Peace and Development', issued by the European Commission in November 2005, include the following from the South-Eastern Axis, linking the EU to the Caucasus and Caspian Sea:

Multimodal connections Salzburg – Zagreb/ Budapest – Belgrade – Nis – Skopje – Thessaloniki

Multimodal connection Budapest – Sarajevo – Ploce

Multimodal connections Bari/ Brindisi – Durres/ Vlora – Tirana – Skopje – Sofia – Burgas/ Varna

Inland waterways Danube and Sava

Within the region these axes correspond quite closely to the previously defined Corridors X, Vc, VIII and VII respectively, which were central elements of the SEETO Core Network defined by REBIS. The presence of these four major axes in the region indicates the importance of the Western Balkans for transit traffic as well as for to and from Western Europe and between the different SEETO entities.

Through its co-ordinating role, SEETO will be able to give greater coherence to future rehabilitation and development of the Core Network, consisting of Corridor routes plus a number of additional Routes within the region, proposed originally by the REBIS study, and agreed by the present project's Steering Committee.

The overall goal must be to promote more balanced development of these routes, to the benefit of the region as a whole.

The shared aspirations of all participants is fully reflected in the Memorandum of Understanding on the Development of the South-East Europe Core Transport Network, signed in Luxembourg in June 2004 by Participants including Albania, Bosnia and Herzegovina, Croatia, Serbia, Montenegro, FYR Macedonia, and UNMIK/Kosovo, together with the European Commission.

3.02 Transport Policies of Individual States

Reintroduction of a regional perspective to transport planning requires that a careful balance be maintained between national and regional agendas. It is therefore of interest to note that stated transport policies of the various entities are broadly similar in key areas such as the need to adapt to the demands of a competitive market economy, to privatise or commercialise key transport activities, and to prepare for adoption of EU technical, regulatory and institutional norms.

3.03 European Transport Policy

Development strategy for the South-East Europe Core Network must also take due account of the Common Transport Policy of the European Commission, as stated in the White Paper 'European Transport Policy for 2010: Time to Decide', adopted in September 2001. A major theme of this paper was that within the European Union (at that time containing 15 countries of Western Europe) there had been unbalanced modal development leading to the emergence of serious congestion in road and air transport, with increasingly serious economic and environmental effects. The paper therefore called for vigorous action to ensure a more rational use of transport facilities, emphasising the greater development of potentially more efficient and environmentally cleaner modes such as rail, sea and inland waterways, and also the potential for 'combined transport'.

As regards completion of the Trans-European Network, it stated:

'Lack of public and private capital needs to be overcome by innovative policies on infrastructure charging and funding. Public funding must be more selective and focus on major projects necessary for improving territorial cohesion of the Union, as well as concentrating on investment which optimises infrastructure capacity and helps remove bottlenecks';

and also,

'In the new context of sustainable development, Community co-financing should be redirected to give priority to rail, sea and inland waterway transport'.

The 2001 White Paper proposes some 60 specific measures as part of the developing European Common Transport Policy. These are policies to which the MoU signatories must expect to adhere in the medium and longer term.

3.04 Regional Policies for South-East Europe

Regional transport policy for the Western Balkans will need to satisfy the specific needs of all entities so as to provide a regional dimension which can benefit all participants. It will also have to be

consistent with EU transport policy so as to comply with the *acquis communautaire*. Main features will include:

- Enhancing regional interest through coherence with actions in other countries;
- Stimulating economic development;
- Ensuring financial sustainability;
- Improving social and environmental conditions;
- Adopting common and appropriate technical standards.

These main policies goals are directly related to the criteria outlined in Section 5 for selection of investment projects under the Plan.

3.05 Enhancing Regional Interest

Both within the region, and in relation to neighbouring countries, the key goal of coherence will be brought closer to fruition by the achievement of seamless transport between the different SEETO entities. The main issue is the impact of an increased number of border crossings; for instance a road journey along Corridor X from Salzburg to Thessaloniki, which formerly involved two border crossings, will now involve five. To minimise the impact of additional costs (including time costs) at the new borders, it will be necessary to streamline and standardise customs and immigration procedures to the extent possible, and also to minimise and standardise documentation requirements, making maximum use of electronic transmission. The streamlining will be especially necessary for long-distance transit traffic.

Besides reducing the impact of border crossings, it will be necessary to promote harmonisation of key road documents, including driving licences, passenger and goods vehicle licences, and insurance papers. Ideally it should be possible to obtain documents which will be valid throughout the SEETO region, so as to help make the concept of 'inter-operability' a reality. The same should apply to vehicle axle load restrictions and enforcement procedures. On the railways cross-border working of locomotives and train crews should be the norm, and Customs and immigration procedures for passengers should be carried out on board moving trains where possible. These railway goals will require co-ordination between railway administrations, and the immigration and Customs authorities, of neighbouring entities.

An overriding medium-term aim must be to introduce a multi-modal dimension to the Core Network so as to maximise its considerable potential for interchange between, for instance, rail and road transport on the one hand and maritime and river transport on the other hand.

The prime objectives must be to a) ensure that the regional core network retains its technical and legal coherence; b) reduce costs and time incurred at border crossings, both for traffic within the region and beyond it; c) focus also on longer-distance traffic to and from other countries

3.06 Stimulating Economic Development

In evaluating projects it is important to take full account of the wider development impact of projects. This is especially true of new projects that are expected to be of major economic importance.

The immediate expected impact of a transport investment will normally be to reduce transport costs (including passenger and goods time costs) for existing traffic. This will give direct benefits to providers of transport services, passengers, and producers and consumers of goods, leading to an overall increase in national income. In addition improved accessibility may give rise to new economic or social activities within the investment's area of influence, and changes in land use or shifts in population may occur. Broadly these may be termed development effects, and will be reflected in traffic increases along the route, or through the transport node, where the investment is made.

In general, economic effects can be evaluated by cost-benefit analysis, and account can also be taken of 'non-quantifiable benefits'. It is desirable that all investment projects be subjected to careful economic analysis in order to confirm that they will provide satisfactory economic rates of return. It is normal practice for benchmarks to be stipulated; for instance, several IFI's conventionally expect to see a project achieve an economic rate of return of at least 12 per cent per annum before it can be considered suitable for funding.

Economic development will be stimulated through investment in transport by a) ensuring that the wider impact of transport is fully considered and b) adopting a consistent approach to the economic analysis of projects, using common benchmarks in evaluating and ranking them.

3.07 Promoting Financial Sustainability

Besides establishing that projects are economically viable, it is also necessary to establish that they will be financially viable. There are two basic issues involved.

Firstly, even if a project is shown to be economically viable, it is necessary to be assured that it will be affordable. That is to say, funding for construction must be available from government, private investors or donors, and potential loans must be repayable in full and on time. Detailed financing plans, including clear projections of future revenues and costs, must be approved before a project can be considered as being committed.

Secondly, where there is a likelihood that revenues will be unable to cover costs, there must be a clear plan for minimising shortfalls over a project's operating life. This is particularly pertinent for the road sector, where even now road tolls remain the exception in many countries, including several in Western Europe. In recent years a number of models such as Build, Operate, Transfer (BOT) have been designed to deal with the problems of financing road construction and of obtaining continued funding for subsequent operation and maintenance. This may involve public-private partnerships (PPP), or long-term operating concessions to private companies. Another method of financing road maintenance is through road funds, which may often be financed primarily through dedicated taxes on the sale of fuel.

The whole question of financing road and other transport infrastructure is very complex, but of increasing relevance as the capacities of governments to provide required funding come under increasing pressure.

It is desirable that broadly compatible strategies be adopted by participants in ensuring the financial sustainability of the core network with regard to user charges and management practices. Associated soft measures are discussed at length in Section 4.

3.08 Improving Social and Environmental Conditions

Environmental and social issues are now widely recognised as being issues of importance in the planning of transport networks. It is important that best practice should be applied in carrying out environmental scoping studies and impact appraisals.

The EC White Paper on transport policy, mentioned in Section 3.03 above, stresses the importance of including environmental considerations in the preparation of plans for achieving sustainable mobility. It emphasises in particular the need to ensure a good balance between the road, rail, water and air modes in order to minimise the environmental damage caused by transport activities.

Transport investments, and the provision of good transport services, can play a key role in providing accessibility to all parts of the region, thus achieving important social goals in relation to health, education and other services, as well as contributing to the alleviation of poverty. Issues of social integration are also of great importance in the SEETO region, as its peoples seek to consolidate their return to conditions of stability and peace, and to advance to a free and prosperous future.

Planned development of the SEE Core Transport Network should seek at a regional level to provide facilities which will strengthen the achievement of the region's social and environmental goals.

3.09 Using Appropriate Technical Standards

Regional strategy should also pay due attention to a) appropriate technical norms such as those of the UNECE with respect to areas including the design of roads, railways and railway rolling stock, and b) adaptation of these norms to level of service and cost. Thus for instance it will be desirable to maintain standard profiles for motorways and different classes of roads, or common norms on ruling gradients, loading gauge and electrification systems on the railways. In most of SEE these standards will have been common in the past, but may have diverged since 1990. It will be appropriate not only to ensure that they do not diverge further in the future, but also now to promote their harmonisation with European norms so as to ensure future compatibility of technical standards over the whole lengths of the main transport corridors.

In much of the region, there are mountainous areas where there may be good reason to relax some of the design standards. While this should be permitted, it will be valuable for the whole region to have common rules about when, and to what extent, such relaxation may be applied.

It is recommended that the region develop common technical standards which firstly reflect EU norms, and secondly adopt a common approach regarding exceptions that can be permitted in mountainous terrain. Appropriate soft measures are proposed in Section 4.

3.10 Sub-Sectoral Strategies

Finally it is useful to identify key strategies for the individual transport modes, which can be developed at a regional level. This is done in turn for the road, rail, inland waterway, maritime and aviation sub-sectors, and also for the broader area of inter-modal transport.

