

14 Transport policy (Dimension 11)

The Western Balkans is a strategic region with excellent potential for transit traffic. A well-developed, sustainable, efficient, interoperable and integrated transport network could be a driver of closer co-operation with neighbouring European Union (EU) economies, leading to a single European and more competitive transport market. This chapter assesses the transport policy framework in the six Western Balkan (WB6) economies. It starts with a brief overview of the transport competitiveness of each economy, including performance on various global indicators, and then focuses on the three sub-dimensions that contribute to overall transport performance. The first sub-dimension, planning, measures the extent to which an orderly, coherent, consistent and transparent process is in place for developing transport policy and infrastructure. The second sub-dimension, governance and regulation, determines how well transport infrastructure and networks are regulated and operated, with a focus on rail, road, aviation, inland waterways and maritime transport. The third sub-dimension, sustainability, measures progress towards resource efficiency, environmental protection, reducing health impacts and increasing road safety. The chapter includes suggestions for enhancing policies in each of these sub-dimensions in order to improve transport performance and foster the competitiveness of the WB6 economies.

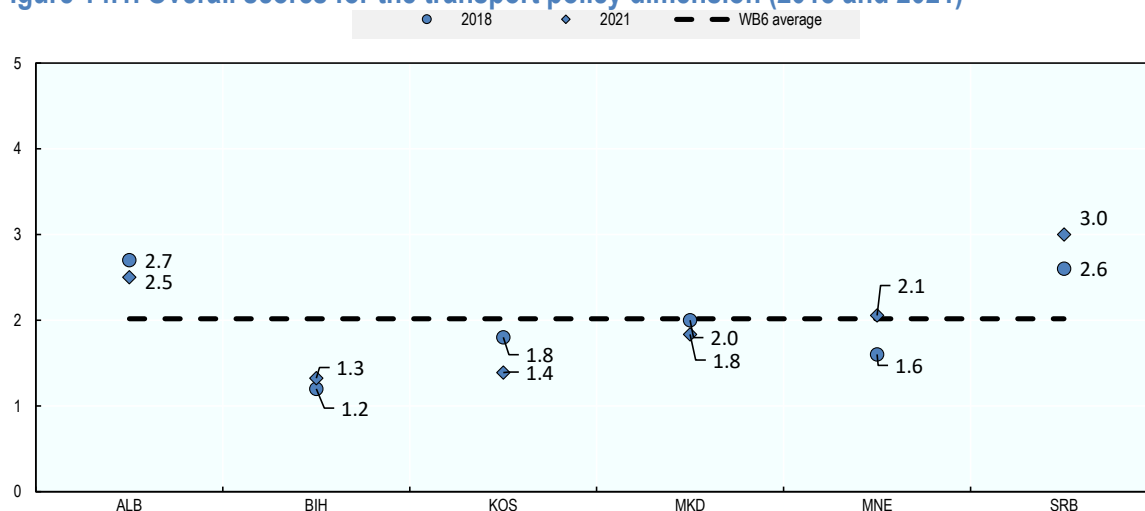
Key findings

- **Since the last Competitiveness Outlook (CO) assessment in 2018, the Transport Community Permanent Secretariat (TCPS) has been established with the aim of deepening the integration of the Western Balkans' transport markets into the EU market.** The TCPS will help WB6 economies adopt and implement EU legislation in the area of transport regarding common standards, network efficiency, and quality of service offered to citizens and businesses. Its headquarters have been in Belgrade, Serbia since 2019, operating under the Transport Community Treaty (TCT). The Ministerial Council of the TCPS endorsed regional action plans for roads, railways, road safety and transport facilitation in October 2020.
- **Five of the WB6 economies have developed long-term transport strategies, while Serbia is currently in the procurement process for developing its new strategy.** The development of these strategies is mainly funded by international financial institutions (IFIs). A remaining challenge, also noted in the previous CO assessment, is that most of the economies' transport-related strategies lack corresponding monitoring and implementation plans.
- **Only Albania and Serbia have well-developed project prioritisation tools.** The other WB6 economies still have weak secondary legislation on project identification, selection and prioritisation, which impacts the effective spending of funds.
- **A key achievement regarding transport facilitation is the opening of a one-stop shop on Corridor X in July 2019 at the road border crossing point between North Macedonia and Serbia.** This form of cross-border co-operation could have positive effects by reducing long queues and waiting times, and could facilitate regional traffic.
- **Rail regulatory reforms have continued to a certain extent,** promoting harmonisation with the EU *acquis* and the TCT; however, the rail market is not yet fully opened, and more efforts are needed to align this area with the TCT.
- **The WB6 economies have achieved better results in improving road safety** and reducing the total number of road fatalities in the period 2017-2019 (10%) than Central and Eastern European countries (CEEC) (3%), the EU (3%) and the OECD (7%).
- **An asset management system is still in the early phases of development,** with most economies (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia) taking steps mainly related to the road sector, and some in the rail sector.
- **The environmental sustainability of the transport sector is partially covered through various strategies.** However, there is no single tool to monitor the implementation of recommended actions and measures at various locations.
- **Combined transport, as a transport mode which has the best cost efficiency, decreases environmental pollution, and increases co-operation between freight forwarding network companies, is underdeveloped in the region.** However, there have been positive movements in Albania, Bosnia and Herzegovina, Montenegro and Serbia, which participated in the Integrating Multimodal Connections in Adriatic-Ionian Region project (2018-20) jointly with Croatia, Greece, Italy and Slovenia. This project provided an incentives programme for intermodality in Serbia.

Comparison with the 2018 assessment

Albania, Montenegro and Serbia have improved their scores for transport policy since the previous CO assessment; however, performance in Bosnia and Herzegovina and Kosovo is below the WB6 regional average (Figure 14.1). It is important to note that transport policy scores between the 2018 and 2021 assessment cycles are not directly comparable due to the upgrade of the assessment framework.

Figure 14.1. Overall scores for the transport policy dimension (2018 and 2021)



Note: Scores for 2021 are not directly comparable to the 2018 scores due to the addition and removal of relevant qualitative indicators. Therefore, changes in the scores may reflect the change in methodology more than actual changes to policy. The reader should focus on the narrative parts of the report to compare performance over time. See the Methodology chapter for information on the assessment methodology.

Implementation of the Competitiveness Outlook 2018 recommendations

Progress on implementing the policy recommendations made in the CO 2018 has been limited overall (Table 14.1), although there has been some progress regarding transport policy making, partial alignment with the EU *acquis* and transport facilitation.

Table 14.1. Implementation of the CO 2018 policy recommendations: Transport policy

Competitiveness Outlook 2021		
2018 Policy recommendations	Main developments during the assessment period	Regional progress status
Strengthen the effectiveness of the new transport strategies and the project selection process	<ul style="list-style-type: none"> Albania adopted a new tool in 2020 for project selection and prioritisation and a financial information system. Together these will lead to the controlled spending of state funds allocated for transport infrastructure. Serbia adopted a new tool for project selection and prioritisation in 2019 that includes affordability, project implementation framework and <i>ex post</i> assessment. 	Limited to moderate
Complete transport market reforms	<ul style="list-style-type: none"> Rail markets are mainly liberalised for local operators in all WB6 economies, while full liberalisation is expected once all regional economies become EU members. 	Limited to moderate
Address the drivers of logistics performance, which is key to enabling trade competitiveness, in a co-ordinated way	<ul style="list-style-type: none"> There is no defined regional approach to drivers of logistics performance. Some regional economies have developed internal logistics strategies (e.g. Albania and Serbia) and decided on the locations of new intermodal terminals. A new intermodal terminal in Belgrade (Serbia), Batajnica, is under construction. Serbia is also preparing four additional projects connected with the inland ports of Bogojevo, Prahovo, Sremska Mitrovica and Belgrade, all of which involve the construction of intermodal terminals within the ports. The Port of Belgrade is envisaged to be developed as a dry port to be used for the most important sea ports in neighbouring economies. An intermodal terminal near Skopje (North Macedonia), Trubarevo, is planned, with the government in the phase of engaging a designer. Logistics and combined transport are still not well co-ordinated with other transport modes. There have been no visible developments during the assessment period, except in Serbia where an incentives programme for shifting freight to intermodal transport was launched in 2018. 	Limited to moderate
Make the resilience of key transport infrastructure assets a policy priority	<ul style="list-style-type: none"> Most WB6 economies have made early development steps to establish an asset management system for roads (the newly developed bridge management system in North Macedonia, tendered in 2019, will be a component of the road asset management system). Efforts regarding other transport modes do not exist or are in the early planning phase. 	Limited
Integrate key aspects of sustainability such as environmental quality into transport strategies	<ul style="list-style-type: none"> Environmental sustainability in the transport sector is partially covered through various strategies, but there is no single tool to monitor the implementation of recommended actions and measures at various locations. The TCPS is currently developing a Sustainable and Smart Strategy for the Western Balkans. Albania is drafting a new Transport Sector Strategy 2021-2026 based on the EU's Sustainable and Smart Mobility Strategy. 	Limited to moderate

Introduction

The Western Balkans is a strategic region with excellent potential for transit traffic. A well-developed, sustainable, efficient, interoperable and integrated transport network could be a driver of closer co-operation with neighbouring EU economies, leading to a single European and more competitive transport market.

Connectivity is seen as a platform that boosts the competitiveness of the region, opens policy dialogue and strengthens bilateral and multilateral co-operation in the region.

The Western Balkans clearly still needs considerable investment in transport infrastructure to be in line with Trans-European Transport Network (TEN-T) standards. As a first step, the policy framework needs to be brought into line with the EU *acquis* and the Transport Community Treaty (TCT) (EUR-Lex, 2017^[1]), following the recommendations made in this chapter.

