

# INFRASTRUCTURE

## TRANSPORT

### CURRENT SITUATION

When it comes to all types of transport, the importance of the Republic of Serbia is indisputable, both for the Balkan countries, as well as for the area of Southeast Europe and beyond. The improvement of transport would be most expediently considered through five modes of transport: road, rail, air, water and intermodal.

The aspiration to approach the levels of development of the European Union is present in this segment as well, which is primarily reflected in the implementation and harmonization of Serbian positive regulations with European regulations. The basis for these activities is certainly the General Master Plan for Transport in Serbia (abbreviated TMP), from 2009, which contains guidelines and plans for the road, rail, water, air, and intermodal transport sector, ending in 2027. The General Master Plan for Transport in Serbia is also the basis for existing and future projects that will be financed from EU pre-accession and accession funds, as well as other sources of funding.

When it comes to legislation, the Road Transport Sector is the most extensive, given that road transport is the most represented in relation to other modes of transport. Out of Serbia's 5,000 kilometers of roads, 1,100 kilometers have been identified as a high priority for rehabilitation, in line with the Transport Strategy and the aforementioned General Master Plan. Progress has been made in road transport with the adoption of regulations in the field of dangerous goods and transport licenses, while regulations related to the transport of goods are in line with European regulations.

The railway sector is the sector in which the need for modernization is highest at the moment, which has been intensively worked on in the last few years. In the area of rail transport, where there is progress, it is necessary to continue to open the market to private operators and ensure the sustainability of reformed railway companies.

Waterways are not sufficiently used, nor is their potential in the context of Serbia's international connection. Another burning issue with this sector is the financing of both the reconstruction and modernization of water transport. The funds needed to improve ports, waterways, and associated systems, as well as their maintenance, are really large. Novelty in terms of reg-

ulations governing water transport introduce amendments to the Law on Navigation and Inland Ports.

Intermodal form of transport, with three partially built terminals, is a form of transport that is still in its infancy, with a tendency to develop in the coming period.

The three main characteristics of the state of transport in the Republic of Serbia are the current maintenance of the existing infrastructure, investment, i.e. modernization of the same, and harmonization with European standards. Investing in infrastructure, as well as investing and maintaining the existing transport network are the goals to be pursued.

### COVID-19

All facilitation and elimination of administrative barriers, especially in the transport of goods, are of interest to the Republic of Serbia. About 350 kilometers of new highways have been built in Serbia since 2012, only in 2019, about 130 kilometers of highways on Corridor 10 and "Miloš the Great" were opened to traffic, and after 30 years, the complete road Corridor 10 was finished. However, it is clear that this connection and the reduced travel time have no use-value in the case of a long stay at border crossings. The initiative to establish "Green Corridors", for now, is focused on the time period in which there is an epidemic caused by COVID-19, but consideration should be given to continuing to support the established system even after the current situation has been stabilized.

Digitalization was of particular importance to the transport and logistics industry during the pandemic. The adoption of this trend, which was current even before the start of the pandemic, helped companies in this industry to adapt faster to the new situation. Its importance was especially reflected in the increased demand for home delivery service, and it is expected that the growth of buying and selling over the Internet will continue in the following period.

### POSITIVE DEVELOPMENTS

In previous years, as well as this year, the improvement of all types of transport continued, not only in the technical sense but also in the sense of concluding contracts and negotiations with the executive authorities of the surrounding countries, as well as foreign investors.

Part of the projects facing the competent Ministry is the construction of the Belgrade-Budapest railway, the construction

of the Niš-Merdare-Priština highway, the reconstruction of the Belgrade-Bar railway, while project documentation for the Belgrade-Sarajevo highway is being prepared.

In the road sector, the emphasis was placed on the construction of Corridors 10 and 11. In August 2019, the highway from Obrenovac to Čačak on Corridor 11 was opened to traffic, and the works on the section Surčin - Obrenovac were completed in December 2019. The construction of the part of Corridor 11 Preljina - Požega started in May 2019, and the completion is planned within 36 months. Projects have been completed and building permits have been issued for the first phase of construction of this section, and expropriation procedures are being accelerated. The construction of the branch of Corridor 11 Požega - Boljare is also planned, as part of the road corridor Belgrade - South Adriatic. For the section of the Požega - Boljare Corridor, a Memorandum of Understanding was signed between the Republic of Serbia and the People's Republic of China, and the development of the Spatial Plan of the special purpose area is in progress. The southern branch of Corridor 10, the highway through Grdelica gorge, has been finalized and is open for traffic.

In water transport, the project "Introduction of an Electronic Waterway Marking System (AtoN)" which the Ministry of Construction, Transport, and Infrastructure is implementing in order to raise the level of navigation safety, was completed in May 2019. The delivered contracted equipment consists of the most modern IT technologies for water transport management. Also, within the project "Hydrotechnical and Excavator Works on Critical Sectors on the Danube River in Serbia, between Bačka Palanka and Belgrade", the technical acceptance of works on the critical sector "Futog" has been completed, and the handover of works on the critical sector "Čortanovci" is in progress. The works are expected to be completed by the end of 2020. The project for the construction of a new port in Belgrade, the completion of which is planned for December 2023, has been included in the Single Project Pipeline as a project of exceptional strategic importance. A Preliminary Feasibility Study is underway. During 2020, it is planned to start drafting a Feasibility Study with a Preliminary Design.

