TRANSPORT OPERATIONAL PROGRAMME 2007-2009
INSTRUMENT FOR PRE-ACCESSION ASSISTANCE
2007HR16IPO002
September 2007
Republic of Croatia – Integral Part of the Greater European Transport Network
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<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AADT</td>
<td>Average annual daily traffic</td>
</tr>
<tr>
<td>AGC</td>
<td>European Agreement on Main International Railway Lines</td>
</tr>
<tr>
<td>AGN</td>
<td>European Agreement on Main Inland Waterways of International Importance</td>
</tr>
<tr>
<td>AGTC</td>
<td>European Agreement on Important International Combined Transport Lines and Related Installations</td>
</tr>
<tr>
<td>AP</td>
<td>Accession Partnership</td>
</tr>
<tr>
<td>ASDT</td>
<td>Average summer daily traffic</td>
</tr>
<tr>
<td>ATP</td>
<td>Automatic train protocol</td>
</tr>
<tr>
<td>CARDS</td>
<td>Community Assistance for Reconstruction, Development and Stabilisation</td>
</tr>
<tr>
<td>CBS</td>
<td>Central Bureau of Statistics</td>
</tr>
<tr>
<td>CFCU</td>
<td>Central Finance and Contracting Unit</td>
</tr>
<tr>
<td>CODEF</td>
<td>Central Office for Development Strategy and Coordination of EU Funds</td>
</tr>
<tr>
<td>COTIF</td>
<td>Convention concerning International Carriage by Rail</td>
</tr>
<tr>
<td>CRO-NEN</td>
<td>Croatian National Ecological Network</td>
</tr>
<tr>
<td>DG</td>
<td>Directorate-General</td>
</tr>
<tr>
<td>DG TREN</td>
<td>EC Directorate-General for Transport and Energy</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>EIA</td>
<td>Environment Impact Assessment</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>EIRR</td>
<td>Economic internal rate of return</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>EUR</td>
<td>Euro</td>
</tr>
<tr>
<td>FIRR</td>
<td>Financial internal rate of return</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GHG</td>
<td>Greenhouse gas emissions</td>
</tr>
<tr>
<td>HLG</td>
<td>High level group</td>
</tr>
<tr>
<td>IFI</td>
<td>International financial institution</td>
</tr>
<tr>
<td>IPA</td>
<td>Instrument for Pre-Accession Assistance</td>
</tr>
<tr>
<td>IWG</td>
<td>Inter-ministerial working group</td>
</tr>
<tr>
<td>km</td>
<td>kilometre</td>
</tr>
<tr>
<td>km²</td>
<td>square kilometre</td>
</tr>
<tr>
<td>M</td>
<td>million</td>
</tr>
<tr>
<td>MAP</td>
<td>Multi-annual plan</td>
</tr>
<tr>
<td>MIPD</td>
<td>Multi-Annual Indicative Planning Document</td>
</tr>
<tr>
<td>MSTTDD</td>
<td>Ministry of Sea, Tourism, Transport and Development</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
</tr>
<tr>
<td>NUTS</td>
<td>French - nomenclature des unités territoriales statistiques - Nomenclature of Territorial Units for Statistics</td>
</tr>
<tr>
<td>OG</td>
<td>Official Gazette</td>
</tr>
<tr>
<td>OP</td>
<td>Operational Programme</td>
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<tr>
<td>OTIF</td>
<td>Intergovernmental Organisation for International Carriage by Rail</td>
</tr>
<tr>
<td>PEP</td>
<td>Pre-accession Economic Programme</td>
</tr>
<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
</tr>
<tr>
<td>RCOP</td>
<td>Regional Competitiveness Operational Programme</td>
</tr>
<tr>
<td>REBIS</td>
<td>Regional Balkans Infrastructure Study</td>
</tr>
<tr>
<td>RoC</td>
<td>Republic of Croatia</td>
</tr>
<tr>
<td>SAA</td>
<td>Stabilisation and Association Agreement</td>
</tr>
<tr>
<td>SCF</td>
<td>Strategic Coherence Framework</td>
</tr>
<tr>
<td>SCI</td>
<td>Sites of Community Interest</td>
</tr>
<tr>
<td>SDF</td>
<td>Strategic Development Framework for 2006-2013</td>
</tr>
<tr>
<td>SEETO</td>
<td>South East Europe Transport Observatory</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths-Weaknesses-Opportunities-Threats</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>-----</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>TEN-T</td>
<td>Trans-European Network for Transport</td>
</tr>
<tr>
<td>TER</td>
<td>Trans-European Railway Project</td>
</tr>
<tr>
<td>TINA</td>
<td>Transport Infrastructure Needs Assessment</td>
</tr>
<tr>
<td>TIRS</td>
<td>Transport Infrastructure Regional Study for Balkans</td>
</tr>
<tr>
<td>TOP</td>
<td>Operational Programme for Transport</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UN-ECE</td>
<td>United Nations Economic Commission for Europe</td>
</tr>
</tbody>
</table>
INTRODUCTION

The Republic of Croatia is one of three candidate countries currently preparing for EU accession. It attained the status of accession country in June 2004 and accession negotiations were opened with Croatia in October 2005.

Croatia currently benefits from various pre-accession financial instruments provided by the European Union, relevant to the transport sector, namely ISPA (Instrument for Structural Policies for Pre-Accession) for transport and environment, and Phare for institution-building and economic and social cohesion.

From 2007, the ISPA programme has been replaced by IPA (Instrument for Pre-Accession Assistance). In order to ensure an uninterrupted structural adjustment process in the transport sector and the utilisation of the finance under IPA Component III – Regional Development, Croatia has drafted a Transport Operational Programme (TOP). The TOP covers a three-year rolling period (2007-2009), building on the initiatives funded by previous EU programmes, particularly ISPA. It also offers an outlook on the programming period after 2009.

The present Operational Programme for the 2007-2009 period covers key issues and information, such as general policy and socio-economic context, transport policy background, status of transposition of EU transport acquis into national legislation, transport sector assessment and subsequently, strategies and measures to meet transport sector development needs in line with accession requirements, including indicators to monitor and assess the implementation of the TOP.

Transport infrastructure development is considered essential for economic and social development and the promotion of inter-regional exchange. It is an instrument of regional development, facilitating the flow of goods, as well as the access of people to employment, health, education and recreation. Former experience in the framework of EU enlargement demonstrates that improved rural/ regional access and links to the arterial network, particularly among peripheral regions, is necessary for economic and social cohesion and the alleviation of regional disparities.

Croatia is intersected by Pan-European transport corridors V, VII and X and their branches. Due to its geographic position, the Republic of Croatia is highly significant in terms of the establishment of effective links between the Western Europe and the Balkans, and in terms of the connection between the Central Europe area and the Adriatic Sea and the Mediterranean.

The Transport Operational Programme for 2007-2009 reflects the guiding principles of the Commission’s Multi-annual Indicative Planning Document (MIPD)1 which is the strategic document for IPA. It also directly relates to one of the priorities set out in Croatia’s Strategic Coherence Framework (SCF)2 and reflects EU and national transport sector development policies.

To achieve transport sustainability a holistic planning approach - taking into consideration the entire transport system (all modes) - has been taken in the drafting of the present TOP. This approach has been taken to ensure that the policies adopted in the various transport sub-sectors (modes) are well coordinated and complement existing EU, IFI and other assistance, and hence, that the respective implementation measures are mutually beneficial.

The medium-term assessment of needs and objectives shows that the existing network of primary roads, sea ports, motorways and aviation in Croatia is comparatively well-developed and provides good area coverage, but suggests that there is a clear backlog of infrastructure rehabilitation and modernisation in the railway and inland waterways sub-sectors, both of which have lost out heavily in the share of the transport market.

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1 MIPD, C(2007) 2566 of 20/06/2007
In order to guarantee the development of a balanced network that includes all modes of transport, the 2007-2009 TOP focuses on the railway and inland waterways sub-sectors, with the ultimate goal of achieving acceptable standards and network coverage, improving interoperability and strengthening inter-modal competitiveness.

The TOP’s strategy for the development of the railway and inland waterways sub-sectors is consistent with the strategic priorities for the sub-sectors expressed in earlier regional development studies, particularly the most recently adopted South-East Europe Core Regional Transport Network Development Plan 2007-2011.3

With regard to the railway sub-sector, the measures and projects proposed by the TOP are the logical continuation of current ISPA railway rehabilitation measures carried out on Rail Corridor X, which cover the modernisation of the section of the line from Vinkovci to Tovarnik, and from Tovarnik to the Eastern State Border. Moreover, the railway priority projects included in the indicative project list for the period 2007-2009 address the weakest sections of rail corridor, in terms of operational standards.

Concerning the inland waterway sub-sector, although there is an urgent need for rehabilitation work to be carried out in the sub-sector, no sufficiently mature projects are available at this moment in time to be presented for IPA funding in the 2007-2009 period. It is, however, expected that the ongoing pre-feasibility study conducted by the Sava River Commission will result in viable project proposals which will then be addressed in the 2010-2013 programming period. Moreover, technical assistance is foreseen for the preparation of the Vukovar port project.

Apart from the Zagreb Main Station Signalling and Interlocking System project, which is already in an advanced preparation phase, other identified Corridor X railway priority projects are generally at an early stage of project preparation and lack the required financial/economic project viability assessment, technical detailed specification and environmental impact analysis and financial engineering. The preparations of projects, as well as the use of the technical assistance to reinforce administrative capacity for implementation of financial assistance delivered under the present TOP, are therefore future priorities.

The measures and projects proposed for co-funding under IPA will be of a sufficient scale to have a measurable effect on the improvement of Croatia’s transport network and administration, which will be assessed through monitoring indicators.

Community assistance under IPA takes the form of non-repayable direct assistance. The total co-financing is determined by the Multi-Annual Indicative Financial Framework (MIFF)4 for the Instrument of Pre-Accession Assistance (IPA), which is designed to provide information on the indicative breakdown of the overall IPA envelope proposed by the Commission in accordance with article 5 of the IPA Regulation (EC) 1085/2006. The EU co-financing amounts altogether to € 53,500,500 for the three year period of the present TOP, equivalent to EU co-financing rate of 75%.

The expected overall impact of the TOP is the following:

- **Development benefits** - assistance in achievement of EU transport acquis related and international standards; management of change in the volume of travel on Pan-European railway corridor X; and

- **Learning benefits** - equipping Croatia with the institutional capacity to manage Structural Funds-type interventions in the transport sector; this capacity will give the institutions involved valuable experience in preparation for eventual EU membership and its associated responsibilities.

The operational objectives of the Operational Programme for 2007-09 are to:

- Increase/improve inter-operability along Railway Corridor X
- Improve railway services quality, reliability and efficiency along Corridor X;
- Preparation of projects for railway corridor X;

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3 SEETO, South-East Europe Core Regional Transport Network Development Plan MAP 2007-2011. November 2006
The following table shows at a glance the main elements of the TOP for the period under review, presented according to the “priority axis – operational objective – measure” logic, which is central to the indicative project selection undertaken in the present TOP.

**Operational Programme for Transport 2007-2009: AT A GLANCE**

<table>
<thead>
<tr>
<th>Medium-term needs</th>
<th>Priority Axes</th>
<th>TOP operational objective</th>
<th>Delivered through projects under the following measures:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase railway efficiency, reliability and competitiveness</td>
<td>1 - Upgrading Croatia’s rail transport system</td>
<td>Increase/ improve interoperability along Rail Corridor X; Improve railway services quality, reliability and efficiency along Corridor X</td>
<td>- Line up-grading and modernisation - Improvement of the safety and efficiency of railway operations</td>
</tr>
<tr>
<td>Upgrade port infrastructure and improve navigation standards</td>
<td>2 - Upgrading Croatia’s inland waterway system</td>
<td>Rehabilitate the port of Vukovar and the Sava river waterway - navigational improvements towards category IV navigational status</td>
<td>- Modernisation and rehabilitation of river waterways and port infrastructure</td>
</tr>
<tr>
<td>Manage the OP and institutional strengthening</td>
<td>3 – Technical assistance</td>
<td>Use of EU assistance in a timely and technically acceptable manner</td>
<td>- Programme management and capacity-building and activities connected with future project identification</td>
</tr>
</tbody>
</table>

To determine the final order in which the various interventions will be implemented, measures will be subject to a further detailed analysis, taking into account the IPA criteria. It is proposed that this further analysis takes the form of feasibility screening, sensitivity tests and ranking of the projects in order of suggested implementation.
1. CONTEXT, CONSULTATION AND COORDINATION

1.1 NATIONAL POLICY AND SOCIO-ECONOMIC CONTEXT

This section reviews the key economic statistics and trends relative to Croatia and their implications for national transport policy. It then reviews the hierarchy of the strategy documents which govern transport policy in Croatia from the Strategic Development Framework (SDF)\(^5\) through to the Transport Development Strategy Paper and other relevant sector strategies, to the specific investment and sub-sector management strategies and the National ISPA Transport Strategy\(^6\). It then summarises the key public institutions tasked with developing and implementing these strategies. Finally, it describes the status of Croatia’s own legal framework in relation to the transport sector.

1.1.1 Economic and social indicators\(^7\)

The independent state of the Republic of Croatia has a population of 4.44 million (the latest available estimates for 2006) currently at a zero growth-rate, and a surface area of 56.5 thousand sq. km, comprising 1246 islands.

The geographical shape of the Republic of Croatia and its territorial connection to both northern lowland transport routes and to the eastern coast of the Adriatic Sea, highlights the vital significance of transport infrastructure for national development, and the need to establish efficient inland and sea connections with South-Eastern and Central European countries, and through the territory of Croatia.

The Republic of Croatia is characterised by a significant concentration of population in a few regional centres. The highest population density is in the Capital City of Zagreb, 7.5 times higher than that of the county with the second highest concentration (Međimurje), and 15.5 times higher than the Croatian average (78.4 inhabitants/km\(^2\)). The particular geographical shape and population distribution of the country impacts on the development of transport infrastructure and services.

As regards recent macro-economic developments, following the implementation of the stabilisation programme in 1993, which was aimed primarily at halting hyperinflationary trends, the Croatian economy had an established record of relatively stable growth and low inflation.

After the war, increased private consumption, recovering tourism, large investments (mainly in road construction) and a recovery in exports brought the Croatian economy, in the year 2000, back to positive real GDP growth rates (2.9%), growing to 4.8 % in 2006.

Expressed in current prices, GDP per capita reached 7,037 EUR in 2005 and 7,704 EUR in 2006. According to first releases of Eurostat, in 2006, GDP p.c. measured by the PPP was close to 50% of the EU-27 average\(^8\) while preliminary estimates with the grey economy included, point towards the level of income close to 60% of the EU-27 average.

Since 2004, the Government has reduced the fiscal deficit, improved transparency and the budgeting processes. Fiscal performance is reflected in the net reduction of the fiscal deficit from 4.8% of GDP in 2004 to 4.0% of GDP in 2005. In 2006, fiscal deficit fell further to 3% of GDP. Such a performance is mainly based on strong revenue growth caused by vigorous economic performance and increased efficiency of the Tax Administration in the collection of taxes as well as the moderation in spending. According to the Economic and Fiscal Policy Guidelines 2008-2010, in 2007 Croatian Government aims to further decrease fiscal deficit to 2.6% of GDP.

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6 National ISPA Strategy for Transport, Adopted by the Ministry of Sea, Tourism, Transport and Development on 15/12/2005
7 Statistical data used in the document are those available in August 2007
8 However, Croatian and EU statistics are not fully comparable since Croatia does not adjust GDP figures for the effects of grey economy.
Croatia has had low inflation rates since 1994. Since then, average annual consumer price inflation amounted to 3.4%. It increased considerably from 2.1% in 2004 to 3.3% in 2005 and fell to 3.2% in 2006. Inflation remained stable and relatively low due to several factors; appreciation of the HRK/EUR exchange rate, slow nominal wage increase, mild labour productivity growth, and intense competition in the retail trade.

The lasting track-record of low inflation is underpinned by the monetary policy determined by the Croatian National Bank whose primary objective has been low inflation. It is being supported by the stable exchange rate through the “managed float regime”. In the period between 2001 and 2006, fluctuations in the average monthly HRK/EUR exchange rate have not exceeded a narrow +/-4% band. In the context of high euroisation within the Croatian financial system, the Croatian Central Bank is continuing to tightly manage the EUR/HRK exchange rate, as it is the key instrument for curbing inflationary expectations in the country, and also influences the price stability of imports from the euro-zone.

The unemployment rate, measured according to ILO labour survey methodology, has continued to decline steadily. In 2000 the unemployment figure measured by the Labour Force Survey stood at 16.1%; this figure had fallen to 12.7% by 2005. In 2006 it declined to 11.2%. In 2005 the average nominal net wage totalled 599, 5 euros and in 2006 it increased to 630,5 euros. The service sector is the leading sector for job creation in Croatia. In 2006 the labour market revealed positive trends, but improvement is still needed in this area, particularly in relation to the gaps between demand and supply in the labour market.
Public debt is below the Maastricht criterion of 60%. General government debt amounted to 40.8% of nominal GDP at the end of 2006; while public sector debt (total general government debt including issued government guarantees) totalled 46.4% of GDP in nominal terms at the end of 2006.

However, Croatia is currently faced with challenges in the context of external vulnerability. The annual current account deficit rose from 5.1% of GDP in 2004, to 6.4% of GDP in 2005, increasing to 7.8% of GDP in 2006. Generally speaking, the deficit was caused by a lower growth in manufacturing exports and increased growth in merchandise imports compared to last year, and by higher net factor payments to non-residents; tourism revenue traditionally contributed to the surplus in services. A continuous savings-investment gap led to high external debt which, at the end of 2006 amounted to 29.2 bln EUR, while the ratio of external debt to GDP stood at 85.3%. In order to reduce external vulnerability and external public debt, the Government last year increased borrowing, primarily through issuing bonds and treasury bills, and taking loans on the domestic market, thereby lowering its share of total external debt from 31.6% in 2004 to 22.8% in 2006. Consequently, the increase in the external debt was driven mostly by the external borrowing of other sectors (among which, commercial banks and domestic enterprises).

Regarding structural reforms, various positive steps have been taken; however, these steps must be reinforced in order to further improve economic performance. In order to improve the climate for business, Croatian authorities introduced a series of measures e.g. the introduction of e-Government – a service intended to speed up and improve communication between the Government, the business community and citizens; the expansion of hitro.hr (one-stop-shops) intended to reduce the time necessary to start up a company or a craft; electronic registration of crafts, electronic submission of specifications for payment of compulsory contributions per insured person; access to data from the land registry, the content of which has been expanded with cadastral data; and, the electronic submission of VAT applications for commercial entities. Further positive examples include the establishment of entrepreneurial zones, a project focusing on streamlining and simplifying the legal framework connected with doing business in Croatia (regulatory guillotine), and the development of incentives to decrease tax burden of legal entities through reduction of “hidden fees”. Furthermore, a reform of health-care financing is under way, as well as a reform of social welfare focused on consolidation of various social benefits and the simplification and better targeting of the whole system. The banking sector is growing steadily, while the agency for supervision of non-banking financial sector was established at the beginning of 2006. Further privatisation of the state oil company INA was performed through an initial public offering of 15% of all its stocks. Capital markets have recorded a strong growth – the equity index of the Zagreb stock exchange, CROBEX, grew 60.7% during 2006. The merger of Zagreb and Varaždin stock exchanges, executed at the beginning of 2007, should result in further opportunities for the development of the non-banking sector within the financial system.

In spite of these positive trends, many serious issues still remain to be tackled. Further improvement of the business climate cannot be achieved without the continuous cutting of red-tape, the streamlining and vigorous modernisation of the state administration, the reform of justice and the fight against corruption; all of which should contribute to the enforcement of market entry and exit, as well as to the enforcement of creditor and property rights. Restructuring and privatisation efforts should be continued, particularly in the area of shipbuilding, as well as in the context of the remaining state-owned tourist companies.

1.1.2 Policy expectations in the short to medium term period

The key challenges in the next three years will remain the tackling the external vulnerability, the realisation of structural reforms and further fiscal consolidation. This is especially important in the context of high costs connected with the accession process, the exact measure and level of which will be defined in more detail as the negotiation process continues and the exact requirements become clearer.

According to the Pre-accession Economic Programme 2007 – 2009 and Economic and Fiscal Policy Guidelines 2008-2010, adopted by the Government at the end of 2006 and mid 2007 respectively, the Government plans a set of policy measures aimed at reducing public deficit, public debt and external debt as well as reinvigorating the privatisation process. On the expenditure side, it will continue with the planned reform of the health insurance and social benefits, and the planned reforms in the area of privatisation of large state-owned enterprises. In order to

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9 PEP, Adopted by the Croatian Government on 30/11/2006
develop a domestic yield curve and to reduce external vulnerability, the Government will continue primarily borrowing on the domestic market. On the income side, it plans to step up reforms in the process of tax collection in order to improve its efficiency. The foreseen structural reforms should result in the reduction of general government expenditure according to GFS 1986 methodology (from 47.8% of GDP in 2006 to 43.1% of GDP in 2010), as well as the reduction of general government deficit from 3.0% of GDP in 2006 to 0.5% of GDP in 2010. Furthermore, the reduction of public debt (sum of the general government debt and guarantees) is projected from 46.4% of GDP in 2006 to 37.1% of GDP in 2010 (source: Economic and Fiscal Policy Guidelines 2008-2010). Monitoring of the International Monetary Fund will be limited to the Article IV consultations, which are to take place once a year; however, it is expected that the monitoring of the European Union will become more intense as the accession process goes on. The Government plans to establish policy credibility by moving forward with fiscal consolidation and necessary structural reforms, but of outmost importance is creating a business-friendly environment that will turn investment interest into actual projects and create new jobs.

1.1.3 Implications for Croatian transport policy

The Republic of Croatia is today well-integrated into the international trade system. Due to the progress which has been made on the realisation of major reform programmes and investments, Croatia is generally considered to be a functioning market economy “able to cope with the competitive pressure and market forces within the European Union”, as most recently confirmed by the European Commission.10

Transport policy has an important contribution to make to both enhancing the growth of Croatia and addressing regional disparities between counties. For example, GDP per capita in the least developed counties of Vukovar–Sirmium and Brod-Posavina amounts to only 57.5% of the weighted national average, and is correlated with a very high unemployment rate, far above average.11 Development bottlenecks, characteristic for areas lagging behind the national development average, include poor transport and technological infrastructure. General experience from elsewhere in Europe is that lack of accessibility contributes to depopulation trends and social exclusion, low skills bases, long-term unemployment, and an ageing population structure.

The adequate provision of “public transport services”, including railways, is considered an important ingredient for the improvement of the socio-economic situation of under-developed areas, and will have to be balanced against the arguments for closing loss-making lines.

The challenge of reform and investment continues in the transport sector, particularly in the context of negotiations for accession to the EU, where transport is highly liberalised, competitive and market-oriented.

In light of ongoing fiscal consolidation, Croatia has employed innovative financial solutions to meet future investment demands, especially in the infrastructure sector. One option is to use public finance to lever in IFI and private capital for infrastructure investment, a strategy adopted by the Government in the motorway and ports sector.

Privatisation, in the sense of outsourcing of non-core activities, is an issue for the state owned Croatian Railways Group. The former company Croatian Railways Ltd. underwent restructuring which resulted in five main companies and a number of dependant companies. In fact, respective privatisation measures have already been programmed under the IBRD’s PAL II loan.

Apart from the increased competition to be expected from EU integration, future transport development policy will need to take proper account of several macro-economic effects which can be expected to strongly impact on Croatian transport sector investments and services such as:

- Increased “Europeanisation “ of the transport business and hence, the growing importance of national and international alliances, which implies closer cooperation between railway undertakings, complementary modes of transport and industries;

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• Diversification of services in response to continuous changes in the pattern of trade, or in the commodity structure, towards an increasingly higher value-added production system;

• Increased specialisation, due to the growth of the complex system of “logistics chain management”, which is replacing the traditional system of distribution.

1.1.4. Transport Policy Framework

A multitude of internal as well as external policy documents and international initiatives determine the orientation of national transport policy in Croatia, as follows:

Transport infrastructure development

The central internal document is the Strategic Development Framework 2006-2013 (SDF)\textsuperscript{12}, it sets the main starting points for the further development of infrastructure for the transport sector:

• To strengthen market mechanisms for the development and use of infrastructure, and
• To develop a modern system of infrastructure management based on information technology, and a sustainable system for the financing of its construction and maintenance,

and defines the main goals accordingly:

• to harmonise the degree of development, quality and security of the transport infrastructure
• to promote ecological sustainability in transport and energy

The SDF also recalls the development priorities for transport formulated in the national "1999 Transport Development Strategy Paper"\textsuperscript{13}, which in essence established the following priorities:

• Balanced development of the transport system as one of the basic goals relating to the overall creation of social and economic balance
• Connecting the Republic of Croatia with its European and regional neighbours as the primary goal in relation to transport development as a function of international communication
• Adaptation of networks to the new political and economic environment, and their modernisation in accordance with general developments in world transport
• Reviewing the participation of individual transport sectors in the overall transport sector with the aim to effect the redistribution of traffic among transport routes and with a view towards inter-modality.
• Orientation towards a higher level of safety in the transport sector
• Increase of environmental awareness and the definition of environmental criteria for use in the transport sector.

The National ISPA Transport Strategy (2005)\textsuperscript{14} identifies the country’s priority railway investment projects; this was the basis for Croatia’s investment planning for the use of 30M€ allocated to the country under the ISPA transport measure for the period 2005-2006 (more details in section 3.4.2.). These funds will make a limited contribution to meeting the full and substantial needs of Croatia in this policy area; however, the indicative list of projects in the National ISPA Strategy represent the priority investments for further investment in the railway sub-sector, which will contribute to meeting the goals for the upgrading of the railway network. The list has been up-dated with new priority projects (inland waterways) for IPA investments, and their state of readiness is described in section 3.5 of this TOP.