The transport dimension has close links with other dimensions assessed in this publication:

- **Chapter 4. Investment policy and promotion.** Transport infrastructure investment can be a key trigger for better connectivity by helping improve access to remote and abandoned areas and to international markets. Properly planned investment policy in transport infrastructure could lead to better quality transport, and thus increase the region's attractiveness.
- **Chapter 5. Trade policy** focuses on trade facilitation, which depends mainly on the physical infrastructure of transport, traffic management, and customs and border crossing points, as well as customs clearance processes, etc. Trade performance could be boosted once infrastructure is well developed; therefore, policy makers should integrate the vision of the transport dimension into trade policy plans.
- **Chapter 7. Tax policy** focuses on establishing an efficient system of taxes and charges, including for transport infrastructure and transportation services. Taxes should be based on the marginal social costs approach (including health, environment, accidents, congestion) to maximise social welfare.
- **Chapter 12. Science, technology and innovation** can be important for developing innovative methods for greener transport infrastructure, developing an efficient transportation system and providing better user experience. The average fuel consumption of the car fleet has decreased at the EU level (Faberi et al., 2015^[2]) thanks to the progress achieved with new cars. This trend should be supported by policy makers.
- **Chapter 13. Digital society** focuses on digitalising transport services to boost the quality of living conditions for people. Digital tools and systems also facilitate the data collection used for transport planning, and therefore impact the spending of funds.
- **Chapter 15. Energy policy.** Transport is one of the key polluters, thus energy policy approaches targeting energy savings and emissions in the transport sector are essential. Inefficient fuel consumption leads to higher levels of pollution, which increases the costs to society and to the environment.
- **Chapter 16. Environment policy** focuses on reducing emissions across the region, for example through adequate transport policies with sufficient rules on fuel and car models. Environmental policy is also directly related to impact assessments regarding the construction or reconstruction of transport infrastructure.
- **Chapter 18. Tourism policy.** Transport infrastructure is important for connecting tourists to destinations, and facilitating internal movement between attractions, accommodation and commercial services. Better connectivity, including greater transport infrastructure capacities and faster border crossing points, could boost the development of tourism.

Assessment framework

Structure

This chapter assesses transport policies in the WB6 through three broad sub-dimensions:

1. **Sub-dimension 11.1: Planning** assesses whether the transport dimension vision has set clear and measurable objectives. It covers all transport modes equally, including allocated budgets of actions and measures, a responsible agency for implementation, and timelines for implementation.
2. **Sub-dimension 11.2: Governance and regulation** assesses whether stable, transparent, and sustainable measures are in place to facilitate and attract investment, as well as the operation of safe, interoperable, reliable and efficient transport. It also assesses the level of harmonisation of regional legislation with the EU *acquis* and the TCT as a base for the development of regional and single European transport markets.

3. **Sub-dimension 11.3: Sustainability** assesses the challenges that WB6 economies face in reducing road fatalities, promoting the development of environmentally sustainable transport infrastructure and ensuring long-term competitiveness.

Figure 14.2 shows how the sub-dimensions and their indicators make up the transport policy dimension assessment framework. The assessment was carried out by collecting qualitative data with the help of questionnaires filled out by governments, as well as face-to-face interviews undertaken with relevant non-government stakeholders. Alongside these qualitative inputs, quantitative data on certain indicators – provided by the economies' statistical offices, relevant ministries and agencies, and other databases – formed an integral part of this assessment.

Figure 14.2. Transport policy dimension assessment framework

Transport dimension		
Outcome indicators <ol style="list-style-type: none"> 1. Logistics Performance Index scores 2. Global Connectedness Index scores 3. Global Competitiveness Index scores 		
Sub-dimension 11.1 Planning	Sub-dimension 11.2 Governance and regulation	Sub-dimension 11.3 Sustainability
Qualitative indicators <ol style="list-style-type: none"> 1. Transport vision 2. Transport project selection 3. Implementation and procurement 4. Asset management 	Qualitative indicators <ol style="list-style-type: none"> 5. Rail regulation 6. Aviation regulation 7. Road market regulation 8. Inland waterways (IWW) and maritime market regulation 	Qualitative indicators <ol style="list-style-type: none"> 9. Road safety strategy 10. Environmental sustainability 11. Combined transport strategy
Quantitative indicators <ol style="list-style-type: none"> 1. Evolution of road freight transport volumes 	Quantitative indicators <ol style="list-style-type: none"> 2. Rail network utilisation 3. Air traffic trends 	Quantitative indicators <ol style="list-style-type: none"> 4. Road safety trends 5. Transport-related CO2 emissions

The leaders of the WB6 economies endorsed the Common Regional Market 2021-2024 Action Plan (CRM 2021-24 AP) at the Berlin Process Summit held on 10 November 2020 in Sofia. The Action Plan is made up of targeted actions in four key areas: 1) regional trade; 2) regional investment; 3) regional digitalisation; and 4) regional industrial and innovation activities.

In the regional trade area, the WB6 economies have committed to closely aligning rules and regulations with the core principles governing the EU internal market based on the “four freedoms” of enabling goods, services, capital and people to move more freely across the region. The regional trade part of the CRM 2021-24 AP includes five components: 1) cross-cutting trade measures; 2) goods; 3) services; 4) capital; and 5) people. The key findings of the CO 2021 transport policy dimension can inform the implementation of the actions under the relevant components of the Common Regional Market Action Plan (Box 14.1).

Key methodological changes to the assessment framework

Since the previous CO 2018 assessment the list of qualitative and quantitative indicators has expanded. Qualitative indicators under sub-dimension 11.2 were extended to include IWW and maritime market regulation. Quantitative indicators were also upgraded. Additionally, the qualitative analysis was adjusted for almost all levels and indicators to reflect remaining challenges noted in the previous CO assessment. The description was also upgraded to be consistent with the findings of the previous CO assessment.

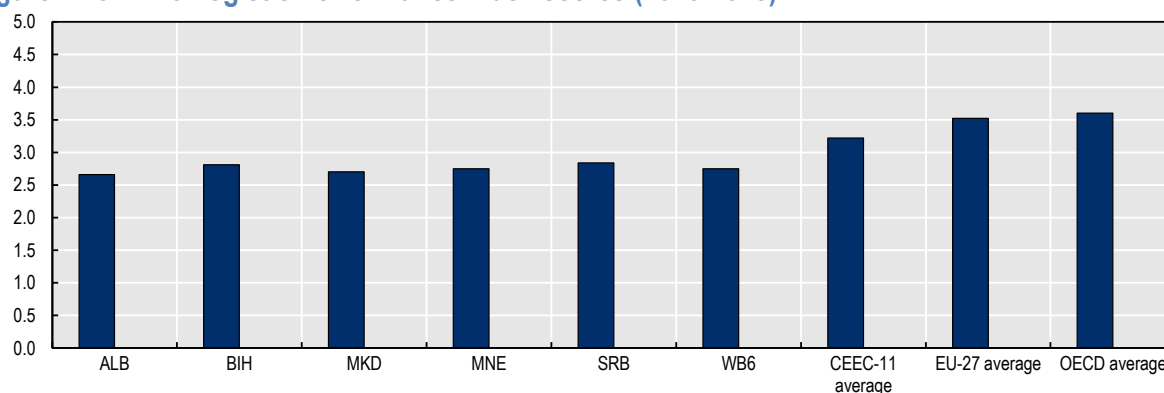
Transport policy performance and context in the WB6

The overview of transport policy in the WB6 economies is assessed against the following outcome indicators for transport performance: the Logistics Performance Index (LPI), the Global Competitiveness Index (GCI) and the DHL Global Connectedness Index (DHLGCI).

The World Bank's LPI is a multi-dimensional assessment and international benchmarking tool focused on trade facilitation (World Bank, 2020^[3]). It is based on a survey of port operators, shippers and freight forwarders and produces a composite index that reflects questionnaire responses. The LPI is oriented towards assessing the transport of manufactured goods rather than bulk commodities and is more applicable to high-value goods.

The five WB6 economies for which data are available perform below the Central and Eastern European countries (CEEC-11), OECD and EU averages on the LPI (Figure 14.3). Over the period 2016-18, LPI average scores were the same as during the previous CO assessment, between 2.5 and 3, with Serbia receiving a marginally higher score than its neighbours.

Figure 14.3. WB6 Logistic Performance Index scores (2016-2018)

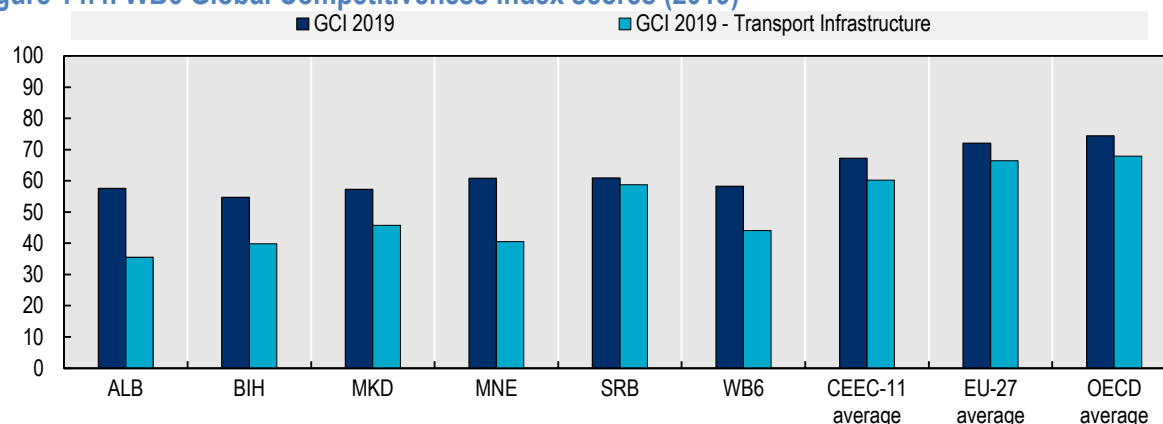


Note: Data for Kosovo not available. The CEEC-11 countries are Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia. OECD and EU averages are calculated as simple averages.

Source: (World Bank, 2020^[3]), *Logistics Performance Index Dataset (database)*, retrieved from: <https://lpi.worldbank.org/>.