The railway sector continued to cooperate with regional countries. The preparation of documentation for initiating the tender procedure for the reconstruction of the Niš - Dimitrovgrad railway is underway, which is important since this part of the railway connects the Republic of Serbia and the Republic of Bulgaria, the completion of which is planned for the end of 2023. The project of modernization

of the Belgrade - Budapest railway is also in progress. The project is of exceptional strategic importance as it is part of the basic traffic transversal of the Republic of Serbia, it connects three of the five largest cities in the Republic and is part of Pan-European Corridor X. On the section, Belgrade - Stara Pazova, 17.19% of works have been physically realized, while for the section Novi Sad - Subotica, it is expected that the Preliminary Design will be ready during 2020.

In air traffic, the project of a new runway for the "Morava" Airport in Kraljevo is planned, and the completion of the project of the reconstruction of the runway of the "Nikola Tesla" airport. For the "Constantine the Great" Airport in Niš, the extension of the terminal building and the rehabilitation of the runway is planned.

Having in mind all current projects, it is evident that investing in transport infrastructure is a priority.

In March 2020, the Government of the Republic of Serbia passed the Decree on Subsidizing the Purchase of New Electric Vehicles, which directly encourages the use of an environmentally friendly mode of transport. The amounts of subsidies are 250 and 500 euros for electric motorcycles and between 2,500 and 5,000 euros (depending on the type of drive) for electric cars. Grants are awarded through the Ministry of Environmental Protection. In addition, by amendments to the law (on taxes on the use, possession, and carrying of goods), owners of hybrid vehicles are exempt from paying taxes on the use of motor vehicles.

## REMAINING ISSUES

Traffic safety is the most important issue when it comes to transport problems. The number of injured and deceased is on the rise, which is contrary to the goals of the Road Traffic Safety Strategy 2015-2020. The ubiquitous problem of road traffic is also financing - funds from state revenues as well as foreign investments are not enough for maintenance, rehabilitation, and construction of new roads, and the aggravating circumstance is the fact that this problem is directly related to traffic safety.

One of the unresolved issues is the lack of adequate infrastructure for the use of electric vehicles, which could become a significant obstacle to the country's green energy agenda and could jeopardize the strategic importance of Corridors 10 and 11. On the other hand, it is encouraging that the Ministry of Construction, Transport, and Infrastructure has rec-

ognized the need for the improvement of this issue, therefore charging stations have been installed in certain places on Corridor 10. Some large oil companies have also installed charging stations on their PSs. However, there are several regulatory issues that need to be addressed to encourage this trend, as one of the obligations towards the EC and the EU is to achieve a certain share of energy from renewable sources in the transport sector. The bylaws were adopted in 2019, and are subject to fuel trading companies. As for the electricity consumed by EVs, the situation is as follows:

- Electricity consumed when charging electric cars cannot be charged, because no one has a permit/ consent from the Electricity Supplier and the Distribution System Operator for retail electricity trade;
- Therefore, for the realization of the share of RES in transport, in addition to not being able to charge for this electricity, taxpayers cannot even prove that they have met part of their obligations for RES through electricity placed in the transport sector;
- The new EU Directive from 2018 provides additional benefits if the trader/owner of PS gets the electricity used by EV from its own production of electricity from renewable sources, but this directive should be transposed into the legal framework of the Republic of Serbia.

Modernization is the biggest problem in the railway sector. It is necessary to work on the improvement of this type of transport because a large number of lines are not used, while in some sections the speed of trains is not satisfactory. Attention should be paid to a longer-term plan for the development of rail transport and its harmonization with road transport, with the aim of increasing intermodality. One of the problems is the image of the railway, which should be actively changed according to public opinion, by changing the marketing policy.

The usefulness of other airports, in addition to Belgrade and Niš, should be increased, and a long-term strategy for the use of the entire Serbian air infrastructure should be devised.

When it comes to water transport, the biggest problem is financing - large funds are needed only for the reconstruction of infrastructure dating back to the period of the former Yugoslavia. Modernization and maintenance of the water transport system cost a lot. It is encouraging that an investment in the total amount of 66.5 million euros has been announced in the coming years, which will be focused on the development of river transport and the protection of the natural characteristics of the Danube. One of the positive examples is the reconstruction of the port of Smederevo.

### FIC RECOMMENDATIONS

- Introduce additional incentives for the construction of infrastructure for the use of electric vehicles. It is also necessary to provide an adequate regulatory framework that will enable the development of this sector which takes into account the constructive recommendations of relevant stakeholders. (2)
- Adapt the Energy Law to recognize and encourage the use of electricity in the transport sector. (1)
- Increase material quality control and inspection supervision when performing works; implement international quality and project management standards in the public sector as well. (2)
- Enter into public-private partnerships in transport areas that are vital and not reserved for the state, which the state is not able to independently train, restructure or modernize, or for which it is more optimal and efficient to do so in partnership with the private sector. (2)
- Additionally work on opening the market in railway transport, in order to establish the necessary institutional structures. The application of European standards in the implementation of technologies on the railway network, for the sake of interoperability and unhindered traffic with neighboring countries in order to increase transport through Serbia, is crucial in this regard. (1)
- Implement measures that will improve the characteristics of combined transport within the Serbian transport system. (1)