The Ministry has prepared drafts of an Inland Ports Five-Year Development Plan and an Inland Waterways Five-Year Development Plan, which are currently in the phase of inter-institutional consultation. The development strategy in relation to the infrastructure of inland waterways is targeted at increasing the safety and efficiency of inland

\textsuperscript{12} SDF, Adopted by the Croatian Government on 3 August 2006, http://www.strategija.hr/fgs.axd?id=230

\textsuperscript{13} Adopted by Croatian Parliament on 12/11/1999 (OG 139/99)

\textsuperscript{14} National ISPA Strategy for Transport, Adopted by the Ministry of Sea, Tourism, Transport and Development on 15/12/2005
navigation. Waterway regulation must correspond with the needs of the users, which means ensuring smooth and safe navigation for ships with maximum draughts in accordance with the class of the waterway. In practice this means ensuring a minimum depth of 2.5 m for 300 days per year (international waterway class).

Croatian inland waterways are specific in that most of the waterways are rivers which follow Croatia’s borders. In consequence, the river bed regulation projects should be coordinated with neighbouring countries. Croatia considers these joint projects a priority, taking into account the fact that they help to establish better transport connections between countries, and help to create preconditions for joint economic prosperity.

Croatian river ports require qualitative and technological modernisation in order to satisfy the existing and expected transport demand. Along with the modernisation of the basic port infrastructure, the system of safety and surveillance in the port area should also be enhanced. Ports need to connect with main road and rail corridors in order to achieve better integration with the economic hinterland and to create preconditions for the development of inter-modal transport.

Environment policy related issues

The declared objective of the National Transport Strategy is to develop a transport sector which is in harmony with Croatian development needs, while also being internationally compatible, that is, integrated into the Pan-European transport structure. This approach takes into account overall objectives for the economic and social development of the Republic of Croatia, needs of future generations, and requirements relating to environmental protection, regional development and national defence. Transport policy in Croatia has long and well-established links to environment policy, which were developed to minimise the possible negative consequences of transport sector developments on the economy, society and the environment. Since 1980, environmental impact assessments (EIAs) have been obligatory prior to the issuance of location permits for all structures that might have adverse effects on the environment; transport structures fall within this category.

The basic determinants of these obligatory studies are:

- To enable the existence of plant and wild life species typical for Croatian bio-geographic conditions,
- To approve the construction of new infrastructure projects based on good quality environmental information, checked and verified by the competent authority, in accordance with Croatian regulations.

In addition, the physical planning system used for land use planning and protection was developed in the 1970s. The primary document in the hierarchy of physical/area planning documents in this regard is “The Strategy and the Programme of Physical Planning of the Republic of Croatia”\(^{15}\), in which the entire road network of the country is set out and detailed at regional and county level. This Strategy and Programme must be approved by the Croatian Parliament after the conducting of a public hearing which includes also the environmental issues.

In the field of environmental protection, the Republic of Croatia is currently undergoing preparations for the transposition of procedures with respect to Strategic Environmental Assessments (SEA) of plans and programmes (Directive 2001/142/EC) into national legislation. This will be achieved by the adoption of a new Environmental Protection Act (adopted by the Government, using Parliamentary procedure).

Regarding the procedures and documentation that precede the construction of new permanent structures which could have possible adverse effects on the environment, the legislation of the Republic of Croatia on EIA and SEA is not yet fully in line with EU legislation.

All projects financed under the TOP must fully comply with sustainable development principles and meet relevant environmental norms, in particular directives on EIA, Habitats and Birds (in order to avoid negative impacts on potential NATURA 2000 sites), and must comply with the relevant environmental acquis. Investments in the transport sector will be planned using integrated and strategic approaches. The projects to be financed must be appraised on a case by case basis in order to ensure their coherence with the relevant obligations of the environmental acquis.

\(^{15}\) Developed by the Ministry of Environmental Protection, Physical Planning and Construction (MEPPPC)
1.1.4.1. Greenhouse gas reduction

The Republic of Croatia ratified the Kyoto Protocol\textsuperscript{16} in May 2007. Aware of the commitments that the Kyoto Protocol entails, Croatia actively implemented projects that increase energy efficiency and promote the use of renewable energy sources, well in advance of its ratification of the Protocol.

The first wind farm (power of 5.9 MW) became operational in 2004, and the second wind farm (power of 11.2 MW) was completed in 2006. It is planned that, by 2010, six wind farms will have been completed. Use of solar energy is being intensified, and projects on the use of forest biomass for district heating and electricity production are in progress in several local communities.

In the transport sector, the continuing increase in the number of vehicles in Croatia has unavoidably resulted in the increase of greenhouse gas emissions.

The construction of the new motorways has resulted in the elimination of traffic congestion and excessive air pollution especially in the town of Karlovac, which had been a major bottleneck for traffic flows heading to the Adriatic coast. Furthermore, the planned construction of urban bypasses for the towns of Rijeka, Split, Karlovac, Varaždin, Osijek etc. will add to the already achieved reduction of greenhouse gas emissions.

It can be concluded that Croatia, with the exception of its urban centres, is still far from suffering traffic overload. Nevertheless, it can be expected that more difficult traffic conditions will develop, in parallel with the forecasted increase in traffic demand on the core network, especially during the tourist season.

In order to counteract possible negative consequences from increased road traffic, Croatia has already introduced a ban on the import of cars which are not in line with homologation standards. Further, an eco-test is part of the mandatory annual vehicle technical inspection, comprising the measurement of exhaust gas emissions from motor vehicles. Since 1 October 2004, the roadworthiness of a vehicle cannot be certified if the results obtained by the eco-test are unsatisfactory.

According to the National Inventory Report on GHG emissions for the period 1990-2004\textsuperscript{17}, the contribution of the transport sector to total GHG emissions in Croatia was 18\% in 2004. Within the transport sector, the contribution of the road transport sub-sector is 94\%.

For example, the regulation on the quality of biofuels, adopted by the Croatian Government in November 2005, sets a national indicative target of 5.75\% for the share of biofuels, concerning petrol and diesel for transport purposes, to be placed on the domestic market by 31 December 2010. The first biodiesel processing plant with a design capacity of 20 000 tonnes/year has been opened in Ozalj.

Within this TOP, the specific interventions proposed for IPA co-financing and the indicative list of projects reflect the spirit of the Kyoto protocol, as they aim to achieve the rehabilitation of the railway system, and the improvement of the Sava river navigation system, with the final goal of promoting multi-modal transport and diverting traffic from road transport to energy efficient rail/river transport modes.

1.1.4.2. Ecological networking

NATURA 2000 is the guiding programme in respect of the EU nature conservation policy. It is implemented through the Habitats and Birds Directives. Each EU member contributes to the establishment of the NATURA 2000 network by determining special areas in accordance with the Habitats Directive.

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\textsuperscript{16} Law on ratification of the Kyoto Protocol and the United Nations Framework Convention on Climate Change, OG International Agreements, 5/2007

\textsuperscript{17} National Inventory Report, Ordered and adopted by the Ministry of Environment Protection, Physical Planning and Construction, number 112-04/05-01/47, 531-05/02-vg-05-02, July 2005
The establishment of the habitat network within NATURE 2000 is carried out in three basic stages:

- The first stage is a scientific assessment of the level of risk and range of endangered habitats at a national level.
- In the second stage, each locality suggested on the national list is appraised by the European Commission in cooperation with the member state. After the appraisal, and the selection of «European importance» Sites of Community Interest (SCI), a final decision is made by the EU Council of Ministers.
- Once the SCI is defined, the member state must proclaim it a ‘Special Area of Conservation’.

In 2002, as part of the accession process to the EU (and within the Stabilisation and Association Agreement)\(^{18}\), Croatia joined the establishment of the National Ecological network, as a part of the Pan-European Ecological Network and the NATURA 2000 network, through the CRO - NEN project. As of now, the first draft of the project has been completed.

Organised and institutionalised care of nature conservation existed in Croatia even before the introduction of NATURA 2000. According to its national legislation, Croatia has the following protected areas: 8 national parks, 6 nature parks, 2 strict reserves, 69 special reserves, 23 park forests, 28 protected landscapes, 72 nature monuments, 114 park architecture monuments, with a total surface area of approximately 500,000 ha. When planning transport alignments, all the above mentioned areas must be strictly preserved and there is a strict duty to adjust the transport infrastructure alignments to nature conservation requests.

Specific transport projects for both the ISPA and IPA programmes will be subject to checks by the competent authority in Croatia, regarding the suggested areas of the National Ecological Network (CRO – NEN).

1.1.4.3. Regional Policy Background

The international community has been continuously faced with new challenges in recent years, firstly as a result of geo-political changes and the creation of new nation states in Europe's south-east, and most recently as a result of the 2004 and 2006 EU enlargement from 15 to 25 and 27 members respectively. These developments have made it necessary for the international community to:

- Devise a new concept of pan-European transport routes / corridors, taking into account the new candidate countries for EU accession and new EU neighbours, as well as the diverse economic policies of these countries "in transition";
- Assist the new EU candidates and new EU neighbours in their integration into the extended TEN-T corridor network, and
- Provide guidance concerning the gradual adoption of EU legal provisions (\textit{acquis communautaire}) in the field of transport, aimed at the realisation of the four freedoms \(^{19}\) as the cornerstones of the internal EU market.

The inclusion of the Republic of Croatia into the wider European transport network dates back to the \textbf{Third Pan-European Transport Conference}, held in Helsinki in June 1997, when 10 Pan-European multimodal corridors were complemented\(^{20}\) by segments of these corridors in the territory of countries situated at the south-east of Europe, including Croatia’s sections of Corridor X and Corridor VII (Danube river), as well as of the Corridor branches Xa, Vb and Vc.

\(^{18}\) SAA, approved by EU on 13/12/2004, Council and Commission decision 2005/40/EC, Euratom
\(^{19}\) Free movement of goods, services, capital and people
\(^{20}\) The X corridor was added as well as the Pan-European Transport Areas for maritime basins.
The first concrete initiative in favour of the formation of a South-East Europe regional transport network was the EC strategy paper, prepared in 2001, entitled "Transport and Energy Infrastructure in South Eastern Europe". It was followed by the 'Transport Infrastructure Regional Study for Balkans' (TIRS) financed by the French Government. The TIRS study focused on seven countries, the five of the 2001 EC study plus Romania and Bulgaria, and was supervised by the European Conference of Transport Ministers. Finally, there followed the "Regional Balkans Infrastructure Study" (REBIS) in 2002/3, financed again by the European Commission. This later study proposed a Core Network of regional importance based on the strategic network previously established by the European Commission. Based on the TINA methodology, REBIS selected and evaluated priority projects for all modes and countries concerned for the period up to 2015.

EU enlargement brought about a new dimension of infrastructure planning and regional network integration.

It is worthwhile mentioning at this point that it is intended to use the TINA methodology in the preparation of the detailed evaluations of TOP priority projects contained in the indicative project list, to ensure an internationally harmonised planning strategy, and to facilitate the mobilisation of possible project finance by international financing institutions.

Also in 2003, the "Framework Agreement on the Sava River Basin" was concluded by Slovenia, Croatia, Bosnia and Herzegovina and former Serbia and Montenegro, by which all the connected states pledged to participate, through the framework of a joint body, the Sava River Commission, in coordinated activities concerning water resource management, river navigation and protection of the environment and business. The Agreement emphasises inter alia the inter-modal use of navigation routes and the establishment of an international regime of navigation on the Sava River and its navigable tributaries.

Following the EU enlargement from 15 to 25 members on May 1st, 2004, roughly two thirds of the former Pan-European corridors became part of the inner European transport network. The task of reviewing the Pan-European transport network, taking into consideration the requirements of candidate countries and the new European neighbours was assigned to the High Level Group (HLG) "on the extension of the major trans-European transport axes to the neighbouring countries and regions". It was composed of the 25 EU member states plus Bulgaria and Romania, the EU neighbouring countries, the European Investment Bank, the European Bank for Reconstruction and Development and the World Bank. The Group was led by Mrs. Loyola de Palacio, former EC Vice-President.

Based on the work of a Ministerial Meeting held in Santiago de Compostela (Spain) in June 2004, the HLG determined five major trans-national axes, whereby the South-East multi-modal transport axis links the EU, via the Balkans and Turkey, to the Caucasus and the Caspian Sea as well as to Egypt and the Red Sea. The Group published the "Network for Peace and Development" in late 2005.

In terms of fostering regional cooperation in the Balkans area, the multilateral "Memorandum of Understanding (MoU) on the Development of the South East Europe Core Regional Network" was signed on 11 June 2004 in Luxembourg.

According to the MoU: "the development of the network should include maintenance, reconstruction, rehabilitation, upgrading and new construction of main and ancillary infrastructure as well as its operation and use with a view to fostering the most efficient and environmentally friendly transport modes on a regional scale. Thus, both infrastructure and related services, including administrative and regulatory procedures, are within the scope of the Memorandum."

The MoU has made co-operation possible at a multilateral level for the South East Europe region. It institutionalised the term "Core Network" of transport. In order to put into effect the ideas defined in the MoU, the South East Europe Transport Observatory – SEETO was founded with its seat in Belgrade. It fulfils two functions: technical secretariat and body for collecting/ updating information concerning the "Core Network". The MoU foresees regular meetings at ministerial level and the exchange of information through a Steering Committee, and stipulates the preparation of a

21 An European Commission document, 15/10/2007
22 The study was prepared in the period from March 2001 to January 2002 by the French consulting company "Louis Berger".
23 Transport Infrastructure Needs Assessment
five year annual plan (MAP), with SEETO being responsible for developing multi-annual indicative development plans which define the measures needed to ensure better regional cooperation and which designate the priority projects.

| The Multi-Annual Plan (MAP) 2007-2011 for the development of the South-East Europe Core Network was adopted at the December 2006 Ministerial Meeting in Brussels. It clearly demonstrates the level of cooperation involved, providing an up-date and inventory of the condition and operational performance of the Core Network. The MAP has served as an important background and reference document for the TOP programming exercise. |

1.1.5. Institutional Framework

At the overall level, responsibility for transport policy lies with the following ministry:

The Ministry of Sea, Tourism, Transport and Development (MSTTD) is the central government body responsible for transport. It is, among other activities that fall within its competence, responsible for administrative and other affairs relating to general transport policy - road traffic management, railway management, air traffic management, maritime traffic management, inland waterways management, protection of Adriatic Sea and organisation of preparation of strategic infrastructure projects and investment programs. It performs the tasks of co-ordination and expert development, and participates in the development of strategic documents. The MSTTD also conducts activities related to the process of EU integration in the transport sector, transport inspection, promotion of transport education and research in connection with transport policy. An organisational unit of the Ministry – the Directorate for Strategic Infrastructure projects has been appointed as the lead institution within the Operating Structure for the IPA Component III Regional development – transport, under the Regulation adopted by the Government of the Republic of Croatia in February 2007 (OG No. 18/07).

Other bodies concerned with transport in the Republic of Croatia are: Croatian Roads, Croatian Highways, Croatian Railways Group, Agency for Inland Waterways, Port Authorities, the Ministry of Culture, and Ministry for Environmental Protection, Physical Planning and Construction.

Responsibility for the railway sub-sector lies with a number of bodies:

Within the MSTTD, there are two units responsible for railway affairs:

- The Directorate for Railway Traffic, comprising three Departments for railway and combined traffic, infrastructure and rail facilities, and railway safety;
- The Department for Inspection of Safety in Railway Transport, under the Directorate for Transport Inspection.

These units are responsible for the preparation of legal instruments, development of strategies, reports, analysis and drafting measures concerning all other safety and policy issues.

Staff training needs in related matters will be met through the 2006 CARDS project: “Restructuring and Development of the Croatian Railway System within the Framework of the EU Legislation”.

Croatian Railways Infrastructure – “HŽ Infrastruktura Ltd”. is a 100% state owned company established to act as infrastructure manager. It is in charge of construction, maintenance and operation of the Croatian railway (infrastructure) network.

Responsibility for inland waterway sector lies with the following bodies:

Within the MSTTD, the Directorate for Inland Navigation is responsible for establishing the legislative framework through the creation and application of laws and subordinate legislation, as well as through multi-year plans and programmes for the development of the entire sector.

The transport policy of the inland navigation sub-sector, is proposed, created and implemented through the MSTTD Directorate for Inland Navigation. The offices of harbour masters also form constituent parts of the Directorate. Their
primary task is control and supervision related to regulations in the field of navigational safety, but the harbour-master offices also perform specific administrative tasks, such as keeping the register of ships, and establishing the seaworthiness of boats for personal use, pursuant to the ordinance on boats (establishing the seaworthiness of boats for personal use may, in exceptional cases, be conferred to the Croatian Register of Shipping).

Inspections within the jurisdiction of harbour-master offices are performed, pursuant to provisions of the Inland Navigation Act and the Inland Ports Act, by inspectors from the Department for Inspection Affairs of the Directorate for Navigational Safety and Protection of the Sea.

The Inland Waterways Agency is a public institution within the competence of the MSTTD, which was established only recently, at the end of 2005, and is responsible for planning the development of, and maintaining, waterways and navigational safety aids.

The International Sava River Basin Commission was established by the Framework Agreement on the Sava River Basin signed by the Republic of Slovenia, the Republic of Croatia, Bosnia and Herzegovina and the former Federal Republic of Yugoslavia in Kranjska Gora (Slovenia) on December 03 2002. The International Sava River Basin Commission was established for purpose of implementation of the Framework Agreement, and realisation of the mutually agreed goals:

1. establishment of an international navigation regime on the Sava River and its navigable tributaries;
2. establishment of a system of sustainable water management;
3. undertaking measures for the prevention or reduction of danger to the safety of shipping, and tackling the hazardous impacts of floods, ice, drought and accidents involving substances having negative impact on waters.

1.1.6. National legal framework of transport

Again, in line with the strategic focus taken in the TOP, the following assessment of the transport legal status concentrates on the railway and inland water way sub-sectors.

1.1.6.1. Legal Status in the Railway Sub-sector

The legal system currently regulating the field of railway transport comprises of:

- The Railway Act (OG 123/03, 194/03, 30/04)
- The Railway Safety Act (OG 40/07)
- Croatian Railways Division Law (OG 153/05)
- Law on Agency for Railway Service Market Regulation (OG 79/07)

With the aim of alliances in the railway sector, Croatia has entered into the following bilateral and multilateral agreements:

- Agreement between the Government of the Republic of Croatia and the Government of the Republic of Hungary on international combined transport of goods (OG 20/97)
• Agreement between the Government of the Republic of Croatia and the Government of the Republic of Slovenia on railway transport across the state border (OG 77/97 and 20/97)
• Agreement between the Government of the Republic of Croatia and the Government of the Republic of Slovenia on international combined transport (OG 4/98),
• Agreement between the Government of the Republic of Croatia and the Republic of Bosnia and Herzegovina on regulating border railway transport (OG 8/00),
• Agreement between the Government of the Republic of Croatia and the Republic of Bosnia and Herzegovina on the manner of use and maintenance of the railway line Bihac-Knin and the monitoring of the state border bodies (OG 4/01),
• Agreement between the Government of the Republic of Croatia and the Government of the Slovak Republic on international combined transport (OG 17/98),
• Agreement between the Government of the Republic of Croatia and the Government of the Republic of Bulgaria on international combined transport (OG 3/01),
• Agreement between the Government of the Republic of Croatia and the Government of the Republic of Austria on international transport of goods (OG 17/98),
• Agreement between the Government of the Republic of Croatia and the Council of Ministers of Serbia and Montenegro on international combined transport of goods (signed in Zagreb, November 2005)

As regards international organisations in the field of railway transport, the Republic of Croatia has acceded to COTIF24 and is a member of OTIF25.

With regards to UN membership, representatives of the Republic of Croatia regularly participate in UN-ECE meetings related to the railway transport. Croatia is also a signatory to AGC and AGTC26 agreements and a member of TER 27.

Also, in May 2006, Croatia signed the "Agreement on the Establishment of a High Performance Railway Network in South East Europe", which aims to improve the railway network in South East Europe, and thus increase the use of railway transport services.

1.1.6.2. Legal Status in the Inland Waterway Sub-sector

The legal system regulating the inland waterway transport comprises the following acts:

• Inland Navigation Act (Official Gazette No 19/98) and the Inland Ports Act (Official Gazette No 142/98)
• Act Amending the Navigation Act (Official Gazette No 151/03) and the Act Amending the Ports Act (Official Gazette No 65/02)

The Republic of Croatia has signed, acceded to, or ratified a number of international documents in the field of inland navigation, as follows:

• The European Agreement on Main Inland Waterways of International Importance (AGN) - by virtue of this agreement, the waterways of the rivers Sava, Drava and Danube and the planned canal Danube-Sava have been incorporated into the network of European waterways, while the ports of Vukovar, Osijek, Slavonski Brod and Sisak have been incorporated into the network of ports open to international traffic. Croatia also accepted to build and develop waterways open to international trade, in compliance with the prescribed standards of navigability categories referred to in the AGN. Croatia ratified this Agreement and it entered into force.

24 Convention concerning International Carriage by Rail
25 Intergovernmental Organisation for International Carriage by Rail
26 European Agreement on Main International Railway Lines; European Agreement on Important International Combined Transport Lines and Related Installations
27 Trans-European Railway Project
• The European Agreement concerning the International Carriage of Dangerous Goods by Inland Waterways (ADN). Croatia signed the Agreement on 14 June 2000,
• The Budapest Convention on the Contract for Carriage of Goods by Inland Waterways (CMNI) – this limits the liability of ship-owners for damages incurred. The Convention has been signed and ratified by the Republic of Croatia.
• The Convention regarding the Regime of Navigation on the Danube, 1948, which the Republic of Croatia accepted by additional protocol in 1998, according to which Croatia is considered a signatory of the Convention as a successor of the former Socialist Federative Republic of Yugoslavia.
• The Framework Agreement on the Sava River Basin, introducing the international regime of navigation on the Sava River, balances the method of water management and coordinates the issues of protection of water and environment in the basin. The Agreement has been ratified and is being enforced.
• The Regional Agreement concerning the radiotelephone service on inland waterways (RAINWAT), Basel, 2000. The Agreement has been ratified and is being enforced.

1.1.7. Statistics

Transport data used in the TOP relies on several data sources: MSTTD, Croatian Roads, Croatian Highways, Croatian Railways Infrastructure, Agency for Inland Waterways, Port Authorities, Croatian Central Bureau of Statistics (Statistical Yearbooks) and EUROSTAT.

The transport sector and transport policy correspond to the situation at national, rather than regional, level, and data provided in TOP refers to national level (NUTS I) statistics.

1.2 COMMUNITY STRATEGIC FRAMEWORK

The Transport Operational Programme clearly sets out and elaborates the priorities in the sector for the rolling period, taking into account the Strategic Coherence Framework and the sectoral, thematic and geographical mechanisms of concentration of assistance, as set in the IPA Regulation, article 15528.

1.2.1 Consistency with relevant strategic documents

The strategy of the Transport OP is considered in line with the major policy objectives and priorities of both the Commission’s Multi-annual Indicative Planning Document (MIPD)29 for Croatia and the Strategic Coherence Framework (SCF) 2007-201330.

The Accession Partnership with Croatia31 is the main instrument providing Croatia with guidance in its preparations for accession to the EU. The objective of the partnership is to register in a single legal framework:
• the priorities for reform with a view to preparing for accession,
• financial assistance for the implementation of those priority areas and
• the principles for the implementation of the Partnership

31 The Accession Partnership for Croatia, Council Decision 2006/145/EC
One of distinctive features of the Partnership lies in the fact that this is a flexible instrument, designed to adapt to the progress already made by Croatia on its way towards full EU membership on the one hand, and on the other hand, to concentrate on what still needs to be done.

The priorities listed in this Accession Partnership have been selected on the basis that it is realistic to expect that Croatia can complete them or take them substantially forward over the next few years. A distinction is made between short-term priorities, which are expected to be accomplished within one to two years, and medium-term priorities, which are expected to be accomplished within three to four years.

Being just one of four Operational Programmes within components III and IV in the context of the IPA programme, the Transport Operational Programme tackles only a limited number of the broad priorities identified in the Partnership document. A clear link to the Partnership provisions can be established as follows:32

The Accession Partnership lists as medium-term priorities, under Transport policy the following provisions:

- Continue work towards complete alignment with the EU acquis in the area of road transport.
- Work towards alignment with the EU acquis in the area of inland waterway transport, in particular as regards the safety of navigation and River Information Services.
- Continue implementation of the Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network.

The Transport Operational Programme is linked to future European cohesion policy in Croatia. The structure and mechanisms of the IPA programme are often compared to the structure and mechanisms of the Structural and Cohesion Funds, and in that sense IPA represents a sort of precursor of the future implementation of cohesion policy in Croatia. In this light, the TOP complies with the policy framework for European cohesion policy, particularly with those goals set out in the Community strategic guidelines on cohesion.33

The Multi-annual Indicative Planning Document (MIPD) is the strategic document for IPA. It is established for a three-year rolling period, with annual reviews and it follows the Multi-annual Indicative Financial Framework (MIFF) which indicatively allocates funds per beneficiary and per component.

In order to define strategies that effectively contribute to the achievement of the overall objective, the MIPD is based on the assessment of needs and challenges as well as priorities identified in the Progress Report and Accession Partnership.

The MIPD sets out an overall framework which is strictly followed by the Transport OP; it stipulates that “EU assistance will focus on investments and collective services which are required to increase long-term competitiveness, job creation and sustainable development, namely (…) sustainable transport (railways and inland waterways).”34

In the context of regional development it defines high priority goals, one of them being to “strengthen the country’s infrastructural base”. These “economic activities are to be stimulated by the provision of adequate and sustainable transport infrastructure with particular attention to the restructuring and upgrading of the railway system.”

The expected results of the priorities supported in the transport sector, as expressed in the MIPD, are:

- inter-modal competition will be restored;
- links with the European Union will be improved;
- level of safety considerably increased;
- traffic bottlenecks will be reduced;
- efficiency and sustainability will be improved;
- travel times for freight and passenger traffic will be reduced.