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Like the LPI, the World Economic Forum's GCI measures perceptions rather than actual performance (WEF, 2019^[4]). The GCI is based on unique data from the Executive Opinion Survey, which surveys top business executives in all participating economies. Figure 14.4 shows the most recent score for the five participating WB6 economies in the infrastructure domain, the most relevant of the 12 pillars of competitiveness covered by the index. Serbia receives the highest score for the overall GCI, while Serbia and Montenegro receive the highest scores for transport infrastructure, although these are still below the CEEC-11, EU and OECD averages.

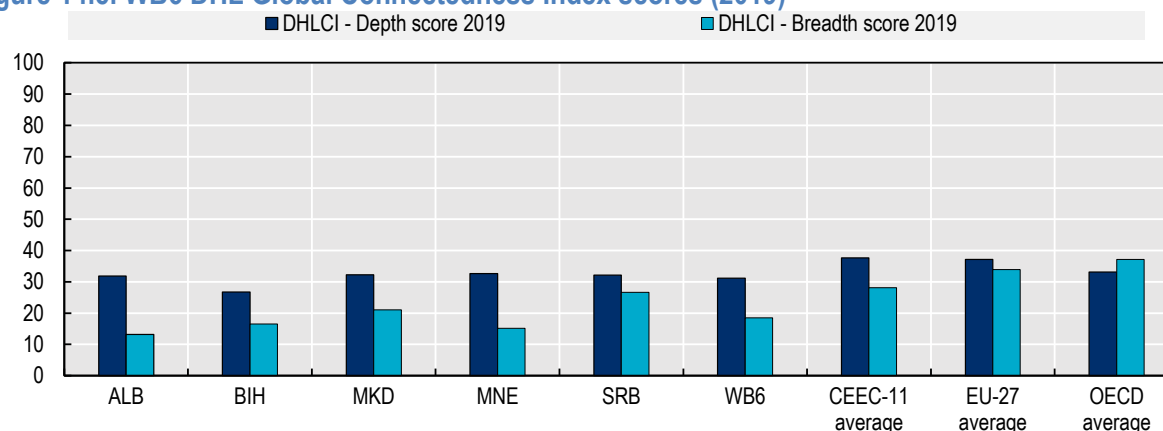
Figure 14.4. WB6 Global Competitiveness Index scores (2019)

Note: Data for Kosovo not available. The CEE-11 countries are Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia. OECD and EU averages are calculated as simple averages.

Source: (WEF, 2019^[4]), *Global Competitiveness Report*, http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport2019.pdf.

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The DHLGCI is an output indicator that assesses the integration of economies in global trade flows (DHL, 2019^[5]). It identifies four specific categories of flow: 1) trade flows (products and services); 2) investment flows (capital); 3) information flows; and 4) people flows. “Depth” refers to the size of an economy’s international flows compared to a relevant measure of the size of its domestic economy. It reflects the importance of pervasive interactions with the rest of world. “Breadth” measures how closely an economy’s distribution of international flows with its partner economies matches the global distribution of the same flows in the opposite direction. The five WB6 economies covered by the index fare well for their economic internationalisation (depth) but less so for trade diversification (breadth), given their small size (Figure 14.5).

Figure 14.5. WB6 DHL Global Connectedness Index scores (2019)

Note: Data for Kosovo not available. The CEE-11 countries are Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia. OECD and EU averages are calculated as simple averages. OECD and EU averages are calculated as simple averages.

Source: (DHL, 2019^[5]), *DHL Connectedness Index Dataset (database)*, <https://www.dhl.com/global-en/spotlight/globalization/global-connectedness-index.html>.

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The multi-dimensional approach to assessing competitiveness through outcome indicators mentioned above provides a mixed picture. The average top performer is Serbia, but there is still a performance gap between the WB6 economies and the CEE-11/EU/OECD averages.

Outcome indicators also suffer from year-on-year variations due to external factors, as well as infrastructure quality and regulatory changes. In order to fully assess transport competitiveness these indicators need to be used in conjunction with an analysis of what determines competitiveness across all transport sectors, as provided in the next section.

Planning (Sub-dimension 11.1)

Transport planning involves actions and measures designed to ensure that there is sufficient investment in the transport sector to achieve broader economy-wide development goals. Transport planning can only be effective if followed by a transport policy that targets socio-economic welfare and a competitive transport market. Without a clear and transparent transport planning pathway the region risks jeopardising value-for-money investments in transport infrastructure, which affects costs, quality and sustainability.

Regional action plans for roads, railways, road safety and transport facilitation were endorsed by the Ministerial Council of the TCPS¹ in October 2020. Their concrete aims are safer roads, reduced waiting time at borders and common crossing points, reliable and modern railways, and roads of the future with integrated green and digital elements. Additionally, the TCPS is currently developing a Sustainable and Smart Strategy for the Western Balkans, expected to be adopted by the WB6 economies during 2021. This will be the foundation of a regional transport system that strives for a green and digital transformation and that is more resilient to future crises (for more information on the WB6 commitments to and recommendations for deepening regional transport integration, see Box 14.1).

Some of the WB6 economies are more advanced than others in developing their transport visions and strategies, including high-level identification and prioritisation processes (Table 14.2). Albania and Serbia have the highest average score in this sub-dimension, which is significantly above the other four economies. This is due to well-developed project prioritisation processes and stronger performance in the implementation and procurement indicator compared to the other WB6 economies. However, monitoring of transport strategies in all WB6 economies needs to be improved. All WB6 economies have shown limited progress in improving their asset management practices, translating into a low score for this indicator.

Table 14.2. Scores for Sub-dimension 11.1: Planning

Sub-dimension	Qualitative indicator	ALB	BIH	KOS	MKD	MNE	SRB	WB6 average
Sub-dimension 11.1: Planning	Transport vision	4.0	2.0	2.0	2.5	2.5	3.5	2.8
	Transport project selection	4.5	0.8	1.0	2.5	2.5	4.0	2.6
	Implementation and procurement	3.0	2.0	2.0	2.5	2.5	4.0	2.7
	Asset management	1.5	1.0	1.0	1.5	0.0	1.5	1.1
Sub-dimension average score		3.3	1.5	1.5	2.3	1.9	3.3	2.3

Transport visions could be updated and monitored more systematically

Economies need a clear and coherent transport vision to ensure that the sector contributes to the overall economy-wide vision and aspirations. Each part of the transport network contributes to economic development, but the benefits of a transport system as a whole are greater than the sum of its parts.

Two WB6 economies, Montenegro and North Macedonia, have adopted new transport strategies since the last CO assessment (Table 14.3) that have included efforts to align with international best practice and the TCT. At the time of writing, Albania had secured financial support from the EU to develop a Transport Sector Strategy and related action plan for 2021-2026, which is expected to be finalised by mid-2021, and Serbia was in the final procurement stage to engage a consultant to develop its strategy for the period 2022-2030.

Table 14.3. WB6 economies' transport strategies

	Current transport strategies	Period covered by the strategy	Validity	Availability of monitoring report for strategy implementation
ALB	Transport Sector Strategy	2016-2020 2021-2026	Expired Drafting	Yes
BIH	Framework Transport Strategy of Bosnia and Herzegovina	2016-2030	Valid	Partially (only in Republika Srpska)
KOS	Sectorial Strategy for Multimodal Transport	2015-2025	Valid	No
MKD	National Strategy for the Transport Sector	2018-2030	Valid	Yes*
MNE	Transport Development Strategy of Montenegro	2019-2035	Valid	Yes**
SRB	Plan of Rail, Road, Inland Waterway, Air and Intermodal Transport Development	2015-2020	Expired	No
	Draft Transport Strategy of the Republic of Serbia***	2016-2025	n/a	
	National Transport Strategy	2022-2030	Procurement process ongoing	

*Note: At the time of writing the first monitoring report (which should be updated annually) of the National Strategy for the Transport Sector for the period 2018-2020 was being approved by the government, and is not yet publicly available.

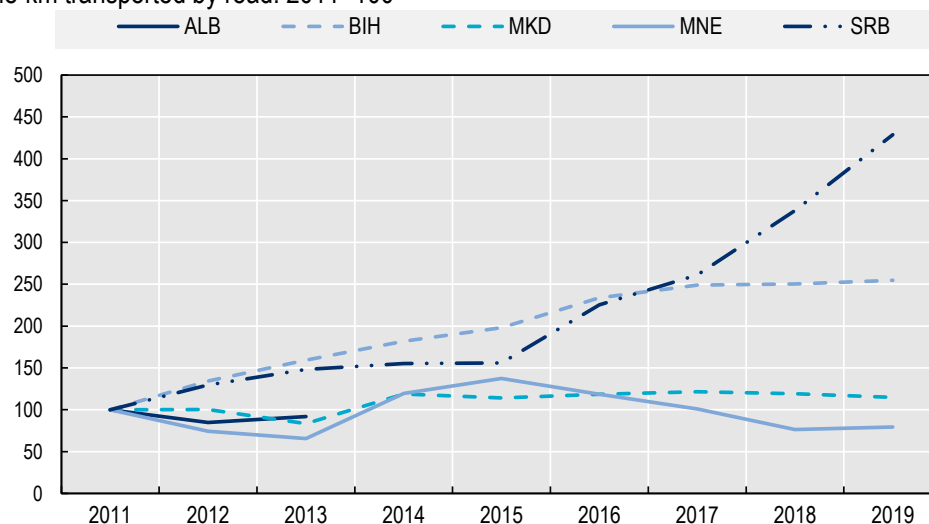
**Note: Monitoring of the strategy will be conducted by the co-ordination body of the Ministry of Transport and Maritime Affairs as prescribed in the strategy, but at the time of writing there was no monitoring report available.

***Note: Not approved by Parliament. Since the last CO assessment, Serbia has continued to follow its Plan of Rail, Road, Inland Waterway, Air and Intermodal Transport Development 2015-2020. A new strategy for 2022-2030 is in the last stage of the procurement process.