3.10.1 Roads

Much of the core network is already in process of being rehabilitated or upgraded to provide consistent standards along the main corridors and routes, and bottlenecks must continue to be eliminated, especially at border crossings. Major strategy areas where a regional dimension could be helpful include determination of maintenance standards, the provision of finance for maintenance, harmonisation of road tolls where these are applied, and the issue of road safety. While these important matters will all be dealt with by the concerned ministries or road authorities of the respective entities, the SEE region can benefit through the evolution and application of a co-ordinated overall approach.

3.10.2 Railways

In the first instance there is need to restore the co-ordination and inter-operability between the various rail networks, which has been partly lost since 1990. In particular there is a general need to reduce operational and administrative delays at border crossings. Other broad issues facing the region's railways include:

- the need for restructuring, commercialisation and separation of infrastructure and operating activities in line with EU norms;
- the provision of socially necessary services, and the establishment of mechanisms for determination of operating subsidies; and
- the overriding question of railway finances and the need to scale future operations so as to eliminate or greatly reduce deficits now being incurred, while at the same time equipping the railways to play the key long-term role outlined in the EC's Common Transport Policy.

As for roads, these matters will generally be dealt with at national level, but the region can again benefit through the regular exchange of views and the associated development of a co-ordinated overall approach to the evolving role of railways.

3.10.3 Inland Waterways

The Core Network contains a portion of the important Danube waterway (Corridor VII) connecting the Black Sea with Central and Western Europe. Although the waterway has been operating at a low level of activity for years, it is expected soon to resume its former role as a major European artery once rehabilitation and dredging works have been carried out.

Although the Danube runs only through Serbia and along the Serbian/Croatian border, the port of Belgrade has potential importance as an inter-modal transshipment point, and as the point of outlet of the Sava river which is also navigable for traffic between Serbia, Bosnia and Herzegovina, and Croatia. There is therefore both a regional and wider European dimension to the future planning scenario for waterways.

Issues of interest will include the development of container traffic, with particular reference to the inter-modal facility at Belgrade, and the development of passenger cruise activities.

3.10.4 Maritime

The core network contains seven seaports on the Adriatic coast, of which four are in Croatia, one in Montenegro, and two in Albania. Port investments may be expected to improve port performance, allow the berthing of larger vessels, and help increase the rate of containerisation, with implications for onward land-based transport links.

Important strategic issues for the future will include models for port administration and finance, possible functional specialisations between ports, the competitive environment for the region's ports, and the definition of hinterlands for the respective locations.

Many of these functions will be appropriately dealt with at national level, but there is also a role for a wider regional forum to harmonise the national roles, and relate them to the wider European context. In this connection it should be noted that the 2001 EC Transport White Paper envisages the establishment of a 'sea motorway' into the Adriatic Sea before 2010, and that it will be necessary to take decisions on which port or ports should be served by this 'motorway'. The High Level Group on the extension of the major trans-European transport axes to the neighbouring countries and regions has proposed the ports of Rijeka, Bar and Durrës to be developed as motorway of the sea ports.

3.10.5 Airports

The Core Network includes eleven airports within the seven entities of the SEETO region. From a regional perspective, it is clearly important to carefully define future investment requirements so as to satisfy future needs but also avoid over-investment.

In areas such as licensing of aircraft and pilots, air traffic control and air safety, there will be a general requirement to conform to European and worldwide norms. This process will receive added impetus

from the recent Agreement on a European Common Aviation Area (ECAA), which obliges the Balkan countries to adopt the EU *aviation acquis* in return for a free system of market access. Here an overall regional approach can be valuable in avoiding duplication of effort.

Other questions of concern in the coming years will include administration and funding of airports, and the future structure of aviation services as 'free skies' are developed over Europe. Regional exchanges of views will be valuable in these areas, and there may be scope for regional co-operation at an operational level.

3.10.6 Inter-Modal Transport

Development of inter-modal transport is specified as an important goal in evolving European transport policy. This implies the need for due attention to development of nodes, such as Freight Interchanges, as well as links within the region's Core Network. Improving land/sea and land/river nodes are short term goals, whilst development of contemporary road/rail transshipment facilities linked to the logistics chain are vital if the multi-modal policy is to be realised. In the longer term inter-modal movement of air cargo will also assume increasing importance.

3.11 Strategy for the Development of the Core Network

The network development strategy is to provide choices of route, mode and level of service to the user without bottlenecks, missing links, physical or non-physical barriers, while the modal strategy is to supply infrastructure and operations that are cost effective, modally balanced and sustainable. The strategic approaches for different components of the network are outlined below

In relation to the three main land routes (former corridors) of approximately 2,500 km, the strategy will be to provide seamless cost-effective transport along each route, with border controls either being phased out or benefiting increasingly from global technology and advanced information. A more consumer driven approach will also be adopted with commitments to levels of service for roads and railways in the compilation of product-orientated targets and statements of achievement. Contemporary logistics demand that the routes are developed as Inter-modal Arteries in the pan-European and wider transport axes, and that, due to relatively high traffic levels, the private sector shall be encouraged to participate more in the provision of infrastructure.

Whilst the corridors provide the economic arteries through which trade flows, the routes of the core network provide essential lines of connectivity between different parts of the region. The improvement of accessibility in the region as a whole is a major issue, but development of the Core Network routes will help address this issue and thereby contribute also to the overall well-being of region's population.

SECTION 4. LEGAL AND REGULATORY REFORM

4.01 General Strategies for Legal, Regulatory and Management Reform

4.01.1 Introduction

Legal and regulatory reform, sub-sectoral restructuring, concomitant management changes, streamlining operating practices, closer cross-border co-operation, manpower development and training, and more commercialisation coupled with an increasing sensitivity to consumer needs are needed as well as investment in infrastructure and equipment. Collectively these actions are described in the Plan as soft measures. The 2006 to 2010 Plan sets out the soft measures necessary to manage the regional core network. There can be no doubt, that investment in soft measures will yield an infinitely higher return than investment in infrastructure. When formulating recommendations for soft measures, account has been taken of the suggestions submitted by some of the Participants to the Secretariat as well as other sources. In this Plan, there is focus on Road, Rail, Maritime and Inter-modal Transport where actions are considered to be of the highest priority. The Plan for 2007 to 2011 will also include soft measures for aviation and inland waterways.

4.01.2 Implementation of proposed measures

The measures needed to make progress on the soft issues are described in Annex C, this includes, actions needed and timing. The timing is an indication of the priority of the measure, but nearly all measures are to be implemented over the planning period. The measures are grouped together by sector and each of the sub-sectors for programming in the Action Plan in section 6.

4.02 Enhancing regional interest

4.02.1 Transport Sector

Legal and regulatory reform is taking place in all South East Europe, including some EU members and other pre-accession countries as well as the signatories of the MoU. With each domain reforming at a different pace, adopting different solutions as well as coping with institutional and capacity issues in its own way, there is diminishing cohesion between contiguous transport systems, increasing complexity in the transport supply chain, higher costs in the delivery of transport services, a suppression of economic demand, and reduced prospects for economic recovery and growth. Regional harmonisation in the reform process is essential, if development of an integrated, multi-modal core transport network is to be realised. To avoid the problems of diminishing cohesion and interoperability, steps should be taken to harmonise new legislation and regulations in the region to provide seamless conditions for passengers and freight as well as optimum conditions for investment.

4.02.2 Border Crossings

Reductions in waiting times at borders in the SEE region generally indicate that progress has been made in improving the efficiency of border crossing operations, though further improvement is necessary. Juxtaposed operations, one-stop controls, risk analysis, green channel operations are applied inconsistently at differing locations and in each transport mode. For example, rail passengers are stopped twice and checked by both immigration and customs at all borders throughout the region, whereas some road borders operate juxtaposed operations; risk analysis is more sophisticated at some borders that have access to common data bases; the concept of green channelling seems to apply mostly at airports, but not at road or rail borders. Truck drivers also have difficulties in obtaining visas, which restricts the services that can be supplied. The process of integrating border management should be given priority as should signing of international customs protocols by all participants; unified transport documentation needs to be adopted in the near future as should special provisions for visas for professional drivers.

Border controls increase travel time, adding to operating cost, reducing attractiveness to consumers, competitiveness, and constraining access between countries. It is recommended that Ministries of Transport will work with border control authorities to minimise the impact of border controls on the flow of traffic.

Border controls of freight and cargo take much longer than they should due to lack of advance information; electronic data interchange between railways operators and borders authorities would speed up the movement of railway freight.

Customers lose track of the location and progress of their consignments – especially in ports so tracking systems are needed in ports to provide on-line information as to the exact location and status of cargo. Cargo manifests should be lodged at all ports of call on the motorways of the sea in advance of the voyage to provide an opportunity for handling and storage to be pre-arranged and border controls to be expedited.

Railway and road transport serving ports are not always effectively coordinated, resulting in delays. Cooperation should be improved at the sea / land interface to ensure equipment is in the right place at the right time.

4.02.3 Road- Sub-sector

Insurance and licensing of vehicles is not any longer homogeneously regulated, it is very difficult to rent a vehicle in one domain and use in another, enforcement of traffic regulations is variably executed, truckers are stopped too often and there is also evidence of bribery. Regulation and enforcement of road traffic should be to common and interoperable standards

4.02.4 Railway Sub-sector

Railways legislation in the region has been aligning to EU directives for many years, particularly in relation to the modernisation and restructuring of the railway infrastructure, separation of infrastructure management from transport services, provisions for unimpeded access to railway infrastructure for qualified third party operators, and removal of administrative and technical barriers to operation based on market principles¹. The extent to which railways directives have been introduced and the modalities for implementation across SEE are variable. Incompatibilities are expected to arise from different restructuring models (that is to say division of track and services), differing legal conditions (for the movement of passengers and carriage of freight), different regulations for opening access to the system to different operators, differing access services and charges, and differing mixes of public and private participation in the railway sector. Such differences will undermine the strategies outlined in the Plan; be counter to restoring modal balance between road and rail; add more risk to investment decisions; make it more difficult to achieve cross-border cooperation and economies of

scale whilst reducing the value of assets being improved by institutional investors. Implementation of new laws, regulations and actions by each government without consultation with neighbours will produce inconsistencies that add to the complexities of regional rail transport and increase risk to investors. Regional coherence should be promoted by ensuring that changes to the railways in each domain in SEE are regionally consistent and accord to a longer view of one homogeneous regional system. **This can be best assured through the creation of a Common Regional Rail Network Statement following the practice of EU Directives.**

There is a risk that the legal terms and conditions upon which freight and passengers are carried will vary between each railway so increasing complexity and risk. Steps should be taken to ensure that legal conditions relating to passengers and the carriage of goods remain fully harmonised and in accordance with international best practice.

