



UNIVERSITY OF NIŠ
The scientific journal FACTA UNIVERSITATIS
Series: **Architecture and Civil Engineering** Vol.1, N° 4, 1997 pp. 541 - 545
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THE CHANGING FOCUS IN TRANSPORT POLICY

UDC: 625.1:339.732(045)

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Summary. *This paper provides a general overview of the new strategy in transport sector, which is prepared by the World Bank, donors and other leading financial institutions for developing countries and it is applicable in all states of former SFR Yugoslavia. During the past twenty-five years, The World Bank carried out detailed policy studies for specific subsectors in transport such as urban transport (1986) and on specific topics, such as road maintenance (1988). Since 1972, however, there has been no review of the transport sector as a whole. During this period, and in the past decade in particular, rapid changes in the global economy have increased the need for flexibility and reliability in transport services, growing individual aspirations for more access and mobility have generated the need for a greater variety of transport service; and mounting social concern about the degradation of the environment have increased the need to evaluate transport strategies more carefully.*

1. INTRODUCTION

Transport is crucial to development. Without access to jobs, health, education and other amenities, the quality of life suffers; without access to resources and markets, growth stagnates, the poverty reduction cannot be sustained. Inappropriately designed transport strategies and programs, however, can result in networks and services that aggravate the condition of the poor, harm the environment, ignore the changing the needs of users, and exceed the capacity of public finances.

The importance of transport does not diminish as countries industrialize. International trade in merchandise, and by implication the movements of goods, grew, on average, through the world by 5% annually between 1980 and 1995, compared with income, which grew by only 3 percent a year. Physical completion of various projects does not in itself

generate the expected benefits if institutions are weak and the policy framework is inadequate. This is frequently been the case where (like in SFR Yugoslavia) the state is the sole provider of transport infrastructure and is either a monopoly supplier or a strongly interventionist of the provision of transport services.

2. CHALLENGES FOR THE TRANSPORT SECTOR IN BOSNIA AND HERZEGOVINA

Continued improvement of transport system requires completion of some “unfinished business” of extending basic infrastructure networks and providing for their adequate maintenance. According to research studies carried by WB, over two-decade period 1964-84 \$45 billion worth of road infrastructure assets was lost in eighty-five developing countries because of inadequate maintenance.

The postponed maintenance also increases the costs incurred by road agencies in the long run. But it also requires attention to new problems posed by user aspirations for better-quality services, by participation in the opportunities and risks of a competitive global marketplace, and by the adverse consequences of rapid motorization. Appropriate strategies and actions will be required both to improve provision and maintenance of transport infrastructure and to improve the provisions of transport services using that infrastructure.

For example, on an annualized basis, every extra dollar not spent by the road directorate to maintain in fair or poor condition a road carrying 500 vehicles per day will increase road user costs of operating vehicles by between \$ 3.4 and 6.1. In the longer term, rehabilitating paved roads every ten to twenty years is more than three times as expensive for the government, in cash terms, as maintaining them on regular basis, and it is 35% more expensive in terms of net present value discounted at 12% a year.

That was one of the reasons that the World Bank, in late 1980s, approved a sector loan for road maintenance to the SFR Yugoslavia.

Developing countries, as they are all states of former SFR Yugoslavia, need to increase the access of the all users to market and amenities. Only Slovenia solves this problem in appropriate way (expanding secondary and tertiary transport network and additional public transport services). The main problem occurred in Bosnia and Herzegovina, in now divided country, without accessible road and railway connections and public transport services.

Economic reform and political realignment in Eastern Europe, and emerging free trade areas and customs unions also promise to generate a need to investment in transport and harmonization of regulations to facilitate new patterns of trade and transport.

The transport system of Bosnia and Herzegovina, prior to hostilities, was organized to meet needs of the former SFR Yugoslavia. Inland transport was provided by the road system (including 8,600 km of main and regional roads) and railway system (1033 km). As with other sectors, the ability of the transport sector to function has been seriously affected by the hostilities. Virtually all parts of the transport system have been damaged, either as a result of direct targeting, by the movements of military vehicles on roads which were not designed to carry heavy traffic, or by lack of maintenance and spare parts for equipment in road maintenance companies and transport utility companies.

In December 1995, in a joint effort with the entity governments and donor community,

it was prepared a Transport Reconstruction Project for B&H that envisages funding requirements at US\$ 698 million to be committed over three years with first year requirements of US\$ 305 million.