It is difficult to evaluate the impact and effectiveness of these strategies as there is no consistency of monitoring at the regional level, and most are neither developed nor monitored consistently. The strategies appear to focus mainly on removing physical bottlenecks and harmonising legislation with EU standards, but they are weak on sustainable transport development, digitalisation and intelligent transport systems. It will not be enough to simply remove bottlenecks to improve the competitiveness of the region as a single market, it will also be important to promote the development of sustainable transport modes such as combined transport and railways for freight, and active modes of transport for passengers. The growing demand for road freight is critical to enhancing competitiveness (Figure 14.6), as it shows an increase in traffic and presents a challenging trend for long-term sustainability. Harmonisation with EU standards and the TCT will accelerate following the integration of the WB6 economies into the Single European Transport Area.

Figure 14.6. Evolution of road freight transport volumes

Index of tonne-km transported by road: 2011=100



Note: Data for Albania only available for 2011, 2012 and 2013. Data for Kosovo not available.

Source: (ITF, n.d.^[6]), *ITF Transport Statistics*, <https://doi.org/10.1787/trsprt-data-en>.

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At the time of writing, the TCPS was developing the Transport Community Information System – Transport Observatory. Its architecture is expected to be finalised during 2021 and will define a data collection mechanism, including identifying data sources. The methodology for data analysis and performance monitoring, including key performance indicators,² outputs and statistical reporting to fulfil TCT reporting duties, will also be finalised. Existing and future information systems will be assessed and utilised, such as the Galileo Green Lane mobile solution (EUSPA, 2020^[7]) (developed by the European Global Navigation Satellite System Agency), the TENtec information system (European Commission, 2021^[8]) (set up by the European Commission to co-ordinate and support the TEN-T), and the Corridor Performance Measurement and Monitoring System (Isik et al., 2018^[9]), which is expected to be developed by the World Bank.

Box 14.1. Towards smoother regional mobility in the Common Regional Market

The following key findings of the CO 2021 transport policy dimension can inform the implementation of the actions under the relevant components of the Common Regional Market Action Plan:

- A key achievement in transport facilitation since the last CO assessment is the opening of a one-stop shop on Corridor X at the road border crossing point between North Macedonia and Serbia in July 2019.
- Due to COVID-19, all regional economies have introduced green lane measures on the major corridors for the transport of emergency goods. These require that freight vehicles and drivers should be treated in a non-discriminatory manner. Passing through these green lane border crossings (including any checks and screenings) should not exceed 15 minutes, and procedures should be minimised and streamlined.
- Transport facilitation needs to remain a key priority for the WB6 economies. Key measures for economies include:
 - Implementing one-stop shops.
 - Improving and upgrading existing information and communication technology (ICT) infrastructure.
 - Constructing or modernising infrastructure to remove physical and technical barriers and to increase capacities at border crossing points and common crossing points.
 - Building capacity to improve performance efficiency.

Transport project selection could be more transparent

The transport project selection indicator measures the extent to which transport projects are identified, prioritised, and selected consistently, realistically and rigorously. There is limited transparency regarding the project selection process in the WB6 region, which should become a greater focus for economies, even though some (Albania and Serbia) have developed good prioritisation tools since the CO 2018 assessment. With a well-developed and transparent project prioritisation process, WB6 economies can ensure the integrity of the transportation system and increase predictability in the planning and decision-making process. A systematic approach will also increase the influence and involvement of local communities in the decision-making process.

On average, the WB6 economies achieve a score of 2.6 for transport project selection, which is significantly higher than the last CO assessment (Table 14.2). Four economies have advanced their systems, with Albania (score of 4.5) and Serbia (score of 4.0) developing very good project prioritisation tools (Box 14.2). There are no reports available on these recently applied tools, but their effectiveness is expected to be

visible during the next CO assessment. Bosnia and Herzegovina has the lowest score (0.8) in the region as it still has not developed a national project selection system.

In the context of the Western Balkan Investment Framework (WBIF), WB6 economies have continued to follow an established high-level project selection process through national investment committees (NICs), as promoted by the European Commission (European Commission, 2015^[10]). NICs are responsible for setting up and managing the single project pipeline (SPP) and programming financial sources. NICs only cover projects financed by the EU and related IFIs, whereas SPPs also cover projects financed by bilateral funds, such as in Serbia. However, as project financing has been further diversified since the last CO assessment, some infrastructure projects that have a large impact on the transport network were excluded from the SPP and went ahead without NIC approval. A notable example is the construction of several motorways and railways within the region using other bilateral funds (e.g. from China, Russia, the United States and Azerbaijan).

Most capital transport investment projects funded through the WBIF are subject to a cost-benefit analysis (CBA) that includes a rigorous assessment of IFIs or other bodies (e.g. Joint Assistance to Support Projects in European Regions – JASPERS³). The European Commission's Guide to Cost-Benefit Analysis of Investment Projects is used for these projects (European Commission, 2014^[11]). For all other projects, a CBA is provided if required by local legislation, but does not appear to have ever led to the cancellation of an investment. Economy-wide guidelines for CBA only exist in Serbia for road transport, but they are outdated and require updating or redeveloping. There are some very good examples of how local projects have been assessed and CBA utilised, but in general capacity building is needed in this area as it is one of the most important elements of project selection.

Implementation and procurement lack a systematic approach

A rigorous process for implementation and procurement is the logical continuation of a coherent planning and systematic prioritisation process to help meet planned outcomes and spend budgets efficiently.

On average, the WB6 economies achieve a score of 2.7 for the implementation and procurement indicator, ranging from 2.0 for Bosnia and Herzegovina and Kosovo to 4.0 for Serbia (Table 14.2). All transport infrastructure projects funded at least partly by the government are subject to domestic procurement laws in all WB6 economies, but there are some cases where the Practical Guide to contract procedures for EC external actions has been applied. However, the WB6 economies still lack a systematic approach to the procurement of large transport projects, such as following dedicated guidelines, despite efforts to attract private investors to the region and to accelerate infrastructure investment.

Since the last CO assessment there have been several design and construction activities related to the Indicative extension of the TEN-T to WB region transport network,⁴ notably new road and railway corridors, the rehabilitation of existing roads and railways, ports, and the construction and upgrade of intermodal terminals and airports.

Experiences of investment through public-private partnerships (PPP) vary across the region. Many concession attempts have failed as the economies have not properly assessed the potential (e.g. traffic demand) of the given asset. Concession attempts have also failed due to the lack of cost-effective offers, such as the concession for motorway section Doboj-Vukosavlje (Corridor Vc). Albania has the most active transport PPPs among the WB6 economies, with the amendments to the Law on Concession (2019) prescribing the unification of award procedures for road concessions/PPPs with all other concession/PPP procedures. It is good to note that Serbia is the first WB6 economy in which concession is a legally mandatory way to obtain the right to become a port operator.

Transport infrastructure asset management is in the early stages of development

Some WB economies have attempted to develop a transport infrastructure asset management⁵ system, mainly for road transport, within the last two decades, but such systems are generally still underdeveloped in the region. On average, WB6 economies scored 1.1 for this indicator, with scores ranging from 0.0 for Montenegro to 1.5 for Albania, North Macedonia and Serbia (Table 14.2). The main obstacles to an effective asset management system are the legal framework, implementation capacities, and funds for frequent and costly updates. Consequently, transport infrastructure assets are not properly operated or maintained, which limits their long-term usefulness.

Developments to date have mainly been in the road sector, followed by the railway sector. For example, North Macedonia has begun using the Road Asset Management System (RAMS), while the bridge asset management system was being developed at the time of writing and will be part of RAMS. Some efforts have been made in the last 15 years in Bosnia and Herzegovina to establish an asset management system, as presented in the Preparation of Maintenance Plans 2018-2022 for Road/Rail TEN-T indicative extensions to the WB6, but they have not been successful (CONNECTA, 2018^[12]). However, Bosnia and Herzegovina (Republika Srpska) has established an asset management system for highways through an ongoing project to implement a full RAMS by the end of 2022.

The way forward for planning

- **Ensure regional action plans and the Sustainable and Smart Strategy for the WB6, developed by the TCPS and endorsed by the Ministerial Council, are fully transposed into local legislation and implemented following the defined timeframe.** The concrete aims of the regional plans (for roads, railways, road safety and transport facilitation) are safer roads, reduced waiting times at border and common crossing points, reliable and modern railways, and roads of the future with integrated green and digital elements. The development of the Sustainable and Smart Strategy for the WB6 is ongoing, expected to be adopted by the WB6 economies by summer 2021, and will be a driver of the upgrade and development of national sustainable transport strategies.
- **Develop a tool for project identification, selection, prioritisation and implementation, and apply it to all transport projects.** WB6 economies could use the tools developed in Albania and Serbia, which introduced well-developed systems in 2019/20 and are now beginning their implementation (Box 14.2).
- **Develop domestic CBA guidelines specific to the WB6 economies.** It is very important for each economy to develop its own CBA guidelines with accompanying technical instructions. The guidance needs to be updated at least every two years. A good example is the United Kingdom's Transport Analysis Guidance,⁶ which provides information on the role of transport modelling and transport project appraisal tailored to the UK market. To ensure consistency in the discount rates used for similar projects in the same economy, a benchmark is needed for all technical and economic parameters, including the financial and economic discount rate in domestic guidance documents. The rate needs to be applied consistently in project appraisals across the economy. Empirical research needs to be conducted to generate input data to calculate externalities.

- **Accelerate the development of an asset management system for all transport infrastructure, and ensure it is in line with the domestic inventory system.** Developing sound asset management practices⁷ enables economies to collect data and to manage and analyse conditions across all transport modes. Data can be used to optimise transport sector maintenance strategies and justify maintenance budgets by directing funds to areas with the greatest return on investment. Performance-based maintenance contracts are already implemented, though not extensively, in some WB6 economies such as Albania, Bosnia and Herzegovina and Serbia (CONNECTA, 2018_[12]). These are an essential component of a road asset management system and, if well-developed, lead to predefined good road conditions at relatively low cost. The quality of transport infrastructure affects an economy's investment attractiveness and signals whether it is a good market for foreign direct investment.

Box 14.2. Effective tools to manage transport projects in Albania and Serbia

Albania and Serbia are the only two economies in the WB region with a sound tool for transport project identification, selection, prioritisation and implementation.