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32 The Accession Partnership for Croatia, Council Decision 2006/145/EC
The most relevant document in relation to the TOP is the **Strategic Coherence Framework (SCF)**, which sits immediately above the OP in the hierarchy of policy documentation. Its **Component III, Regional Development** is intended to support activities directed towards:

- Transport infrastructure development, concerning, in particular, the interconnection and interoperability of national networks and with the trans-European networks; and  

- Technical assistance for the preparation of preliminary studies and technical support related to eligible activities, including those necessary for their implementation. Also, technical assistance for preparatory, management, monitoring, evaluation, information and control activities and activities to reinforce the administrative capacity for implementing the IPA assistance under this component.

In this regard, the SCF proposes “to concentrate IPA assistance to the transport sector on helping to modernise the rail network and, later to also help develop the inland waterway system.”

The relationship between Croatia and the EU was first governed by the "**Stabilisation and Association Agreement (SAA) between the European Communities and the Republic of Croatia**" which was signed in October 2001, and came into force in February 2005. The SAA provided the legal framework for political dialogue, regional cooperation, economic relations and the use of the Community financial assistance.

In addition, the SAA came into force during the first quarter of 2005 and provides a legal framework for political dialogue, regional cooperation, economic relations and the use of Community financial assistance. With regard to transport infrastructure, the "Protocol 6 on Land Transport" expressly mentions “measures to develop multimodal transport infrastructure network … in particular on the Pan-European Corridors V, VII, X and the Adriatic / Ionian Pan-European transport area connecting to the Corridor VIII” (see Article 4).

The TOP further reflects the programming strategy adopted for the development of the SEE Core Network. In particular, Corridor X railway improvements rank high on the indicative list of priority projects for the SEE Core Regional Transport Network included in **SEETO’s MAP 2007-2009**.

The Republic of Croatia has prepared the **Pre-accession Economic Programme (PEP)**, for the period 2005-2007, which was followed by an updated PEP for 2006-2008, and PEP for 2007-2009, - with the objective to define economic policies and reforms necessary for European Union accession. The latter provides a clear definition of the country’s mid-term economic policy, priorities and structural reforms planned for the three-year period. Its Transport Chapter (part of the ‘structural reforms’ section of the document) includes legislative and “non-legislative” measures to be implemented, which will have an impact on the State Budget expenditures, with special relation to the recently initiated reforms within railway sector and the liberalisation of the railway sector.

The EU is committed to sustainable development, and its development policy, including the cohesion policy, is driven by the **Lisbon Strategy** (Economic Development Strategy) and the Lisbon Community Programme (Growth and Employment Agenda); these were revised following a mid-term review in 2004. In this context, the framework for the use of Structural and Cohesion Funds is provided in the Communication **Cohesion Policy in Support of Growth and Jobs, Community Strategic Guidelines, 2007-2013**.

The provision of efficient, flexible and safe transport infrastructure can be regarded as a necessary precondition for economic development as it boosts productivity and, thus, the development prospects of the regions concerned, by facilitating the movement of people and goods. Transport networks boost opportunities for trade, while increasing efficiency. Furthermore, the development of Europe-wide transport infrastructures (notably the relevant parts of the thirty priority projects for Trans-European Transport Networks), with a particular focus on cross-border projects, is essential to achieving greater integration of national markets, especially within the context of an expanded Union.

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36 SAA, approved by EU on 13/12/2004, Council and Commission decision 2005/40/EC, Euratom  
37 SEETO, South-East Europe Core Regional Transport Network Development Plan MAP 2007-2011. November 2006  
38 PEP, Adopted by the Croatian Government on 30/11/2006  
“Support for **rail infrastructure** should seek to ensure greater access. Track fees should facilitate access for independent operators. They should also enhance the creation of an EU-wide interoperable network. Compliance and applications of the interoperability and the fitting of ERTMS on board and on track should be part of all projects financed.”

In summary, the focus of the present TOP on the railway and inland water sub-sectors fully complies with the EU transport policies and strategies, promoting sustainable mobility by optimising the use of low-cost and environmentally friendly modes.

1.2.2  **Progress towards assuming EU membership responsibilities in transport**

In general terms, the Community policy calls for adjustments in four principal areas:

- the harmonisation of Croatian legislation with Community law;
- the upgrade and modernisation of transport networks;
- the facility of access to the national transport market;
- the harmonisation of operational standards and procedures.

According to the 2006 Progress Report, Croatia “needs to make increased efforts to align with the **acquis**, notably by further adoption of implementing legislation. Reinforcement of administrative capacity (both in staff numbers and in level of training) also remains a matter of priority for most transport sectors.”

**Railways:** Croatia is making progress in adjusting the governance of the Croatian railway sub-sector, and aligning its legislation, within the framework of the **acquis communautaire**.

There has been some progress in the area of rail transport. The **Railway Act** entered into force in 2006. In December 2005, the Act on the Division of the Croatian Railway Company was adopted, and a small holding with four different operational subsidiary companies, i.e. traction, passenger, freight and infrastructure is under establishment.\(^40\)

The **Railways Act** includes the provisions of the First Railway Package of EU directives 2001/12/EC amending 91/440/EEC, 2001/13 EC amending 95/18 EC and 2001/14EC replacing 95/19/EC. These directives, in chronological order, clarify the formal relationship between a state and the infrastructure manager on the one hand, and between the infrastructure manager and train operators (railway companies) on the other; the conditions that railway operators must meet in order to be granted a licence to operate services on the network; and the broad principles for capacity allocation and infrastructure charging.

However, the Croatian Railways Act does not fully meet the requirements of EU legislation, as demonstrated in the most recent (2006) legal gap analysis prepared for the railway sub-sector using Commission technical assistance\(^41\). Further alignment with EU legislation will require the adoption of a Second Railway Package (that is, directives 2004/49/EC, 2004/50/EC and 2004/51/EC), introducing structural measures to address safety and interoperability, and extending the liberalisation of rail freight to include also the domestic market.

Refering to the results of the above-mentioned February 2006 legal gap analysis, the most important provisions not regulated, or not addressed in the required detail, are the following:

\(^{40}\) EC Croatia 2006 Progress Report, COM (2006) 649 final
\(^{41}\) Atkins,BCEOM, Gopa,TYPSA, COWI: Draft Pre-Accession Strategy, February 2006
• Management independence of railway undertakings
• Principles for separation of infrastructure from transport undertakings
• Improvement of financial situation (burden of debt)
• Use of rail infrastructure
• Railway safety and accident investigation
• Licensing guidelines for 3rd party operators

In addition to legislative and regulatory reform issues to be addressed to complete the transposition process, it will also be very important to achieve progress in institution building. At present, Croatia lacks important “bodies” which are considered a pre-requisite for railway market liberalisation and “Europeanisation”, such as a licensing authority, regulatory body, safety authority, infrastructure manager, capacity allocation body and charging body. However, with adoption of Law on Agency for Railway Service Market Regulation in 2007 the regulatory body has been established and with adoption of new Railway Safety Act a legal pre-requisite for establishment of safety authority, notification body and investigation body has been made in line with EU Directives 2004/49/EC, 96/48/EC, 2001/16/EC and 2004/50/EC.

As pointed out in the SEETO MAP 2007-2011, the relatively small scale of SEE railways advocates a regional approach to infrastructure management. In fact, the proposal adopted by the Steering Committee is for the development of a regional common network statement as a common set of access conditions; this would, most likely, be a process requiring technical legal assistance.

In recognition of the urgency to fully conform to the requirements of the railway acquis, a three year project is planned with the title “Restructuring and Development of the Croatian Railway System within the Framework of the EU Legislation” for implementation under the Phare 2006 programme.

This project is intended to close the above-mentioned institutional gap and establish the respective bodies by 2008, including training measures for staff, in order to be able to meet the mandates attributed to the various institutions. The future implementation of these measures should be determined in a way that provides access to the network for 3rd party operators in the minimum time, whilst always guaranteeing that train safety is not compromised.

Inland Waterways: Most of the country’s legislation is considered largely in line with the acquis, and in the words of the Commission’s 2006 Progress Report “is being implemented effectively”.

The area of non-compliance concerns mutual recognition of diplomas, certificates and other evidence of formal qualifications, as there is no facility at the moment for recognising documents issued outside of Croatia. Access restrictions also still prevail concerning cabotage. However, the Government of Republic of Croatia has adopted new Inland Navigation and Port Act in August 2007. Aforementioned act is a legal pre-requisite for alignment with EU standards in area of inland waterway transport especially in area of access to market and profession, structural reforms and conditions of issuing and recognition of boat master certificate.

The adjustment and modernisation process is also well advanced in competing transport modes:

Roads: In this sector, the Commission considers the existing Croatian legislation to be close to the acquis, while stating at the same time, however, that “alignment with the acquis must continue”. 43 Still, Progress can be reported in the field of road transport. Progress was made in alignment to the acquis through the adoption of ordinances on the transport of hazardous substances by road, on safety advisors, and speed limitation devices. 44 The majority of the Croatian motorway system has recently been constructed in line with EU standards, and construction works are continuing.

Pro-actively, the Republic of Croatia implemented on its own account an ambitious motorway construction programme in line with European standards, which is almost complete and which covers all the road

sections belonging to the South-East multi-modal transport corridor. Since the start of work in April 2001, 550 km of motorway and semi-motorway have been built.

**As of now, 1065 km of motorway and semi-motorway is in operation**

Both the air and maritime sectors still require further alignment, particularly concerning the “horizontal agreement” in aviation on the one hand, and Croatian flag improvements regarding its ocean fleet on the other.

Croatia is an Associate Member of the Paris Memorandum of Understanding on Port State Control. Nonetheless, the Croatian flag is currently on the grey list of the Paris Memorandum of Understanding. Administrative capacity needs strengthening in order to improve the effectiveness of maritime checks.

### 1.2.3 Concentration of assistance

The Transport OP proposes to concentrate assistance on infrastructure rehabilitation and upgrading in the railways and inland waterways sub-sectors

While the network of primary roads, sea ports and motorways in Croatia is comparatively well developed, there is a definite backlog of infrastructure maintenance and modernisation in railways and inland waterways sub-sectors by comparison.

In order to guarantee balanced network development, including all modes of transport, the indicative projects proposed in section 3.5 are aimed at up-grading both the railway and inland waterway networks to acceptable standards and network coverage. This, of course, implies that the entire logistics system needs to be better integrated and inter-connected.

The following table shows historic transport investment by the public sector over the last six years, expected spending in 2007, and, where data is available, investment plans for the period 2008-11 (in € million):

<table>
<thead>
<tr>
<th></th>
<th>Invested</th>
<th>Expected</th>
<th>Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>roads</td>
<td>405,58</td>
<td>786,59</td>
<td>1,216,36</td>
</tr>
<tr>
<td>railways</td>
<td>23,22</td>
<td>36,87</td>
<td>107,86</td>
</tr>
<tr>
<td>Inland waterways</td>
<td>5,10</td>
<td>14,48</td>
<td>16,17</td>
</tr>
<tr>
<td>sea ports</td>
<td>11,75</td>
<td>11,01</td>
<td>11,85</td>
</tr>
<tr>
<td>airports</td>
<td>7,69</td>
<td>10,98</td>
<td>18,48</td>
</tr>
</tbody>
</table>

[1] „National Programme for Construction and Maintenance of public roads for period “2005 – 2008” is the only relevant document for the moment, thus figures for years after 2009 cannot be given at this moment.

[2] A new national investment programme for the railway sector is actually being prepared by the line ministry; therefore the figures for 2011 cannot be given at the moment.

[3] Figures for investments in airport infrastructure after 2010 have not yet been confirmed.
As the table demonstrates, the road sub-sector has received the major share of public investment in transport over the last five years, with, on average, around 90% of total spending per year. This historic activity is based on the Parliament’s decision in 1999 to support a programme of motorway construction, which has been highly successful; 80% of the highway system initially targeted for construction is now operational and the complete motorway investment programme will be finalised by 200945.

By contrast, the railway and waterways sub-sectors received a modest 5-12% and 1% of total spending respectively over the past five years, these amounts being sufficient for basic maintenance and minor infrastructure modifications, but no major investments have been undertaken during this period.

The situation regarding rail investment has been aggravated by the financial situation in the railway sector, which has left little or no room for investment from revenues earned, and which explains the existing backlog of investment and maintenance in the railway sector. This is evident in the form of deteriorating infrastructure, existing single track lines, increasingly obsolete rolling stock, and outdated signalling and communication equipment.

As far as the available data, presented in the above table, on plans for future spending by transport mode shows, there is a planned shift in future spending under the national transport policy towards the railway and inland waterways sub-sectors.

In order to create interoperability conditions and, at the same time, prepare for open market competition, the Government has earmarked important supplementary funds for network and operations improvements. In the new “National Railway Infrastructure and Maintenance Programme for the period 2007 - 2011” announced by MSTTD on 13 September 2006, 10 billion kuna (approx. 1.35 billion EUR) is being set aside for reconstruction and maintenance works on the railways over this period.

1.2.4. Lessons learned from previous EU assistance

Based on the experience of project implementation and utilisation of EU funds, the following is an outline of the main issues relevant for the future implementation of the pre-accession assistance:

✓ Croatian programme and project management capacity is evolving; the practical experience gained so far needs to develop and be embedded in future EU funds management structures. So far, weak institutional capacity on a national and sub-national level has proven to be the greatest obstacle in project implementation. Therefore improvement of technical assistance and capacity building at all administrative levels must be secured;

✓ It is essential to have skilled and motivated staff and further efforts are needed to identify, train, develop and retain a body of such staff;

✓ An inadequate and unprepared project pipeline is an obstacle to the utilisation of assistance. Therefore the preparation of sufficient, well designed and mature projects (in particular project design and tender documentation) is paramount to ensure use of EU assistance in a timely and technically acceptable manner. This issue is directly linked with the need for strengthening the capacity on all levels, but particularly of the final beneficiaries in order to prepare good project/tender documentation in a timely manner;

✓ It is necessary to improve time management and quality assurance in all institutions, as well as to improve implementation capacity (tendering and contracting);

✓ Importance of coordination between stakeholders. This requires extensive and clear information flows with a focus on a common understanding of tasks, timeframes and interdependencies;

45 100 km of national roads were modernised in the period from 2001 to 2004 alone; 120 km of new national roads were built in the same period. During 2005, 17 sections of state roads in the length of 55.4 km were reconstructed through periodical maintenance. Improvement work is currently under way on more than 400 km of the national road network. A little less than half of the funding required for this programme (€60 million) originates from loan granted by the European Investment Bank, while the other half of the amount (€62 million) is financed by Hrvatske ceste (Croatian Roads), the company responsible for the national road system, from its own funds.
Necessity for access to, and dissemination of, information in timely manner (to all interested parties) and greater emphasis on publicity measures (both EU assistance and sectoral co-ordination in general).

1.3 PARTNERSHIP CONSULTATION

This OP has been prepared by an Inter-Ministerial Working Group (IWG) comprising representatives of the relevant state institutions. The membership is shown in Annex 1. The intention of partnership consultations, led by the Ministry of Sea, Transport, Tourism and Development, was to inform interested parties of the importance of IPA as a new pre-accession instrument preparing Croatia for the future Structural Funds, and to receive constructive input on the OP in line with the possibilities and limitations set out in the EC strategic documents (MIPD) and the IPA Implementing Regulation. By informing the partners of the purpose, aims, possibilities and boundaries of the TOP, the consultations were structured so as to be constructive and to avoid raising unrealistic expectations about the scale and scope of the TOP. Judging by the experience so far, the consultations were successfully used as an opportunity to raise awareness of IPA and of the TOP, to build a consensus around its aims and content, and take the first steps towards assembling the Monitoring Committees and generating a constituency of future beneficiaries of both IPA and the Cohesion and Structural Funds. The consultations in that sense represented a ‘public launch’ for the OP.

In drafting the OP, the Croatian partners were a number of policy-making and policy implementation institutions and interest groups which the IWG consulted in order to assess the relevance of activities proposed under the OP. In putting together the list of partners, members of the IWG relied on the existing practice of their line ministry. Therefore national level representatives of the relevant stakeholders were involved – a mix, notably, of general economic and social partners, sector specific institutions, an environmental NGO and journalists. The representatives of the partner institutions in the OP consultation process were chosen by the partners, upon invitation by the line ministry to join the programming effort. Two rounds of consultations were held, the first round for the representatives of the transport sector, and the second round for the environmental institutions and journalists. It is important to emphasize that a number of environment protection NGO's was invited to the partnership consultations although only one representative attended.

The list of partners who participated in the two consultation rounds includes:

- Central Office for Development Strategy and Coordination of EU Funds
- Croatian Railways Infrastructure, Limited
- Institute of Transport and Communications
- University of Zagreb, Faculty of Civil Engineering
- University of Zagreb, Faculty of Transport and Traffic Sciences
- Railwaysmen Trade Union of Croatia
- Railroad Engineer Trade Union of Croatia
- Infrastructure Union of Croatian Railways
- Rolling Stock Technical Inspectorate Trade Union
- Croatian Railwaysmen Trade Union
- Union of Croatian Train Dispatchers
- Inland Waterways Agency
- Green Action (environmental NGO)
- Newspaper and radio journalists

It is important to underline that some of the bodies listed above represent regular consultation partners of the Ministry of Sea, Tourism, Transport and Development. The partnership practice undertaken for the purposes of IPA builds, in other words, on an existing national practice in policy-making and policy implementation. This national partnership practice has been elaborated to some degree under the policy section of the OP. A number of journalists were invited to the consultations in order to multiply the effects of the consultation process by presenting to the public the idea behind the TOP and its major aims.
TOP partnership consultations took place on 6 March 2007 and on 13 June 2007, in the Ministry of Sea, Tourism, Transport and Development. At the first meeting, of the partners invited, a very high number attended and showed their appreciation of the fact that the consultation process had been scheduled relatively early in the programming process. At the second meeting, for environmental sector and public media, the environment protection NGOs did not engage fully with the consultation process; with only one NGO attended the meeting despite invitations being submitted to a number of environment NGOs. Both meetings were organised and chaired by the Ministry of Sea, Tourism and Transport as the head of the operating body responsible for the OP. Following an introduction to the new pre-accession instrument IPA, and to its programming and institutional framework, key information on the Transport OP was presented to the partners and journalists and the individual priorities and measures were set out. In the questions and answer session that followed the attendees received additional detail and clarification regarding particular issues of interest. Most of the participants were interested in learning how to participate in the implementation of the presented projects, i.e. in the project design and/or works contract. As a follow-up to the meeting and a basis for their eventual comments, partners were supplied with a TOP summary (including priorities and measures), and power point presentations. In addition to both meetings, a reasonable timeframe was provided to those invited to submit their comments on any provision of the Transport OP.

Comments were received from the non-governmental organisation Green Action, which expressed satisfaction with the fact that investments will be targeted towards the railway and waterway sector, although noticing at the same time with some disappointment that road construction still remains among the priority objectives of the Croatian Government. They expressed concern with the fact that the Operational Programme targets operations on the Sava corridor and pointed to the fact that this may have detrimental effect on the Sava riverbed and the surrounding protected areas; Green Action insisted on the use of best available practices and technologies, and the full application of all relevant Croatian and international acts in the course of construction works. Equally so, they supported the extension of the capacity of the Port of Vukovar pointing to the fact that the works should be carried out in accordance with the existing national regulations and international documents in order to minimise potential harmful effects on environment and nature. Regarding the railway reconstruction operations on the section Zagreb-Okučani, the NGO expressed its support for the rehabilitation programme, in principle, and requested that all the environmental protection measures be implemented as appropriate.

The views of the Green Action will be addressed at the level of each individual project by the application of the environmental impact assessment procedure in the phase of project preparation and by full respect of the legal requirements that relate to the environment and nature protection prior to and during the construction works. The NGO sector will continue to be informed of the measures undertaken during project implementation to be kept aware of the efforts undertaken to avoid unnecessary detrimental impact on environment and nature during the implementation of the OP.

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46 Public consultations process will have to be re-conducted if Transport Operational Programme will become subject of official revision(s)
1.4. EX ANTE EVALUATION

The ex ante evaluation of the second draft version of the TOP was conducted to optimise the allocation of resources and to improve the quality of programming, by using external experts to review drafts of the OP and assess:

- its relevance - the relationship of the strategy to the needs identified,
- its effectiveness - whether the objectives of the programme are likely to be achieved
- its utility - judging the likely impacts against wider social, environmental and economic needs,
- its internal and external coherence - including structure of the strategy and its financial allocations, and the linkage of the strategy to other regional, national and Community policies, and
- the quality of implementation systems including monitoring indicators.

The evaluation was undertaken by a research team from the European Policies Research Centre (EPRC) at the University of Strathclyde in Glasgow. Within EPRC, the ex ante evaluation of the evaluation was managed and undertaken by Dr Sara Davis (Senior Research Fellow).

The evaluators employed the following sources as their methodological guidance:


The aim of the ex-ante evaluation was to provide an external perspective on the preparation of the new programmes with a view to improving and strengthening the final quality of the programme and optimising the allocation of resources. The tasks for the ex-ante evaluation were fivefold: an inception discussion; the preliminary appraisal of programme elements; assessment of partner views; development of the evaluation.

Within this framework, the ex-ante evaluation also assessed the following issues: 'lessons learned' from previous and on-going relevant EU assistance; the quality of the process of elaborating the programmes; the coherence of the programmes with the acquis in key fields; the arrangements to integrate the environmental requirements; the likely significant effects on the environment; and respect of Community policies or principles.

An appraisal of the characteristics and effectiveness of the environmental integration of the TOP was also conducted (see Chapter 9 of the Ex-Ante Evaluation report), in accordance with the principles of Strategic Environmental Assessment, in particular the information requirements as conveyed in Annex I of EU Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment. The appraisal was conducted in accordance with the principles of Integration and was measured in terms of the perception of the environment, coherence with environmental policy and legislation, inclusion and application of environmental data, as well as programme environmental impact.

The result of the assessments presented in the Ex-ante evaluation report is the following:

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47 The process of Ex-Ante Evaluation will have to be re-conducted if the Transport Operational Programme is the subject of official revision(s).
The Transport OP demonstrates an appropriate awareness of environmental factors, legislation and strategies, and the impacts of the transport sector and sub-sectors are clearly and purposefully identified. The programme interventions are justified on the basis of statistical evidence and represent continuity of previous policy developments. Environmental integration is adequate in the Transport OP, but there remains scope for increasing the profile of environmental factors, potentially through improved interaction with the Environment Operational Programme. Further material needs to be provided on projects in Priority 2, and themes such as the development of new harbour facilities would require EIA. The provision of environmental indicators will be an essential step to measure and direct programme environmental impacts.\textsuperscript{52}

The executive summary of the Transport OP Ex-ante evaluation is as follows:

\textbf{The Transport OP covers all the required issues, is structured in accordance with the template provided by the European Commission, and is written in clear, comprehensible English. The analysis provides a good justification for the strategy proposed, although some additional information is needed. The strategy itself, and the allocation of resources, is generally sound and is coherent with EU, macro-regional and domestic policy objectives in the transport sector, although some clarification is needed in relation to the proposed projects and the selection process. Information is provided on the implementation and monitoring arrangements (although both require additional detail), as well as financial tables and an indicative list of major projects. The OP demonstrates an adequate awareness of environmental factors, legislation and strategies, and the impacts of the transport sector and sub-sectors are clearly identified.}

However, there are a number of key areas that should be taken into account when finalising the document. Some aspects of the analysis could be developed further. For instance, there is a need to consider how key restructuring processes relate to public investment strategies in the transport sector. There is a need to check the SWOT analysis to see that all points are justified and adequately explained in the preceding analytical sections. There are some questions relating to the projects outlined in the OP, the project selection process, and project readiness. The OP should also provide an overview table for the entire 2007-09 period and explain the differing co-financing rates. A clearer and more explicit description is needed of the links between the OP and existing transport policy strategies. For all indicators, data have yet to be provided on baselines and targets. The Programme’s description of the consultation arrangements with partners provides only a very brief and limited outline. The description of the implementation system covers most important aspects but a number of issues remain to be addressed. The OP could also increase the profile of environmental factors, e.g. by providing environmental indicators.\textsuperscript{53}

The evaluators provided detailed recommendations for the improvement of the OP which were generally balanced and constructive and have been taken into account.

- The text has been reorganised and improved in some sections, as suggested, which has contributed to the final text being more coherent and readable;
- The analytical sections have been strengthened in order to justify and adequately explain the SWOT analysis;
- The selection criteria set has been re-examined and revised to increase coherence and clarity, and to place an emphasis on the maturity of the projects;
- Indicators were not appraised in detail during the ex-ante evaluation as they had not been sufficiently developed at the time. Indicators have since been developed, re-examined and slightly modified in order to achieve a higher level of relevance and quality. Additionally, indicator values and data sources have been determined;
- As suggested, a clearer and more explicit description of the links between the OP and existing transport policy has been given;
- The public consultation process was mainly carried out in the period following the ex-ante evaluation, and more detail information has now been provided on the process.

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- The public consultation process was mainly carried out in the period following the ex-ante evaluation, and more detail information has now been provided on the process.

The ex ante evaluation report is attached at Annex 6.

\textsuperscript{52} The Ex-ante evaluation of IPA Operational Programmes for Croatia, Transport Operational Programme, April 2007, p.21

\textsuperscript{53} The Ex-ante evaluation of IPA Operational Programmes for Croatia, Transport Operational Programme, April 2007
2. ASSESSMENT OF MEDIUM TERM NEEDS, OBJECTIVES AND STRATEGIC PRIORITIES

Because Croatia is located in the centre of the North-West / South-East transport and transit corridor, the modernisation of its transport sector is not only an internal development pre-condition, but also one of Croatia’s potential comparative advantages. The fact that five Pan-European Corridor segments belong to the territory of Croatia makes its geographical position not only a comparative advantage, but also places an obligation on Croatia in relation to the network development for Europe as a whole.