The low utilisation of assets is partly attributable to border-to-border operations as well as decay and lack of investment. Bilateral arrangements between contiguous railways will be stepped up to operate through services across borders without change of equipment and crew.

4.02.5 Maritime Sub-sector

Cargo can spend large amounts of time tied up in ports for customs clearance. This not only has a significant impact on the efficiency of the transport chain, which in turn affects the modal balance, but it ties up large areas of valuable port land and resources. A common action would be for Customs intervention at sea ports and other gateways to be progressively substituted by Inland Clearance procedures.

4.02.6 Inter-modal Transport

The Core Transport Network is to be developed in such a way so as to optimise the balance of transport supply; expeditious inter-modal development planning lies at the heart of the approach. However, lack of institutional capacity severely limits the possibility for multi-modal transport to develop in the region, constraining trade and affecting economic growth. Expertise that can initiate and coordinate development of Inter-modal and combined transport is needed in Ministries of Transport.

Inter-modal operations are absent in the region even though the core transport network is considered to be multi-modal. Moreover, projects for the development of the South East Transport Axis focuses on the development on links in the axis, omitting projects on interchanges, inter-modal terminals and equipment without which modal transfer could not take place. It is generally accepted that Inter-modal transport cannot develop in one part of the core network in isolation. An overall strategy is needed that will identify critical points on the core network for freight transshipment interchanges. Also necessary are appropriate conditions for clearance of goods in transit and mutually compatible regulations for investment by one or two regional operators. Common conditions are needed for transfer between modes; good spatial planning, optimised locations, regional agreement on technical and performance standards, product definition and service and network development requirements.

A regional inter-modal development strategy would enable the SEE Region to respond comprehensively to the potential of the South East Transport Axis, provide a plan in which governments could allocate land and resources whilst private sector would be informed of the positive opportunities in supplying Inter-modal services so that they may examine the market and investment opportunities.

There may also be confusion as to what multi modal transport actually is and therefore the steps that are needed to promote it are rather vague. Multi-modal transport is a legal concept that places the legal liability for the movement of goods by several modes on a single operator. An overall regulatory framework that permits the licensing of multi-modal transport operators is lacking in Europe.

4.03 Stimulating economic development

4.03.1 Transport Sector

Stimulating economic development is considered of equal importance to promoting regional coherence, and is cited as the main justification for investment in upgraded or new transport infrastructure. Investment required for the construction of new infrastructure, such as motorways and high-speed railways, is substantial, requiring a significant portion of the gross domestic income. Despite this, projects prepared by participants fail to make a convincing case for economic development. Transport being only a means to an end is not, by itself, a guarantee to economic development. Development planning of other sectors such as manufacturing, agriculture, tourism and services linked to the transport investment require to be carefully considered. More resources are needed to justify and promote projects that will stimulate the regional economy. There is an urgent need to strengthen planning capacity and prepare integrated land use and development plans that

clearly show how the future investment in upgrading the core transport network will lead to improvement in the general economy.

Transport development in SEE is characterised by a significant imbalance between road, rail and maritime sub-sectors, where road construction is seen as indispensable and rail as a burden on the economy. Arguments supporting a more optimal target balance for transport are set out in the EC Transport Policy White Paper of 2001, although they have made little impact on the modal split. Rail and maritime transport must make substantial contributions to the transport sector. Obtaining an optimal balance in the use of all transport modes requires a mixture of equitable policies that avoid advantaging one mode over others as well as good management practices. Current indications are of a mixed and inconsistent approach; users of one mode may be required to return the full asset cost, while for others, cost recovery is set at only the marginal cost. Also cost recovery policies vary between participants and modes in the region, failing to promote optimum use of each mode of transport. Therefore, a sector-wide issue that needs to be urgently addressed is for governments in the region to agree to a common policy for infrastructure cost recovery from the users of the network.

Operationally there are also modal anomalies in the region; aviation, road and maritime vehicles and crew operate internationally with no need to change, whereas it is necessary at rail borders to change equipment and crew. The imposition of speed restrictions to comply with safety regulations on railways, contrasts significantly to the relatively unrestricted operation of inherently unsafe roads. Overloading remains significant on the core road network – though not on other modes where it is effectively controlled – and the damage caused has to be paid for by all taxpayers. Stricter enforcement of existing road traffic regulations, including overloading, is needed.

There is no collated accident or overloading data for roads specifically for the core network. Measures are needed to ensure that data are collected for transport planning purposes, not only for enforcement agencies.

Projects and studies continually fail to analyse the impact of investment on the *modal split*. This is partly due to lack of generic transport planning expertise, but it is mostly due to each mode of transport promoting its own interests. The core network is considered to be *multi-modal* in character, that is to say offering choice, but the evidence that the core network is being considered in this way is very slight. Each mode of transport should be developed to its full potential. As a first step, a modal split analysis should be a mandatory part of a feasibility study to support investment projects – possibly projects that cannot demonstrate that mode split has been carefully considered ought not be considered for the Multi-Annual Plan in the future.

4.03.2 Road- Sub-sector

Core network roads are vital to the economic development of the region. However, road projects have to make a proven case of economic feasibility for international financing agencies. The prioritisation of road and other projects in this plan requires the evaluation of certain criteria as explained in section 5. However, projects prepared address only some of these criteria and do not generally make a good case for investment. The need to ensure that feasibility studies address all of the criteria should be self-evident. Assistance may be needed in the project preparation capacity building to help better prepare projects for inclusion in the Plan.

Core network roads have the general classification of primary through routes for international, regional and interurban traffic; as such, they have high technical specifications such as speed, alignment, overtaking visibility, traffic management, lighting, signing, road-side services and so on. The asset is of high value nationally and regionally. However, there are numerous examples of uncontrolled roadside development with unrestricted direct access. This rapidly changes the status of the road from an interurban clearway, diminishing it to no more than a local residential street. Such developments reduce the status of the road, increase accidents and repair costs, and most significantly undermine the asset base. In some cases the only solution is to construct a new road on a different alignment. Commitment is needed to ensure that future core network roads are not undermined by indiscriminate uncontrolled roadside development. It would be helpful if financial agreements included a clear statement of type of road, level of service and intended use.

4.03.3 Railway Sub-sector

The railways of SEE receive subsidies averaging 2% of GDP, have an investment backlog of over 5 billion euro; operate with low productivity, have antiquated pricing systems and weak demand. Investors will be very cautious about investment in any one part of the system without knowledge of the whole. Despite this there is growing interest in SEE railways. Actions will be promoted through the Railway and Inter-modal Working Group as well as through other groupings, including those of the CER, ECMT and SEESR with whom close liaison is advocated. There is a need to ensure that all the interest is positively channelled and coordinated. Ultimately, the decision as to the future of the railways of SEE will be political, that is to say the extent to which collaboration and cooperation can be

taken. Measures included in the 2006 to 2010 Plan aim to ensure harmonisation in legal and regulatory changes, cooperation to obtain efficiencies through economies of scale, conditions that are attractive to investors, and provision of seamless services to customers, leading to a more optimal modal balance on the core transport network.

4.03.4 Maritime Sub-sector

Maritime transport provides the lowest unit cost of all transport modes, is the most environmentally friendly, and has the greatest capacity and potential for expansion. The concept of Motorways of the Sea is being developed to provide a real alternative to long-distance road transport. The adoption of TEN-T Guidelines 29 April 2004 by the Council and European Parliament gives the legal framework for funding motorways of the sea. The concept requires a structural change in participating governments to support the establishment of logistic chains through a limited number of maritime gateways – that is to say seaports. The Core Network should be updated to include ports of the Motorways of the Sea of South East Europe identified by HLG as Rijeka, Bar and Durres (connecting the Adriatic Sea to the Ionian Sea and the Eastern Mediterranean). Projects submitted to SEETO should be aligned to the Motorways of the Sea policy.

Motorways of the sea require sufficient traffic intensity to justify investment in the logistics chain and provide economies of scale that would be of interest to shipping lines. The seven ports of the region each cater for national markets, but none can be clearly said to have significant regional significance.

Governments of SEE will focus development on one or two major ports to link with the motorways of the sea and to develop high quality hinterland transport to complete the logistic chain.

4.04 Ensuring financial sustainability

4.04.1 Transport Sector

The domains of participants are relatively small and there are considerable advantages for suppliers of transport services to obtain economies of scale by cooperating closely at the regional level. However, this is becoming less likely as each domain develops its own independent agenda. The prospects of attracting significant private as well as public investment in upgrading infrastructure are undermined through increasing fragmentation of the transport chain and the supply market. Cross-border operation of equipment will increase utilisation and lower unit costs; sharing of fixed assets such as workshops and maintenance facilities will generate economies of scale and make outsourcing and private investment more likely; legal and regulatory harmonisation will reduce commercial risks to investors. Cross-border co-operation in the supply to the transport sector of services such as construction and maintenance will expand competition and lower costs to the ultimate benefit of consumers. Cross-border cooperation in the 2006 to 2010 Plan should lay the foundation for a regional railway operator, regional motorway concessionaire and regional airline. The benefits of cross-border cooperation in the supply of transport services should be exploited in the medium term to obtain synergies and economies of scale. It will be important to have a common approach to reducing risks to private sector investors.

4.04.2 Road- Sub-sector

A number of soft measures are needed that focus particularly on ensuring the financial sustainability of road infrastructure. **Routine maintenance is often deferred due to alternative spending priorities - especially following new works.** Deferment leads to rapid deterioration and excessive subsequent expenditure. The main concerns of investors are that basic routine and periodic maintenance will not be carried out and that a backlog of repairs will accumulate. To provide IFIs with the assurance that is needed to ensure that routine maintenance will be carried out on core network roads, after works have been completed, evidence of back-to-back routine maintenance commitments should be provided.