In 2018, **Albania** adopted the Decision on Public Investment Management Procedures. For the purpose of budget planning on investment expenditure, the projects are divided into two groups: 1) capital administrative expenditure on equipment, furniture, computers, IT, etc; and 2) expenditure on investment projects, including capital expenditure on infrastructure such as new constructions, reconstructions, rehabilitation with design costs, expropriation costs, purchase of larger technological equipment, implementation of works and supervision; and capital expenditure for capacity development, including research projects, technical assistance and capacity building.

The following project management cycle is applied:

1. Project identification based on an analysis of the public's needs.
2. Project evaluation and preparation, including an evaluation of the economic and financial justification.
3. Project approval and financing.
4. Project implementation.
5. Monitoring of project implementation, which should ensure that project activities are in line with planned activities.
6. Evaluation and audit, including implementation-related reporting and financial audit through the project performance indicators.
7. The following steps are applied based on the project cycle presented above:
8. Identify the project idea based on an analysis of public needs.
9. Review the draft idea (project management team leader and responsible authorities).
10. Prepare detailed project and evaluation, and a shortlist of alternatives.
11. Submit investment project proposal to the ministry responsible for investment projects.
12. Review the proposal (Council of Ministers).
13. Final approval, after the approval of investment projects within the annual budget.

As per Decision No. 290 of 11 April 2020, a financial management information system has been installed in every spending unit, including in all ministries, and is integrated into various departments to be used for all steps in the project management cycle.

In **Serbia**, the procedure for project identification, analysis of relevance, pre-selection, funding, implementation and monitoring is clear and publicly available, and co-ordinated through the Ministry of Finance. This procedure was adopted in 2019 through the Rulebook on the Management of Capital Projects.

The prioritisation process, which is applied to all projects, applies a CBA, an environmental and social impact analysis, and a safety assessment, among other things. Once the project is approved for financing there is a special procedure, similar to the one in Albania, that forms the preparation of a plan for project implementation. During project implementation there are specific procedure forms for reporting. One type of report is the interim report for the presentation of the current project status, which covers the activities carried out and the plan to execute the remaining project activities. At the end of the project, a final report needs to be developed. Development of "Public Investment Management Information System - PIMIS" software is underway. This activity should improve the efficiency of a single record of capital projects.

There are three categories of project: 1) less than EUR 5 million; 2) between EUR 5 and 25 million; and 3) over EUR 25 million. *Ex post* monitoring is conducted for the third category three years after completion, which is a significant improvement on local legislation.

Source: (Government of Albania, Council of Ministers, 2018^[13]), *Albania – Decision of the Council of Ministers No 185/2018*, [http://80.78.70.231/pls/kuv/f?p=201:Vendim%20i%20KM:185:29.03.2018](http://80.78.70.231/pls/kuv/f?p=201:Vendim%20i%20KM:185:29.03.2018;); (QBZ, 2020^[14]), *Decision of the Council of Ministers No 209/2020*, <https://qbz.gov.al/eli/vendim/2020/04/11/290>; (Republic of Serbia, Legal Information System, 2019^[15]), *Serbia – Rulebook on the management of capital projects*, <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/uredba/2019/51/1> (Ministry of Finance, 2020^[16]), *Serbia – Project cycle process: Forms*, <https://www.mfin.gov.rs/dokumenti/saobracaj/>.

Governance and regulation (Sub-dimension 11.2)

Governance drives the performance of the transport sector. The appropriate governance of transport infrastructure ensures the development of a safe, efficient and interoperable transport market. Transport planning requires governance of the ownership and management of transport infrastructure assets, regardless of whether the ownership is public or private. Well-governed transport infrastructure assets fulfil domestic goals related to welfare and profit.

The governance and regulation sub-dimension comprises four qualitative indicators to analyse progress in rail, aviation, road, and IWW and maritime transport regulation reforms (Table 14.4). Due to the complexity of assessing rules and the coexistence of regulations at different levels, as well as the lack of applicability to all economies, the indicator scores for road market regulation and IWW and maritime transport regulation have not been calculated. Although not scored, these indicators are discussed in the text to assess achievements in these sectors.

Governance and regulation is the sub-dimension within the transport policy dimension in which the WB6 economies perform the best on average. Within this sub-dimension, the WB6 economies performed the best in the aviation regulation indicator, translating overall good advancement in harmonising the sector with key EU regulations and international good practices. Slight stagnation has been noticed regarding reforms in railway market regulation since the last CO assessment, with only Serbia and Montenegro scoring above the regional average for this indicator due to more advanced levels in applying approved reforms.

Table 14.4. Scores for Sub-dimension 11.2: Governance and regulation

Sub-dimension	Qualitative indicator	ALB	BIH	KOS	MKD	MNE	SRB	WB6 average
Sub-dimension 11.2: Governance and regulation	Rail regulation	1.5	1.3	1.5	1.5	3.5	3.5	2.1
	Aviation regulation	3.5	2.5	1.5	3.5	3.0	4.0	3.0
	Road market regulation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	IWW and maritime market regulation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sub-dimension average score		2.5	1.9	1.5	2.5	3.3	3.8	2.6

Rail regulation is gradually opening markets

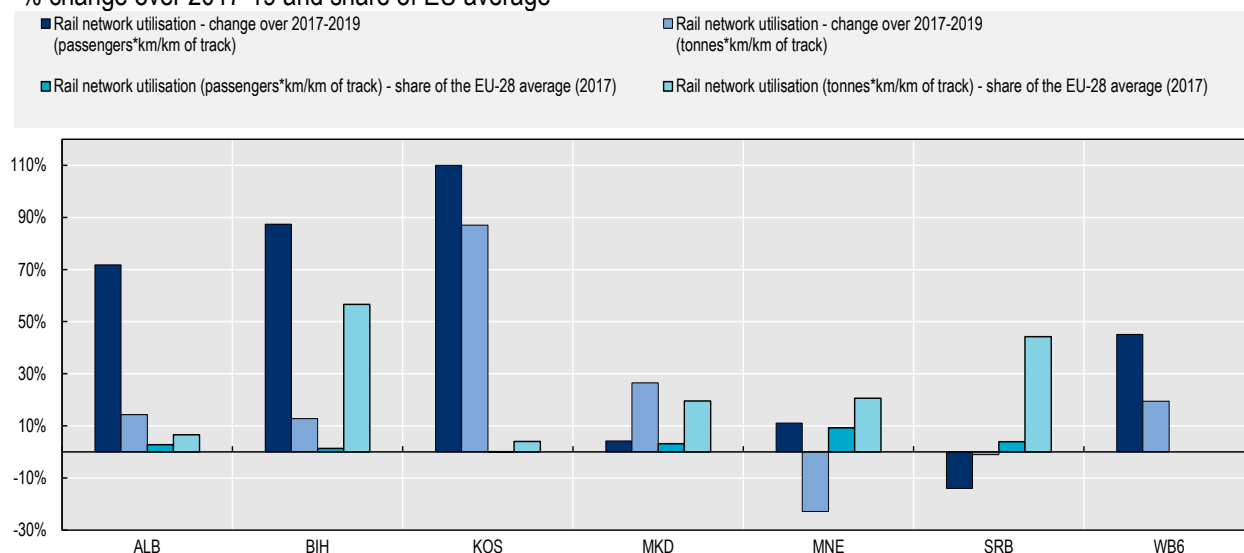
The rail regulation indicator assesses progress in implementing strategies for rail reforms, which are crucial for the common rail market and harmonisation with EU rail policies. The most important reforms are related to market liberalisation, the interoperability of the rail network and safety. The WB6 rail market is mostly liberalised, but only for domestic operators, with many regional economies expecting to fully open their rail markets once they join the EU.

On average, the WB6 economies achieved a score of 2.1 for the rail regulation indicator, ranging between 1.3 for Bosnia and Herzegovina and 3.5 for Montenegro and Serbia (Table 14.4). Since the last CO assessment, the WB6 economies have made moderate progress in opening their rail markets. The most recent regional rail plan is driven by the TCPS, and all WB6 economies participated in the endorsement process of the Action Plan for Rail for the period 2020-2023 (TCPS, 2020_[17]). This action plan covers rail market opening; passenger rights; governance; interoperability; cross-border and common crossing operation; and the modernisation of the rail network with clear deadlines for signing, transposition and implementation. Serbia has the highest number of private operators (ten).

Rail infrastructure is currently being modernised (e.g. rail Route 4 through Serbia and Montenegro between Belgrade and Bar, Corridor Vc in Bosnia and Herzegovina) or built (e.g. Corridor VIII in North Macedonia, doubling and modernising rail Corridor X through Serbia) (European Commission, 2015_[18]). Corridor X is the backbone of the railway network and requires immediate modernisation to revive rail transit through the region. Corridor Vc and Route 4 have to be upgraded to link central European countries with the Adriatic Sea.

Figure 14.7 shows the level of rail network utilisation in the Western Balkans between 2017 and 2019. It is clear that the best performer in terms of rail network utilisation (transported tonnes per km of rail track) is Bosnia and Herzegovina (a 56% share of the EU average rail network utilisation) followed by Serbia (44%). The biggest increase in rail network utilisation, both for passengers and freight, was in Kosovo. Negative trends were noticed in Montenegro for the freight rail network and in Serbia for passenger rail network utilisation.

It is expected that rail will become more attractive once the works are completed and all reforms are fully implemented – for example the Interoperability Directive (EUR-Lex, 2016_[19]) and the Rail Freight Corridor Regulation (EUR-Lex, 2010_[20]).

Figure 14.7. Rail network utilisation in the Western Balkans (2017-19)**% change over 2017-19 and share of EU average**

Note: A passenger-kilometre or tonne-kilometre is the unit of measurement representing the transport of one passenger/tonne by a defined mode of transport (road, rail, air, sea, inland waterways, etc.) over one kilometre.

Source: Input provided by the government as part of the quantitative questionnaire (CO2021); Statistical data retrieved from WB6 statistical offices.

