



Hrvatsko asfaltersko 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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- Transport Specialist, World Bank

Međunarodni seminar ASFALTNI KOLNICI 2018 International seminar ASPHALT PAVEMENTS 2018 Opatija, 12.–13. 04. 2018.



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



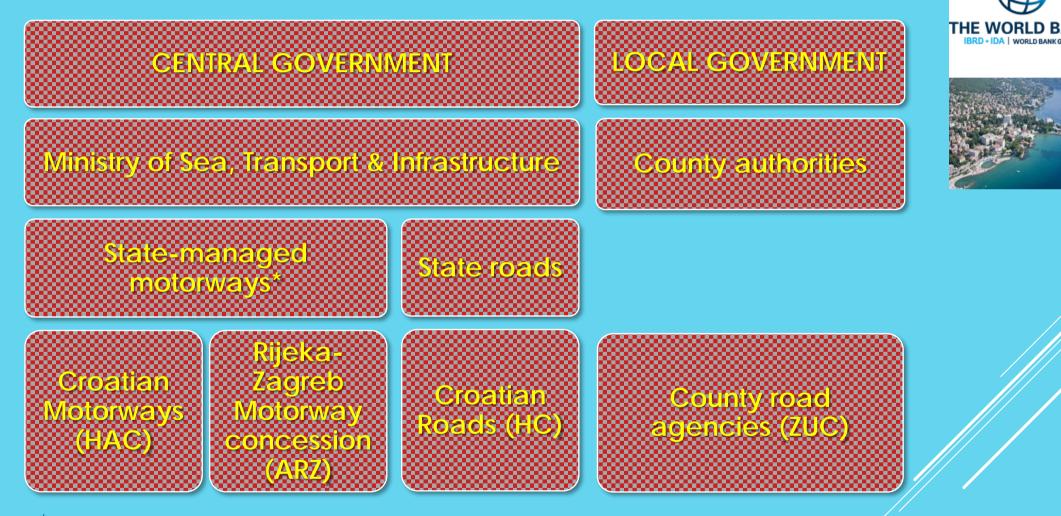








CROATIA'S ROAD SECTOR - OVERVIEW

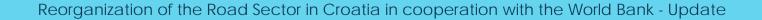


* There are also two PPP concessions for about 15 percent of the motorway network

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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

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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

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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 Bankfinanced voluntary retrenchment
- Motorway manager HAC merged with operator HAC-ONC
- Toll revenues increased by 12% (seasonal rates and HAC-ARZ harmonization, for light vehicles)

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ROAD MAINTENANCE ACTION PLAN 2018-2021

Year	Key actions related to road maintenance			
2018	 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	 Adoption of new maintenance standards Adoption of improved HAC & HC operation Procurement of additional RAMS elements 			
2020	 Operational RAMS and costed 4-year rolling maintenance plans developed 			
2021	 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

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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

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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

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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



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THANK YOU FOR YOUR ATTENTION!

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