The sustainability of the network is also threatened by variable cost recovery policies and formulations across the region. The costs to be recovered from fuel levies (or other road-related taxation) should, for example, include the variable costs, plus overheads of road agencies and traffic management and control with the capital costs of roads – and of all public transport infrastructure – recovered from general taxation. Clearly it is to the benefit of the region that there is a preferred method of cost recovery of roads through a fuel levy. Possibly a general agreement on the principles of cost recovery and other measures shall be included as resolutions of the AMM for 2007.

Private sector involvement in summer and winter maintenance should be developed throughout the region, and companies with appropriate qualifications, resources and financial backing should be permitted to trade cross-border to provide lower unit costs to road agencies. It is important for individual road agencies or directorates to develop outsourcing of both routine and periodic maintenance activities, and to introduce performance based maintenance contracts. Experience from

other regions suggests that these initiatives may be able to reduce maintenance costs by up to 50 per cent, thus giving valuable relief to budgetary constraints.

SEE has one of the lowest densities of quality highway infrastructure in Europe. Private investment and expertise are needed for development of new roads. Private interest would increase considerably if motorway concessions were considered regionally. Ways and means should be considered for establishing regional road corporations - using PPP models.

4.04.3 Railway Sub-sector

SEETO will promote the need for an equitable and consistent regime for funding each mode of transport within the SEE region and for railways in general. More specifically however, railways have enormous problems of financial sustainability, most of which are well documented. Railways require major restructuring, downsizing, shedding of non-essential assets and outsourcing non-operating services. Technical assistance is needed to implement railways restructuring programmes throughout the region; for these a common approach is advocated using a regional railways restructuring task force. But besides the range of conventional and well-documented internal reforms, there are number of regional measures that are required.

The railway market share in volume terms of both passengers and freight in SEE is less than 1 %, meaning that the sub-sector is not fulfilling its potential to the detriment of the regional economy. A region-wide marketing effort is needed, resources pooled and appropriate expertise brought in to prepare an integrated marketing strategy for freight and passengers. Collaboration should include agreement of common markets, products and services, a one-stop shop for sales, a common pricing policy and a common identity. Railways would benefit from the production of a common regional marketing strategy.

Development of transport infrastructure is mostly supply driven. Further development of transport services is limited by lack of a commercial approach. There is need to develop network statements and product / marketing plans for railway services as a part of any major investment proposal. As a next step a pilot product development plan should be prepared in the short term starting with corridor X.

Railways private sector supply / service industry is at a low level of development and Rapid progress should be made to encourage outsourcing and involvement of the private sector. But as SEE railways are relatively small, with low market share and lack of investment, there is a distinct risk of duplication and overlap and wasteful competition as individual railways restructure. There is a need to promote cross-border development of a regional railways services sector that can supply private construction and maintenance services; so a common railways services sector should be promoted.

Diminished rolling stock inventories limit the growth of services and potential for through operations; however, there are real issues of low utilisation, small fleets and high commercial risk for the individual railway. There is growing interest in the establishment of a single PPP configured regional rolling stock leasing organisation for which assistance may needed.

There is a strong possibility that as railways implement open access policy, the basis for infrastructure user charging and conditions will vary between railways, causing confusion and adding to already significant problems. Railways should desist from moving forward on open access, until they have had an opportunity to develop a regional approach including definition of a common set of services and common basis for charging.

For the private sector to provide significantly to the regeneration and enhancement of the core transport network, elimination of an overarching risk is required - that the national asset is but a small part of a regional system. Railways of the SEE require to merge their interests if private funding is to be catalysed. Closer collaboration in privatisation of railways shall be seriously considered.

Freight tariff structures are archaic, based on weight, commodity type and using old tapered structures that give high rates for short, border to border distances. Replacement of existing freight tariff structures by contemporary simplified wagon-based structures and through pricing is a priority that would increase demand.

Railway sector financing arrangements between government and the operators differ between countries in SEE. *A level playing field is needed to avoid indirect financing and cross-subsidies from one domain to the next.*

4.04.4 Maritime Sub-sector

Adriatic Ports have a relatively low proportion of international traffic and appear to be developed and financed for mostly national reasons. However, shipping lines are almost totally private, port operations are increasingly privatised, and private investment is required for development. Regional ports and hinterland transport should be developed in close cooperation with the private sector, particularly with shipping lines using independent logistics expertise.

4.04.5 Inter-modal Transport

The price of international and inter-regional transport is high, partly due to premium rates being charged for transit traffic, but also to higher insurance costs, handling and expediting. Consignors require the services of many intermediaries in the movement of international freight and cargo, with each taking a commission or fee. Simplified, harmonised documentation should be introduced in the short term to create good conditions for Inter-modal transport.

Favourable conditions for sustainable financing and investment of inter-modal transport are not present in the region. Progress is contingent on satisfactory progress in reform, restructuring and investment in rail and also in ports, as outlined previously.

4.05 Improving social and environmental conditions

4.05.1 Transport Sector

Improving accessibility to remoter mountainous areas and connectivity between communities, sub-regions and neighbouring countries on the core transport network, is recognised by participants as being essential for socio-economic development and the reduction of poverty. Policies, programmes and plans are needed to address these issues, but justification for investment to improve accessibility is difficult due to low values of time and high construction costs, especially in mountainous terrain. Measures needed include more attention to cross-border spatial planning and development; the use of purchasing power parity to adjust values of time used in the evaluation of projects; local agreement to licence cross-border passenger and freight services, short term intervention to kick-start public transport services, special provisions to fund social projects, cross-border (performance based) maintenance contracting, and more cross-border dialogue by local authorities that have sensitivity to local needs. There is strong case in the near term, to develop a special social strategy and sets of actions to improve accessibility and connectivity between sub-regions in remoter, poorer and mountainous regions of SEE that could be included in Poverty Reduction Strategies.

Environmental conditions should be improved, not only through expeditious implementation of good design and construction practices, but through policies that encourage the most environmentally friendly modes. Environmental policies may include restricting the movement of heavy trucks in urban areas; development of trans-shipment terminals to transfer loads to smaller vehicles for local delivery; construction of by-passes around towns on the core network; and development of inter-modal operations using the most environmentally friendly modes. Measures to protect and improve the environment should be embedded in all programmes and plans for the development of the core transport network to achieve a more environmentally optimal balance. The EIA of all new construction projects on the core network should also be subject to external and independent audit.

4.05.2 Road- Sub-sector

Accessibility to good road quality networks remains a distant prospect for a large proportion of the population of SEE; moreover a large number live in poverty. The linkage between poverty and good communication and transport is made clearly in the UN Millennium Agenda. Moreover, poor cross-border linkages and connectivity between differing ethnic groups is not conducive to social integration. Ways and means should be found to reduce economic and social distance, especially in rural mountainous sections of SEE, by including appropriate projects in national plans and promoting them at the regional level, when appropriate.

4.06 Using Technical Appropriate Standards

4.06.1 Road Sub-sector

Levels of service, signing, junction lighting, emergency services, the spacing and quality of road-side services and classification of roads are not regionally consistent on the core network and need to be harmonised. There is an early need for the concept of service levels to be elucidated, elaborated, endorsed, then applied uniformly over the core network. The use of Intelligent Transport Systems ITS provides longer term opportunities which would increase if a regional approach was taken.

SEE has the highest road fatality rates in Europe; yet safety policy, accident reduction strategy or safety management of core network roads is deficient. The measures proposed fall into line with general policy and actions being taken by participating governments and neighbouring countries. However, road accident data generally remains a matter for the traffic police and there is a lack of information specifically for the core network. Collation and analysis of accident data needs to be improved for transport network management, transport planning and engineering usage.

Although road accidents are primarily due to driver behaviour, the propensity for accidents is exacerbated through poor alignment, lighting and drainage, the combination of which cause accident black spots. It would be very helpful if participants registered accident black spots on the core

network in the SEETIS network inventory and condition database - and develop schemes for their elimination.

Currently there is no practise to carry out safety audits in SEE and measures should be put in place to start to implement audits starting with the core road network.

4.06.2 Rail and Inter-modal transport

The core railway network loading and structure gauge may not be appropriate for Inter-modal transport in SEE – or at least parts of the system. The technical requirements for Inter-modal transport should be ascertained and sections or locations where there constraints identified. This can be done as a part of the Inter-modal development strategy.

SECTION 5. CORE NETWORK INVESTMENT PROGRAMME

5.01 Project selection and prioritisation

Investment projects needed for the development of the core regional transport network were identified in the Regional Balkans Infrastructure Study (REBIS), which proposed 130 projects for implementation between 2004 and 2009. About 40 of these projects have advanced. Since completion of REBIS many projects have changed and additional projects been identified, which have been submitted to SEETO. SEETO has established procedures for the submission of projects and management of project data.

As described in Section 2, project information is collected through the medium of questionnaires issued by SEETO to the National Co-ordinators. Collected information is stored and managed in the SEETO project database. Participants will in future have access to the database for direct updating, but currently this is done by SEETO upon receipt of revised information. Participants have the possibility of viewing project information from all participants.

It is expected that participants refer to related projects to improve planning and preparation of their own projects and raise the quality of project information provided.

The deadline for the receipt of project data is normally one month before the completion of the Multi-Annual plan. With the present document being the first plan, the deadline was two weeks before completion, that is to say 24th February 2006. Because the multi-annual plan is a rolling process, projects may be submitted at any time for inclusion in the next Plan (for 2007 to 2011).

The total number of projects submitted to SEETO was 241. Of these 160 were found to have sufficient information to be placed in the project pool. A summarised listing of these projects by project and domain is presented in Table 5-1. A full listing of projects is contained in Annex D.

General planning procedures used in the preparation of the Plan are contained in SEETO Technical Note 1, while the particular process of project prioritisation and selection, agreed by the Steering Committee on 14th February 2006, is described in SEETO Technical Note 3.