2.1. SOCIO-ECONOMIC ANALYSIS (INCLUDING SWOT)

2.1.1 General infrastructure and transport situation

Due to its geographic position, Croatia is highly significant for the establishment of effective transport links between Western Europe and the Balkans, and for the connection between Central Europe and the Adriatic Sea and the Mediterranean.

Most importantly, Croatia is intersected by major Pan-European transport corridors and their branches (see picture 2), such as:

- **Corridor X**: The Pan TEN Corridor passes from Austria through Greece to Turkey (Salzburg - Villach - Ljubljana - Zagreb - Belgrade - Skopje – Thessaloniki). It is on the SE Axis established by the High Level Group. The Croatian railway and roads sections of the main corridor axis have a total length of 317 km and 306 km respectively.
- **Corridor Branch Xa**: Graz - Maribor – Zagreb.
- **Corridor Branch Vb**: Rijeka - Zagreb – Budapest.
- **Corridor Branch Vc**: Ploče - Sarajevo - Osijek - Budapest
- **Corridor VII**: the Danube river with tributaries / Sava River

The Croatian sections of the Pan-European Corridor system as described above are integral parts of the SEE Core Regional Transport Network as included in the SEETO MAP for the period 2007-2011.

The location of Croatia within (i) the Pan-European corridor system in general, and (ii) the SEE Core Regional Transport Network in particular, is illustrated in pictures 2 and 3 below.

The following detailed assessment of Croatia’s infrastructure and transport situation is focused on the railway and inland water sub-sectors in line with the proposed TOP strategic priorities, and with special reference to SEE Core Network relevance.

The general conditions in other transport sub-sectors (roads, ports, inter-modal terminals) have been described to the extent necessary for a better understanding of the strategic priorities followed in the TOP.
The Croatian railway network comprises, in total, 2,720 km of track, of which 254.3 km is double track and 2,465.7km is single track; 977.64 km is electrified. Croatia has the second largest portion (26%) of the SEE Core Rail Network which, overall, is 4,264 km long. Railway Corridor X, again on the SEE Core Network, is 1,058 in length and accounts for about 50% of the overall length of the Corridor X. The Croatian part of the Railway Corridor X on the SEE Core Network passes from Savski Marof via Zagreb and Vinkovci to Tovarnik at the eastern border and is 317 km long.

In terms of the density of the rail network, Croatia exceeds the EU average with 62 km per 100,000 inhabitants, as against 45 km per 100,000 inhabitants in the enlarged EU 25. During the war, great damage was inflicted on the railway infrastructure, contributing to the fall in traffic on the railways since independence. A lack of public funding during the past decade has led to a backlog of investment and maintenance.

Network conditions leave ample room for improvements: Only 9% of Croatian railways have been fitted with double tracks, and only 36% of the total network has been electrified. Due to poor infrastructure conditions railway performance is significantly reduced, as manifested by rather low commercial speeds on selected sections and recurrent train cancellations and delays.

An illustrative indicator of the railways’ poor network condition is the permanent speed limitations. As can be clearly seen from the railway operation conditions map below, the problem of reduced operating speeds is rather severe:
- Operating speeds along the Corridor X Croatian railway section, currently ranging from 60 km/h to 120 km/h, are below the envisaged standard of 160 km/h, based on AGC and AGCT Agreements.

- Speed is lowest on the sections: Vinkovci – Tovarnik, Savski Marof - Zaprešić - Zagreb and Dugo Selo – Novska.

- Longer travel times due to speed limitations are aggravated by lengthy border waiting times.

**Picture 4 – Operating speeds along the Corridor X**

Therefore, the proposed priority improvement projects included in the TOP indicative project list (section 3.5) aim to rehabilitate track, fix structures, signalling and communications, in order to increase speed and reduce journey time, increase service quality and regenerate demand for this vital international transport route. It should be noted that all the problem sections mentioned are taken into consideration in network improvement programming: while rehabilitation of the section Vinkovci – Tovarnik has already started under ISPA 2005, all other sections are part of the indicative project list proposed in this TOP.

As an example, taking again actual speeds as an indicator for network quality and track condition, over a continuous 392 km of Corridor X, from Vinkovci in Croatia through Belgrade to Niš in Serbia, the actual speed does not exceed 50% of the design speed, according to MAP 2007-11.
There has been only a modest improvement in Croatia and in the Core region since the REBIS study as shown in the MAP 2007-2011. 26% of the SEE Core Rail Network is still classified as poor, and a further 1% is classified as very poor, while only 8% is considered to be in good condition. According to the same source, speed restrictions may still be found on 70% of the network.

In Croatia, the section Vinkovci – Vrpolje has recently been overhauled and its geometrical properties enable trains to reach a maximum speed of up to 160 km/h. Works however are not yet completed and ETCS (European Train Control System) devices and there is still a need to install remote traffic controls along the entire section.

Before the war, major railway earnings came from Corridor X traffic. Rail traffic volumes dropped drastically during the 1990s on the Core Network sections, but are now gradually and steadily recovering as evidenced by recent traffic growth figures along Corridor X. As confirmed in the MAP 2007-2011, "significant traffic flow in terms of trains per day is reported for much of the (Core) network".

In terms of rolling stock, the traditional passenger coaches are considered sufficient in terms of numbers and standards for present operations. The freight fleet consists mostly of conventional covered or open wagons, some suitable for combined traffic operations. A large number of locomotives are in need of replacement, with an estimated 70% reaching the end of their working lives within the next decade. There are plans to install ETCS on the rail network, but these depend on the locomotives which run on the corridor also being equipped with the system.

As regards freight services, 50 new wagons have been built for RoLa (Rollende Landstrasse - Rolling Road) operation for promoting the use of the Spačva RoLa terminal, for which a corresponding RoLa terminal is planned in Zagreb area.

The railway companies have started to modernise their fleet of passenger coaches. To render passenger services more attractive, the railway companies procured an initial series of modern tilting trains, to offer passengers a much more comfortable and quicker journey. According to international experience, trains that tilt can go up to 25% to 40% faster around curves than conventional trains without inconveniencing the passengers, and hence can significantly increase average speeds and cut journey times.

The modernisation of the rolling stock, in parallel to planned line improvements, will be vital for strengthening the competitiveness of rail transport in comparison with other transport modes.

### 2.1.1.2. Inland Waterways

The total length of inland waterways within Croatia’s borders is 804.1 km, of which:
- The Danube is 137.5 km in length;
- The Sava is 447.7 km in length;
- The Drava is 198.06 km in length;
- The Kupa is 5.9 km in length;
- The Una is 11 km in length

The river ports situated along these inland waterways are: Osijek, Sisak, Slavonski Brod and Vukovar.
The most significant inland waterways in Croatia are the Danube waterway and the Sava river inland waterway, but as transport resources, they are relatively under-utilised. The river ports suffered heavy damage during the war; their infrastructure is in a poor state and inadequate for the provision of quality services. Once the navigation conditions are brought back to pre-war levels and up-graded, there is potential for the inland waterways to be used in combination with railway transport as an alternative to the currently dominant road transport network, as well as in combined transport operations.

Navigation on the Sava River was well developed in 1990. The commercial waterway had a length of 586 km and reached from Sisak (Croatia) 50 km from the capital Zagreb to Belgrade (Serbia). From the mouth of the Sava at the Danube, the river was Class IV (equal to draught of 2.5m) up to Brčko, while from there to Sisak, it was Class III. Historically, the possibility of navigating all the way to Zagreb has been limited. In addition, navigability on the otherwise feasible river sections depends on seasonal conditions.

Today, in total only 287 km of the rivers Danube, Sava and Drava comply with the requirements for an international class of waterway. The total network density is significant in comparison with EU countries, but there is no internal connection between the Danube and Sava rivers, while traffic on the Sava (as well as port activity) is presently constrained by the low levels of navigational safety in the downstream part of the water basin, due to war debris and heavy sedimentation in particular places.

However, a number of rehabilitation activities have been started: The Sava River Commission carried out a pre-feasibility study of the rehabilitation needs of the river. The study was finalised by February 2007 and officially presented on March 2007. Also, Serbia announced plans at the most recent (December) SEETO Ministerial Meeting to make an IPA application for the removal of obstacles in the river bed of the Sava and Danube.
2.1.1.3. Roads

The road network totals 29,016 kilometres in length, and is classified administratively as follows:

- motorways and semi-motorways: 1,065 km
- national roads: roads 6,812 km
- county roads: 10,604 km
- local roads: 10,535 km

The total density of the road network (see picture 6) is 51.32 km/100km², and for motorways alone is 1.88 km/100 km²\(^{54}\).

The condition of the road network is in correlation with various traffic intensities. According to the actual data for the year 2005, the average annual daily traffic (AADT) was 3,353 vehicles/day.

<table>
<thead>
<tr>
<th>Year</th>
<th>AADT</th>
<th>trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>3320.67</td>
<td>1.8%</td>
</tr>
<tr>
<td>2002</td>
<td>3381.23</td>
<td>6.5%</td>
</tr>
<tr>
<td>2003</td>
<td>3599.9</td>
<td>-3.2%</td>
</tr>
<tr>
<td>2004</td>
<td>3483.96</td>
<td>-3.7%</td>
</tr>
<tr>
<td>2005(^{55})</td>
<td>3353.72</td>
<td>-3.7%</td>
</tr>
</tbody>
</table>

According to available data describing the condition of road surface in respect of roughness and damage, the condition of road surfaces on the national roads network can be broken down into three categories - good, fair and poor condition. Collected data on the condition of road surfaces are kept in the road data base of Croatian Roads Ltd. (Hrvatske ceste d.o.o.)

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\(^{54}\) The Betterment II programme is currently in the planning phase, with the aim of the rehabilitating 52 sections or 680 km of state roads. Motorways and semi-motorways are relatively new. The first motorway was opened to traffic in December 1972. A toll is charged on all motorways located in the Republic of Croatia; Croatia has 32 years of experience in toll collection. 849.15 km of motorways are currently in use in Croatia.

\(^{55}\) Data not available for the year 2006
Today, Croatia has 24 km of motorway per 100,000 inhabitants, which exceeds density levels within the EU-15 (14 km of motorway per 100,000 inhabitants). The focus of improvement works is currently shifting from motorway construction to national roads, only 35% of which have a good quality asphalt surface.

While Croatia enjoys a high density of motorways, in part due to the investment set out in section 1, vehicle ownership is also growing strongly, and hence, the motorised vehicle stock in Croatia is increasing fast. As regards the country’s vehicle stock, 1.45 mln. passenger cars were registered in 2006, representing a 4.6% increase in comparison with the previous year. The increase in the number of trucks is equally significant. 160,549 trucks were registered in 2006, which is a 4.4% increase when compared to 2005. It should be noted that, since 1997, the import into Croatia of motor vehicles which are not homologised is not permitted, in accordance with UN-ECE rules and standards.

Altogether, the vehicle stock (passenger cars, busses and trucks) has increased by 16% since 2002, as can be seen from the table below.

<table>
<thead>
<tr>
<th>Vehicle Stock (cars, busses and trucks)</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,377,999</td>
<td>1,436,544</td>
<td>1,487,042</td>
<td>1,542,213</td>
<td>1,599,842</td>
</tr>
</tbody>
</table>

Source: Croatian Roads

This is reflected in growing traffic levels within the Core Network that inevitably peak during the summer holiday season, as shown below:

<table>
<thead>
<tr>
<th>Average traffic</th>
<th>Corridor Vb Section</th>
<th>Corridor X Section</th>
<th>Route 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>AADT</td>
<td>9,900</td>
<td>15,700</td>
<td>8,000</td>
</tr>
<tr>
<td>ASDT</td>
<td>16,900</td>
<td>17,100</td>
<td>20,500</td>
</tr>
</tbody>
</table>

56 AADT = average annual daily traffic; ASDT = average summer daily traffic
57 Route 1 is a part of Core Network and one of the most important routes in Croatia
2.1.1.4. Maritime Ports

The Croatian coastline is 1,400 km in length. The two dominant cargo ports are Rijeka and Ploče; the major passenger ports are Zadar, Split and Dubrovnik. Only Rijeka and Ploče have significant container traffic.

Cargo turnover in Croatia’s sea ports increased strongly over the past five years in the ports of Rijeka, Zadar, Šibenik, Split, Ploče, and Dubrovnik. The total volumes handled are shown below:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARGO in millions of tonnes</td>
<td>11.833</td>
<td>11.929</td>
<td>14.560</td>
<td>17.077</td>
<td>18.801</td>
<td>19.113</td>
</tr>
</tbody>
</table>

Sources: 2001-2003: Data from the port authorities; 2004-2006: Central Bureau of Statistics (CBS)

Multi-modal operations are still in their infancy. In the first half of 2005, a total of 51,000 TEU (Twenty Foot Equivalent Unit) containers were handled by Rijeka and Ploče ports, compared with 71,194 TEU for all of 2004, pointing to an increasing trend year on year.
Port infrastructure and equipment still lags behind other competing ports in the region, despite substantial investments made over the past five years.

2.1.1.5. Air Transport

The Republic of Croatia has seven international airports (Zagreb, Dubrovnik, Split, Zadar, Pula, Rijeka and Osijek) and two smaller airports (Brac and Mali Lošinj), through which public air transport (line and occasional) takes place, both national and international. The seven biggest airports are of 4E ICAO category, fitted with devices and equipment corresponding to international safety and security standards. In order to fulfil its social role, each airport must address the improvement of its security level, quality of its services, and efficiency of its operations; at the same time, it has to ensure the necessary capacities in accordance with the transport demand.

Table 1 - Air transport in Croatia

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airplane transport (movements of airplanes)</td>
<td>45,417</td>
<td>48,265</td>
<td>50,443</td>
<td>54,203</td>
<td>64,601</td>
<td>89,337</td>
</tr>
<tr>
<td>Passenger transport, (1,000s)</td>
<td>2,348</td>
<td>2,535</td>
<td>2,922</td>
<td>3,297</td>
<td>3,916</td>
<td>4,425</td>
</tr>
<tr>
<td>Cargo transport, in tonnes</td>
<td>8,997</td>
<td>8,221</td>
<td>8,765</td>
<td>9,936</td>
<td>18,109</td>
<td>11,888</td>
</tr>
</tbody>
</table>

In 2005, almost four and a half million passengers in total passed through all Croatian airports; 90% of this volume was accounted for by the three biggest airports (Zagreb, Split and Dubrovnik).

The development strategy for air transport in the Republic of Croatia, elaborated in 2002 by the Institute of Transport and Communications, predicts that the air transport sub-sector will grow at the rate of 8.8% annually until the year 2010.

2.1.1.6. Transport Terminals

Multi-modal terminals operated by the Croatian Railway Group are: Vrapče (Zagreb), Brajdica (Rijeka) and Spačva (near Vinkovci).

The characteristics of the three container terminals are as follows:

- **Multi-modal transport services in Croatia are, at present, rudimentary**

  - **Vrapče (Zagreb)** is equipped for handling of containers, exchange of truck cases (boxes), and for road semi-trailers up to 40 tonnes in weight.

  - **Brajdica (Rijeka)** is equipped for the handling and storage of containers, RO-RO (Roll on – Roll off) trailers and other vehicles, as well as for handling of heavy pallets and stones. It can accept 5,000 TEU at the one time and about 100,000 TEU annually.

  - The new Spačva terminal is located in the zone of the Spačva train station near the Zagreb - Lipovac motorway (Pan-European Corridor X). The terminal is primarily destined for RO-LA operation. It is 20 km away from the Serbian border to the west (Corridor X) and 22 km from the border with Bosnia & Herzegovina to the north (Corridor branch Vc).

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58 In the scope of the Rijeka gateway project, the passenger port will be modernised, a new nautical centre will be built, and preparatory works will be carried out for the development of the Delta and Porto Baroš zones.
By 2008, another RO-LA terminal will be built at the Zagreb marshalling yard area.

The overall growth of rail container traffic is strongly related to the Rijeka port turnover and development. There is no container traffic on Croatian inland waterways.

2.1.2. Traffic Characteristics and Modal Split

Road transport is the dominant transport sub-sector in Croatia, in terms of both market share and investments undertaken.

2.1.2.1. Freight Traffic

Over the last six years, the picture is as follows:
In 2006, Croatian carriers transported a total of 119.7 million tonnes of merchandise (or 27.47 % more than in 2001) in railway, road (public and private transport), sea and coastal transport, transport on inland waterways, air transport and pipeline transport. The split by modes is shown below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Road</td>
<td>63.0</td>
<td>54.4% increase</td>
</tr>
<tr>
<td>Sea and coastal</td>
<td>31.42</td>
<td>-85.8% decrease</td>
</tr>
<tr>
<td>Air</td>
<td>6.0</td>
<td>-81.3% decrease</td>
</tr>
<tr>
<td>Rail</td>
<td>15.39</td>
<td>32.9% increase</td>
</tr>
<tr>
<td>Inland waterways</td>
<td>1.69</td>
<td>50.5 % increase</td>
</tr>
</tbody>
</table>

Looking closer at railway freight operations, the following picture emerges:
260 trains were used on a daily basis for the railway transport of cargo. Their commercial speed was 26 km/h and typical (average) delays were 66 minutes per 100 kilometres. The average weight of freight trains was 749 tonnes, and the coefficient of empty wagon travel was 0.79.

Railway Freight Trends: The last two years' figures confirm the overall railway trend. Since 2000, railway performance, in terms of tonnes carried, increased by over 40%. Measured in tonne-kilometres travelled, rail performance increased at an even higher rate, from 1.928 billion to 3.106 million, or an increase of 61 %. This overall positive development trend reflects the railways' intensified commercialisation efforts.

The increase in average transport distance per consignment again points to decreasing unit cost per tonne of railway operation.

Most importantly, the reported increase in traffic performance of the railways has led to a steady increase of HŽ Infrastructure revenues and, as a consequence, reduced the need for Croatian Railways Infrastructure to be supported by the state budget.

2.1.2.2. Passenger Traffic

Over the last decade the picture has been as follows: In 2006, Croatian carriers transported a total of 123.94 million passengers on various inter-urban transport routes. The split by modes of transport is shown in the following table:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Road</td>
<td>63.6</td>
<td>-5.6% decrease</td>
</tr>
<tr>
<td>Rail</td>
<td>46.25</td>
<td>25.6% decrease</td>
</tr>
<tr>
<td>Sea and coastal</td>
<td>12.1</td>
<td>34.3% increase</td>
</tr>
<tr>
<td>Air</td>
<td>2.07</td>
<td>65.6% increase</td>
</tr>
</tbody>
</table>

Source: Central Bureau of Statistics

59 Including sub-urban traffic
The following numbers of passengers used *urban transport facilities* in 2006:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Buses</td>
<td>186.8</td>
<td>-15.6% decrease</td>
</tr>
<tr>
<td>Tramways</td>
<td>179.5</td>
<td>1.3% increase</td>
</tr>
</tbody>
</table>

Source: Central Bureau of Statistics

The 46.2 million passengers carried in 2006 by the railways correspond to 1.362 million passenger kilometres. This represents 97.3 % of 1990 levels, which was the last pre-war year.

Moreover, domestic passengers accounted for 95.8 % of all passengers in 2006, and 67.9 % of total passenger kilometres. Over 600 trains were used every day in domestic passenger transport, as follows:

- urban and suburban trains in the Zagreb area - 72 trains;
- local trains for distances of about 100 kilometres which are used in the transport of daily and weekly commuters between urban centres and surrounding areas - 515 trains;
- intercity trains linking towns and counties - 48 trains;
- vacation trains, sports trains and special event trains organised by Croatian Railways Passenger Transport and tourist agencies

International travellers accounted for the remaining 4.2 % of total passengers, but 32.1 % of passenger kilometres. In total, 106 trains were used for international passenger traffic, the most significant passenger services/lines being:

- Zagreb to the following destinations (and vice versa): Vienna, Budapest, Munich, Venice, Zurich, Ljubljana, Belgrade.
- Rijeka - Budapest and Rijeka - Ljubljana.

**Railway Passenger Trends:** The last two years' figures confirm the overall trend. Railway performance, in terms of passengers carried, grew by almost 14 % during the period 2000-2005. However, railway performance saw only small growth when measured in passenger kilometres travelled, increasing from 1.252 million to 1.265 million, or 1.04% during 2000-2005.

The statistics show that volume growth in railway passenger traffic originates from short-distance urban and suburban traffic, which can be seen as an important growth market for the railways.

As to service quality, the commercial speed of passenger trains was 48 km/h, and trains were typically 5 minutes late for every 100 km of travel.

**Freight transport by inland waterways** on the Danube River is steadily increasing, whilst on the Sava River it is stagnating at low levels, mostly due to very poor basic safety conditions for navigation in the lower part of the river. In 2006, public cargo transport amounted to 1,697.000 tonnes, excluding Danube transit transport.

Annual river transport figures are based on information provided by Port Authorities and are expressed in tonnes transported. The higher Croatian ports activity is due to the increase in international cargos. Between 2000 and 2005, cargo river transport grew from 646.000 tonnes to 1,629.000 tonnes in the following ports: Osijek, Sisak, Slavonski Brod and Vukovar. The highest increase was registered in the port of Vukovar, with a very high percentage of transit transport – 80 %.

As regards the situation on the Sava river, the volume of freight transport has collapsed since the pre-war period. Before 1990, some 7.5 million tonnes were shipped annually\(^\text{60}\). By 2005, without accounting for gravel and sand, the transport volume amounted to a mere 200 000 tonnes of river cargo.

\(^{60}\) MSTTD; State Bureau of Statistics of the (Former) Republic of Yugoslavia
With regard to **maritime traffic**, the number of passengers has been growing steadily since 2001. In total, 9 mln. passengers were transported in 2001, while 10.5 mln passengers were transported in 2003. As many as 9.5 mln. passengers were transported in the period from January to October 2004, and 22.58 mln. tonnes of cargo was transported in the same period. In 2006, 12 passengers and 31,423 tonnes of cargo were transported.

Regarding **aviation**, a total of 4.4 mln. passengers were transported in 2006, compared with 3.94 mln. passengers in 2005. The airports of Zagreb, Split and Dubrovnik account for the vast majority of passenger transport. According to ‘Air Transport Development in the Republic of Croatia’, the strategy produced by the Institute of Transport and Communications in 2002, it is anticipated that air traffic will grow at the rate of 8.8 % annually until the year 2010.

The analysis of the state of Croatian airports shows that they greatly lag behind airports in other European countries, particularly with respect to passenger, airport and cargo handling techniques at arrival and departure. Airports currently operate using equipment compliant with existing safety standards, but to be competitive they should be equipped, modernised and brought to levels consistent with current world standards.

The status of airports in the Republic of Croatia is regulated by the Law on Airports (Official Gazette No. 19/98). On the date of entering into force of the law on airports, airports became limited liability companies, in which the state, the county on the territory of which the airport is situated, and local authorities, all participate as shareholders.

### 2.1.2.3. Modal Split between Modes of Transport

The resulting modal split for both passenger and freight traffic is depicted below for the year 2006, measured in passengers and tonnes carried.61

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61 MSTTD; Central Bureau of Statistics of the Republic of Croatia
The charts demonstrate the dominance of road transport in carrying both passengers and freight, with rail transport enjoying a modal share of only 37% and 12% respectively, and inland waterway responsible for less than 1% of all goods transported.

It needs to be recalled in this context, that the Croatian railway network suffered great damage during the war. Its rolling stock - locomotives and wagons - was either heavily damaged or looted and plundered. Because of this, and also because of the fall in economic activity during and after the war, railway traffic has still not attained pre-war levels. No doubt another determining factor is that the excellent arterial road network of Croatia today, which runs in parallel to the railway corridors, leaves Croatian railways under permanent threat of the diversion of traffic from rail to road.

Similarly, transport on the Sava River has practically disappeared, mainly due to fairway obstructions caused by the war.

Furthermore, the following points should be noted:

- The market share of railways is particularly weak with regard to freight movement (12.2%), not least due to low commercial train speeds, while the market share of inland waterways is currently almost insignificant.

- The lion’s share of both freight and passenger traffic is carried by road. The strong competitive position of the road mode is reflected in the fact that the annual increase of freight carrying vehicles (3.9 % from 2004 to 2005) has been more or less in line with GDP growth.

- However, as seen from past improvements in both the railways and the river transport sector, there are positive signs of revitalisation.

### 2.1.2.4. Cross-border traffic

In 2006, 19.99 million passenger vehicles entered Croatia by road, which is a 5.1 % increase over 2005 (19.03 Million vehicles). Of this number, two-thirds of the vehicles were registered in other countries.

In the same year, a total of 69.58 million passengers entered Croatia (all modes), which is a 4% increase over 2005. Of this number, 22.09 million were of Croatian nationality (a 3.2 % increase over 2005) and 47.49 million were foreign nationals (a 4.4 % increase).
Most interestingly, 66.1 million or 95.4% of passengers entered the country by passenger car, a figure which clearly illustrates the traffic generation effect created by the new motorway network.

The shares of the different modes in total cross-border movements are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Road</td>
<td>66.09</td>
<td>3.6% increase</td>
</tr>
<tr>
<td>Sea and coastal</td>
<td>1.07</td>
<td>8.7% increase (9.4% increase in foreigners alone)</td>
</tr>
<tr>
<td>Rail</td>
<td>0.66</td>
<td>9% decrease</td>
</tr>
<tr>
<td>Air</td>
<td>1.75</td>
<td>16.2% increase</td>
</tr>
</tbody>
</table>

### 2.1.2.5. Urban transport

Faced with the large growth of urban transport in the cities of the Republic of Croatia, city authorities, and especially the City of Zagreb, have taken and are taking a number of planning, technical and legal measures in order to reduce the unwanted effects of urban transport upon the life of city populations and, by doing so, increase their mobility. We specifically mention the City of Zagreb, the capital of Croatia, since it leads the way in the implementation of measures regarding clean and safe urban transport.