- Roads	70,0	US\$ million
- Bridges and Tunnels	41,0	US\$ million
- Road Maintenance Equipment	63,1	US\$ million
- Railways	23,0	US\$ million
- Airports	23,6	US\$ million
- Urban Transport	53,2	US\$ million
- Technical Assistance	16,5	US\$ million
- Other	14,6	US\$ million
TOTAL	305,0	US\$ million

With the uncertainty of demand, the underlying strategy of the Program is to concentrate first on transport systems which are going to be needed under any scenario, and plan a flexible way to adapt to new information. The Program will be implemented through two projects:

- The first, emergency, comprises works to overcome the most serious transport system constraints. The Project includes such items as repairs failing roads, reconstructed of downed bridges, improvement to rail services and providing initial support to reestablishing urban and sub-urban transport services.
- The second, will complete the first, and will likely include works requiring more detailed preparation including major road reconstruction, some or all of the remaining downed Sava and Una bridges, further support to rail and urban transport, and support to bringing road maintenance activities up to an efficient level.

After these Project it will be continued with the modernization of the transport system and support increasing efficiency through privatization.

Together, these challenges highlight the needs to reform transport policy in order to support a better quality of life on a sustained basis. Economic and financial sustainability requires that available resources be used efficiently and that assets be maintained properly.

Environmental and ecological sustainability requires that the external effects of transport are taken into account fully when public or private decisions are made that determine future development. Social sustainability requires that the benefits of improved transport reach all section of community.

Three types of action are most important in support of policy and institutional reform to enhance sustainability. First, actions that involve synergy among the different dimensions of sustainability are pivotal to the whole strategy. The most critical of these are introduction of economically efficient charges for infrastructure and the development of competitive market structure within the sector. Second, some actions are urgent, either because they are basic to reform (establish the institutional basis for a more competitive commercial transport sector) or because they address problems that already become critical (road safety and the most serious health-threatening aspects of urban air pollution). Third, some actions are relatively novel. These include measures to assist non-motorized transport; to mobilize the potential of local authorities, communities, and non-

governmental organizations; to improve maintenance through more secure and participatory financing arrangements; and to accelerate improved public sector performance.

3. ROLE OF GOVERNMENT IN THE TRANSPORT SECTOR

In all studies and paper for B&H it is argued that the supply of transport infrastructure and services should, wherever possible, be shifted from the government to the market. The efficient working of a private market in transport depends partly of existence of conditions conducive to market behavior, such as well defined property rights, the rule of law, and the freedom of individuals and economic agents to respond to market signals reflecting true economic and social costs, which are not specific to transport. It also depends on sector specialized technological and structural characteristics, such as the extent of externalities, market distortions, and monopoly power in the sector.

These conditions are rarely satisfied in other developing and transition countries. It is, therefore, necessary to redirect the activities of governments in the sector to make markets effective and to do what markets cannot. To accomplish this government must perform three roles:

First, they must establish a market framework that gives efficient incentives to decentralized decision-makers;

Second, because some environmental and social objectives cannot easily be included in economic inducement system, government must make critical judgments on societal objectives that cannot easily be subjected to market processes;

Third, because issues regarding the distribution of welfare cannot always be dealt with through general social and fiscal policies, government must protect or compensate those who suffer from the process of transport development.

The objective of a reformed transport strategy is to find more economically, environmentally and socially sustainable patterns of transport development. This can be achieved by increasing the role of competitive market signals and the involvement of the private sector by encouraging more direct participation of users and the community in deliberations on proposed changes to the transport system, particularly where markets fail (as in state of former SFR Yugoslavia).

The WB, EBRD and donors can continue to play an important role in the transformation of the sector by becoming a financial catalyst and facilitator of private operation and finance, as disseminator of best practice approaches to regulatory and concessionary designs, as promoter of more commercial management of public sector activities and as appraiser and lender (or donor) for major transport infrastructure projects.

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IZAZOV PROMENA U TRANSPORTNOJ POLITICI

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Ovaj rad daje opšti pregled nove strategije u transportnom sektoru, koju su pripremile Svetska banka, donatori i druge finansijske institucije za zemlje u razvoju i ona je primenjiva za sve države bivše SFRJ. U zadnjih 25 godina Svetska banka je provela nekoliko detaljnih istraživanja po pojedinim podsektorima kao što su gradski prevoz (1986) i po specifičnim pitanjima kao što je održavanje puteva (1988). Od 1972 nije razmatran transportni sektor u celosti. Za vreme ovog perioda, a posebno u poslednjoj deceniji, brzim promenama u globalnoj ekonomiji narasle su i potrebe za transportnim uslugama; narasli pojedinačni zahtevi za kretanjima proizveli su i zahteve za širokim spektrom transportnih usluga a narasla društvena svest o zaštiti okoline zahteva da se procena transportnih strategija razmatraju mnogo pažljivije.