Table 5-1 Summary of All Submitted Projects

Domain	Transport Mode					Total
	Airport	Inland Waterway	Railway	Road	Sea Port	
Albania				14		14
Bosnia & Herzegovina	4		12	16		32
Croatia	1		15		6	22
FYRO Macedonia	2		8	12		22
Serbia	4	7	6	21		38
Montenegro	3		2	20	2	27
UNMIK/Kosovo	2		1	2		5
Total:	16	7	44	85	8	160

The project prioritisation procedures followed by SEETO were agreed with the Steering Committee, and then applied to derive the list of priority projects formally presented in the Final Draft of this Plan. Several modifications were then made by the Committee at its formal meeting of April 27/28, 2006, so as to give the final agreed list of projects. This final agreed list is presented in Table 5-3.

The SEETO selection process relates to the general strategy for Core Network development outlined in Section 3. Arising from the strategy are five key considerations that have been applied to projects before they are considered for prioritisation:

- Projects shall pre-eminently have high regional interest.
- Projects shall have good economic performance whilst stimulating wider development.
- Projects shall be financially sustainable and leverage private investment where possible.
- Projects shall contribute to the environment, provide modal balance and promote social cohesion.
- Technical solutions shall be appropriate, adopting international standards where feasible.

Following an initial selection, projects have been prioritised using criteria agreed by the Steering Committee. The Criteria are grouped according to the general strategic headings:

Enhancing regional interest

- Coherence with planned projects in other countries
- Proportion of international traffic
- Inter-operability

Stimulating economic development

- Economic feasibility
- Development impact
- Accessibility

Ensuring financial sustainability

- Investment cost
- Financial sustainability
- Financing, including level of commitment
- Possibility of private financing

Improving environment and social impact

- Environmental impact
- Promoting sustainable mobility
- Social impact
- Inter-modality

Using appropriate technical standards

- Technical feasibility
- Defined technical standards

To ensure that priority projects reflect the current needs of the region as a whole, the relative importance of evaluation criteria was determined by the Steering Committee and its Technical Secretariat. The considered weights of individual Participants were made by their delegations to the Steering Committee meeting of February 2006. The weightings used to prioritise investment projects for the 2006 to 2010 plan are shown in Table 5-2.

To enable a single priority project list to be compiled from projects of different modes and types, multi-criteria analysis was used. The procedure ranks projects by scoring each criteria, and then totalling the products of the individual scores and their assigned weights. **An explanation of the steps taken and the analysis itself is contained in Annex E and also in Technical Note 3.**

The evaluation criteria weighting used in the prioritisation of all projects in the project pool was the average of those of the Participants, the EC and SEETO, as shown in the final column of Table 5-2.

It is to be noted that regional and economic development criteria each account in Table 5.2 for very similar total weights of around 28 out of 100. Due to the regional framework in which SEETO operates, it is perhaps natural that regional criteria should be highly valued in the SC weighting. It should be emphasised, however, that the general requirement is also assumed that any project should attain in a full feasibility study a minimum level of economic viability, without which it should not be considered for further action unless there are very compelling other non-economic criteria.

Table 5-2 Criteria Weighting to be used in the Preparation of the Multi-Annual Plan

	Criteria	Group	ALB	BIH	CRO	KOS	SER	MON	MAC	EC	SEETO	Total
	1. Regional Interest	28										
1	Coherece with other projects		15	9	15	15	20	20	10	20	8	14.7
2	Proportion of International Traffic		8	3	8	2	5	10	2	20	8	7.3
3	Interoperability + cross border elements		6	3	7	8	5	5	8	5	8	6.1
	2. Economic Development Impact	28										
4	Economic Feasibility		18	20	10	7.5	8	5	10	5	9	10.3
5	Development impact		10	11	5	7.5	10	8	16	5	18	10.1
6	Accessibility		7	9	5	15	7	7	9	5	10	8.2
	3. Financial Sustainability	20										
7	One off costs		5	0	7	5	2	3	5	5	6	4.2
8	Financial Sustainability		5	5	4	5	2	5	10	10	5	5.7
9	Financing (including level commitment)		3	4	4	5	8	5	5	5	3	4.7
10	Possibility of private financing		2	6	10	5	8	2	0	5	3	4.6
	4. Environmental and social impact	14										
11	Environmental impact		3	3	6	3.5	2	3	4	5	6	3.9
12	Promoting sustainable mobility		3	1	5	3	3	2	0	5	1	2.6
13	Social impact		4	4	4	3	8	8	4	0	4	4.3
14	Inter-Modality		2	2	2	3	2	7	2	5	4	3.2
	5. Technical Standards	10										
15	Technical feasibility		5	15	5	7.5	5	2	8	0	3	5.6
16	Defined technical standards		4	5	3	5	5	8	7	0	4	4.6
		100										

Some of the IFI's represented in the Infrastructure Group (ISG) have strongly expressed the view that higher weighting should be given to economic feasibility. Hence alternative evaluations were run with the following modifications to the weighting procedure:

- (i) *the combined weight of the Economic Development Impact group (Group 2) was increased from 28 to 50, with corresponding proportional reductions in all other weights;*
- (ii) *the weight of the Economic Feasibility criteria only (Item 4) was increased from 10.3 to 50, with corresponding reductions in all other weights.*

In practice these changes were found to make little change to the overall ranking of projects. Under each test, 28 of the 30 highest ranked projects still appeared in the top 30 (see results in Annex E).

The strategy for the development of the core network will change in emphasis in the future so as to reflect changing needs. Additionally information for evaluation of each project will become more comprehensive.

Criteria weighting will be revised by the Steering Committee for each Multi-Annual Plan.

One of the main factors that contributes to the project's economic rate of return is the value of time, because time can be spent more productively in work than in transport. The issue is to how to reconcile the different values placed on time across the region to avoid bias to wealthier countries.

The adjustment of the value of time using purchasing power parity is recommended.

It is to be noted that several projects were at a very early stage of evolution and do not have EIRR calculations; where this is the case a proxy ratio of traffic to unit construction cost was used.

5.02 Priority Investment Programme

The 2006–2010 priority investment programme comprising 21 project groups is presented in Table 5.3. The following factors have been taken into account in formulating the investment programme:

- Ensuring that the most strategically important individual project components are included;
- Obtaining a balanced network development programme;
- Ensuring a corridor/route approach;

- Providing modal balance;
- Achieving regional balance;
- Project preparatory status;
- Including a flagship project.

Modifications made by the Steering Committee at its meeting in April 2006 also gave weight to key regional strategic priorities.

It is necessary to emphasise that the MAP is not completely comprehensive and that some elements of the Core Network are missing; for example Croatia has submitted no road projects, there are no inter-modal projects etc. The coverage of the Core Network is expected to increase in the future. It is important to state that the investment plan will be reviewed on an annual basis, and that feasibility studies and analyses will always be needed before projects progress to the implementation stage.

For the holistic development of the Core Network, the programme includes a balance of corridor, route and terminal projects. This allays concerns that investment will only be attracted to corridors. The priority projects cover 8% of the road network and 20% of the rail network, 30% of identified bottlenecks on the Danube, three out of eleven airports, and three out of seven seaports.

The programme has assembled projects to provide development continuity in one section of a corridor or route. The locations of the projects are charted in Figure 5.1.

All modes of transport are included in the priority investment programme so creating the potential for multi-modal development. However, evidence of the multi-modal aspirations for the Core Network as stated in the MoU cannot at present be found in the projects submitted to SEETO.

The status of project components in the investment programme comprises 50% that are at an early preparatory stage requiring feasibility studies; 40% are at a more advanced stage with feasibility studies carried out and designs completed, and for 10% work has started but financing has been curtailed. Projects included in the Plan omit those that are substantially advanced with financing agreements in place.

5.03 The Priority Projects

5.03.1 Corridor X - Road (Project 1)

The Belgrade by-pass was the highest ranked of all projects. Corridor X is the most important element of the core transport network, linking countries together from Turkey and Greece through Bulgaria, FYR of Macedonia, Serbia, Croatia and Slovenia to Austria. Most of the Core Transport network feeds to it. Present average annual daily traffic AADT of 15,000 is set to increase at 6 per cent per annum to over 20,000 in 2010 and to 40,000 by 2020. The E 75 is mostly 4-lane motorway, tolled in Croatia, Serbia and FYR of Macedonia. The most densely trafficked section of 127,000 AADT is on E 75 through Belgrade. A high proportion (25%) of the traffic is regional or international. Congestion in Belgrade slows through traffic, damages city infrastructure, pollutes air and water, and causes accidents. The proposed bypass will save 20 minutes of journey time for through traffic and permit the city to develop. The Bypass will also facilitate good inter-modal links between road, rail and inland waterway.

5.03.2 Corridor X- Railway (Projects 2, 3, 4)

Permanent speed restrictions of about 50 per cent of the design speed exist over most of the route, typically reducing operating speeds from 120 kph to 60 kph. The travel time from Thessalonica to Ljubljana (1,200 km) is 22 hours of which border waiting time accounts for two hours. The project aims to rehabilitate track signalling and communications. It will reduce journey time by eight hours and is expected to regenerate demand for this vital railway route. The project sections included in the 2006 to 2010 plan will complete the double-track route through Croatia, Serbia and FYR of Macedonia. Such significant time savings will generate radical changes to the timetable and in the utilisation of assets. Starting from a very low position in the market, current daily traffic of about 70 trains is expected to increase to 100 trains daily after the project is completed and to 140 trains per day by 2020. Revenue generated from this route accounts for a significant portion of total revenue for each railway. The project depends on successful restructuring and close collaboration of all the railway administrations, together with open access, outsourcing, inter-modal development and the private sector. With completion of the project, the city of Nis has the potential to become a major regional logistics centre. Rail (and road) development require to be embedded into land use and development plans that can mobilise investment and create new jobs. A product plan prepared by all interested railways is a necessary precursor of this project.

5.03.3 Corridor V c (Project 5)

Corridor V c comprises important through road and rail routes from the port of Ploce via Mostar, Sarajevo and Osijek to Bucharest in Hungary. In the longer term it is planned to upgrade the whole Bosnian section to motorway standard. The presently selected project components will create 82 km

of motorway near Mostar and north of Sarajevo, and upgrade 48 km of existing road south of the Croatian border, thus contributing to economic development within Bosnia while also facilitating the movement of through international traffic. The project should be packaged with a) a detailed planning, development and financing study for the whole of the proposed Motorway, building on the pre-feasibility work completed in 2005, and b) technical assistance to the Ministry of Transport to increase its planning capacity.