StatLink  <https://doi.org/10.1787/888934254601>

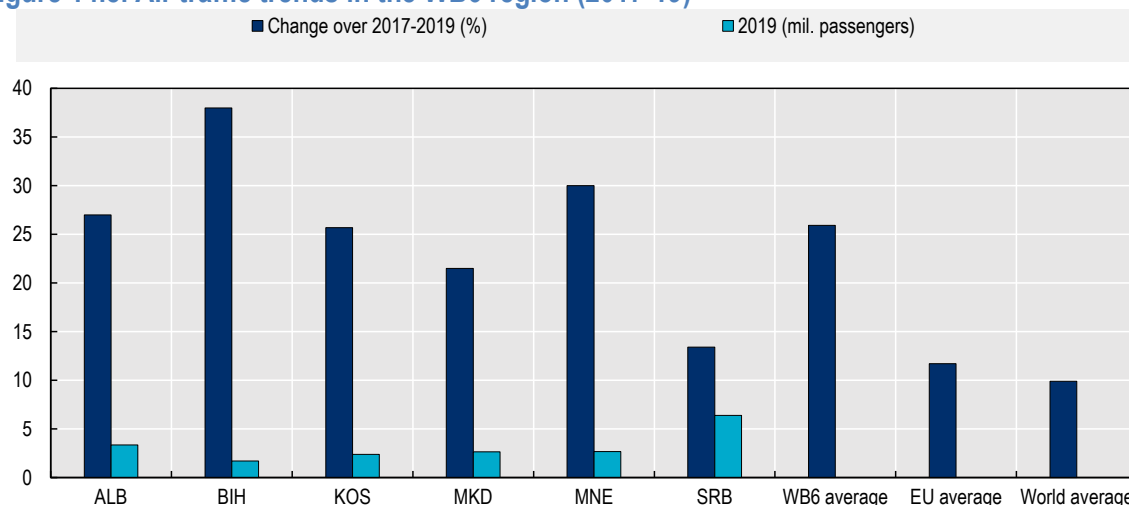
Aviation regulatory reforms could be accelerated to match growth in the sector

The aviation regulation indicator assesses the WB6 economies' regulatory harmonisation with EU legislation, including on cross-border co-operation, performance schemes, safety promotion and the transparent regulation of airports to promote more efficient aviation services in the WB6 economies. The Single European Sky is part of the European Common Aviation Area Agreement signed in 2006. As parties to this agreement, the WB6 economies are committed to aligning some of their aviation regulation with the EU *acquis* in exchange for full access to the single European aviation market.

The average regional score for this indicator (3.0) is the highest average score among all scored indicators. At the economy level, Serbia has the highest score (4.0) and Kosovo the lowest (1.5). The process of transposing EU policies into domestic legislation continues to progress in the region. Bosnia and Herzegovina's Air Navigation Services Agency took over responsibility for the air traffic control of its skies in December 2019 from Croatia, Montenegro and Serbia, which had undertaken air traffic control in Bosnia and Herzegovina since 1992. This means that all charges will now be paid directly to Bosnia and Herzegovina, which will lead to revenue that could increase financial capacities and fund human resources. The Airport Charges Directive (EUR-Lex, n.d.^[21]) has not yet been transposed and implemented in all WB6 economies.

Growth has been significant in this transport mode in the period 2017-19 for the WB6 region compared to the EU and world averages (Figure 14.8). Given this growth, as well as its projected importance, it is important that all six economies continue regulatory reforms and bring the governance of the aviation sector closer to European standards and international best practice.

Figure 14.8. Air traffic trends in the WB6 region (2017-19)



Note: Data for Bosnia and Herzegovina are for the period 2016-2018.

Source: Input provided by the government as part of the quantitative questionnaire (CO2021); (IATA, 2020^[22]), *Slower but Steady Growth in 2019*, <https://www.iata.org/en/pressroom/pr/2020-02-06-01/>; (Statista, 2020^[23]), *Air passenger transport in the European Union 2008-2019*, <https://www.statista.com/statistics/1118397/air-passenger-transport-european-union/>; Statistical data retrieved from WB6 statistical offices.

StatLink  <https://doi.org/10.1787/888934254620>

Road market regulation continues to be harmonised

The road market regulation indicator assesses the standards and framework conditions in place in WB6 economies for the creation of a Single European Transport Area. The long-term goals for the region are to open road markets through a well-developed system with effective border control, harmonised employment conditions in the road transport profession, cabotage rules to guarantee equal market access opportunities and reduce empty runs, road user charges, and social and safety standards that follow the latest EU standards.

Given the complexity of assessing these rules, and the coexistence of regulations at different levels, this assessment does not provide a score for the road market regulation indicator.

The most recent regional road plans are driven by the TCPS, with all WB6 economies having participated in the endorsement process of the Road Action Plan for 2020-2023 (TCPS, 2020^[24]). This plan covers the road maintenance system, intelligent transport system deployment, road transport climate resilience, and enhancing regional co-operation and experience exchange with clear deadlines for preparation and implementation.

Overall, the WB6 economies continue to progress on this indicator by aligning parts of their rules with the EU *acquis* regarding working hours, safety standards and the licencing of truck drivers. All WB6 economies (except for Kosovo) continue to participate in the European Conference of Ministers of Transport's multilateral quota system, which enables hauliers to undertake an unlimited number of multilateral freight operations in 43 participating European economies (ITF, 2014^[25]). This is a complementary system for non-EU Member States, as access to the international road haulage market is regulated in the EU by regulation 1072/2009 (EUR-Lex, 2009^[26]).

As in the last CO assessment, data collection continues to be an obstacle for promoting an efficient and safe road network, and the WB6 economies have not yet fully developed their data collection systems to monitor the road transport market. The transparency of data is still low and data exchange between key stakeholders could be improved.

IWW and maritime market regulation is in the early stages

The IWW and maritime market regulation indicator measures progress in implementing strategies for IWW and maritime reforms in the applicable economies.

This regulation is in the early stages of preparation. Albania's project on Enhancing the Development of the Albanian Maritime Sector through Technical Assistance and Increased Partnership,⁸ funded by IFIs, is expected to provide a baseline assessment of the institutional and financial set-up of the maritime transport sector. It will also develop the institutional and legal framework to support maritime sector development, based on the Norwegian experience as a leading maritime country. The framework in Serbia on market access to port services and the financial transparency of ports, developed and adopted before the adoption of EU regulation 2017/352 (EUR-Lex, 2017^[27]), was already in line with EU regulation. Considerable efforts have been made in recent years in Serbia on IWW and maritime market regulation, including privatising port operators and creating incentives for combined transport. In Montenegro, the government adopted the Rulebook on Internal Organisation and Systematisation of the Ministry of Transport and Maritime Affairs in April 2019, which established the Directorate for Maritime Transport and Inland Navigation and the Directorate for the Application of Standards to Protect the Sea from Pollution and Inland Waterways. There are still no specific incentives in the region for shifting to the use of IWW and maritime transport due to a lack of relevant actions which should be driven through strategies and secondary legislation. Even though these modes can offer benefits in terms of competitiveness in size, cost, environmental performance and safety, allocated funds for incentives are an obstacle and often budgets for such types of incentives are transferred to some items with shortfalls in the budget. In this regard, the project "Grendel – Green and efficient Danube fleet", financed by the EU, could serve as an efficient tool for defining the appropriate and harmonised State Aid scheme to enable incentives in this regard. In most applicable economies there is no roadmap for institutionalisation or a policy and operational framework.

Monitoring indicators to assess the performance of all transport modes either do not exist, are not properly established or are not properly updated. Missing indicators include average user costs, travel time and reliability satisfaction levels, value of assets, market research and customer feedback, quality of user information, and audit programmes. Regular data surveys are neither planned soundly (including the purpose, level of data needed and budget allocated) nor conducted regularly. Surveys that have been conducted have only been for the purposes of specific projects and not for general transport infrastructure assessment and planning. Therefore, the basis for a quality assessment of transport network performance is lacking.

The way forward for governance and regulation

- **Accelerate the transposition and implementation of the EU *acquis* and aim to fully align with the TCT.** Updating the legislation will be a challenge for all WB6 economies and will require human, financial and technical capacities to ensure effective transposition and implementation.
- **Consider a corridor approach wherever possible throughout the region.** Such an approach can only be considered through well-organised bilateral and multilateral co-operation. Co-operation and exchange of good practice among WB6 economies needs to be enhanced and intensified and should take place regularly. Such regular regional discussion would help pave the way for a single and competitive regional transport market.
- **Continue efforts to fully liberalise the rail market.** Liberalisation of the rail market in the region could significantly boost competitiveness. Once the market is liberalised, passengers will see service level improvement and there will be a sizable impact on the long-distance rail freight market for operators and investors.
- **Establish programmes and provide regular data surveys to assess the performance of all transport modes.** Missing transport performance indicators include average user costs, travel time

satisfactory level reliability, value of assets, market research and customer feedback, quality of user information and audit programmes.

Sustainability (Sub-dimension 11.3)

Sustainable transport plays an important role in policy formulation in OECD countries due to environmental concerns and sustainability objectives (OECD, 2012^[28]). The promotion and development of sustainable transport is directly linked with environmental protection and climate impact (addressed in all transport modes), economic efficiency (competitive market) and social progress (improved safety, quality of life). While increasing transport demand boosts economic growth, it can have an adverse effect on the environment and safety, which are directly related to quality of life and market competitiveness. Therefore, the development of sustainable transport modes with better logistics would lower costs and deliver reliable services through faster, safer and more efficient transport.

The regional average score for the sustainability sub-dimension is much lower than for the other two transport policy sub-dimensions (Table 14.5), showing that there is significant room for improvement across all indicators in all WB6 economies. Of the three indicators assessed, road safety is the most advanced, while combined transport has seemingly been neglected in most WB6 economies and is still in its infancy at the regional level. The development and implementation of sustainable transport strategies (and the integration of sustainability objectives into existing policies) also shows room for improvement across the region.