The planning measures, in line with travel growth, envisage the construction of a fast city railway. It is expected that this project will be fully realised by 2015. The city administration has organised pedestrian zones and bicycle lanes wherever possible. Considerable funds are directed towards public transport. Seventy-five new trams have been bought and another seventy-five are on order. Since it is clear that public transport is the best solution for cities, city buses are being adapted for biofuel use.

City buses fuelled by biofuel began to operate in May 2007. Currently, there are only ten biofuel buses in operation but it is expected that, after the testing period, all 150 buses will be fuelled by biofuel. The situation is similar in other cities, but due to their lower population their problems are fewer. However, all problems in relation to the influence of transport on the environment are being addressed through the coordinated work of all Croatian cities.

Data on the number of passengers in Croatian cities in 2006:

- **Buses**: 186,768,000 passengers
- **Trams**: 179,515,000 passengers

The number of passengers (in millions) in urban and suburban transport in the City of Zagreb:

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of passengers</td>
<td>19,533</td>
<td>19,590</td>
<td>19,598</td>
<td>20,144</td>
<td>21,151</td>
<td>27,325</td>
</tr>
</tbody>
</table>

### 2.1.2.6. Outlook

#### General

According to preliminary traffic forecasts produced for the Balkan region’s core transport network, in the framework of earlier transport sector assessments\(^\text{62}\), traffic is predicted to increase by 200-300% by road, and 60-140% by rail. These figures reflect the moderate growth scenario for the transport sector.

\(^{62}\) Reference is mainly to the EU funded REBIS Regional Balkans Infrastructure Study, Final Report July 2003. In intercity traffic, aviation became a competitor for the railways. Major airports are located in Zagreb, Dubrovnik, Split, Zadar, Pula, Rijeka and Osijek. There are further two airfields in Mali Lošinj and Brač for mainly special services, as well as 17 airfields for landing of general purpose airplanes, 5 small airfields, 3 heliports for exclusive use and 4 heliports for emergency use.
For Croatia, being a natural transit country and at the centre of Pan-European Transport Corridor X which connects Austria to Greece, it will be of utmost importance to gradually improve interoperability and achieve smooth cross-border operation, especially for the railways along Corridor X, in order to succeed in inter-regional and intra-regional corridor competition and to be able to capture significant parts of future traffic potential. Moreover, increasing its market share in international goods and passenger traffic on Corridor X is a pre-requisite for rendering line investments and railway operations financially feasible.

In developing network interoperability in the new trans-European context, train control systems are a crucial link between national networks and between infrastructure and railway operations. The TOP therefore, in full awareness of the fact that increased harmonisation of systems is an important goal to achieve, and in an effort to advance standardisation, is focused on railway investment projects which deal with signalling system improvements and ETCS installation.

Railway Traffic Forecast

As regards future development potential, the following assumptions seem reasonable:

- Long-distance international transport and inter-modal transport will be factors in future demand growth in Croatia.
- While available railway market studies could not identify any significant potential for local intercity passenger growth, recent experience shows that sub-urban transport is a potential growth market for the railways. Already today, some 90 % of all daily trains are engaged in urban and commuter traffic.

According to internal railways forecasts, the planning target for the forthcoming period is a 3.9 % increase for internal passenger transport and 4.9 % increase for international passenger transport.

An average annual increase of 4.3 % for rail transport of cargo (in tonnes) is planned over the same period (domestic transport: 8.1 % and international transport: 3.1 %).

These forecasts have been based on an increase in transport activity along the arterial transport routes toward the east, from Central Europe in the direction of the Southern Europe via Croatia along Corridor X, on a further increase in transport activity to and from Bosnia and Herzegovina, and finally on increased ports’ activity, particularly in Rijeka.

Of course, a significant pre-condition for an increase in the transport market share held by railways is the modernisation and renovation of the rolling stock in line with current market requirements, as well as the provision of new products, one of them being the RO-LA.

Inland Waterway Traffic Forecast

There are no specific traffic projections established yet for the Sava river basin. However, there are indications of significant transport potential in the years to come. Studies therefore need to be carried out to provide an indication of river traffic growth and potential revenues.

The SEETO’s MAP 2007-2011 points to the need to improve Sava River navigability to ensure the connectivity of Bosnia and Herzegovina and Croatia.

Provided navigation conditions are improved, major traffic is expected to be generated by local and foreign industries in the greater river catchment area, such as, for example, the timber industry in Slavonski Brod, the chemical industry in Serbia, the steel industry in Central Bosnia, and also from the tourism industry, which is strongly interested in Sava river development.

2.1.3. SWOT analysis

The ETCS should guarantee fast, dense and safe border-crossing high speed train operation at European level.
The following analysis of strengths, weaknesses, opportunities and threats (SWOT) summarises what has been discussed in sections 2.1.1 and 2.1.2, but is restricted to the rail and inland waterway sub-sectors, given the planned concentration of IPA resources in this OP.

**SWOT profile - Railways**

*Summary statement:* The strength of the Croatian railways is its carrying capacity, as well as its energy efficiency when compared to competing road transporters. Network size can be viewed as both a strength and a weakness, the latter because of the problem of unprofitable line services. Due to poor network conditions and past under-funding of the railways, the efficiency of operations has been compromised and the network suffers from permanent speed restrictions (see discussions under section 2.1.1), train cancellations and delays.

Operational problems are symptomatic for the whole SEE Core Regional Railway Network: According to latest information, 65% of the Core Network suffers from mandatory speed restrictions.

The railways nevertheless are increasingly oriented towards market needs, and are considering multi-modal transport (including Ro-La) as a future market opportunity; market penetration will depend on the railways’ competitiveness. Growing car ownership represents a serious challenge to alternative transport modes, as it is generally coupled with increased service expectations.

**STRENGTHS**

**INFRASTRUCTURE**
- Favourable geographic network positioning for development of international traffic as part of the Pan-European transport corridors X, V and VII;
- Well connected to urban and sub-urban centres;
- Well connected to commercial maritime ports;
- Croatia and its surrounding countries have the same gauge size;
- Availability of intermodal (Ro-La) freight terminal at border (Spačva);
- Joint border crossing points with Hungary and Slovenia.

**OPERATIONS**
- High volume mode of transport for bulk commodities;
- Safe, energy-efficient and environmentally friendly mode of transport;
- Less dependency on weather conditions than alternative modes;
- Availability of multi-modal transport facilities (focus on Ro-La);
- Investment in modern fleet components (tilting trains for passenger services);
- Bilateral agreements on cross-border traffic between Croatia and surrounding countries.

**FINANCE**
- Gradual increase of revenue base, due to an increase in transport volume in both passenger and freight sectors; As a consequence, there have been decreasing requirements for state budget support;
- Increasing commercial freedom as regards pricing policy;
- Concessionaire system in place (for motorways’ construction and operation).

64 The ratio of energy consumption is about 4:1 in favour of the railways, assuming same travel speed (Source: World Bank Working Papers 634 “Railways and Energy”.

65 SEETO MAP 2007-2011
MANAGEMENT / ADMINISTRATION
- Advanced structural adjustment process concerning the Croatian Railways, aimed at the creation of a new railway holding;
- Increased recognition of modern services requirements;
- MSTTD’s specific promotion scheme for multi-modal transports.

LEGAL TRANSPOSITION OF EU RAILWAY LEGISLATION
- Gradual successful alignment with EU transport acquis requirements;
- Railways Act of 1994 (amended in 1998) has initiated the first phase of restructuring HŽ from the former state-owned company into a public limited company (the new “Law on Division of HŽ” of January 2006 opens the way for the creation of a new railway holding structure).
- Railways Act of July 2003 opens the way for separation of infrastructure management and train operations and the new “Law on Division of HŽ” of January 2006 for the creation of a new railway holding structure.
- New Railway Safety Act being drafted.

WEAKNESSES

INFRASTRUCTURE
- Network limitations (rigidity) as far as area coverage is concerned;
- Single track line segments on arterial line sections;
- Croatian electric traction system (25 KW) is different form the one in neighbouring Slovenia - a technical barrier to interoperability.

OPERATIONS
- Inadequate rolling stock, particularly in view of the demand and quality standards;
- Outdated signalling and telecommunications system;
- A change of locomotives is necessary at all the borders;
- Low commercial speeds, due to lack of investment in modernisation of the system;
- The dilapidated state and poor maintenance of the rolling stock is the main reason for frequent breakdowns, affecting both the infrastructure and trains and causing irregularities and delays. In consequence, users - particularly in passenger transport - frequently turn to other modes of transport;
- New laws distance operations, but new companies still have weak commercial objectives (concepts);
- No private sector involvement in rehabilitation or maintenance;
- Organisational structures are still overly based on a traditional concept of the market (sellers' market);
- To date, no open access to the railway market, because required legal implementation requirements have not yet been determined;
- Insufficient reliability (arrival on time)

FINANCE
- Limited self-financing power;
- Negative business result (loss making);
- Decreasing budgetary sources for local passenger transport (local lines) with the consequence of possible line closures;
- Non-profitable line segments in operation;
- Non-sustainable transport cost reimbursement scheme of costs of railway subsidiary AGIT Ltd engaged in combined transport.

MANAGEMENT / ADMINISTRATION
- Little or no divestment of ancillary businesses (17 dependent companies are majority owned by HŽ);
- No private participation in ancillary business;
At present, Croatia lacks institutions which are a pre-requisite for market opening: licensing authority, regulatory authority, safety authority, infrastructure manager, capacity allocation body, charging body and notified body, whereby the most urgent are the independent regulatory body and the independent infrastructure manager;

- Staffing problems within the management structure – constant lack of adequately trained staff;
- Still underdeveloped administrative capacities

**LEGAL TRANSPOSITION OF EU RAILWAY LEGISLATION**

- New laws have been passed in accordance with the transport *acquis*, but there are still legal and institutional gaps, and a lack of subordinate legislation and implementation.

**OPPORTUNITIES**

- To harmonise the Croatian network and operations capability with European norms and practice;
- To increase the quality of services, railway productivity and efficiency, using European benchmarks and best practices;
- To develop railway network and services in line with the concept of sustainable transport;
- To further implement the concept of modern “logistics-chain management” and inter-modal transport;
- To regain market shares in passenger and freight transport, and especially create a new market for the railways for long distance travel along the Corridors X, Vb and Vc;
- To improve, stabilise and consolidate the railways’ financial situation;
- To respond to the increasingly tight financial situation in the local passenger transport field by developing cooperation models together with the local authorities;
- To contribute to the stabilisation of political and economic circumstances in the wider area;
- To support the ongoing urbanisation and urban migration trends by providing adequate urban, sub-urban and intercity services;
- To fully take advantage of the increase in urban, sub-urban and intercity transport demand;
- To contribute to and profit from the revitalisation of domestic sea ports and Vukovar port;
- To attract private sector finance for railways systems improvement.

**THREATS**

- Lack of substantial investment will reduce the competitive edge of railway transport to the benefit of other modes of transport and, in international transport, such a situation will prove beneficial to foreign railway companies, as well as to other competing modes, in particular road transport;
- Croatia loses out in international corridor competition;
- Relatively short project implementation period (the N+3 rule).

**SWOT profile - Inland waterways**

*In summary:* the advantage of river transport is its large transport capacity, albeit at low commercial speeds. The main argument for shippers to choose the inland waterway mode is the unit cost advantage, particularly for bulk commodities such as raw materials, oil and oil products, ores and metals and chemicals, all of them however representing markets on which the railways are a competitor. Factors working against river transport are that water levels fluctuate according to weather conditions, representing an element of uncertainty and leading to economic constraints. Environmental protection is a major reason for favouring waterway transport from a public policy perspective, but dangerous goods transport is a potential threat to water quality. Multi-modal transport can be considered a future business opportunity.
<table>
<thead>
<tr>
<th>STRENGTHS</th>
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<tbody>
<tr>
<td>• High volume mode of transport for bulk commodities;</td>
</tr>
<tr>
<td>• Safe, energy efficient and environmentally-friendly mode of transport;</td>
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<tr>
<td>• Traffic can be operated 24 hours a day, 7 days a week, which enables great flexibility of scheduling operations;</td>
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<td>• Privatisation process in ports completed by separating administrative functions from commercial operations;</td>
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<tr>
<td>• Commercialisation of port operations has taken place;</td>
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<td>• Concessionaire system in place;</td>
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<tr>
<td>• Charging port fees (wharf usage) aligned with EU practice;</td>
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<td>• Cost recovery fully operated through tariffs;</td>
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<td>• Widespread private sector participation;</td>
</tr>
<tr>
<td>• Commercialised maintenance operations;</td>
</tr>
<tr>
<td>• Concluded “Framework Agreement on the Sava River Basin” including all riparian states and establishment of Sava River Committee, mandated with Sava river development;</td>
</tr>
<tr>
<td>• Good progress in alignment with international and EU legislation.</td>
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<table>
<thead>
<tr>
<th>WEAKNESSES</th>
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<tbody>
<tr>
<td>• Physical navigation obstacles leading to navigation hazards;</td>
</tr>
<tr>
<td>• Insufficient maintenance and outdated infrastructure of waterways and river ports;</td>
</tr>
<tr>
<td>• Relatively low commercial speed and hence, long travelling time;</td>
</tr>
<tr>
<td>• Insufficient reliability (arrival on time) due to insufficiently developed fairway;</td>
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<tr>
<td>• Short navigation periods due to difficult hydro-meteorological conditions (low water levels, fog, etc.);</td>
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<tr>
<td>• Limited consultation in investment planning;</td>
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<tr>
<td>• Gaps in compliance with EU transport acquis (mutual recognition of documents);</td>
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<tr>
<td>• No contingency plans developed for serious pollution cases;</td>
</tr>
<tr>
<td>• Outdated system of signalling in place;</td>
</tr>
<tr>
<td>• Dangerous goods transport potential threat to water quality;</td>
</tr>
<tr>
<td>• Low market share;</td>
</tr>
<tr>
<td>• Staffing problems within the management structure – lack of adequately trained staff;</td>
</tr>
<tr>
<td>• Relatively underdeveloped administrative capacities.</td>
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<tr>
<th>OPPORTUNITIES</th>
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<tbody>
<tr>
<td>• To re-establish an internationally acceptable navigation regime, navigation safety and bring the waterway up to IV category level;</td>
</tr>
<tr>
<td>• To harmonise the Croatian network and operations ability with European norms and practice;</td>
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<tr>
<td>• To render river transport again an attractive alternative and create traffic diversion effects: congestion of land travel can be avoided by transferring cargo with high affinity to waterway transport from roads to inland waterways;</td>
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<tr>
<td>• To advance multi-modal transport solutions by improving transhipment nodes and facilities (river ports);</td>
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<tr>
<td>• To take the necessary action to involve private sector into the rehabilitation of the waterway and the revival of commercial shipping;</td>
</tr>
<tr>
<td>• To create synergies between the Danube waterway and Sava river basin development, taking into consideration the results of the 3rd Pan European Transport Conference, according to which the Corridor VII refers also to the Danube–Sava link as part of the relevant inland waterway system;</td>
</tr>
<tr>
<td>• To revitalise the Sava River basin economy and promote industry settlement in the river vicinity, including navigable tributaries;</td>
</tr>
<tr>
<td>• To increase the quality of services, productivity and efficiency, using European benchmarks and best practices;</td>
</tr>
<tr>
<td>• To develop the river basin in line with the concept of sustainable transport;</td>
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</tbody>
</table>
• To further the concept of modern “logistics-chain management” and intermodal transport;
• To regain market shares in freight transport in river commodity markets;
• To launch river tourism and tourist industry in the river basin;
• To improve, stabilise and consolidate the river port authorities’ financial situation;
• NAIADES – European action plan for Inland navigation66.

THREATS

• Capacities are insufficiently used;
• Some of the infrastructure projects, especially on the Drava river, could provoke harmful consequences on the existing environment (soil, natural habitats) - these concerns will be taken into account during future EIAs;
• Lack of substantial investment will further degrade river services to an absolutely marginal level of importance within the Croatian and regional transport system, very much to the benefit of road transport with related ill-effects of traffic congestion and air pollution;
• Lack of funding will leave the development potential of the Sava river basin unexploited;
• Specific interests of gravel extraction and transportation companies
• Uncontrolled exploitation in cross border area with Bosnia and Herzegovina
• Relatively short project implementation period (the N+3 rule).

There are a number of common issues that emerge throughout the SWOT, namely:
• Poor infrastructure condition as a result of more than a decades of no investments;
• Low infrastructure capacity usage;
• Urgent need for substantial investments in infrastructure;
• Strong potential for traffic growth;
• Problems with staffing and capacity building;
• A stronger cooperation between sub-sectors already initiated (Ports of Vukovar, Sisak and Slavonski Brod);
• International cooperation intensifying in both sub-sectors.

2.1.4. Medium term needs and objectives in the Railway

Future investments will primarily be made in Pan-European Corridors Vb, Vc, and X, in order to achieve their interoperability in accordance with directives given by the European Union, and to make them attractive to other operators and transport organisers. After the planned infrastructure upgrade, the following train speeds will be possible:

- international railways (corridor railways) 160 km/h
- regional railways 120 km/h
- local railways 80 km/h

These characteristics and speeds (for international railways) are primarily planned on the railway section Oštarije - Knin – Split and on the following Pan-European corridors and branches:

- X Savski Marof - Zagreb - Vinkovci - Tovarnik
- Vb Rijeka - Zagreb - Botovo
- Vc Ploče - Metković and Beli Manastir - Osijek - Vrpolje - Šamac

In line with the draft of Croatian Railways Group five year plan which serves as a basis for the preparation of the National program for modernisation of railway infrastructure, and other national programming documents, the medium term needs and objectives in this sector are:

- An increase of volume and quality of transport, together with planned reduction of employees in line with modernisation and improved quality of performance,

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66 The new NAIADES programme will try to foster inland waterway transport as an environmentally-friendly alternative to road freight. The action plan will tackle the sector's poor image and infrastructure problems.
• Investment in infrastructure, especially in the modernisation and construction of railway lines of international importance (Corridor X, Vb, Vb1 and Vc),
• Investment in transportation; procurement of new motor units, freight and passenger wagons, multipurpose and shunting locomotives and modernisation of traction units, i.e. investments aiming at increased volume and quality of freight and passenger transport,
• Better regional, economic and transport linkage within the Republic of Croatia, especially better linkage of Croatian ports with the railway infrastructure
• Better linkage of the national railway system with neighbouring countries
• Dealing with the issue of suburban transport in major towns (expanding Zagreb’s suburban transport, system and the implementation of suburban transport systems in Rijeka, Split and Osijek)

2.1.5. Medium term needs and objectives in the River Transport

In line with the drafts of the 5 year plans for inland waterways and Inland Ports, and other national programming documents, the medium term needs and objectives in this sector are:

• Establishment of internationally-classed waterways (Danube, Drava, Sava) in accordance with the European Agreement on Major Inland Waterways of an International Level (AGN)
• Increase the share of inland waterway transport sub-sector with respect to other modes of transportation, with a considerable share of the transit transport of general cargo, containers and RO-RO transportation
• Modernisation of the fleet to adapt it to the new transport and environmental requirements.
• Implementation of favourable conditions for multimodal transport development
• The promotion of jobs, skills and knowledge of waterway activities
• Guaranteeing people’s safety and ensuring environmental protection.

The Accession Partnership (Transport sector), highlights the short-term and medium-term priorities. The medium term priority identified for the inland waterway sector is:

• Work towards alignment with the EU acquis in the area of inland waterway transport, in particular with regard to navigational safety and River Information Services.

In terms of the Accession Partnership, the TOP will contribute to the medium-term priority – preparation of projects for investments in upgrading the internationally-classed waterways and port infrastructure. Inland waterway development is identified in the Strategic Coherence Framework 2007-2013, as one of two priority objectives to be financed under the scope of IPA assistance.

Priorities identified under the Multi-annual Indicative Planning Document (MIPD) are acquis-related investments in improving and modernising the inland waterway network to European standards along Corridor VII.

On the basis of the 1999 Transport strategy and other sectoral documents the Republic of Croatia is investing in the ports and inland waterways. In addition to the regular maintenance of navigable ways, a bank revetment project is to be carried out on the Danube, and a water regulation facility is to be built to regulate the navigable passage to upstream of the Drava mouth. River bed stabilisation activities are planned on the Drava river; the old riverbed will be closed and a basin-type port will be built in the Nemetin port zone. In addition to regular maintenance of the Sava river, it is planned to upgrade the Sava waterway to Category IV, together with Bosnia and Herzegovina and the Sava Commission. The most significant enterprise is the construction of a new port in Vukovar, given the substantial damage to the old port during the war. (The port has been upgraded in the last five years). In addition to regular maintenance activities, the documentation for further development activities is currently being prepared for the ports of Sisak, Slavonski Brod and Osijek. The port of Osijek is building a basin-type port in the Nemetin area, the port of Sisak is preparing the master plan, and the port of Slavonski Brod is continuing with the construction of the waterfront and multimodal terminal.
2.2. STRATEGIC PRIORITIES

The present TOP is based on the MIPD and SCF strategy and objectives outlined in section 1.2 above, which in turn reflect the EU policy guidelines laid down in the “White Paper: European transport policy for 2010: time to decide” (COM (2001) 370 final). The TOP, addressing the weaknesses identified in the SWOT analysis above, is focused on infrastructure/operations improvements in the railway and inland waterway networks.

Accordingly, the strategic approach taken in the TOP aims at:

- network integration, increased/ improved interoperability and at quality levels in the Croatian network which meet EU standards, with emphasis being on the railway network and inland waterway system;
- making use of the comparative economic and environmental advantages of rail and waterway transport which is to carry dense flows of reasonably homogenous traffic over longer distances, whether passenger or freight.

Current energy trends are reinforcing the comparative advantage of rail and waterways against road transport and, hence, are supportive of the strategic choice made in favour of rail and inland waterways. The opportunities in railway and waterway traffic, however, will largely depend on factors such as access costs, speed and route conditions, equipment used and most importantly, the load (utilisation) factor.

The concentration on railways and inland waterways takes its justification from following further considerations:

- The need to concentrate the limited available funds for maximum effect and leverage.
- To integrate major trunk lines (corridors) into the European railway network and to establish a harmonised operating standard across borders.
- To re-balance sector spending and strengthen the railways inter-modal and international competitiveness.
- To regain market share for the railways in the freight transport sector and respond to major changes in the trade pattern and commodity structure, as well as to encourage investment in new technology (in 2005, the railways’ share in total goods traffic and passenger traffic amounted to 12.7% and 33.7% respectively)
- To succeed in moving goods transport off the roads; this will depend principally on improving railway services.
- To establish, maintain and improve conditions for safe and reliable inland navigation
- To maintain international waterways according to the required international navigational class standard
- To equip international ports with facilities for the collection and treatment of human waste and the removal of silt from ports.
- To adjust to the technical parameters of Trans-European network requirements.
- To meet environmental concerns which have an increasingly important influence on transport policy. One policy target is to shift long-distance road journeys and cargo onto the railways as an energy-saving, clean and safe mode of transport, and to make the railways an integral part of the modern multi-modal distribution chain.

In summary, the present TOP puts emphasis on the revitalisation of the railways and waterways of Croatia, in an effort to counteract existing development difficulties within the Croatian transport sector. This approach reflects the strategy of sectoral sustainability adopted by the European Council in Gothenburg in June 2001.

Moreover, in order to guarantee the most efficient use of funds, it is intended to achieve complementarity with other related ISPA and IPA interventions, as well as relevant IFI projects (as shown in section 3.4).
3. PROGRAMME STRATEGY

3.1. PRIORITY AXES AND MEASURES

3.1.1. IPA objectives and priority axes

The aim of the Transport OP is to select projects which best fit the OP’s objectives, while spreading the benefits of learning from the systems and practices of IPA management, as IPA uses processes of project and programme management which are closer to Structural Fund programme and project management than previous EU pre-accession funds. The IPA objectives and priorities must be in line with strategic directions identified in the Accession Partnership and National 1999 Transport Development Strategy. Therefore, the main objective of the TOP is to invest in projects which will have the greatest impact on the modernisation of the railway lines and, in parallel, to prepare projects for future investments in upgrading and improving the inland waterway sector, since, at this time, there is a lack of suitably mature projects that could be implemented during this Operational Programme period. Finally the aim is to develop the administrative and management capacity of those institutions implementing the TOP. Implementing the TOP measures will produce direct development benefits such as a reduction in the time taken to shift freight, increasing the safety of journeys, and making inland waterways more competitive and less expensive in relation to other transport modes.

Following the strategic direction given by the MIPD and, subsequently, the SCF, the TOP proposes measures (and major projects) under three priority axes:

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<thead>
<tr>
<th>PRIORITY AXIS 1</th>
<th>Upgrading Croatia’s rail transport system</th>
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<tbody>
<tr>
<td>Measure 1.1</td>
<td>Line upgrading and modernisation</td>
</tr>
<tr>
<td>Measure 1.2</td>
<td>Improvement of the safety and efficiency of railway operations</td>
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<tr>
<th>PRIORITY AXIS 2</th>
<th>Upgrading Croatia’s inland waterway system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure 2.1</td>
<td>Modernisation and rehabilitation of river waterways and port infrastructure</td>
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<tr>
<th>PRIORITY AXIS 3</th>
<th>Technical assistance (TA)</th>
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<tr>
<td>Measure 3.1</td>
<td>Technical assistance for OP management, identifying future projects, capacity building and preparing future Operational Programmes</td>
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</tbody>
</table>

3.1.2. Selection criteria

In general terms, project selection criteria are based, on the one hand, on specific IPA criteria for the transport sector, listed in Article 147 of the IPA Implementing Regulation (sustainable traffic flow, better connections and interoperability within networks) and, on the other hand, on the principles and criteria set out in the Decision No. 1692/96/EC made on July 23, 1996 by the European Parliament and the Council of Ministers, on Community Guidelines for the Development of the Trans-European Transport Network67

**General criteria**

After gathering, as a first step, all potentially eligible projects on the proposed corridors and transport modes, projects that could not satisfy the following general screening criteria have been eliminated from further consideration (in order of priority):

- The project should bear a very high relevance to the SEE Core Regional Transport Network;

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• The financial plan should be realistic, including the question of secondary investment cost (maintenance) coverage, and show in particular the division between national and outside financing;

• The project should show sufficient maturity, taking due account of administrative/legal barriers concerning project implementation (land acquisition problems, right of way etc);

• The project should be of sufficient size and significance;

• The project should in no way duplicate third party efforts, but should match other projects of a complementary nature in order to achieve synergies;

• There should be a visible commitment by the national government or regional bodies (such as SEETO and/or Sava River Commission) to implement the project; projects therefore should be given preference according to their inclusion in related and previously agreed priority project lists (example REBIS; ISPA)

• The project should provide modal balance and contribute to environmental protection

• The basic technical features of the project should be more cost-efficient (demand oriented) in reaching the strategic objectives than alternative technical options, and should be appropriate and correspond to international standards.