5.03.4 Corridor VII - Inland Waterway (Project 6)

The Danube has several channels that are too narrow for vessels to pass due to silting. The project aims to widen channels, and remove sand-banks and shoals, so as to provide unrestricted passage for an increasing number of vessels. River traffic at around 10 million tons per annum is expected to rise significantly. The project fully complies with the EU Transport Policy, promoting sustainable mobility by optimising the use of low-cost and environmentally friendly modes. The project is a part of the Danube Master Plan, much of which is currently being implemented. Maintenance of the waterway is currently under state control, and restructuring and outsourcing of management and maintenance of the waterway should be included as a part of the financing of this project.

5.03.5 Corridor VIII (Projects 7, 8)

Albania suffers from low accessibility and is poorly connected to neighbouring countries. Completion of the Rogozhine by-pass will relieve congestion at a key point on the route from Durres port to Greece and FYR Macedonia. The new motorway sections in Macedonia will give substantial benefits to traffic and boost economic development along this important through route between the Adriatic in Albania and the Black Sea in Bulgaria.

5.03.6 Routes 1,2b,4 & 7 (Projects 9 to 16)

Poor connectivity and social fragmentation characterise the remoter areas of SEE. Development of the road routes of the Core Network will help improve social integration and access to markets, and provide better infrastructure for the development of tourism. The programme aims to improve links between Bosnia, Montenegro and Albania along the important international Route 2b. The proposed mini by-pass of Podgorica will permit the high volumes of tourist traffic to circumnavigate the city. Route 1 enhances safer levels of service along the heavily used coastal route in Montenegro between Croatia and Albania, while investments along Route 7 will both improve a long section of road in Albania and relieve heavy congestion in the city of Pristina in Kosovo. Railway rehabilitation between Bar and the Serbian border will play a key role in improving links between the Adriatic and Belgrade.

5.03.7 Airports (Projects 17, 18, 19)

Aviation demand continues to increase and with *open skies* the market in SEE is set to expand at 10 per cent annually. The Core Network contains eleven airports. The aviation sector is now reorganising, with management of one airport – Tirana – already privately managed and others set to follow. The three projects prioritised in this Plan are in Belgrade, Split and Pristina. In Belgrade taxiways are needed to improve safety and increase runway capacity; in Split the apron needs expanding to meet rising demand; and in Pristina reconstruction and modernisation is needed to provide better service to the land-locked territory. Projects should be linked to proposals for restructuring airport management, with outsourcing and private sector involvement where possible.

5.03.8 Seaports (Projects 20, 21)

The three seaport projects are very different, but of the same importance. In Dubrovnik, the numbers of international passengers are increasing rapidly and a new terminal building is needed, while at Ploče port the expected increase in cargo traffic means that a new cargo-container terminal with transport integration system is required. In Bar the quays are in a very poor condition and require urgent repairs to avoid failure. The seven ports of the Core Network have the potential to link to the Motorways of the Sea, but, in comparison to the Ports of the EU, demand is insufficient at any one port to create the density of flow needed to truly support the multi-modal logistic chain that is envisaged. A regional Port strategy should be packaged with funding of those projects that help create an optimal port transport system for SEE.

Table 5-3 Priority Projects for the Development of the South East Europe Core Regional Transport Network, 2006 – 2010

1	2	3	4	5	6	7
1	Corr. X	RD	Completion of Belgrade by pass, Sector 1-3: Dobanovci -Ostruznica;	FS/CD	Serbia	SERRD017.2
	Corr. X	RD	Completion of Belgrade by pass, Sector 0: Batajnica - Dobanovci	FS	Serbia	SERRD017.1
	Corr. X	RD	Completion of Belgrade by pass, Sector 4: Ostružnica - Orlovača	FS/CD	Serbia	SERRD017.3
	Corr. X	RD	Completion of Belgrade by pass, Sector 5-6: Orlovača-Bubanj Potok	FS/CD	Serbia	SERRD017.4
2	Corr. X	RW	Rehabilitation of rail track: Savski Marof-Zagreb section	TR	Croatia	HRVRW028.1
	Corr. X	RW	Remote rail control traffic system Savski Marof-Zagreb-Tovarnik	PS	Croatia	HRVRW027
3	Corr. X	RW	Upgrading signalling & telecommunications:Tabanovci-Gevgelija section	TR	FYRoM	MACRW022
	Corr. X	RW	Rehabilitation & upgrading rail track: Tabanovci-Gevgelija section	TR	FYRoM	MACRW025
4	Corr. X	RW	Upgrading of railway line Beograd-Niš	PS	Serbia	SERRW022
	Corr. X	RW	Upgrading of railway line Stara Pazova-Šid (CRO border)	PS	Serbia	SERRW021
5	Corr. Vc	RD	Reconstruction of Šešljje - Šamac	TR	Bosnia	BIHRD006
	Corr. Vc	RD	Completion of motorway, Section Zenica/Donja Gracanica - Kakanj	PS	Bosnia	BIHRD049
	Corr. Vc	RD	Completion of motorway, Section Kakanj – Vlakovo (Sarajevo by-pass)	PS	Bosnia	BIHRD049a
	Corr. Vc	RD	Construction of Mostar by-pass, connected to Corridor Vc	TR	Bosnia	BIHRD010
6	Corr. VII	IW	Danube Riverbed Restoration, 5 Sections	TR	Serbia	SERIW032-36
7	Corr. VIII	RD	Construction of Rogozhine Bypass	CD	Albania	ALBRD004
8	Corr. VIII	RD	Construction of motorway, Section Deve Bair – Kriva Palanka	CD	FYRoM	MACRD029
	Corr. VIII	RD	Construction of motorway, Section Gostivar - Bukojcani	CD	FYRoM	MACRD028
9	Route 1	RD	Road rehabilitation (section: Debeli brijeg-Bar)	TR	Monte.	MONRD030
10	Route 2b	RD	Upgrading Hani Hotit – Shkoder road	PS	Albania	ALBRD007
11	Route 2b	RD	Bypass Niksic	TR	Monte.	MONRD028
	Route 2b	RD	Road rehabilitation (section: Scepan polje-Pluzine)	TR	Monte.	MONRD038
12	Route 2b	RD	Construction of Brod na Drini (Foča)-Hum (Šćepan Polje)	TR	Bosnia	BIHRD021
13	Route 4	RD	Eastern mini-bypass Podgorica	FS	Monte.	MONRD029
14	Route 4	RW	Rehabilitation of Vrbnica – Podgorica - Bar railway line	TR	Monte.	MONRW013
15	Route 7	RD	Upgrading Milot – Morine road	FS/CD	Albania	ALBRD013
16	Route 7	RD	Construct Pristina western by-pass	PS	UNMIK	KOSRD011
17	Airport	AP	Functional improvements of airside at Belgrade airport	CD	Serbia	SERAP003
18	Airport	AP	Split Airport: New Aircraft Platform i.e. apron	TR	Croatia	HRVAP002
19	Airport	AP	Rehabilitation of Pristina Airport	FS	UNMIK	KOSAP001
20	Sea Port	SP	Port of Ploče: Transport and Trade Integration	PS	Croatia	HRVSP010
	Sea Port	SP	Port of Dubrovnik: Construction of international passenger terminal	PS	Croatia	HRVSP011
21	Sea Port	SP	Reconstruction of Volujica Quay, Port of Bar	TR	Monte.	MONSP011

Key

- 1 Project sequence number
- 2 Core network element
- 3 Mode: RD Road; RW Rail; IW Inland Waterway; AP Airport; SP Seaport
- 4 Title of project or project component
- 5 Project status: TR T of Ref; PS Pre-feas. study; FS Feas. study; CD Completed design
- 6 Country/ Entity
- 7 SEETO Project Database Reference Number

5.04 Further Project Information

The location of each of the project components in Figure 5.1 is produced from the developing SEETO Geographic Information System – SEETIS. These locations are shown in Figure 5.2. The quality of the mapping and content of the GIS will improve as more data are entered.

Project fiches for each project included in the Priority Programme are contained in Annex E. Project data covering all projects submitted to SEETO are available from the web site www.seetoint.org.

A directory of all projects is included in Annex E, sorted by country, status, Core Network position and mode. Projects submitted without minimum information and those not on the Core Network are separately listed.

Projects excluded from the 2006 to 2010 Plan will again be evaluated, using revised criteria weighting and updated project information, for the 2007 to 2010 and subsequent Plans.

In some cases it is noted that project details submitted exclude the results of even recent feasibility and other studies known to have been funded by the EC and others. It is in the interests of project proponents to supply the fullest information to SEETO on each of the projects – including attaching related project documentation, mapping etc. Full project information should be provided by the project proposing agency such as the road department, railway company or airport.



Figure 1 Location of priority seaport and waterway projects



Figure 2 Location of priority railway projects



Figure 3 Location of priority road projects



Figure 4 List of priority airport projects

SECTION 6. ACTION PLAN

6.01 Structure

The action plan for the development of the core transport network is a time-bound programme of actions for implementation, combining soft measures in Section 4 with investment projects in Section 5.

Soft actions and measures are grouped into four major programmes, based on the information contained in Annex C. Description of each programme is contained in sub-section 6.02. The Programmes comprise sub-components related to measures proposed, resources, funding and programme management needs.

Priority investments described in Section 5 are organised in the plan by mode and corridor. The action plan includes the preparatory phases such as feasibility studies, with interlinking of projects within individual corridors and routes. The key to the Action Plan is contained in Annex F.

The Action Plan is preliminary, pending amendment and adoption of the Plan.

6.02 Soft Measures

Soft measures shall be implemented through four subsectoral programmes for the following reasons: a) to ensure harmonisation across the region and minimise disparity in implementation of regulations, b) to provide focus and increase the possibility for collaborative actions, c) to enable a comparative and competitive response and a heightened sense of urgency, d) to expedite expertise in a consistent way, accumulating experience, avoiding the making of inconsistent recommendations by different planning teams, and e) to enable services to be procured and administered in the most efficient way.

