

For a Sustainable and Affordable Railway Sector in Croatia

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ZAGREB, July 19, 2013 - To help the Croatian railway stakeholders take on the challenges and opportunities brought by EU accession, the World Bank has produced the Croatia: Railways Policy Note, an analytical report offering recommendations to different railway stakeholders on how to further strengthen and speed up the reforms of Croatia's rail system.
The Notes findings and recommendations were presented today at a workshop opened by the Minister of Maritime Affairs, Transport and Infrastructure, H.E. Sinisa Hajda? Doncic and the World Bank Country Manager for Croatia, Mr. Hongjoo Hahm.
Croatian railways underwent significant transformation over the past decade to meet the European Union (EU) accession criteria, harmonizing its legal and institutional framework with the EU acquis communautaire. The Croatian government created independent regulatory institutions for safety and market operations of the railways.
Since July 2012, Croatian Railways (HŽ) Holding was dissolved into three independent public companies - HŽ Infrastruktura, HŽ Cargo and HŽ Passenger Transport - with plans to make each more customer-oriented and competitive. The privatization of HŽ Cargo is in its final stages. These transformations have started to reduce the high budget support provided to the daily operations of the railways.
While significant, these reforms may not be enough for the Croatian railways to survive and grow in the large and competitive EU transport market. HŽ's productivity is still behind its peers and part of the network does not have enough market demand to remain open. Additional efficiency measures and re-sizing of operations are needed to make HŽ sustainable.
To complement these efforts, the Croatia: Railways Policy Note was drafted in 2012 to contribute to the restructuring plan prepared at the same time by the government, and focuses on three key challenges.
First, on how to ensure that the government receives value for the money it provides to HŽ, and that this is channeled more for future investments in the sector and less on operational costs. Second, how to ensure the sustainability of the railway operators HŽ Infrastruktura, HŽ Cargo and HŽ Passenger Transport, by making them less reliant on state funds and competitive on the open EU market. And third, how to make the EU legal framework work for Croatia including how to use the EU Structural Funds on the necessary modernization of the railway network and increase performance using the contractual incentives of the railway directives.
Croatia has a unique opportunity to use EU entry to increase its role as a gateway to Central and Southern Europe, building a transport logistic system that links its ports, its rails and its transport infrastructure into a seamless system. The railways in Croatia need to adapt in this environment to contribute as an engine of growth for the Croatian economy, said Hongjoo Hahm, World Bank Country Manager for Croatia.
"The government will have a critical role to play to determine the overall strategy for the sector. Through its financial policy it could help the railway sector become more efficient by investing in infrastructure and equipment and by linking operating subsidies with quality of service, stressed Jean-François Marteau, World Bank Transport Specialist and one of the authors of the report.
Since joining the World Bank in 1993, Croatia received support from global development institutions in the form of financial and technical assistance, policy advice, and analytical services. To date, the Bank has supported 49 projects in the amount of US\$3.3 billion, and it has approved 52 grants with a total value of US\$70 million.

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