Generally all of the priority projects (except for project number 1) which have been pre-selected and included in the indicative project list for 2007-2009 (section 3.5) are at an early stage of project preparation, requiring technical, economic and, if necessary, environmental studies.

Therefore, in a second appraisal stage, proposed priority projects will be checked against the following screening parameters:

Specific Criteria

Proposed projects will be checked to ensure the completeness of the following standard preparatory activities, which should be carried out before submitting projects for approval to the Project Selection Committee (and subsequently the European Commission, in the case of major projects):

• Pre-feasibility study; including preliminary financial and economic analysis and calculation of Financial Internal Rate of Return (FIRR) and Economic Internal Rate of Return (EIRR); eventual preliminary drawings;

• Availability of co-financing, including possible involvement of IFIs;

• Detailed feasibility study, including financial and economic analyses (FIRR & EIRR) which take into account societal (external) effects; cost benefit analyses, affordability analyses, preliminary and detailed technical designs; operation plans etc

• Environmental impact assessment (EIA), if needed according to Croatian and European regulations;

• Reports on consultations with interested/affected parties;

• Approvals and permits obtained (for example construction permits, environmental permits, rights of land etc)

• Satisfactory completion of all parts of the IPA application form (EC ‘major projects’ template, in the case of projects over €10m)

The objective of the second phase screening process is to identify the most feasible projects and those projects having the most immediate and significant impact in terms of:

• readiness for implementation (maturity)

• improving transport efficiency;

• guaranteeing financial and environmental sustainability;

• improving transport safety and security.

As far as possible the impact will be assessed in monetary terms, and subjected to a sensitivity analysis. Major Projects will be prepared in accordance with articles 150 and 157 of the IPA Implementing Regulation. Only projects with a sufficiently high rate of return (FIRR; EIRR) will be considered for implementation.

Finally, two legal and financial considerations will be taken into account in assessing the applications: first, an understanding and undertaking that the infrastructure will remain public property, and second, the availability of
budgetary resources to ensure Croatian co-financing of the projects, and their sustainability (operation and maintenance) beyond the funding period.

The TOP priority axes and measures proposed below, through which the TOP's strategic objective is to be implemented, are considered the most beneficial for railway and river network development on the one hand, and for society and the environment on the other, while meeting the EU transport acquis obligations.

**Revenue generating projects**

Revenue generating projects as defined in Article 150 of the IPA Implementing Regulation are operation(s) proposed for pre-accession assistance involving an investment in infrastructure, the use of which is subject to charges borne directly by users and which generates revenues, or any operation involving the sale or rent of land or buildings.

### 3.1.3 Priority axis 1 - Upgrading Croatia's rail transport system

**Aim:**

The aim of this priority axis is to develop the railway transport infrastructure in Croatia, concerning in particular the interconnection and interoperability of national networks and with trans-European networks. It aims to gradually improve the quality of the railway along TEN Corridor X within Croatia, in order that it increasingly meets EU standards.

**Community legislation**

Activities under this priority axis are designed to modernise railway infrastructure and assist Croatia in meeting its obligations related to implementation of the EU transport acquis governing the railway system, namely:

- **Directive 91/440/EEC** on the development of the Community’s railways
- **Directive 2001/14/EC** on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure and safety certification. (Railway Safety Directive)

**Specific objectives**

The objective of this priority is to gradually improve the quality of the railway along TEN Corridor X within Croatia, in order that it increasingly meets EU standards. Specifically, the objectives are:

- rehabilitation / upgrade of specific line sections along TEN Corridor X, showing the lowest performance indicators
- reconstruction and modernisation of railway stations to meet EU standards in terms of track lengths and layout, as well as signalling and telecommunication equipment
Rationale

The priority axis is intended to help Croatia meet its needs and its obligation to meet EU standards, specifically in the context of managing changes in transport demand on Corridor X. As demonstrated in section 2, the rail sector has suffered from war damage, and the infrastructure requires modernisation in order to create an efficient and environmentally friendly mode of transport.

The intervention is needed to ensure the rail network can engage successfully in inter-regional and intra-regional corridor competition and is able to capture significant parts of future regional traffic potential. Moreover, increasing the railways’ market share in international goods and passenger traffic on Corridor X is a pre-requisite for rendering line investments and railway operations financially feasible, thereby making the railway system commercially attractive for private operators.

Corridor X is a double track main railway line from Savski Marof – Zagreb Main Station – Novska – Tovarnik which connects central and south-eastern Europe, from Salzburg, via Ljubljana, Zagreb, Belgrade and Skopje, to the port of Thessaloniki. As far as traffic is concerned, it represents the backbone of railway traffic from east to west on which almost all north-south lines and lines from Bosnia and Herzegovina are connected. Within Croatia, this line connects significant industrial and agricultural areas.

During the 1990's, events on the territory of the former Yugoslavia brought about a significant drop in freight and passenger traffic which was, to a great part, redirected into alternative traffic corridors. Transit traffic on Corridor X was completely disrupted for more than five years. In the last few years, Croatian Railways Infrastructure has registered an increase in traffic on Corridor X.

The total length of Corridor X is 2,528.2 km, of which 1,622.7 km (64.2%) are single track and 905.5 km (35.8%) are double track. Of the total length of all the lines on the corridor, 2,244.5 km (88.7%) are electrified. It is planned that by the year 2010, there will be 1,461.3 km (57.8%) single track lines, 1,066.9 km (42.2%) double track lines and 2,348.7 km (92.9%) electrified lines.

Description

The priority axis will support two measures: to upgrade and modernise the line, and to improve safety and efficiency on Corridor X. This implies:

- increasing travel speed to 160km/hour;
- increasing axle load to 225 kN;
- adjusting station platform lengths (for a TEN route it is 400m);
- installing the European Railway Train Management System (ERTMS) to ETCS level 1, which refers to the overlaying of the trackside conventional signalling system with fixed ETCS infrastructure as a first step to full ERTMS.
- installing/upgrading trackside telecommunication equipment;
- installing/upgrading the overhead power supply system;
- installing/improving the permanent way drainage system;
- installing automatic half or full barrier level crossings;

Targeting

This priority axis will apply to the railway sector of the TOP, contributing to the TOP’s objective to “Rehabilitate and develop a railway network in Croatia to respond to the expected increase in demand for railway transport, especially on the Pan-European corridor X”. The priority axis is targeted at:

- Improvement and rehabilitation of the railway network
- Improvement of safety conditions of the railway system
- Assisting Croatia in meeting its obligations to implement the EU transport acquis governing the railway system
Measures

Two measures are proposed under this priority axis:

- **Measure 1.1. Line up-grading and modernisation**
  Projects under this measure will focus on the improvement of the permanent track and overhead power supply system and on the preparation of project documentation

- **Measure 1.2. Improvement of the safety and efficiency of railway operations**
  Projects under this measure will concentrate on the modernisation of trackside infrastructure, signalling telecommunication, safety and security equipment.

Delivery

The operations (projects) that will be financed under Priority axis 1 will be selected from the Indicative project list provided in Chapter 3.5 of the Operational Programme (and respective project identification cards attached as Annex 2) in accordance with the general and measure-specific selection criteria provided in the Operational Programme.

The selected operations will then be submitted to the European Commission for approval. If a project is appraised as acceptable the European Commission will issue a decision on the approval for each project which will define the physical object and the eligible expenditure to which the co-financing rate for the priority axis applies. Finally, for each approved project a Financing Agreement between the European Commission and the beneficiary country will be signed, laying down those elements. Complementary funding for these investments will be ensured from national funding, external loans and other sources and models of funding.

In the case of projects that do not fall under the title of “major projects” (i.e. that are under the 10 m€ threshold) the decision on competing calls will be made by the Selection Committee, based on the selection criteria described in the Operational Programme and confirmed by the Sectoral Monitoring Committee.

Targets and Indicators

<table>
<thead>
<tr>
<th>Table 2 – Indicators for Priority axis 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
</tr>
<tr>
<td>--------------</td>
</tr>
<tr>
<td>1 Increased average train speed on the Corridor X</td>
</tr>
<tr>
<td>2 Improved passenger trains compliance with time table</td>
</tr>
<tr>
<td>3 Increased freight volume</td>
</tr>
</tbody>
</table>

Financial allocation and co-financing rate

Out of the total allocation for the Transport OP that amounts in total to € 53,500,500, the allocation for Priority Axis 1 is € 12,995,250 in 2007, € 15,870,000 in 2008 and € 18,245,250 in 2009 (in total € 47,110,500).

For the railway sector it is proposed to set the national co-financing rate at 25%, with a 75% rate of IPA co-financing.
3.1.3.1. Measures under Priority axis 1 - Railway network rehabilitation and development

Measure 1.1: Line up-grading and modernisation

Specific objective

The objective is to gradually increase and improve interoperability along Corridor X, in accordance with UIC standards and railway interoperability requirements based on Directive 2001/16/EC

Rationale

The total length of the line on Corridor X from the state border with Slovenia, via Zagreb, Dugo Selo and Vinkovci to the state border with Serbia is 316.7 km long. From the Slovenian border to Zagreb (26.7 km) to Dugo Selo (21.25 km), to Novska (83.4 km) of single track line, and from Novska to the border with Serbia at Tovarnik (185.4 km). All tracks are electrified with the AC 25kV/50Hz system, and have automatic block interlocking, while the stations have installed relay devices on which mixed traffic is run.

The section between the Slovenian border and Zagreb has a double track line along its entire length, on which performance speeds of up to 160km/h are achieved, with the exception of specific areas west of Zaprešić and on the Zaprešić – Podsused Tvornica section. On this section the curve radii limit speeds to 100 - 120 km/h, while on the track section to Zagreb West Station and to Zagreb Main Station speeds are limited to 70 km/h.

The section between Zagreb and Dugo Selo has a double track line along its entire length and performance speeds are up to 160 km/h, with the exception of individual sections of curved track on which speeds are limited. In Zagreb Main station speeds are limited to 50 km/h, at the entrance to the Sesvete station to 120 km/h, and on the Sesvete – Dugo Selo section to 130 km/h. The braking distance on the track is 700 m on the Sesvete – Zagreb MS section, and 1,000 m on the Dugo Selo – Sesvete section.

The section between Dugo Selo and Novska has a single track line and performance speeds are up to 130 km/h, with the exception of individual sections of curved track on which speeds are limited. This occurs primarily at the entrance and exit to stations.

The section between Novska and the State border has a double track line along its entire length and performance speeds are up to 160 km/h, with the exception of individual sections of curved track where speeds are limited to between 80 to 140 km/h. This is primarily the case at the entrance and exit to stations. The braking distance on the track comes to 1,000 m on the State Border – Tovarnik – Ivankovo section, and to 1,500 m on the Ivankovo – Novska section.

Under the ISPA program the section from Vinkovci to Tovarnik to the State border will be rehabilitated so that the performance speed will be up to 160 km/h, through the removal of infrastructural restrictions for speed limits, such as tight curves and inadequate stations.

Description

The measure will build on interventions already planned and underway under the ISPA programme, and will focus on modernising the weakest portions of the line, in terms of existing assessments of operational standards, contained in the SEETO MAP 2007-11. This measure will encompass projects concerning the permanent way, fixed structures, installations and equipment (see section 3.5 for indicative list of priority projects).

Eligible actions

Assistance under this measure refers to procurement contracts. The activities under this measure are aimed at the rehabilitation of the permanent track; bridges and level crossings, overhead power supply and modernisation of stations. The assistance will include supervision services, implementation support, consultancy services, tender evaluation, project preparation for previously identified projects, project monitoring and evaluation.
Selection criteria

Bearing in mind the general and specific selection criteria listed in chapter 3.1.2., the following criteria were applied to identify the most feasible projects and those having the most immediate and significant impact under Measure 1.1.:

- readiness for implementation (maturity), taking into consideration administrative/legal barriers concerning project implementation (land acquisition problems, right of way etc);
- improving transport efficiency by increasing the speed and line capacity;
- improving transport safety and security.

Final Beneficiaries

The final beneficiary for measure 1.1 will be Croatian Railway Infrastructure Ltd.

Monitoring indicators:

Table 3 – Monitoring indicators for the Measure 1.1

<table>
<thead>
<tr>
<th>No.</th>
<th>Definition</th>
<th>Type</th>
<th>Measurement unit</th>
<th>Baseline source</th>
<th>Data dates</th>
<th>Frequency of reviewing</th>
<th>Final target (by 2012)</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Km of track upgraded to achieve average speed of 160 km/h</td>
<td>Output</td>
<td>Track km</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>19.5</td>
<td>Project monitoring reports</td>
</tr>
<tr>
<td>2</td>
<td>Bridges and culverts rehabilitated to attain speed of 160 km/h</td>
<td>Output</td>
<td>Number</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>33</td>
<td>Project monitoring reports</td>
</tr>
<tr>
<td>3</td>
<td>Catenary rehabilitated to attain speed 160 km/h</td>
<td>Output</td>
<td>Track km</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>19.5</td>
<td>Project monitoring reports</td>
</tr>
<tr>
<td>4</td>
<td>Project applications submitted with full set of documentation</td>
<td>Output</td>
<td>Number</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>2</td>
<td>Project monitoring reports</td>
</tr>
</tbody>
</table>

Measure 1.2: Improvement of the safety and efficiency of railway operations

Specific objective

The objective is to improve the quality, reliability and efficiency of railway services along Corridor X. This will concern mainly signalling and communications improvements and adjustment to the technical parameters of Trans-European network requirements.

Rationale:

Due to inadequate and insufficient maintenance over the last 20 years, signalling and telecommunications equipment along Corridor X has not been upgraded and/or replaced on a regular basis in order to extend the lifecycle and to meet up-to-date standards. For this reason speed restrictions were introduced to maintain safety at an acceptable level. As a consequence of speed restrictions and increased maintenance requirements, the efficiency of the railway system has deteriorated.

Description

Projects under this measure will focus on the modernisation of signalling and telecommunications systems to enable the installation of ETCS and centralised traffic control equipment in order allow for the integration of the railway network in Croatia with the network in the European Union. The measure will focus on improving the signalling for
160km/h train speeds, and on the restoration and upgrading of existing Automatic Train Protection (ATP) safety devices and the restoration of the line-side telephone system infrastructure.

**Eligible actions**

Assistance under this measure refers to procurement contracts. The activities under this measure are aimed at the improvement of trackside infrastructure; signalling, telecommunications, safety and security equipment. The assistance will include supervision services, implementation support, consultancy services, tender evaluation, project preparation for previously identified projects, project monitoring and evaluation.

**Selection criteria**

Bearing in mind the general and specific selection criteria listed in chapter 3.1.2., the following criteria will be applied to the selection of projects under Measure 1.2.:

- improving transport safety and security;
- the impact and the importance for the entire network;
- readiness for implementation (maturity), taking due account of administrative/legal barriers concerning project implementation (land acquisition problems, right of way etc);
- improving transport efficiency.

Zagreb Main Station, with the highest frequency of trains, is the main railway junction for inter-city and long distance passenger transport in Croatia, on the intersection of X and Vb Corridors. The station is equipped with relay fail-safe signalling equipment, which was installed in 1940. The speed within the station is currently reduced to 30 km/h, due to the condition of the signalling equipment. In addition, the unavailability of spare parts for such obsolete equipment makes technical maintenance very difficult and expensive.

**Final Beneficiaries**

The final beneficiary for the measure 1.2 will be Croatian Railways Infrastructure Ltd.

**Monitoring indicators**

<table>
<thead>
<tr>
<th></th>
<th>Definition</th>
<th>Type</th>
<th>Measurement unit</th>
<th>Baseline data</th>
<th>Data dates</th>
<th>Frequency of reviewing</th>
<th>Final target (by 2012)</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Installed and operational solid state signalling &amp; interlocking system</td>
<td>Output</td>
<td>sets</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>1</td>
<td>Project monitoring reports</td>
</tr>
<tr>
<td>1.a</td>
<td>New main &amp; distant signals installed</td>
<td>Output</td>
<td>pcs</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>47</td>
<td>Project monitoring reports</td>
</tr>
<tr>
<td>1.b</td>
<td>New shunting signals installed</td>
<td>Output</td>
<td>pcs</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>77</td>
<td>Project monitoring reports</td>
</tr>
<tr>
<td>1.c</td>
<td>New electro-hydraulic point machines installed</td>
<td>Output</td>
<td>pcs</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>98</td>
<td>Project monitoring reports</td>
</tr>
</tbody>
</table>

3.1.4. **Priority axis 2 - Upgrading Croatia's inland waterway system**
Aim:

The aim is to rehabilitate the Sava river waterway with a view to achieving category IV navigational status, including alignment with the EU River Information System’s (RIS) and with the port system in the Republic of Croatia. This axis will comply with Directive 2005/44/EC which aims at the build-up of a European data exchange platform for easy and up-to-date transmission of traffic information (such as fairway conditions etc) from river authorities to operators, and will improve the inter-phasing of the waterway sub-sector with other modes of transport.

Community legislation

Activities under this priority axis are designed to improve the inland waterway system and assist Croatia in meeting its obligations related to implementation of the EU Transport acquis governing inland waterway system, namely:

- **Council Regulation (EC) No 1356/96** on common rules applicable to the transport of goods or passengers by inland waterway between Member States with a view to establishing freedom to provide such transport services.
- **Council Regulation (EEC) No 3921/91** laying down the conditions under which non-resident carriers may transport goods or passengers by inland waterway within a Member State.
- **Council Regulation (EC) No 718/99** of 29 March 1999, on a Community fleet capacity policy to promote inland waterway transport.
- **Council Directive (EC) No 96/75** on the systems of chartering and pricing in national and international inland waterway transport in the Community.
- **Council Regulation (EEC) No 2919/85** laying down the conditions for access to the arrangements under the Revised Convention for the navigation of the Rhine relating to vessels belonging to the Rhine Navigation.
- **Council Directive (EEC) No 87/540** on access to the occupation of carrier of goods by waterway in national and international transport and on the mutual recognition of diplomas, certificates and other evidence of formal qualifications for this occupation.
- **Council Directive (EC) 91/672** on the reciprocal recognition of national boat masters certificates for the carriage of goods and passengers by inland waterways.
- **Council Directive (EC) No 96/50** on the harmonisation of the conditions for obtaining national boat masters certificates for the carriage of goods and passengers by inland waterway in the Community.
- **Council directive (EEC) No 82/714** laying down technical requirements for inland waterway vessels. The requirements for granting a ship’s technical certificate are in compliance with Resolution 17 ECE/UN and Directive 82/714/EEC.

The Act on Inland Navigation and Ports is under preparation. With the adoption of the new Act the majority of directives will be transposed into national legislation. Full alignment can be expected with adoption of Ordinances.

Specific objectives

The objective of this priority is to improve and rehabilitate the Croatian inland waterway system, making it more attractive and competitive in comparison with other modes of transport.

Rationale:

The establishment, maintenance and improvement of conditions for safe and reliable inland navigation is a continuous mission of the government. This aspect should be analysed separately according to the type of cargo and the expected growth in the transportation of dangerous cargo. The resulting increase in risk and possible impact of potential incidents on the water require that the existing safety standards be raised. In order to achieve this in Croatia, besides the implementation of river information services and the availability of just-in-time information regarding the movement of vessels, it is important to establish clear procedures regarding the actions which should be taken in the case of incidents, as well as to upgrade the existing systems of marking and monitoring the navigability of inland waterways.
To integrate inland navigation into an inter-modal transport network, it is necessary to upgrade the reliability of inland waterways in order to ensure that the waterways meet minimal navigational requirements. The initiation of development cycles in Croatian river ports, processes of technological reconstruction of port buildings and structures, and the connecting of the ports with main road-rail corridors will help in the creation of the preconditions for the inter-modality of river transport. The system of river information services, the core of information and electronic data exchange regarding inland waterway transport, also plays a big role in this process.

The Croatian inland water port system includes four international ports (Sisak, Slavonski Brod, Osijek and Vukovar) and several existing and future quays (Belišće, Aljmaš, Batina, Ilok). The present situation is characterised by an unbalanced market demand for the transport of cargo on the Sava and Danube rivers, generally as a consequence of different navigational conditions, technical and technological obsolescence and under-capacity.

At present, river transport accounts for less than 1% of freight transport in Croatia, and is not currently a viable and competitive alternative to road and rail transport for moving bulk commodities.

Description

The total length of the existing waterway network in the Republic of Croatia amounts to 804.1 km, of which 539.2 km are international waterways. A total of 286.9 km meets the requirements of international navigational classification, i.e. requirements for class IV. The development concept for the infrastructure of inland waterways is targeted at increasing the safety and efficiency of inland navigation. Waterway regulation is aimed at the users, which means ensuring smooth and safe navigation for ships with a maximum draught in accordance with the class of the waterway. In practice this means ensuring a minimum depth of 2.5 m for 300 days per year (international waterway class).

Future tasks in this sub-sector are:
• To maintain the international waterways in accordance with the criteria required under the international navigational class,
• To upgrade the class of international waterways which are currently at a lower class than that that required,
• To implement a river information service system,
• To enhance the quality of the waterway marking system,
• To apply ecological standards during the regulation and maintenance of waterways,
• To start the project to construct the Danube-Sava canal.

Croatian river ports need qualitative and technological modernisation in order to satisfy the existing and expected transport demand. Along with the modernisation of basic port infrastructure, the system of safety and surveillance in the port areas should also be enhanced. Ports need to connect with main road and rail corridors in order to achieve better integration with the economic hinterland and to create preconditions for the development of inter-modal transport.

The development concept of river ports is based on following principles:

• The public nature of ports, access to port facilities for all users under the same conditions,
• Quality of service, technological modernisation and specialisation,
• Enhancement of traffic connections with the hinterland,
• Integration of the ports into logistic chains,
• Implementation of a system for surveillance and control of traffic and port activities in port areas.

In order to solve the problems identified in the port system on inland waters it is necessary to execute the following:
• To coordinate the needs for financial investments in port infrastructure and the financial abilities of the state, and, in accordance with this, to invest in priority projects and projects which demonstrate positive economic results through cost-benefit analysis,
• To ensure flexibility in defining the deadlines for concession assignment in cases where interest in investing in port buildings and equipment is shown by private investors,
To settle property ownership issues in the port area, including land redemption, the settling of outstanding debts by the Government, long-term rental contracts and the inclusion of the related clauses within concession contracts,

To integrate ports into the river information services system

Targeting

This priority axis will apply to the inland waterway section of the TOP, contributing to the TOP’s objective to prepare projects aimed at the improvement and development of an inland waterway system in Croatia. The priority axis is targeted at:

- Improvement of fairway conditions; Establishment of an international navigational regime
- Development of trans-shipment points and harbour facilities
- Assisting Croatia in meeting its obligations to implement the EU transport acquis in the inland waterway sector

Measures:

One measure is proposed under this priority axis:

- Measure 2.1. Modernisation and rehabilitation of river waterways and port infrastructure

Delivery

The operations (projects) that will be financed under Priority axis 2 will be selected from the Indicative project list provided in Chapter 3.5 of the Operational Programme (and respective project identification cards attached as Annex 2) in accordance with the general and measure-specific selection criteria provided in this Operational Programme.

The selected operations will then be submitted to the European Commission for approval. If a project is appraised as acceptable European Commission will issue a decision on approval for each project which will define the physical object and the eligible expenditure to which the co-financing rate for the priority axis applies. Finally, for each approved project a Financing Agreement between the European Commission and the beneficiary country will be signed laying down those elements. Complementary funding for these investments will be ensured through national funding, external loans and other sources and models of funding.

In the case of projects that do not fall under the title “major projects” (i.e. that are under the 10 m€ threshold) the decision on competing projects will be made by the Selection Committee, based on the selection criteria described in the Operational Programme and confirmed by the Sectoral Monitoring Committee.

Targets and Indicators

Table 5 – Indicators for the Priority Axis 2

<table>
<thead>
<tr>
<th></th>
<th>Definition</th>
<th>Type</th>
<th>Measurement unit</th>
<th>Baseline source</th>
<th>Data dates</th>
<th>Frequency of reviewing</th>
<th>Final target (by 2012)</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Km of the Sava river waterway with increased navigation classification</td>
<td>Result</td>
<td>km</td>
<td>286,9</td>
<td>2006</td>
<td>annually</td>
<td>531,9</td>
<td>Agency for Inland Waterways Annual Report</td>
</tr>
<tr>
<td>2</td>
<td>Increased capacity of ports</td>
<td>Result</td>
<td>Tonnes</td>
<td>3.500.000</td>
<td>2006</td>
<td>annually</td>
<td>5.500.000</td>
<td>Port Authorities Annual Report</td>
</tr>
<tr>
<td>3</td>
<td>Increased freight volume</td>
<td>Result</td>
<td>Tonnes, Tonne/km</td>
<td>1.600.000</td>
<td>2006</td>
<td>annually</td>
<td>4.000.000</td>
<td>Port Authorities Annual Report</td>
</tr>
</tbody>
</table>
Financial allocation and co-financing rate

Out of the total allocation for the Transport OP, which amounts in total to € 53,500,500, the allocation for Priority Axis 2 is € 3,750,000 in 2007 and € 1,875,000 in 2008 (in total € 5,625,000)

For the inland waterway sector it is proposed to set the national co-financing rate at 25% with a 75% rate of IPA co-financing.