The Soft Measures Programmes for implementation over the years 2006 to 2010 are as listed and described below. Refer also to Annex C. For the 2007 to 2011 Plan the soft measures programme will include Inland Waterways and for the 2008 to 2012 Plan the Aviation Sub Sector.

The role of SEETO is to mobilize country commitment to take short and medium term actions that focus on improving the use and operation of the Core Network. Proposed measures which are considered to be urgent and requiring immediate implementation are emboldened.

6.02.1 Programme 1: Transport Sector Planning Capacity Support

Programme Objective: To provide substantive support to the reform process in the sector as a whole, ensuring a regional approach while minimising disparity to create optimum conditions of economic development and maximising the possibility of private sector interest.

Sub-Components:

- Ts 01 Support to SEETO including engaging National Coordinators,**
- Ts 02 Regional harmonisation of new legislation and regulations (implementation of *aquis communautaire*)**
- Ts 03 Trade and Transport Facilitation Phase II**
- Ts 04 Improving project preparation capacity**
- Ts 05 Develop a special social strategy
- Ts 06 Harmonisation of transport policy
- Ts 07 Support to the preparation of integrated land use and development plans
- Ts 08 Assistance to the Development of Sectoral Services Industry
- Ts 09 External EIA audit

6.02.2 Programme 2: Regional Road Transport Sub-Sector Development

Programme Objective: To ensure that the core road network provides regionally consistent levels of service, and is sustainably managed and organised in a collaborative way for private sector participation.

Sub Components:

- Rd1 Monitoring budgeting for routine maintenance**
- Rd 2 Promoting and monitoring safety audits**
- Rd 3 Harmonising the recovery of long term marginal costs from road users**
- Rd 4 Monitoring planning controls on road-side development**
- Rd 5 Preparing level of service agreements**
- Rd 6 Outsourcing maintenance management**
- Rd 7 Fostering private sector participation

Comments on Implementation: The proposed execution would be most desirable through a well-established and contemporarily managed roads agency or motorway concessionaire. The programme should include substantial elements for training in road sector management.

6.02.3 Programme 3: Regional Railway Sub-Sector Development

Programme Objective: To ensure that the railway system is restructured and managed in a regionally holistic way, providing services to contemporary standards and fully fulfilling its role in the general economic and social development of the wider region.

Programme Sub-components

- Rw01 Regional monitoring - implementation of EU Aquis Communautaire**
- Rw02 Through operations facilitation and action plan**
- Rw03 Border controls on moving trains**
- Rw04 Regional Railways sub-sectoral strategy and Preparation of Common Network Statement**
- Rw05 Preparation of product plan for Corridor X**
- Rw06 Establishment of locomotive and rolling stock leasing company
- Rw07 Harmonisation of infrastructure user conditions and basis for charging
- Rw08 Harmonise conditions for public sector obligations
- Rw09 Prepare and implement EDI programme
- Rw10 Development of regional railways industry /services sector
- Rw11. Harmonisation of legal conditions for carriage of passengers and goods
- Rw12 Harmonise and simplify freight tariff structure

Rw13 Development of common marketing

Rw14 Promoting SEERAIL concept

Comments on Implementation: The proposed execution would be most desirable through a well established and contemporarily managed railway operator in collaboration with an independent consulting company – independence is pre-requisite given the potentiality for conflict of interest. Part of the TA should be set up as a regional railways restructuring task force, so as to ensure consistency across the region. The programme should include substantial elements for training in rail sector management.

6.02.4 Programme 4: Inter-modal Development Programme

Objective: To promote and encourage the development of inter-modal transport in SEE.

Programme Sub-components:

Im01 Multi-modal development capacity building

Im02 SEE Inter-modal Development Strategy

Im03 Provide the legal basis for multi-modal operations

Im 04 Provision of private sector incentives.

Comments on Implementation: To be elaborated with private sector freight forwarders / expeditors and shipping lines; linked to Motorways of the Sea Policy.

Equipment Fund:

An equipment fund for railways and inter-modal development may provide a useful instrument not only to gain short-term improvements in services, but also to stimulate long-term change. The equipment could, for example, provide the start up for a private equipment leasing company. A budget of 50 million euro may be appropriate. The details of an equipment fund and its modalities will be worked up with IFIs for the next plan.

6.03 Action Plan for Priority Investment Projects

6.03.1 Plan Description

As described in Section 5, the Plan contains 33 sub-projects, arranged in 21 project groups to align with particular parts of the Core Network and comprising 19 road sections, 7 rail sections, 1 waterway (5 sections), 3 airports and 3 seaports. The distribution of sub-projects by link or node is 18 sections of corridor; 9 sections of routes, and 6 terminals. The priority investment programme includes all participating entities. Of the 33 sub-projects, 18 are for rehabilitation and upgrade, and 15 for new construction; the new projects include 9 bypasses, 4 new motorway links, 1 new road link, and 1 new port terminal.

Project status using information submitted by participants shows that 9 sub-projects are prepared with designs completed; with feasibility studies completed for 7 sub-projects. However, 18 are at the earliest stage of preparation, with 4 having the benefit of pre-feasibility studies and 14 terms of reference only.

The Action Plan takes into account the preparation status of projects, and is presented in Figure 6.1. The Plan shows the programme group number, MCA ranking, subproject title and SEETO code, country origin, the project type, length of the core network, costs and status in the columns. The bar chart places one of seven activities necessary to bring the sub-project to realisation over the 2006 to 2010 period. A key to the actions is provided. The plan is based both on information received and on expert opinion in SEETO.

6.03.2 Plan Implementation

The majority of the projects are to be realised during the period, so that timing of each component within the 2006 to 2010 period is not critical. However, this may be an optimistic assumption that will need to be modified in the next plan.

SEETO suggests establishing (in consultation with SC/NC, and after Plan acceptance, i.e. June 2006) a starting point for the activities related to priority projects start-up.

The funding requirements for the entire plan are discussed in Section 6.06.

During the remainder of 2006 the following actions are envisaged:

- For 13 sub-projects - ToRs to be sent to SEETO for an opinion and advice regarding the content of the feasibility study to ensure that regionally adopted planning criteria are reflected

- in the scope of work and regional linkages with closely connected projects are mentioned. In this way SEETO may help to add value to project preparation in terms of regional interest.
- For 9 sub-projects – pre-feasibility studies to be sent to SEETO for advice as to the next steps and areas of focus for the feasibility study.
 - For 3 sub-projects, project feasibility studies to be sent to SEETO for an opinion as to whether more work needs to be done to get the project to a bankable stage.
 - For projects with completed designs and feasibility studies, governments to progress directly with IFIs and advise SEETO of response.

The foregoing process will identify project preparation needs for near-term assistance from IFIs. It is expected that by end-2007 all projects in the priority list will be prepared to a Bankable stage. The total cost of 18 to 20 feasibility studies may be approximately € 6 million. It has to be emphasised that no project should proceed to implementation until it has been subject to a full and satisfactory economic appraisal.

It was agreed at the Steering Committee meeting in April 2006 that feasibility or pre-feasibility studies should require to be completed within two years for all prioritised projects where these do not already exist. In the absence of studies within this period the status of projects concerned should be considered open to review.

6.04 A Synthesis of the Plan

6.04.1 Transport Sector

The sector as a whole will be supported through a number of measures that will improve its response at the regional level and enable it to progress its reforms in a harmonised way. The programme will strengthen capacity and provide advice on the preparation of projects and training for preparing projects in future programmes. Trade will be facilitated, and the inclusion of the Working Group for Trade and Transport Facilitation (refer to Annex G) will enhance coordination and minimise overlap.

6.04.2 Roads

The roads sector will benefit from attention to levels of service, safety auditing, and enforcement to ensure that the levels of service are not undermined by rampant and unrestricted roadside development. Coordination will be provided by a working group for road operations using instruments such as memoranda of understanding. The TA will augment the investment programme and assist borrowers to implement conditions that may be required by the IFIs, especially in respect of road funding and maintenance. The TA will provide benchmarking and regional comparisons to facilitate general improvement. The sub-sector also requires very large investment for development of the motorway system, expected to come mostly from the private sector. A collaborative approach will be encouraged in the programme that may enable the establishment of a regional motorways company.

6.04.3 Railways

The need for a regional approach for rail is possibly greater than for road. SEETO will draw up ToR for the TA required with the rail and inter-modal working group, and present it for IFI consideration later in 2006. A single regionally based task force for railways restructuring is advocated, because of the need to ensure consistency of approach and a most efficient and urgent response. The working group for rail will coordinate the programme. Investment in railways is considered to be most urgent. With IFIs having become very concerned about the financial position of railways, this programme will provide continuous feedback of progress being made.

6.04.4 Aviation

The sector is supported in the action plan with investment in three projects that will increase capacity and improve safety. There are no soft measures included in this plan for 2006 to 2010, but they are expected to appear in the plan for 2008 to 2012. The need to ensure a regional approach is more assured in aviation due to the importance of international bodies including IATA and ICAO. Following ongoing activity in the field of the European Common Aviation Area, an agreement was reached on 20 December 2005 on the final text of the agreement to create the European Common Aviation Area (ECAA) with all of the 11 partners concerned (Norway, Iceland, Romania, Bulgaria, Croatia, Serbia and Montenegro, the Former Yugoslav Republic of Macedonia, Bosnia Herzegovina, Albania, UNMIK and the Community).

6.04.5 Inland Waterways

The Danube waterway has a relatively limited programme of investment in this Plan to remove bottlenecks produced by silting. However, other investment projects are being implemented. The main soft issue (not elaborated elsewhere in this Plan) is to ensure that maintenance dredging is

carried out in a sustainable way, and that general navigation is improved. A more comprehensive programme is expected to be included in the plan for 2007 to 2011.

6.04.6 Maritime Transport

Development of the most cost-effective Inter-modal logistic chain to a significant gateway port is the key to responding to the policy of the Motorways of the Sea. Though not included in the 2006 to 2010 Plan, the need for a regional Port and Hinterland transport strategy is increasingly apparent.