Table 14.5. Scores for Sub-dimension 11.3: Sustainability

Sub-dimension	Qualitative indicator	ALB	BIH	KOS	MKD	MNE	SRB	WB6 average
Sub-dimension 11.3: Sustainability	Road safety strategy	1.5	1.3	1.5	1.5	2.5	2.5	1.8
	Environmental sustainability strategy	1.5	0.5	1.5	0.5	1.5	1.5	1.2
	Combined transport strategy	1.5	0.5	0.5	0.5	0.5	2.5	1.0
Sub-dimension average score		1.5	0.8	1.2	0.8	1.5	2.2	1.3

Road safety strategy updates are held back by resource constraints

The road safety strategy indicator measures progress in implementing strategies for road safety. An effective road safety strategy should create safer transport infrastructure, better road safety management, and protect road users.

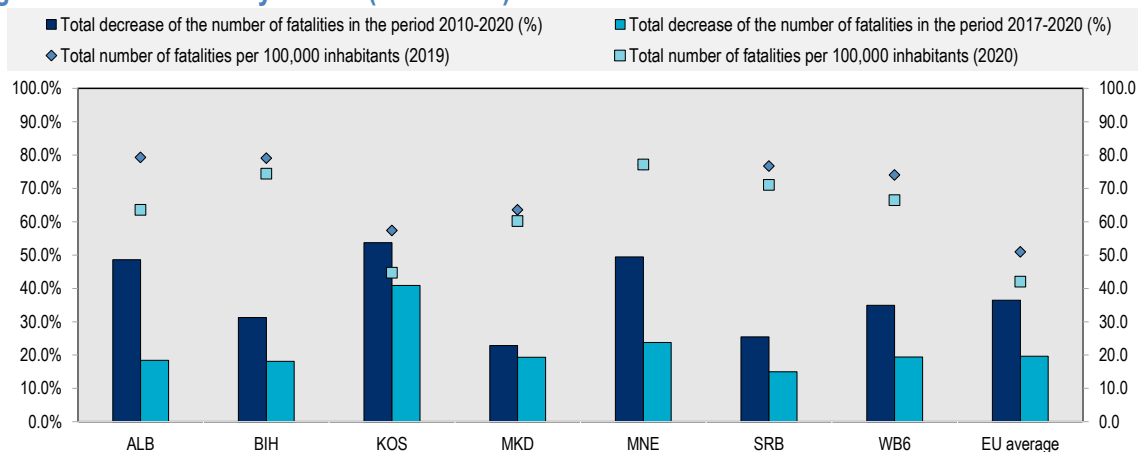
On average, the WB6 economies score 1.8 for the road safety strategy indicator, ranging between 1.3 for Bosnia and Herzegovina and 2.5 for Montenegro and Serbia (Table 14.5). The most recent regional road safety plans have been driven by the TCPS, with all WB6 economies participating in the endorsement process of the Road Safety Action Plan for the period 2020-2023 (TCPS, 2020^[29]). This plan covers actions related to road safety management, promotion of safer infrastructure and protection of road users, and enhanced co-operation and exchange of experience with clearly defined implementation guidelines and supporting parties. Financial and organisational limitations mean that some WB6 economies (e.g. Serbia) have not succeeded in developing a new road safety strategy to replace one that has expired.

Reports monitoring the implementation of road safety strategies are rare in the region (they exist in Albania,⁹ Republika Srpska and Montenegro). Without them, new strategies cannot draw on or rectify the issues revealed in the monitoring. There are Road Safety Agencies in Serbia and Republika Srpska, but systems for road safety audits and inspections are only beginning to be developed in the region. Most economies rely on IFI support and there is a lack of locally developed primary and secondary legislation in most of the region (apart from Republika Srpska and Serbia) to promote safer infrastructure. The region

also lacks appropriate staffing and funding for some key activities such as education, awareness campaigns, development of road safety co-ordination bodies in local communities, and the development and upgrade of road safety databases.

Despite the lack of updated road safety strategies and established road safety agencies in the region there have been good results on road safety. The WB6 average decrease in the number of fatalities over 2010-20 was higher than the CEEC-11, EU and OECD averages (Figure 14.9). Three economies have met or nearly met the goal of the EU's Policy Orientation on Road Safety 2011-2020 to reduce road fatalities by 50% between 2010 and 2020 – Kosovo has achieved a 53.7% decrease, and Montenegro (49.5%) and Albania (48.6%) have nearly achieved the goal. The total number of fatalities per 100 000 inhabitants in the WB6 region was almost the same as the CEEC-11 average in 2019, but still much higher than the EU and OECD averages.

Figure 14.9. Road safety trends (2010-2020)



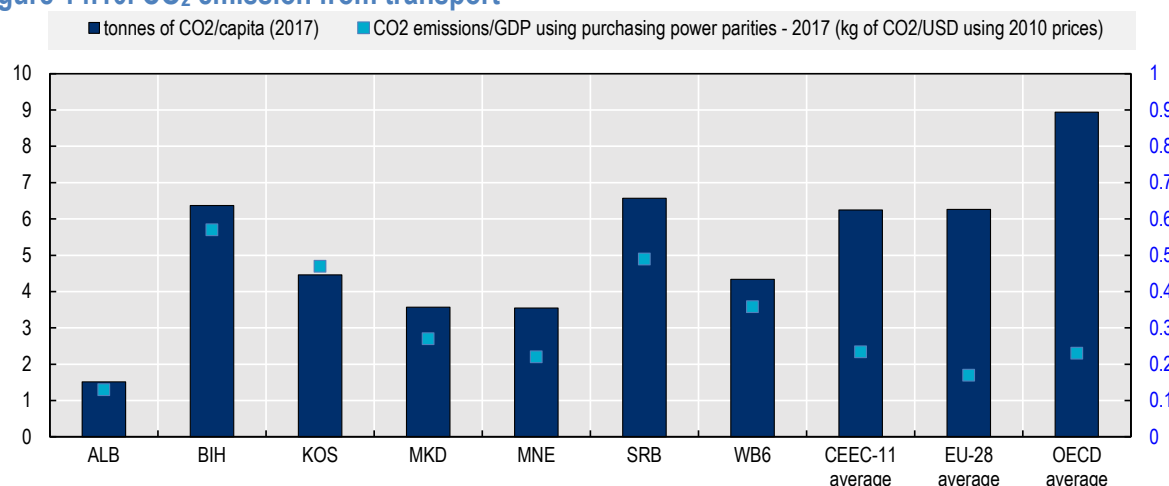
Note: OECD data for 2010, 2017 and 2019 do not include following countries: Canada, Colombia, Luxembourg, Mexico, Switzerland. Traffic accident data for 2020 are not available for Bosnia and Herzegovina, Montenegro, North Macedonia, CEEC-11, EU and OECD.

Source: Inputs provided by the government as part of the quantitative questionnaire (CO2021); Statistical data retrieved from WB6 statistical offices.

StatLink  <https://doi.org/10.1787/888934254639>

Environmental strategies for transport are underdeveloped

The WB6 economies' CO₂ emissions from transport, when measured in tonnes of CO₂ per capita, are lower than CEEC-11, EU and OECD averages (the bars in Figure 14.10). However, when measured in tonnes per GDP using purchasing power parity, their performance is worse (blue line in Figure 14.10). Serbia has the highest emissions per capita, while Albania has the lowest. CO₂ emissions illustrate the direct dependence of the region on fossil fuels.

Figure 14.10. CO₂ emission from transport

Note: The CEEC-11 countries are Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia. PPP = purchasing power parity.

Source: (IEA, 2020_[30]), *CO₂ Emissions from Fuel Combustion: Overview*, <https://www.iea.org/reports/co2-emissions-from-fuel-combustion-overview>.

StatLink  <https://doi.org/10.1787/888934254658>

The environmental sustainability strategy indicator measures how strategies plan to green transport activities and transport infrastructure. It also assesses the level of legislation and measures introduced to reduce energy consumption in transport services, increase the share of electrical transport through electricity recuperation, facilitate cycling, and reduce carbon dioxide (CO₂) emissions without compromising on efficiency and mobility.

On average the WB6 economies score 1.2 for this indicator, with scores ranging between 0.5 (Bosnia and Herzegovina and North Macedonia) and 1.5 (all other regional economies) (Table 14.5). Environmental sustainability in the transport sector is partially covered through various strategies, action plans, and primary and secondary legislation, but there is no single mechanism to assess implementation of the recommended actions and measures.

The economies' legislation contains targets such as a reduction of the noise impact from transport to the levels recommended by the World Health Organisation/EU in Albania; the promotion of bio-fuels and other renewable fuels in Bosnia and Herzegovina; and a modal shift from road, reduction of greenhouse gas (GHG) emissions, vehicle labelling for emissions, carbon footprint calculators and eco-driving in North Macedonia. By 2030, GHG emissions levels should be reduced by 30% compared to baseline 1990 levels in Montenegro, and in Serbia there are incentives for purchasing new electric vehicles. The first e-mobility pathway at the economy level is also under development in Serbia, funded by the World Bank, and is expected to be finalised in 2021.

Since the last CO assessment, climate resilience design guidelines for public enterprises for roads have been developed in North Macedonia and Serbia, in co-operation with the World Bank. These guidelines will help economies to better understand the impact of climate change on roads and enable appropriate, timely and properly prioritised investment decisions.

Combined transport is still not prioritised

The combined transport strategy indicator measures whether WB6 economies are developing and implementing integrated logistics strategies that can promote a corridor approach and intermodal solutions. Most WB6 economies still do not consider combined transport a priority and are still not planning to develop stand-alone strategies or to institutionalise this mode of transport. On average, the WB6 economies score

1.0 for this indicator, ranging from 0.5 for Bosnia and Herzegovina, Kosovo, Montenegro, and North Macedonia to 1.5 for Albania and 2.5 for Serbia (Table 14.5).

Reforms in this area have generally been slow; however, Albania finalised its Intermodal Transport Strategy in early 2021, while in Serbia the new multimodal transport strategy Five-year Action Roll-on Plan is under development and expected to be finalised later in 2021.