3.1.4.1. Measures under Priority axis 2 - Upgrading Croatia’s inland waterway system

Measure 2.1. – Modernisation and rehabilitation of river waterways and port infrastructure

Specific Objectives

The specific objectives of this measure are:

• To rehabilitate the Croatia’s part of Corridor VII in order to achieve the requirements of the international classification, category IV;
• To modernise and increase the capacity of the ports along the Corridor VII so that they can respond to growing transport demands

Eligible actions

Assistance under this measure refers to procurement contracts (including supervision services, implementation support, tender evaluation, consultancy, project preparation for already identified projects, tender evaluation, project monitoring and evaluation). The actions within this measure could also relate to the inspection, operation and monitoring of inland waterway transport facilities.

The projects proposed will be based on the Indicative list of major projects (chapter 3.5.).

Final beneficiary

The final beneficiaries for the measure 2.1 will be the Port Authorities and the Inland Waterways Agency.

Selection criteria

For this measure the main selection criteria are as follows:

• The projects will be selected on the basis of the demonstration of an urgent need for higher port capacity, or where it has been demonstrated that the port capacities in use have reached their maximum level and need to be extended;
• The projects will be selected on the basis of the evidence that the port capacities are greater than the capacity of the river waterway itself, and that there is, therefore, a need to upgrade the river waterway to an adequate international classification category.
Monitoring indicators

Table 6 - Monitoring indicators for the Measure 2.1

<table>
<thead>
<tr>
<th>Definition</th>
<th>Type</th>
<th>Measurement unit</th>
<th>Baseline source</th>
<th>Data dates</th>
<th>Frequency of reviewing</th>
<th>Final Target (by 2012)</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Projects ready for implementation with full set of documentation</td>
<td>Output</td>
<td>Number</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>2</td>
<td>Project monitoring reports</td>
</tr>
<tr>
<td>2 Project applications completed and submitted for EU funding</td>
<td>Output</td>
<td>Number</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>2</td>
<td>Project monitoring reports</td>
</tr>
</tbody>
</table>

3.2. PRIORITY AXIS 3 – TECHNICAL ASSISTANCE

Aim:

The aim of the TA priority axis is to ensure that Croatia is able to administer the Operational Programme, through all aspects of programme management.

Objective

To ensure efficient and effective OP management, and develop institutional capacity for project preparation, management and absorption of IPA and future Structural Funds;

Rationale

Croatian programme and project management capacity – from design through commissioning to operation – is evolving at the national, regional and local levels, supported in recent years by a number of technical assistance and twinning projects under PHARE, CARDS and bilateral assistance. This practical expertise will continue to grow and become embedded in future years, as more projects come on-stream.

Management of IPA, and specifically, this OP, will involve extraordinary costs that do not form part of the Croatian administration’s traditional operating expenses. This includes: information & publicity on IPA; the development of monitoring indicators and an EU funds Management Information System; training for Croatian national bodies in the preparation of project applications for EU assistance funds; the commissioning of external, independent experts for interim and ongoing evaluations; and the costs of managing and implementing the IPA programmes.

Moreover, IPA is designed as a pre-cursor to Structural and Cohesion Funds, and it is essential that Croatia develops the capacity to implement these funds. IPA is an opportunity to learn how to manage funds according to EU rules, and to build sustainable institutional structures, systems and skills for the transition to Structural Funds.

Description

The types of actions under this priority axis will fall under two main themes:

i. Specific, tailored support for the coordination and management of the OP, including programming, information and publicity, training in the preparation of EU project funding applications, project identification, appraisal and selection, implementation, financial management, control, monitoring, evaluation, reporting audit; as well as revisions of existing Operational Programmes;

ii. Aid to enhance the specification, collection and use of statistics, which will be necessary for effective monitoring and evaluation under IPA and, subsequently, the Structural Funds;
Measures

One measure is proposed under this priority axis:

- **Measure 3.1. OP management and capacity building**

Targets and indicators

Table 7 – Indicators for the Priority Axis 3: Technical Assistance

<table>
<thead>
<tr>
<th></th>
<th>Definition</th>
<th>Type</th>
<th>Measurement unit</th>
<th>Baseline source</th>
<th>Data dates</th>
<th>Frequency of reviewing</th>
<th>Final target (by 2012)</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Staff in the national bodies capable of independently identifying, preparing and assessing project applications</td>
<td>Result</td>
<td>Number</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>6</td>
<td>MSSTD</td>
</tr>
<tr>
<td>2</td>
<td>OP funds absorbed under operational Priority Axes</td>
<td>Result</td>
<td>%</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>100</td>
<td>MSTTD</td>
</tr>
</tbody>
</table>

Financial allocation and co-financing rate

Out of the total allocation for the Transport OP, which amounts in total to € 53,500,500, the allocation for Technical Assistance is € 255,000 in 2007, € 255,000 in 2008 and € 255,000 in 2009 (in total € 765,000).

For technical assistance it is proposed to set the national co-financing rate at 25% with a 75% rate of IPA co-financing.

**Measure 3.1. – OP management and capacity building**

**Specific Objectives**

The specific objectives for this measure are to ensure efficient and effective OP management, and to develop the institutional capacity for managing and absorbing IPA and future Structural Funds.

**Rationale**

One of the principal goals of implementing IPA is to build administrative capacity, and hence it is essential that Croatia is supported to identify, train, develop and retain a body of skilled and motivated staff, working with effective systems and procedures for sound programme management. This will ensure both the successful management of IPA and a smooth transition to the still greater challenge of Structural Funds programming and the management of a portfolio of a potentially large number of projects.

**Description**

Through this measure the support to the Operating Structure i.e. bodies dealing with the implementation of priority axis 1 and priority axis 2 will be provided. That support will be specific and tailored support to for coordination and management of the TOP, including programming, information and publicity, training in the preparation of EU project funding applications, project identification, appraisal and selection, implementation support, financial management, control, monitoring, evaluation, reporting, audit, revisions of existing Operational Programmes and the preparation of Operational Programmes and identification of projects for the next funding period. Given the needs to address staff turnover within the public administration allied to the demands of EU funds management which are typically higher
than comparable civil service positions, co-financing of the salary costs of public officials within the management structure and project selection committees will be provided under this measure.

**Eligible actions**

It is intended to finance, support, train and consolidate the systems, processes and skills for EU funds management by the Croatian public administration (as the future managing, certifying, auditing and implementing agencies for Structural Funds) for this OP.

Assistance under this measure refers to procurement contracts; it is intended that technical assistance will cover consultancy and delivery of support (including advice, training and other costs) to the Croatian OP administration in general, but specifically to the Operating structure for the IPA III component – Transport, i.e. bodies dealing with the implementation of Priority axis 1 and Priority axis 2. That support will relate to training activities for the:

a. Independent identification, preparation and assessment of projects and Operational Programmes (including revising the existing Operational Programmes) in the relevant sectors for future funding periods, as well as preparation of the respective project applications by teams of individuals in the national bodies (Operating Structure) in order to build up a base of national expertise in this field;
b. Conducting pre-feasibility and feasibility studies, environmental impact assessments, cost benefit analyses, financial and economic analyses, preliminary designs, affordability studies, sector consolidation studies;
c. Implementation and controls, including procurement & contract management (including support to the Operating Structure, use of supervising engineers, etc);
d. Monitoring, including the development of the monitoring arrangements, the organisation and administration of Monitoring Committees and the development of the Management Information System;
e. Evaluation, particularly external evaluators engaged for interim and ongoing evaluations;
f. The preparation and implementation of information and publicity activities;
g. Co-financing of staff salary costs.

Assistance can additionally include provision for translation & interpretation services, as well as logistical expenses and supply of equipment or other items relating to the work of Monitoring Committees.

**Selection criteria**

Assistance will be granted to those activities that will have the highest learning effect especially in relation to gaining knowledge and experience in project preparation / assessment.

**Final beneficiaries**

The primary beneficiaries of this measure are bodies within the Operating structure - the Ministry of Sea, Tourism, Transport and Development, Croatian Railways Infrastructure, Central Finance and Contracting Agency, Inland Waterways Agency, and members of the Monitoring Committees and Selection Committees.

**Monitoring Indicators**
### Table 8 – Monitoring indicators for the Measure 3.1

<table>
<thead>
<tr>
<th></th>
<th>Definition</th>
<th>Type</th>
<th>Measurement unit</th>
<th>Baseline source</th>
<th>Data dates</th>
<th>Frequency of reviewing</th>
<th>Final target (by 2012)</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Training provided for the staff of public bodies</td>
<td>Output</td>
<td>Number</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>10</td>
<td>CODEF</td>
</tr>
<tr>
<td>2</td>
<td>Publicity ‘events’ organised (press conferences, seminars, TV / radio broadcasts)</td>
<td>Output</td>
<td>Number</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>10</td>
<td>CODEF</td>
</tr>
<tr>
<td>3</td>
<td>Meetings of Monitoring Committees</td>
<td>Output</td>
<td>Number</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>10</td>
<td>CODEF</td>
</tr>
<tr>
<td>4</td>
<td>Transport project applications assessed and submitted by the Operating structure</td>
<td>Output</td>
<td>Number</td>
<td>0</td>
<td>2007</td>
<td>annually</td>
<td>4</td>
<td>CODEF</td>
</tr>
</tbody>
</table>

### 3.3. HORIZONTAL ISSUES

#### 3.3.1. Equal opportunities for men and women

In September 2006, the Croatian Government adopted the National Policy for the Promotion of Gender Equality, 2006-2010. The objectives of the policy, which are of particular relevance to Components III & IV of IPA, include the reduction of female unemployment and elimination of discrimination, promotion of female entrepreneurship and improved enforcement of relevant labour laws. It also strengthens and promotes measures that support the reconciliation of professional and family obligations.

The Government has also adopted a strategic document on the main tasks of state administrative bodies in the process of accession to EU 2004-2007, one of which is to strengthen cooperation between national and local state mechanisms in relation to gender mainstreaming, and continuous cooperation with non-governmental organisations active in the field of gender equality.

The involvement of society and communities in infrastructure construction, operation and maintenance will be sought, in an effort to contribute to the reduction of unemployment and poverty alleviation. Job opportunities can be enhanced in a sustainable way, through the employment of the Croatian labour force (male and female) especially in the post-construction phase for operations and infrastructure maintenance.

#### 3.3.2. Sustainable transport

The railways and waterways are the most appropriate transport mode for carrying bulk loads over longer distances (economies of scale). It is acknowledged however, that under free market conditions and conditions of free modal choice on the European transport market, the railways and waterways must operate commercially and respond to customer needs in order to withstand competition from alternative modes and generate sufficient revenue for providing sustainable transport.

The key to a sustainable transport policy is to:
- commercialise business activities;
- ensure transport safety and protection of the environment;
- achieve balanced area coverage with transport services;
- introduce resource-use based transport pricing;
- adopt the user-pay principle, and
- promote the use of the most energy efficient transport.

#### 3.3.3. Transport safety and environment
Only safe and environmentally-friendly transport is sustainable transport. In fact, the White Paper\textsuperscript{68} places the transport user at the heart of transport policy, that is, to reduce accidents and develop cleaner technologies.

Adopting a pro-active policy in this regard, the OP concentrates on improvements in the energy-efficient bulk carriers - rail and river - promoting at the same time multi-modal transport solutions whereby rail and river transport cover the long-haul portion of transport movement.

In counteracting the existing development difficulties of Croatian transport, in particular, the unequal growth between modes of transport, the OP emphasises the revitalisation of the railways, to be achieved before economic development, combined with the envisaged accession to the EU, which might exacerbate the railway’s weak market position. The OP therefore follows a strategy of sectoral sustainability as adopted by the European Council in Gothenburg in June 2001.

The influence of transport and transport facilities on the natural environment has been monitored in Croatia since 1980. This monitoring concerns the biosphere (flora and fauna), hydrosphere (soil, water, sea) and atmosphere (air). Basic objectives have been set to create a reasonable and balanced transport system, capable of mitigating negative effects, such as:

- pollution of air, ground water and soil,
- the irrational consumption of energy,
- a reduction in the quality of life, particularly in cities
- damage to environment and nature
- the inadequate use of land
- visual degradation of the landscape

All these hazards have lead to the introduction of harsh criteria for the registration of passenger cars and trucks.

The Transport OP focuses on railways and inland waterways, justified as a means of removing goods transportation from the road network, particularly long-distance traffic. The pursuit of sustainable transport is described as ensuring protection of the environment, introducing resource-use based pricing, adopting the user-pays principle and promoting the use of the most energy-efficient transport. Railways are presented as an energy-saving, clean and safe mode of transport.\textsuperscript{69}

The Republic of Croatia has been performing environmental impact assessment for individual developments since 1984, when the procedure was defined by the Act on Physical Planning and Spatial Development. Since 1994, when the Environmental Protection Act was adopted (OG 94/1994, 128/1999), the environmental impact assessment procedure has been governed by this Act and its implementing regulation. The effective implementing regulation is the Ordinance on Environmental Impact Assessment (OG 59/00, 136/2004, 85/2006). The Act and Ordinance partly include requirements from Council Directive 85/337/EEC of 27 June 1985 as amended by 97/11/EEC and 2003/35/EC on the assessment of the effects of certain public and private projects on the environment, relating to: the establishment of responsible bodies, EIA in a trans-boundary context, a description of the EIA procedure, and an assessment of direct and indirect effects.

The transposition of the remaining provisions of the Directive into Croatian legislation will be ensured by adoption of the new Environmental Protection Act in 2007, and the implementation regulation on environmental impact assessment. CARDS 2003 project “EIA Guidelines and Training” assisted in the transposition of Council Directive 85/337/EEC.

By adopting the new Environmental Protection Act and its subordinate special regulations:

- the provisions of Directive 2001/42/EC of the European Parliament and Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment will be transposed,

\textsuperscript{69} The Ex-ante evaluation of IPA Operational Programmes for Croatia, Transport Operational Programme, April 2007

Moreover, a transposition of Directive 2004/35/EC of the European Parliament and Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage is envisaged. Recognised principles of environmental protection, including the ‘polluter pays’ principle, are already in force in Croatia.

### 3.3.4. Equal provision of transport services

Transport infrastructure is essential for economic and social development and inter-regional exchange. It is an instrument of regional development, facilitating the flow of goods as well as the access of people to employment, health, education and recreation. Previous experience within the framework of EU enlargement clearly shows that improved rural/regional access and the linking of peripheral regions to the arterial network is essential for economic and social cohesion and the alleviation of regional disparities. Such links also include cross-border transport with neighbouring countries.

Hence, the sectoral approach taken in the OP shall ensure that programming corresponds to economic demands and social needs, as well as network integration and interoperability requirements.

### 3.3.5. Balanced modal split between modes of transport.

Infrastructure being costly, it will be important for achieving sectoral sustainability to adopt infrastructure standards which are affordable, and which help to promote a balanced modal split which reflects the inherent cost and operational advantages of the various transport modes available in Croatia. This assumes that cost-distortions will be gradually reduced across modes and instead cost-based pricing of the various forms of transport will be introduced, taking into consideration infrastructure costs, as well as eventual external costs accruing to the society as a whole, and to adopt the user-pay principle wherever feasible.

The "polluter pays principle" is already in operation in Croatia. Indeed, since 2001, each motor vehicle has to pass an annual eco-test - in accordance with EU technological standards (Council Directive 96/96 EC of December 2, 1996), in order to monitor and determine its pollution level. An eco-fee is paid every year for every registered vehicle, in accordance with the vehicle age. The proceeds of this tax are allocated to the Fund for Energy Efficiency and Environment Protection. The "user pay principle" has been applied since 1972, with the introduction of the toll-motorway system in Croatia.

Securing revenue from user charges implies that government interference in pricing is removed in order to eliminate price-distortions and, hence, competitive distortions. Following this principle, river port fees for the use of wharfs have been aligned with the European practice and all ships, regardless of nationality, are liable to pay the same fee, information on which is made publicly available.

### 3.3.6. Energy-efficient transport

Croatia’s own production of energy meets only about half of its energy requirements and its supply of primary energy is in constant decline. Moreover, Croatia spends significantly more energy per unit of GDP than the EU average. Consequently, due attention is to be paid to the promotion of energy efficiency in transport by focusing on rail and waterway transport improvements.

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70 MSTTD
3.3.6.1. Commercialisation

In addition to the parent company, there are, altogether, 17 dependent subsidiary companies of the Croatian Railways Group, which are 100% or majority owned, with a total employment of 21,000 employees.\(^1\) Moving towards commercialisation requires HŽ to find ways to dispose of non-core activities. This will enable resources to be concentrated on core railway services and is a means of devolving more services to the private sector. An additional means of achieving sustainability is to introduce contract management for rail services, such as ticketing, ballast supply or rolling stock maintenance. Furthermore, long term sustainability means finding solutions for problems associated with non-profitable local railway lines.

Measures to modernise and restructure the national railways along these lines began in 1998, and will be further developed under the World Bank Programmatic Adjustment Loan 2005-2007, which deals with Croatian Railways Group restructuring.

Ports again provide an important interface, particularly between river and road transport. Contracting out to the private sector constitutes an important step towards sustainability, also in the waterway and river ports sector. International experience and practice shows that adopting commercial management and close dialogue with port users can reduce cargo handling costs and transhipment time at ports, as the most crucial nodal points for the development of inter-modal transport. Substantial progress has been made in this regard in Croatia. Administrative port functions are now with the State Port Authorities and clearly separated from port commercial operations. Administering the ports, developing basic infrastructure and providing adequate port access is the responsibility of the Port Authorities, public bodies under the supervision of the MSTTD, while commercial activities are run by private port operators under long term concession contracts.

3.3.7. Participation of civil society and geographical, sectoral and thematic concentration

Participation of the representatives of civil society, along with other relevant institutions, in the preparation of the Operational Programme is described in Chapter 1.3 Partnership consultations. A detailed description of the concentration principle applied to this OP is given in the Chapter 1.2.3.

3.4. COMPLEMENTARY AND SYNERGIES WITH OTHER FORMS OF ASSISTANCE

The TOP will contribute to the achievement of Croatia’s global IPA objectives by improving conditions for growth and employment through the improvement of the transport sector as well as of administrative capacity. In this regard, the TOP’s synergies with other OPs within the SCF framework contribute to increasing and improving the quality of human capital, the development of innovation and knowledge society, the adaptability to economic and social changes are considered.

The TOP contributes to strengthening economic integration by developing transport infrastructure and enhancing access to services of general interest, by improving governance for a better quality of public policy, and by raising the standard within Croatia’s skills-base in the transport sector.

3.4.1. Complementarities and synergies with other SCF OP

All four Operational Programmes under IPA Component III and IV (Regional Competitiveness, Transport, Environment and Human Resource Development) are mutually dependent, since the performance of all sectors together is a key prerequisite for achieving sustainable development. In this sense, they are integrated in their contribution to Croatia’s economic, environmental and social future.

The complementarity and synergy between the four OPs is most evident in the light of the Strategic Coherence Framework for 2007 – 2013, since its main task is to assure the consistency between priorities / activities under IPA Components III and IV. In relation to the SCF, the TOP is consistent with the other three OPs as follows:

\(^1\) Croatian Railways Group
**Regional competitiveness**
An adequately developed transport infrastructure is a precondition for economic development, attraction of investment and improvement of the quality of life, i.e. for enhancing business related and basic municipal and social infrastructure. The development of basic infrastructure is a prerequisite for growth of productive investments and entrepreneurial activities. Additionally, the investment conducted in the course of the TOP will create opportunities for SME development, as well as improve the investment climate and raise interest among domestic and foreign investors.

**Environment**
The development of transport links and modes is, on the one hand, a necessary prerequisite for economic development, but on the other hand, the transport sector has a major influence on the environment (for example, the share of traffic in air pollution increased by an average of 20% in the period from 1990 to 1998). An adequately developed transport infrastructure is a precondition for sustainable development of regional waste centres. In this sense, the development of sustainable transport is closely linked to environmental protection and preservation; therefore emphasis is laid on the development of the railway and inland waterway transport systems. This is also in line with the strategy to promote multi-modal transport and generate traffic diversion effects, from the higher-polluting road traffic to energy efficient rail/river transport modes.

**Human resources**
Investment in transport infrastructure should stimulate short-term employment within the construction sector, but it will also underpin economic activity within the beneficiary regions. In both cases, it is important that employment demand is matched by skill supply. Strengthening the institutional capacity and efficiency of public administrations and public services at national, regional and local levels in regard to transport sector related policy and investments is another prerequisite for implementation of the TOP priorities and development in general (bearing in mind that institutional capacity related activities will be conducted through IPA Component I – as set out in the IPA Regulation).

All four OPs also have certain common goals of a more general nature – to help the relevant institutions to achieve readiness for EU membership and develop institutional capacity for, and practical experience with, the management of Structural Funds-type interventions, i.e. to take part in the EU’s Cohesion policy.

### 3.4.2. Complementarity and synergies with other IPA components

Complementarity with other OPs is highlighted, particularly for regional development and human resources, with an emphasis on achieving competitiveness and sustainability through environment-friendly transport.72

Besides the inter-linkages between the Operational Programmes covered by the SCF, a clear and strong complementarity can be established in relation to the other three components:

**IPA Component I – Transition Assistance and Institutional Building**
Strengthening the institutional capacity and efficiency of public administrations and public services at national, regional and local level in regard to transport sector related policy and investments is another prerequisite for implementation of the TOP priorities and development in general. Therefore a strong link between institutional building assistance under Component I – whose main task is to provide capacity building support for alignment and implementation of the transport acquis to the relevant competent authorities at regional and national level and Component III will be established and secured.

**IPA Component II – Regional and Cross-Border Assistance**
Due to the nature of transport projects significant regional effects can be achieved through transport policy, particularly in the case of railway sub-sector related projects, both in terms of large projects (which can have a strong and transboundary effect) and small projects (which can cover the border areas between regions). In that sense coordination between Component III (Transport) and Component II (cross border cooperation) will be assured (see section 5).

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72 The Ex-ante evaluation of IPA Operational Programmes for Croatia, Transport Operational Programme, April 2007
IPA Component V – Rural Development

Development of transport infrastructure is a precondition for economic development, attraction of investment and improvement of the quality of life, i.e. for enhancing the development of rural infrastructure. The development of basic infrastructure is a prerequisite for growth of productive investments and rural activities. Additionally, investment conducted in the course of the TOP will create opportunities to increase development in rural areas and in areas with low population densities, as well as to improve the investment climate and raise interest among domestic and foreign investors.

Coordination arrangements

A number of institutional arrangements are being proposed to promote complementarities and coherence between the various Components of IPA and the Environment OP. The National IPA Coordinator ensures partnership between the Commission and the beneficiary country, and a close link between the general accession process and the use of assistance and bears overall responsibility for the coherence and co-ordination of the programmes. CODEF, headed by the National IPA Coordinator, takes overall responsibility for coordinating programming and monitoring activities under the IPA programme in Croatia. CODEF’s Department for EU Programmes in the Field of Capacity Building for EU Accession is responsible for co-ordinating IPA Components I, II and V. The Department for EU Programmes in the Field of Economic and Social Cohesion takes responsibility for the co-ordination of IPA Components III and IV. The Strategic Co-ordinator, under the responsibility of the national IPA co-ordinator, is responsible for co-ordinating assistance granted under the regional development component and the human resources development component;

Regarding methods of co-ordination, the IPA Monitoring Committee will assume the function of overall co-ordination of assistance granted under the IPA programme. Coordination will be ensured on the one hand through discussion on the implementation / progress / performance of each IPA component and, on the other hand, through the participation of representatives of bodies heading each of the IPA components (Operating Structures), and the NIPAC, NAO, EC, in the Monitoring Committee. Environment Sectoral Monitoring Committees will be established and will report to the IPA Monitoring Committee. It will also serve as the main co-ordination tool since it will, among other members, include representatives of EC, NIPAC, NAO and the Strategic Co-ordinator for Components III and IV. Additionally, under the direct responsibility of the NIPAC / Strategic Co-ordinator, regular coordination meetings for IPA components III and IV will be held.

With regard to project level coordination, the standard rule applies preventing financing a project from more than one EU source. By avoiding overlaps and enhancing synergy across measures, it was sought to enhance the impact of limited IPA financing available to Croatia. Co-ordination of this Operational Programme with other OPs will, therefore, not only ensure that unnecessary overlapping is avoided, but also promote possible complementarities and synergies.

The co-ordination of activities carried out by IFIs and other donors is ensured all along the programme cycle. In the programming phase, both CODEF and the Ministry of Finance coordinate the preparation of strategies and projects financed by the EU and IFIs in order to avoid duplication and achieve maximum synergies. In the implementation phase, representatives of the Ministry of Finance will be included in the IPA Monitoring Committees for projects which are financed by IFIs, while CODEF representatives will participate in progress monitoring meetings organised by the Ministry of Finance for projects financed through foreign loans and credits, as well as in audit missions undertaken by IFIs. In the case of any audit or evaluation missions organised by the European Commission for a specific project, representatives of the Ministry will be at the disposal of the auditors/evaluators as necessary.

In addition, the State Secretary holds the function of the Deputy Chief Negotiator for EU Accession while the Deputy State Secretary is Sectoral Coordinator for Components III and IV, as well as a member of the working group for negotiations on Chapter 22 Regional Policy and Coordination of Structural Instruments. This direct link with the accession negotiations process enables CODEF to ensure a close coordination between EC funding and the accession process priorities across all five of IPA components.

3.4.3. Complementarity with other EU assistance
Overall, EU assistance to Croatia has evolved from post-war re-construction and humanitarian aid (in the late 1990s) through stabilisation and association support (CARDS programme 2001-2004) to the use of three pre-accession programmes (Phare, ISPA and SAPARD for 2005 & 2006).

Under the national component of the CARDS programme in Croatia in the period 2001-2004, transport was not acknowledged as one of the priority sectors; however, the Regional Balkans Infrastructure Study – Transport (REBIS) was conducted under the regional component of the programme. The REBIS study is significant since it focuses on the development of a multi-modal “South East Europe Core Regional Transport Network” and as such sets the foundation for further network developments.

