



Hrvatsko asfaltno društvo

Croatian asphalt association

Projekt reorganizacije cestovnog sektora u Hrvatskoj u suradnji sa Svjetskom bankom – posljednja dostignuća

Reorganisation of the road sector in Croatia in cooperation with the World Bank – state of the art

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REORGANIZATION OF CROATIA'S ROAD SECTOR WITH THE WORLD BANK

- ▶ The country's goals for the road sector
- ▶ The Bank's engagement principles
- ▶ The MARS loan and guarantee project
- ▶ Action plan regarding road maintenance
- ▶ Progress so far – Expectations and next steps
- ▶ Related developments in Europe





CROATIA'S ROAD SECTOR - OVERVIEW

CENTRAL GOVERNMENT

LOCAL GOVERNMENT

Ministry of Sea, Transport & Infrastructure

County authorities

State-managed
motorways*

State roads

Croatian
Motorways
(HAC)

Rijeka-
Zagreb
Motorway
concession
(ARZ)

Croatian
Roads (HC)

County road
agencies (ZUC)

* There are also two PPP concessions for about 15 percent of the motorway network

CROATIA'S ROAD SECTOR REFORM OBJECTIVES

- ▶ Stronger institutions and planning, more efficient operations and solve the sector debt issue
- ▶ Improvement targets (maintenance-related) between 2016 and 2021:
 - ▶ Improved operating expenses-to-revenue ratios for motorways and state roads
 - ▶ Reduction of motorway operating (toll/mai./admin) expenses to under 80 K EUR per km (-30%)
 - ▶ Under 2.2 staff per motorway km (from 2.7 for HAC)
 - ▶ New output-based maintenance standards; operational road asset management system





ADDED VALUE BY THE WORLD BANK

- ▶ Maximizing Finance for Development: mobilizing commercial financing & optimizing use of public money
 - ▶ Good governance; environmental & social sustainability
 - ▶ Search for sustainable solutions to limit public debt or government taking over; try to address organization & regulatory gaps / weaknesses that prevent such solutions
- ▶ Specific case of Croatia's road sector
 - ▶ Organize financial restructuring to limit direct cost for state
 - ▶ Support structural reforms to strengthen revenue and organize cost centers
 - ▶ Country partnership framework / long local presence

MODERNIZATION & RESTRUCTURING OF THE ROAD SECTOR (MARS) PROJECT

- ▶ Sector medium-term strategy (letter of sector policy)
- ▶ 22 M EUR loan for technical assistance and voluntary motorway staff retrenchment
 - ▶ Institutional strengthening component: planning, governance, legal framework between state & SOEs
 - ▶ Operational restructuring component – improving the quality-cost of road network operations
 - ▶ Organization of the financial restructuring
- ▶ Potential guarantee of up to 350 M EUR for road companies' debt refinancing
- ▶ Loan signed May 2017 & effective from Nov. 2017



ROAD SECTOR REFORM: MAIN ACHIEVEMENTS SO FAR

- ▶ 1.275 bn EUR bond raised (Nov. 2017) to refinance about a quarter of road-sector debt
 - ▶ Another 1.8 bn EUR loans rescheduled (Apr. 2018)
 - ▶ World Bank guarantee remains available
- ▶ Motorway staffing reduced by 8%, through Bank-financed voluntary retrenchment
- ▶ Motorway manager HAC merged with operator HAC-ONC
- ▶ Toll revenues increased by 12% (seasonal rates and HAC-ARZ harmonization, for light vehicles)



ROAD MAINTENANCE ACTION PLAN 2018-2021

Year	Key actions related to road maintenance
2018	<ul style="list-style-type: none"> - Technical assistance on end-performance maintenance standards, road asset management system (RAMS) dimensioning, HAC & HC rationalization - Initiation of improved contracting procedures for state roads (desirably also for county roads)
2019	<ul style="list-style-type: none"> - Adoption of new maintenance standards - Adoption of improved HAC & HC operation - Procurement of additional RAMS elements
2020	<ul style="list-style-type: none"> - Operational RAMS and costed 4-year rolling maintenance plans developed
2021	<ul style="list-style-type: none"> - Operating cost targets achieved by HAC & HC



PROGRESS AND EXPECTATIONS SO FAR IN THE THREE FOCAL AREAS

1. Sustainable quality of maintenance
 - Standards, RAMS, investment prioritization
2. Specific improvements for motorways
 - Company reorganization, rationalization
3. Specific improvements for non-motorways
 - Contracting framework, HC rationalization



FOCAL AREA 1: SUSTAINABLE QUALITY OF MAINTENANCE

- ▶ Functional road classification principles defined (from 2017), need to fine-tune before RAMS becomes operational
- ▶ Investment prioritization framework to be developed
- ▶ RAMS and maintenance standards consultancy under procurement as of April 2018
- ▶ Target of operational RAMS by 2020 still feasible
- ▶ Expected achievements:
 - ▶ Sound bidding docs for RAMS implementation
 - ▶ Implementable end-performance standards





FOCAL AREA 2: MOTORWAYS

- ▶ HAC merged with HAC-ONC (2017) & is now operator for HAC & ARZ networks; HAC-ARZ agreement under negotiation as of April 2018
- ▶ Voluntary retrenchment of 240 HAC staff (2017 & early 2018)
- ▶ HAC main rationalization study under procurement as of April 2018 (smaller studies underway)
- ▶ Expected achievements:
 - ▶ Solid maintenance-cost savings
 - ▶ Uniform satisfactory levels of service for HAC + ARZ



FOCAL AREA 3: NON-MOTORWAYS

- ▶ HC concluded first stage of rationalization study in 2017; second stage (Bank-funded) under procurement as of April 2018
- ▶ HC committed to non-binding framework agreement with routine maintenance providers (to be procured in 2018)
- ▶ HC initiated dialogue with county agencies on joint procurement (2017)
- ▶ Expected achievements:
 - ▶ Encouraging competition in routine maintenance
 - ▶ Initiating pilots of HC-county joint procurement



RELATED ACTIONS ELSEWHERE IN EUROPE

- ▶ The World Bank is active through lending / advisory projects all over Europe (EU, WB, EaP, Russia, Turkey)
- ▶ Besides Croatia, road sector reorganization projects are currently in progress in the Western Balkans (e.g. Serbia, Albania) and EaP (e.g. Ukraine, Azerbaijan)
- ▶ Most Central and East European (CEE) countries have legacy of state control in road management but are at different stages of commercialization. Examples:
 - ▶ Ukraine – Bank is funding (a) pilot performance-based contracts with private providers & (b) TA for restructuring of maintenance-providing SOE (tbc)
 - ▶ Azerbaijan – new SOEs for road corridors, Bank is funding their facilities, equipment and a consultancy to develop service-level agreement & provide training



SUMMARY OF REFORMS INTRODUCED

Reform	Croatia	Ukraine	Azerbaijan
• Road network reallocation	No	Yes	Yes
• Reorganization of funding sources	No	Yes	No
• Restructuring of road management SOE	Yes	Yes	Yes
• Road asset management system	Yes	Yes	Yes
• Technological upgrade	Yes	No	Yes
• Contractual / procedural framework improvement	Yes	Yes	Yes

THANK YOU FOR YOUR ATTENTION!

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