6.04.7 Inter-modal

The soft programme aims to kick-start Inter-modal activity in the region. It is to be noted that there are no Inter-modal projects in the SEETO project pool. It is expected that the programme will change this situation. The TA proposed will be coordinated by the rail and inter-modal group, described in Annex G.

6.05 Oversight; Management of Core Network Development

6.05.1 Government

The principle responsibility of government will be to ensure that soft programmes are fully supported with counterpart personnel in appropriate positions and available to participate in the variety of activities on the agenda. Governments will need to ensure financial provision for the regional coordination effort, already included in the SEETO Agreement that requires first payments from June 2006. Timing adjustments may be needed in response to the latest information received - generally involving delays, as the lead time for project realisation is quite long. The governments are also expected to endorse ToRs, commission studies and actions, and ensure that information flows are realised. In some rare cases budget provision may be needed for the collection of non-available data. Governments may in future be able to delegate powers to negotiate with IFI's to autonomous agencies.

6.05.2 Steering Committee

The Steering Committee is expected to promote the Multi Annual Plan within governments and associated agencies. To that end meetings may be arranged for SEETO to assist SC members and the NCs. Future SC meeting agenda shall be more structured than in the first year of the project, and shall include:

- review the progress of the Plan
- coordinate preparation of projects
- sharing of information etc
- approval of ToRs for regional actions
- reports from working groups
- SEETO operations.

Meetings should be held regularly, say four times per year.

6.05.3 Working Groups

Working groups will develop agenda to review and monitor reform, pre-empt problems and propose actions according to the strategies embedded in this Plan. The first working group to be set up will be responsible for Railways and Inter-modal Transport, the next will cover Trade and Transport Facilitation, and others may follow. The draft ToRs for the first two groups are contained in Annex G. At the April 2006 meeting the Steering Committee adopted the ToR for the Railway Group.

Participation is expected from governments of the MoU signatories and neighbouring countries. Expertise will be brought in as needed and the private sector involved when appropriate. The first meetings of the groups are expected in 2006, and first recommendations will be included in the 2007 to 2011 Plan.

6.05.4 SEETO

SEETO will implement its scope of work agreed by the SC in April 2005 and formalised in the SEETO Agreement signed in Skopje on 10th April 2005. Its duties will include provision of regional information; organisation of meetings, promotion of the development of the Core Network, liaison with Corridor Secretariats, maintaining close links with EC, ECMT, UNECE and other bodies; developing close links also with IFIs. With respect to the Plan, SEETO expects to advise on ToRs for feasibility studies, organise the soft programmes, and monitor progress.

SEETO will be providing an increasing range of services to the governments of the region, stakeholders, investors and users, specifically through the following services and activities;

- Technical secretariat for the coordination of the development of the core transport network;
- Corridor technical secretariats for coordination of the development of transport network on Corridors;
- Organisation of meetings, workshops and general participation at the regional level;
- A GIS-based information system containing all project information and network data, contracting expertise and progressing studies;
- Information sharing on project status including advice on pipeline projects;
- Cooperation in certain activities such as regional studies, the development of regional sub-sectoral strategies etc.
- Collaboration on formulation of Multi-Annual Plans - in particular prioritisation and programming according to affordability;
- Project development and programming advice;
- Enhancing knowledge of international financing procedures and potential;
- Development and use of SEETIS (on-line interactive GIS information system);
- Exchanges on regional issues and reform;
- Participation at key meetings.

SEETO is legally constituted and registered, and will be fully funded locally from 2008. SEETO is also the only official regional organisation responsible for coordinating the development of the Core Transport network. The SC is the only body officially constituted to make decisions regarding coordination of the development of the regional Core Network. Therefore the SC and SEETO form together a sound institutional asset that can be used by IFIs and stakeholders to assist in implementing a regional agenda in the transport sector. **To this end it is proposed that the SEETO is allocated an annual budget to procure consulting services, coordinate studies and other actions of a regional nature.**

Also during the first half of the 2006 to 2010 planning period there will be need to establish a secretariat to cover the coordination of the proposed SE Axis. Moreover, it is clear that the SEE Core Transport Network covers territories other than those of the signatories. **It is proposed that the coverage of SEETO should convert from the SEE Core Network to that of the SE Axis by 2008.**

6.06 Financial Requirements

6.06.1 Expected Investment Needs

Investment requirements for the prioritised 2006 to 2010 projects amount to approximately € 1.85 billion over the five years. This total is classified by country and year in Table 6-1. The total represents some 22 per cent of the total estimated cost of € 8.6 billion for all regional projects originally submitted to SEETO. The average cost of the 21 projects selected for the Plan is about € 88 million. In addition a further € 0.06 billion will be required for associated soft projects, giving a total planned expenditure of € 1.91 billion. Fuller details are contained in Annex H.

Table 6-1 Investment Requirements by Country and Year (Mill €)

Country	2006	2007	2008	2009	2010	Total
Albania	0.00	68.17	75.29	73.81	7.13	224.40
Bosnia & Herzegovina	0.00	7.50	99.89	139.87	130.84	378.10
Croatia	0.00	7.50	57.87	62.01	40.32	167.70
FYRoM	0.00	69.94	119.94	86.27	50.00	326.15
Serbia	3.60	60.40	176.39	176.42	123.79	540.60
Montenegro	0.00	13.75	41.09	33.57	33.59	122.00
UNMIK/Kosovo	0.00	0.00	28.79	28.81	28.79	86.39
Total	3.60	227.26	599.26	600.76	414.46	1,845.34

6.06.2 Private-Public Partnership

Motorway projects in Bosnia and Herzegovina and in FYR Macedonia are expected to be financed by public-private partnership. The estimated amounts involved are € 260 million for Corridor Vc in Bosnia and € 160 million for Corridor VIII in Macedonia. SEETO proposes to hold a workshop on this key topic.

SECTION 7. EXPECTED RESULTS, MONITORING AND EVALUATION

7.01.1 Expected Results

Major improvements are expected in the management of the transport sector overall and each of the sub-sectors. Legal and regulatory reform is expected to be harmonised and agreement reached on the cost recovery and financing. Modal management will be devolved and a significant portion of work outsourced, so roads will be better maintained and the prospect of funding new roads through PPP will be much increased. Approximately 8% of core network roads will improve through priority projects as shown in Table 7-1, to which can be added projects that are ongoing, so by 2010 over 70% of the core road network will be in good condition. Railways will have restructured, downsized and become more financially sustainable; infrastructure shall be made available to private operators through a common network statement and the railways will be working together to redress the modal imbalance through a common commercial approach to the freight market and transit traffic. Priority projects covering 20% of the core rail network, together with projects that are ongoing, will increase the length of the rail core network in good condition to 50%. **However little change in modal split is expected as Inter-modal transport will not make an impact by 2010 in the absence of projects**, although an agreed strategy will be in place. Both Inter-modal and Maritime transport may start to improve logistics to regional ports. Airport capacity will have increased at three airports and regional traffic control will accord with Eurocontrol.

Table 7-1 Coverage by projects of the core network [km]

Corridor /Route	Inland Waterways	Railway	Road	Total
CVc			130	130
CVII	14			14
CVIII			48	48
CX		753	49	802
R1			19	19
R2B			94	94
R4		167	7	174
R7			151	151
Total:	14	920	498	1432

7.02 Monitoring and evaluation

According to the MoU, SEETO shall monitor the changes and improvements to the Core Network. In so doing it is presumed that signatories to the MoU will contribute the information needed. The physical, financial, operational indicators of performance to monitor the implementation of the Plan are proposed in Annex I for adoption with this Plan. These indicators may be revised in future as experience is gained of how well they can be used in practice to measure performance in the context of the region.

7.03 Sustaining Regional Cooperation SEETO

An important part of implementing the Plan is the continuation of the activities of the Steering Committee and of the Technical Secretariat SEETO to coordinate continuing regional cooperation. Funding, as well as other factors, is relevant and a real indicator of support. According to The SEETO Agreement Article 16, 'the amount of the contribution of each participant will be in proportion to the percentage of the financial amount for all projects of the participant to all of the projects of all of the participants that are included in the annual action plan. These proportions can be derived from Table 6-1.

7.04 Implementation

7.04.1 Dissemination

The Action Plan is a commitment of the participating countries to direct their efforts towards implementation in the laid down time horizons. The very nature of large investment projects in transport infrastructure causes these commitments to have implications for the administrations or institutions involved in the project cycle. It is therefore expected that the Plan shall be used as a tool to disseminate information on the commitments.

7.04.2 Institutional Risks

The capacity of institutions to handle and manage the actions and tasks will influence the implementation of the plan. Institutional capacity is a major concern throughout many parts of the region, and the Work Plan assumes that these shortages will be addressed. Technical Assistance projects aiming to increase institutional capacity in the transport sector are partially already on the way to implementation. Nevertheless, further efforts are certainly necessary.

7.04.3 Technical Risks

Other risks for timely implementation are those inherent to any major infrastructure projects (technical, planning, statutory approval). These risks shall be followed up in the monitoring process on project progress when more detailed information is made available.

7.04.4 Implementation of Soft Projects

The *EU acquis communautaire* obviates the need to introduce new legislation and regulations for the transport sector that signatories to the MoU appreciate; moreover a desire to initiate private sector interest in the development of transport sector necessitates significant changes in its governance. Above all, however, the need to ensure that transport users' receive the service that they require remains the overall imperative to reform. Implementation of reforms of the transport sectors of each participant would benefit from close cooperation to ensure that transport develops in a regionally holistic and coherent manner.

7.05 Plan 2007 to 2011

7.05.1 Next Plan

The next plan will cover the period 2007 to 2011. Its main features will include; projects geodetically located, network condition analysis; traffic analysis; traffic forecasts; accident data; border crossing performance. The 2007 to 2011 plan will contain projects that are prioritised in accordance with the agreed Methodology. The progress and status of projects included in this Plan for 2006 to 2010 will be monitored.

7.05.2 Overriding Condition to the next Plan

The above is conditioned by the availability and quality of information. A work programme that leads to the preparation of the next multi-annual plan for 2007 to 2011 has been approved by the Steering Committee. Participants will be advised during the period of the progress that is being made.