The first rail freight corridor (the Alpine-Western Balkan Rail Freight Corridor¹⁰ through Austria, Slovenia, Croatia, Serbia and Bulgaria) started operating in January 2020 and will increase competitiveness regarding the modal shift to rail.

There is a signed construction contract for the multimodal terminal, Batajnica, near Belgrade, and an ongoing procurement process for developing an intermodal terminal, Trubarevo, near Skopje.

The way forward for sustainability

- **Ensure that road safety remains a key priority.** Monitoring reports for implementing road safety strategies need to be upgraded/developed in all WB6 economies. The monitoring results of existing road safety strategies, including lessons learnt, should be used to update the framework when developing new strategies. Impact assessments of new strategies should also be carried out. Road Safety Agencies need to be established (except in Serbia) with the appropriate staffing and funding resources to undertake the activities defined in the related action plans. All WB6 economies should strive to secure the newly defined goal of the EU's Vision Zero strategy for 2050, which has also set an intermediate goal for 2021-2030 of halving the number of road fatalities (European Commission, 2019^[31]). Bosnia and Herzegovina, North Macedonia and Serbia should aim to compensate for poor results from the previous decade and exceed the goal of reducing road fatalities by 50% in this decade. Public awareness and education activities should be strengthened, and innovative funding ideas in the road safety sector should be promoted (Box 14.3).
- **Develop roll-out strategies for electric vehicle charging infrastructure.** Serbia is already working on the development pathway for e-mobility, and other WB6 economies should follow this good regional example (e.g., Albania is incorporating e-mobility in its new transport strategy for 2021-2026, which is in the development phase). This is important for the region's decarbonisation trends and for the goal of net-zero GHG emissions by 2050, which is an objective defined by the European Green Deal (European Commission, n.d.^[32]) and in line with the EU's commitment to global climate action under the Paris Agreement (European Commission, n.d.^[33]).
- **Maintain transport facilitation as a key priority for WB6 economies.** Implementing the following measures will be a key trigger for increasing the competitiveness and connectivity of WB6 economies, and drive deeper integration with the European market:
 - Create one-stop shops (OSSs) at border crossing points; improve and upgrade existing ICT infrastructure; construct or modernise infrastructure to remove physical and technical barriers and to increase capacities at border crossing points and common crossing points; build capacity with the purpose of improving performance efficiency.
 - Good examples in the region could be used as inspiration, for example North Macedonia and Serbia have recently introduced a well-developed OSS system and in 2021 finalised project documentation for implementing a pilot project for an electronic queuing management system (see also Estonia example in Box 14.4). However, interest in this project is currently low, but with the project documentation ready it can be used as soon as a party is ready to pursue implementation.
- **Develop stand-alone combined transport strategies where relevant** (i.e., Bosnia and Herzegovina, Kosovo, Montenegro and North Macedonia). The timely development of a combined transport framework in the entire WB6 region could generate substantial benefits for

economies. Such strategies promote sustainable transport by shifting freight transport from roads, which is not considered an environmentally friendly mode of transport, to other more sustainable modes. Combined transport is also a cost-saving shipping resource that can leave more time and resources for shipping companies to conduct new business. Therefore, incentives for shifting freight to combined transport are needed, such as Serbia's incentives programme introduced in 2018.

- **Develop integrated environment and transport action plans.** Such plans should integrate existing and new indicators to measure sustainability in transport policy. A good example is the Transport and Environment Reporting Mechanism¹¹ developed by the European Environmental Agency, which prescribes indicators for measuring the environmental performance of transport in the EU. Another example is the UK's Emission Factor Toolkit, which helps local authorities assess local air quality (Box 14.5).

Box 14.3. Innovative ideas in road safety: Road safety social impact bonds, Montenegro

In 2018, the United Nations Development Program (UNDP) in Montenegro, in co-operation with the key domestic players in road safety, developed the idea of road safety social impact bonds as an innovative and alternative performance-based public financial instrument that shifts the policy framework from inputs and outputs to outcomes and value-for-money. This innovative idea involves the private sector investing in road safety improvements to strengthen sustainability together with the public sector. The public partner commits to paying the outcome payments to the investor if (and only if) the predefined and measurable social goals are met. This idea has great potential to help other economies in the region (and beyond) replicate and scale-up the model.

Source: (UNDP Montenegro, 2014^[34]), *Rethinking Road Safety in Montenegro*, <https://www.me.undp.org/content/montenegro/en/home/projects/RoadSafety.html>.

Box 14.4. Electronic queuing management system at border crossing points in Estonia

The electronic queuing management system (e-QMS) is a transport facilitation mechanism designed to convert physical queues into virtual queues at border control points (BCPs) through an IT application. It was implemented in 2011 in Estonia.

The e-QMS system process contains four main steps: 1) pre-registration; 2) virtual queuing, 3) physical queuing; and 4) BCP check-in. Pre-registration can be undertaken via a web portal, text message or kiosk. A vehicle can wait virtually until the booked time when it has to appear physically in the waiting area, which is where the vehicle arrives to physically queue before being called for further BCP check-in procedures. The waiting area could be located close to or far from the BCP.

The benefits of the e-QMS are:

- Time savings through shorter waiting times, especially for heavy goods vehicles.
- More streamlined operations on site and increased performance by border agencies.
- Reduced truck queue lengths.
- Increased capacity throughput at BCPs.
- More secure cargo and improved trade and logistics performances.
- Enhanced road safety and less air and environment pollution.
- Increased economic activity around cross-border regions.

Source: (Estonia Border, n.d.^[35]), *Go Swift, Queue Management Service*, <https://www.estonianborder.eu/yphis/borderQueueInfo.action>.

Box 14.5. Emissions Factor Toolkit, United Kingdom

The Emissions Factor Toolkit (EFT) was published by the UK's Department for Environment, Food and Rural Affairs (DEFRA) in 2020. It assists local authorities in carrying out reviews and assessments of local air quality as part of their duties under the Environment Act 1995.

The EFT allows users to calculate road vehicle pollutant emission rates for nitrogen oxide (NO_x), PM₁₀, PM_{2.5} and CO₂ for a specified year, road type, vehicle speed and vehicle fleet composition. The EFT is updated periodically due to changes in underlying data such as vehicle fleet composition and emissions factors. CO₂ emission rates can also be calculated for petrol, diesel and alternative fuelled vehicles.

The EFT can be downloaded from DEFRA's website. It provides emission rates for 2018 through to 2030, and considers composition fleet data for motorways, urban and rural roads, fleet composition based on European emission standards, scaling factors reflecting improvements in the quality of fuels, and some degree of retrofitting and technology conversions into the national fleet.

Source: (DEFRA, 2020^[36]), *Emissions Factors Toolkit*, <https://lagm.defra.gov.uk/review-and-assessment/tools/emissions-factors-toolkit.html>.

Conclusion

The WB6 economies have made moderate progress towards improving regional transport competitiveness. New regional action plans, if effectively implemented, will make transport infrastructure more useful, thereby improving regional competitiveness. The recently approved well-developed project selection frameworks created by some regional economies (Albania and Serbia) should serve as a good example for other economies and ensure that limited budgets are spent on investments that generate the greatest benefits for society. Governance and regulation are sufficiently developed to accelerate harmonisation with EU rules. The level of reduction in road fatalities in the WB6 reveals very good progress in comparison with the CEEC-11, EU and OECD averages.

However, there are still challenges for the region's transport sector. There is not yet synergy between strategies and action plans for infrastructure development, asset management systems, environmental sustainability and combined transport performance. Systems to monitor the implementation of strategies and action plans need to be improved and lessons learned should be applied during strategy updates. There is no programme for a comprehensive data collection system, including performance indicators; when developed this needs to be regularly conducted. Human resources and financial capacity need to be built for the effective implementation of approved policies and strategies.

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Notes

¹ The Transport Community Permanent Secretariat, Transport Community: <https://www.transport-community.org/>.

² The Terms of Reference covers the following minimum key performance indicators: infrastructure quality indicators, TEN-T standards compliance indicators, travel time related indicators (including cross-border waiting times), transport services quality related indicators, environmental related indicators (greenhouse gas emissions), safety related indicators, project related indicators, and acquis transposition rate/progress.

³ JASPERS, <https://jaspers.eib.org/>.

⁴ Indicative extension of TEN-T to Western Balkans Core Network

https://ec.europa.eu/commission/presscorner/detail/de/STATEMENT_15_4826.

⁵ An appropriate definition of “asset management” for the roads sector was proposed by the OECD in 2001: “A systematic process of maintaining, upgrading and operating assets, combining engineering principles with sound business practice and economic rationale, and providing tools to facilitate a more organised and flexible approach to making the decisions necessary to achieve the public’s expectations.” (OECD, 2001_[37]).

⁶ The Government of the United Kingdom (2019), Transport Analysis Guidance, Special attention to be paid to the TAG unit A1-1 Transport analysis guidance (TAG) on the principles of cost-benefit analysis and how they should be applied in the context of transport appraisals. For more information, please see: <https://www.gov.uk/guidance/transport-analysis-guidance-tag>

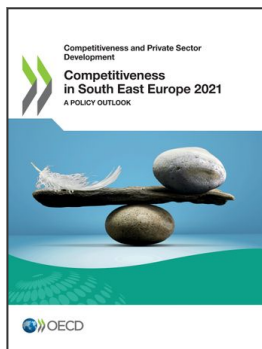
⁷ Periodical and regular measurements to monitor the conditions of infrastructure assets, assessment of the value of assets and costs for non-maintained assets, adoption of asset management strategies, consistent approach in the identification of the mix and timing of asset operation and construction strategies, etc.

⁸ See <https://www.al.undp.org/content/albania/en/home/projects/enhancing-the-development-of-albanian-maritime-sector-through-te.html>.

⁹ A lack of staff in Albania meant that the 2019 monitoring report was much less detailed than the report for 2016.

¹⁰ Alpine-Western Balkan rail freight corridor (2020), <https://www.rfc-awb.eu/>.

¹¹ Transport and Environment Reporting Mechanism, <https://www.eea.europa.eu/themes/transport/term>.



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