With the opening of pre-accession programmes in 2005, support was made available for both institution-building and infrastructure investment in the transport sector. The Phare programme focuses on the harmonisation of the Croatian legislation with the EU *acquis* in the maritime and railway policy sector, as well as on building capacity in relevant state administration bodies for the implementation of the *acquis*.

**Phare**

The following paragraphs describe the key Phare projects, which are preparing the legislative framework:

**Phare 2005 : Maritime Safety: Enforcement of Administration Capacity – Monitoring and Management of Vessels**

This project represents an initiative for the enhancement of administrative and technical efficiency of maritime administration. It has to deal with management of vessels, with a special regard to vessels carrying dangerous and polluting goods. Accordingly, it makes a clear contribution to the implementation of the *acquis communautaire* in Croatia, thus helping to meet the political and the economic membership criteria of the Republic of Croatia as a candidate for the EU membership.

**Phare 2006: Maritime Safety: Enforcement of Administration Capacity – Monitoring and Management of Vessels – phase 2**

The project, aims to give a full and complete effect to the requirements of the Directive 2002/59/EC of the European Parliament and of the Council establishing a Community vessel traffic monitoring and information system and repealing Council Directive 93/75/EE. It is divided into two major parts: a part dealing with technical matters of the Vessel Traffic Monitoring and Information System (VTMIS) and a part dealing with institutional capacity building of the Croatian maritime administration relating to vessel traffic monitoring as well as flag state implementation.

**Phare 2006: Restructuring and Development of Croatian Railway system in the Framework of EU Legislation**

The project will provide technical assistance, support and training to the Ministry of Sea, Tourism, Transport and Development and stipulated bodies and institutions in the area of rail restructuring and regulation.

**ISPA**

The ISPA programme co-finances a large scale infrastructure project on Railway Corridor X, which focuses on the rehabilitation of the railway line in Eastern Slavonia from Vinkovci to Tovarnik at the border with Serbia, at a length of 34.5 km, thus paving the way for future transport sector investments under the 2007-2009 TOP (IPA programme).

The ISPA works project comprises a total investment of Euro 75.761 million with a 38% ISPA contribution.

Further, under ISPA “IPA Project Pipeline Preparation – Transport”, TA assistance funds are available for feasibility screening the entire remaining length of the Corridor X railway in Croatia.
3.4.4. Other related donor interventions

3.4.4.1. Railways

EBRD and IBRD loans have been extended for the revival of the national railway company within the framework of the 1998-2002 Railway Modernisation and Restructuring Project, as follows:

- IBRD loan 4433 for the reconstruction and modernisation of railway infrastructure and providing for redundant employees (EUR 85.4 million);
- EBRD loan 730 for the modernisation of railway locomotives (USD 35 million).

As a follow up, the 2000 - 2005 Croatian Railways' Modernisation and Restructuring Strategy has been adopted by the Croatian Parliament, with the view to continuing implementation and achievement of the objectives of the restructuring project. Current activities in this regard are:

- Separation of transport operations from infrastructure management, separation of core and non-core businesses, establishment of new companies from non-core activities and their preparation for privatisation, reduction of the number of employees, reduction of passenger services which are not financially viable, promotion of the real estate business, measures for financial consolidation with the view to lessening the financial burden on the State Budget;
- Restructuring of HŽ (Croatian Railways) within the framework of the conditions for a Programmatic Adjustment Loan (PAL), World Bank, 2005-2007.

3.4.4.2. Inland Waterways

Up to this point, foreign donors have not had any input into the inland waterway sector

3.4.5 Supplementary MSTTD Activities

The following activities are either currently funded or will be funded from the Ministry's own funds.

**Ongoing**

River transport:
- A five-year plan for the development of waterways and a five-year plan for the development of inland ports,
- Action plan for river transport (implementation of the NAIADES)

Railways:
- Preparation of the National Railway Infrastructure Programme.

**Planned for the period of the OP**

Railways:
- Preliminary design for the section Zaprešić - Savski Marof (on railway corridor X),
- Preparation of a feasibility study and preliminary technical design for the priority project on the indicative project list (Zagreb main station signalling and interlocking system)

River transport:
- Elaboration of the action plan for river transport (implementation of the NAIADES);
- Project documentation for, and construction study of, the facility for the removal of liquid waste from vessels in Croatian river ports;
3.5. INDICATIVE LIST OF MAJOR PROJECTS (2007 -2009)

Concerning Priority Axis 1, all the railways improvement projects are situated along Pan-European Corridor X and constitute the natural continuation of the action targeted under ISPA, the railway rehabilitation and upgrading project on the track section from Vinkovci to Tovarnik state border.

As regards Priority Axis 2 “Upgrading Croatia’s inland waterway system”, the foreseen project proposals are situated along Pan-European Corridor VII. There is an urgent rehabilitation need for the whole Croatian part of the corridor. However, none of the projects are presently sufficiently mature for the works to start within the framework of the TOP 2007-2009 period. For the presented project proposals, the necessary project documentation will be prepared through this TOP jointly with the ongoing-feasibility study on “Sava River Navigability” conducted by the Sava River Commission. This should result in viable project proposals which then can be addressed in the 2010-2012 programming period.

Picture 7 - Location of priority railway projects
**INDICATIVE LIST OF MAJOR RAILWAY PROJECTS:**

<table>
<thead>
<tr>
<th>Project name</th>
<th>Type</th>
<th>TA support</th>
<th>Estimated Total M€</th>
<th>Measure</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Project 1: Zagreb Main Station Signalling and Interlocking System</td>
<td>Construction</td>
<td>National funds</td>
<td>17,90</td>
<td>Measure 1.2</td>
<td>The project aims at adjusting railway station technical parameters to Trans-European network requirements. The basic benefit to be gained by this investment is the removal of a traffic bottleneck and consequent speed restrictions on the line due to the antiquated signalling equipment. This project has been identified in the REBIS study. The project includes all necessary reconstruction and adjustments of the device.</td>
</tr>
<tr>
<td>2. Project 2: Line Rehabilitation Okučani to Novska section</td>
<td>Construction</td>
<td>National funds</td>
<td>38,50</td>
<td>Measure 1.1</td>
<td>The last track overhaul on the Okučani - Novska railway line was carried out thirty years ago. On one portion of the section, the speed has been reduced to 60 km/h. After the proposed renewal, the speed will be increased to 160 km/h, and the axle load to 225 kN. The work includes all renovations that are needed to make the section compliant with the criteria set for corridor railways (AGC requirements).</td>
</tr>
</tbody>
</table>

**Status:**
- Being prepared for funding in budget years 2007 and 2008
- Being prepared for funding in budget years 2008 and 2009
<table>
<thead>
<tr>
<th>Project name</th>
<th>Type</th>
<th>TA support</th>
<th>Estimated Total M€</th>
<th>Measure</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Project 3: Line Rehabilitation Novska to Dugo Selo Section</td>
<td>Construction</td>
<td>ISPA TA</td>
<td>135.00</td>
<td>Measure 1.1</td>
</tr>
</tbody>
</table>

This project can be divided in three Phases. Due to the track condition operation speed along this section is reduced to 70 km and occasionally below. Maintenance was last performed in the period 1979-1980. The project should help to bring the section from the original design standard 130 km/h to 160 km/h. The interoperability criterion will be fulfilled by installation of the Level 1 ETCS device.

3 phases:  
I. Novoselec – Dugo Selo 27.1 km  
II. Kutina – Novoselec 27.7 km  
III. Novska – Kutina 26.5 km  

Main activities include track overhaul of the 81.3 km single track line including reconstruction of stations, reconstruction of sections of curved track to increase speed to 160 km/h, rehabilitation of substructure, culverts and drainage system, replacement of level crossings with bridges on a higher rank state roads, rehabilitation of other level crossings, replacement of the relay signalling equipment by electronic one and installation of ETCS system, centralised traffic control system covering route from Okučani to Dugo Selo including CTC centre in Zagreb to manage traffic operations from Slovenian border to a point west of Vinkovci, upgrade of telecommunication system including the introduction of new GSM-R system and adjustment of overhead line equipment.

Status | Prepared for funding in budget years 2007 and 2008

81
<table>
<thead>
<tr>
<th>Project name</th>
<th>Type</th>
<th>TA support</th>
<th>Estimated Total M€</th>
<th>Measure</th>
<th>Comments</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project 4: Line rehabilitation Savski Marof – Zaprešić Section</td>
<td>Construction</td>
<td>ISPA TA</td>
<td>25,00</td>
<td>Measure 1.1</td>
<td>The project includes track overhaul of the 7.5 km double track line with replacement of the permanent way material and reconstruction of station tracks in Zaprešić and Savski Marof. Additionally it will include rehabilitation of the substructure, culverts and drainage system, replacement of level crossings, replacement of the relay fail-safe signalling equipment by electronic ones which will be remotely controlled from Central Traffic Control centre in Zagreb and fitted with ETCS system, re-positioning of signals to enable the speed of 160 km/h, upgrade of the telecommunication system (including the installation of new GSM-R system) and adjustment to the new Centralised Traffic Control System, adjustment of the overhead line equipment. The central point of this project is the reconstruction of the railway station Zaprešić that will enable the separation of passenger and freight traffic in the area of Zagreb junction through the future freight by-pass on the western entrance to Zagreb. The necessary documentation for this project will be prepared through the ISPA Project Pipeline TA.</td>
<td>Prepared for funding in budget years 2008 and 2009</td>
</tr>
</tbody>
</table>
INDICATIVE LIST OF MAJOR INLAND WATERWAY PROJECTS:

<table>
<thead>
<tr>
<th>Project name</th>
<th>Type</th>
<th>TA support</th>
<th>Estimated Total M€</th>
<th>Measure</th>
<th>Comments</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project 5: Rehabilitation and Improvement of the Sava River Waterway</td>
<td>Construction</td>
<td>IPA</td>
<td>40</td>
<td>Measure 2.1</td>
<td>Significant preparatory work already undertaken. Project should be developed in close cooperation with the Sava River Commission</td>
<td>Prepared for funding in budget years 2007 and 2008</td>
</tr>
<tr>
<td>Project 6: Reconstruction of the Port of Vukovar – New port East</td>
<td>Construction</td>
<td>IPA</td>
<td>40</td>
<td>Measure 2.1</td>
<td>Significant preparatory work already undertaken. Project is currently in stand by position because there is no adequate capacity for designing and engineering.</td>
<td>Prepared for funding in budget years 2007 and 2008</td>
</tr>
</tbody>
</table>
### 4. INDICATIVE FINANCIAL TABLES

**YEARS 2007 - 2009**

<table>
<thead>
<tr>
<th>Priority Axis 1: Upgrading Croatia's rail transport system</th>
<th>Total Public expenditure</th>
<th>Community Contrib. (IPA)</th>
<th>National Public Contrib.</th>
<th>IPA cofinancing rate</th>
<th>Other (IFI, etc)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Eur)</td>
<td>(Eur)</td>
<td>(Eur)</td>
<td>(%)</td>
<td>(Eur)</td>
</tr>
<tr>
<td>Measure 1.1: Line upgrading and modernisation</td>
<td>44.914.000</td>
<td>33.685.500</td>
<td>11.228.500</td>
<td>75%</td>
<td>0</td>
</tr>
<tr>
<td>Measure 1.2: Improvement of the safety and efficiency of railway operations</td>
<td>17.900.000</td>
<td>13.425.000</td>
<td>4.475.000</td>
<td>75%</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority Axis 2: Upgrading Croatia's inland waterway system</th>
<th>Total Public expenditure</th>
<th>Community Contrib. (IPA)</th>
<th>National Public Contrib.</th>
<th>IPA cofinancing rate</th>
<th>Other (IFI, etc)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Eur)</td>
<td>(Eur)</td>
<td>(Eur)</td>
<td>(%)</td>
<td>(Eur)</td>
</tr>
<tr>
<td>Measure 2.1: Modernisation and rehabilitation of river waterways and port infrastructure</td>
<td>7.500.000</td>
<td>5.625.000</td>
<td>1.875.000</td>
<td>75%</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority Axis 3: Technical Assistance</th>
<th>Total Public expenditure</th>
<th>Community Contrib. (IPA)</th>
<th>National Public Contrib.</th>
<th>IPA cofinancing rate</th>
<th>Other (IFI, etc)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Eur)</td>
<td>(Eur)</td>
<td>(Eur)</td>
<td>(%)</td>
<td>(Eur)</td>
</tr>
<tr>
<td>Measure 3.1 Programme management and capacity building</td>
<td>1.020.000</td>
<td>765.000</td>
<td>255.000</td>
<td>75%</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Years 2007 - 2009</th>
<th>Total Public expenditure</th>
<th>Community Contrib. (IPA)</th>
<th>National Public Contrib.</th>
<th>IPA cofinancing rate</th>
<th>Other (IFI, etc)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Eur)</td>
<td>(Eur)</td>
<td>(Eur)</td>
<td>(%)</td>
<td>(Eur)</td>
</tr>
<tr>
<td></td>
<td>71.334.000</td>
<td>53.500.500</td>
<td>17.833.500</td>
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</tbody>
</table>
### YEAR 2007

<table>
<thead>
<tr>
<th>Priority Axis 1: Upgrading Croatia’s rail transport system</th>
<th>Total Public expenditure</th>
<th>Community Contrib. (IPA)</th>
<th>National Public Contrib.</th>
<th>IPA cofinancing rate</th>
<th>For information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure 1.1. Line upgrading and modernisation</td>
<td>17,327,000</td>
<td>12,995,250</td>
<td>4,331,750</td>
<td>75%</td>
<td>0</td>
</tr>
<tr>
<td>Measure 1.2. Improvement of the safety and efficiency of railway operations</td>
<td>15,327,000</td>
<td>11,495,250</td>
<td>3,831,750</td>
<td>75%</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority Axis 2: Upgrading Croatia’s inland waterway system</th>
<th>Total Public expenditure</th>
<th>Community Contrib. (IPA)</th>
<th>National Public Contrib.</th>
<th>IPA cofinancing rate</th>
<th>For information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure 2.1. Modernisation and rehabilitation of river waterways and port infrastructure</td>
<td>5,000,000</td>
<td>3,750,000</td>
<td>1,250,000</td>
<td>75%</td>
<td>0</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority Axis 3: Technical Assistance</th>
<th>Total Public expenditure</th>
<th>Community Contrib. (IPA)</th>
<th>National Public Contrib.</th>
<th>IPA cofinancing rate</th>
<th>For information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure 3.1 Programme management and capacity building</td>
<td>340,000</td>
<td>255,000</td>
<td>85,000</td>
<td>75%</td>
<td>0</td>
</tr>
</tbody>
</table>

| Total Year 2007                        | 22,667,000               | 17,000,250               | 5,666,750                | 75%                 | 0              |
### YEAR 2008

<table>
<thead>
<tr>
<th>Priority Axis</th>
<th>Description</th>
<th>Total Public expenditure</th>
<th>Community Contrib. (IPA)</th>
<th>National Public Contrib.</th>
<th>IPA cofinancing rate (%)</th>
<th>Other (IFI, etc)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>*(1) = (2) + (3) (Eur) = (2) (Eur) + (3) (Eur) (4) = (2) / (1) (%) (Eur)</td>
<td>*(1) = (2) + (3) (Eur)</td>
<td>(2) (Eur)</td>
<td>(3) (Eur)</td>
<td>(4) = (2) / (1) (%)</td>
<td>(Eur)</td>
</tr>
<tr>
<td><strong>Priority Axis 1: Upgrading Croatia’s rail transport system</strong></td>
<td></td>
<td>21,160,000</td>
<td>15,870,000</td>
<td>5,290,000</td>
<td>75%</td>
<td>0</td>
</tr>
<tr>
<td>Measure 1.1:</td>
<td>Line upgrading and modernisation</td>
<td>18,587,000</td>
<td>13,940,250</td>
<td>4,646,750</td>
<td>75%</td>
<td>0</td>
</tr>
<tr>
<td>Measure 1.2:</td>
<td>Improvement of the safety and efficiency of railway operations</td>
<td>2,573,000</td>
<td>1,930,000</td>
<td>643,000</td>
<td>75%</td>
<td>0</td>
</tr>
<tr>
<td><strong>Priority Axis 2: Upgrading Croatia’s inland waterway system</strong></td>
<td></td>
<td>2,500,000</td>
<td>1,875,000</td>
<td>625,000</td>
<td>75%</td>
<td>0</td>
</tr>
<tr>
<td>Measure 2.1:</td>
<td>Modernisation and rehabilitation of river waterways and port infrastructure</td>
<td>2,500,000</td>
<td>1,870,000</td>
<td>625,000</td>
<td>75%</td>
<td>0</td>
</tr>
<tr>
<td><strong>Priority Axis 3: Technical Assistance</strong></td>
<td></td>
<td>340,000</td>
<td>255,000</td>
<td>85,000</td>
<td>75%</td>
<td>0</td>
</tr>
<tr>
<td>Measure 3.1:</td>
<td>Programme management and capacity building</td>
<td>340,000</td>
<td>255,000</td>
<td>85,000</td>
<td>75%</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Year 2008</strong></td>
<td></td>
<td>24,000,000</td>
<td>18,000,000</td>
<td>6,000,000</td>
<td>75%</td>
<td>0</td>
</tr>
</tbody>
</table>
### YEAR 2009

<table>
<thead>
<tr>
<th>Priority Axis</th>
<th>Description</th>
<th>Total Public expenditure</th>
<th>Community Contrib. (IPA)</th>
<th>National Public Contrib.</th>
<th>IPA cofinancing rate</th>
<th>Other (IFI, etc)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>*(1) = (2) + (3) (Eur) *(4) = (2)/(1) (Eur) (%) *(5) = (2)/(1) (Eur)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Priority Axis 1: Upgrading Croatia's rail transport system</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measure 1.1: Line upgrading and modernisation</td>
<td>24,327,000</td>
<td>18,245,250</td>
<td>6,081,750</td>
<td>75%</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Measure 1.2: Improvement of the safety and efficiency of railway operations</td>
<td>24,327,000</td>
<td>18,245,250</td>
<td>6,081,750</td>
<td>75%</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Priority Axis 2: Upgrading Croatia's inland waterway system</strong></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>75%</td>
<td>0</td>
</tr>
<tr>
<td>Measure 2.1: Modernisation and rehabilitation of river waterways and port infrastructure</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>75%</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Priority Axis 3: Technical Assistance</strong></td>
<td></td>
<td>340,000</td>
<td>255,000</td>
<td>85,000</td>
<td>75%</td>
<td>0</td>
</tr>
<tr>
<td>Measure 3.1 Programme management and capacity building</td>
<td>340,000</td>
<td>255,000</td>
<td>85,000</td>
<td>75%</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Total Year 2009</strong></td>
<td></td>
<td>24,667,000</td>
<td>18,500,250</td>
<td>6,166,750</td>
<td>75%</td>
<td>0</td>
</tr>
</tbody>
</table>
5. IMPLEMENTATION PROVISIONS

5.1 Management and control structures

This chapter of the Operational Programme describes the systems and arrangements in place as they are known at the time of the drafting of the Operational Programme. However, a number of critical decisions regarding structures and responsibilities, as well as management and information systems, will be taken in the context of the accreditation for conferral of decentralised management, which follows a different timing from the adoption of the Operational Programme. To this end, the Framework Agreement, as well as the Financing Agreement to be signed after conferral of decentralised management, will set out detailed provisions regarding management and control systems. The provisions in this chapter must therefore be understood as subject to later adaptations by the applicable provisions of these agreements, where required.

CODEF will oversee the implementation of all five components of the IPA programme. The State Secretary of CODEF is appointed as the National IPA Coordinator. The role of the Strategic Co-ordinator for IPA Components III & IV will be assumed by the Deputy State Secretary of CODEF. The Strategic Coordinator will ensure that there is complementarity and coherence between the programmes implemented in the regional development and human resources development spheres, especially taking into account the limited amount of financial resources available under IPA and the need for the concentration of activities.

5.1.1 Bodies and authorities

Based on the IPA Implementing Regulation, the Croatian Government has adopted its own legal act/s to designate specific bodies for IPA management and implementation73.

Under the provisions of this Regulation, the following positions/bodies have been or will be designated / established:

- National IPA Coordinator
- Strategic Coordinator for the regional development and the human resources development components
- Competent Accrediting Officer
- National Authorising Officer
- National Fund
- Audit Authority
- Operating Structure

With the exception of the Operating Structure and the role of the Strategic Coordinator, these bodies essentially perform tasks which are generally applicable to all IPA components in accordance with their functions specified in the relevant articles of the IPA Implementing Regulation.

Accordingly, in line with the provisions of Article 7.3 of the afore-mentioned Regulation and as specified in the "model" Framework Agreement adopted by the Commission on 6 July 2007 [ref C(2007) 3208 final – E/1368/2007], such functions will be incorporated under the Framework Agreement to be concluded between the Commission and Croatia.

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73 Regulation on the scope and contents of responsibilities and the authority of bodies responsible for managing the instrument for pre-accession assistance (OG 18/2007); Amendments to the regulation on the scope and contents of responsibilities and the authority of bodies responsible for managing the instrument for pre-accession assistance (OG 82 /2007)
Decision on the appointment of individuals responsible for managing the instrument for pre-accession assistance (IPA) (OG 18/2007); amendment to the decision on the appointment of individuals responsible for managing the instrument for pre-accession assistance (IPA) OG 82 /2007)
**Operating Structure**

This Operational Programme will be managed by the Head of the Operating Structure who will be responsible for the following functions in compliance with Article 28.2 of the IPA Implementing Regulation:

- Drafting the annual or multi-annual programmes;
- Programme monitoring and guiding the work of the Sectoral Monitoring Committee as defined in Article 59, notably by providing the documents necessary for monitoring the quality of implementation of the programmes;
- Drawing up the sectoral annual and final implementation reports defined in Article 61(1) and, after their examination by the Sectoral Monitoring Committee, submitting them to the Commission, to the National IPA Co-ordinator and to the National Authorising Officer;
- Ensuring that operations are selected for funding and approved in accordance with the criteria and mechanisms applicable to the programmes, and that they comply with the relevant Community and national rules;
- Setting up procedures to ensure the retention of all documents required to ensure an adequate audit trail, in accordance with Article 20;
- Arranging for tendering procedures, grant award procedures, the ensuing contracting, and making payments to, and recovery from, the final beneficiary;
- Ensuring that all bodies involved in the implementation of operations maintain a separate accounting system or a separate accounting codification;
- Ensuring that the National Fund and the National Authorising Officer receive all necessary information on the procedures and verifications carried out in relation to expenditure;
- Setting up, maintaining and updating the reporting and information system;
- Carrying out verifications to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, the products or services have been delivered in accordance with the approval decision, and the payment requests by the final beneficiary are correct. These verifications shall cover administrative, financial, technical and physical aspects of operations, as appropriate;
- Ensuring internal audit of its different constituting bodies;
- Ensuring irregularity reporting;
- Ensuring compliance with the information and publicity requirements.

The Operating Structure (OS) will be composed of the following specific bodies in accordance with Article 31 of the IPA Implementing Regulation:

- The Ministry of Sea, Tourism, Transport and Development (MSTTD),
- Croatian Railways Infrastructure (CRI)
- The Central Finance and Contracting Agency for EU Programmes and Projects (CFCA).
The position and level of responsibility, as well as the Heads of specific bodies within the Operating Structure, are shown in the following table:

<table>
<thead>
<tr>
<th>Level of Responsibility</th>
<th>Titles of the bodies within the Operating Structure</th>
<th>Specific bodies within the Operating Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Operational Programme level</td>
<td>Body Responsible for OP</td>
<td>The Ministry of Sea, Tourism, Transport and Development Nazorova 61, 10000 Zagreb State Secretary for Development</td>
</tr>
<tr>
<td>II. Priority/Measure level</td>
<td>Body Responsible for Priority/Measure</td>
<td>All Priority Axes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Ministry of Sea, Tourism, Transport and Development Directorate for Strategic Infrastructure Projects Križin Gvozd 1a, 10000 Zagreb Assistant Minister</td>
</tr>
<tr>
<td>III. Project level</td>
<td>Implementing Body (Contracting Authority)</td>
<td>Priority Axis 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Croatian Railways Infrastructure Mihanovićeva 12, 10000 Zagreb Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Priority Axes 2 &amp; 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Central Finance and Contracting Agency for EU Programmes and Projects (CFCA) Katančićeva 5, 10000 Zagreb Head of CFCA</td>
</tr>
</tbody>
</table>
The State Secretary for Development of the Ministry of Sea, Tourism, Transport and Development will act as the Head of Operating Structure in the meaning of Article 167 (3) of the IPA Implementing Regulation.

Any personnel changes in the Heads of the specific bodies referred to above will be notified to the Commission, as appropriate, including any changes which affect the accreditation of the Operating Structure and the Commission’s subsequent conferral of management powers.

**Distribution of functions**

**The Ministry of Sea, Tourism, Transport and Development (as a Body Responsible for OP and as a Body Responsible for Priority/Measure)** will execute the following functions in relation to the Operational Programme as a whole:

- Preparation of the Operational Programme and its adjustments;
- Coordination of programme monitoring in accordance with provisions of Article 59 of the IPA Implementing Regulation;
- Coordination of the preparation of annual and final sectoral reports in accordance with the provisions of Article 169 of the IPA Implementing Regulation;
- Setting up procedures for the retention of all documents to ensure a sufficiently detailed audit trail (Article 20 of the IPA Implementing Regulation);
- Organisation of interim evaluations during the period of programme implementation, in cooperation with CODEF;
- Retention of all documents and ensuring that all the relevant information is available to provide for a sufficiently detailed audit trail;
- Identification of the intended final beneficiaries, the expected selection modalities and possible related specific selection criteria (Article 155 of IPA Implementing Regulation);
- Ensuring that operations within their sectoral area of responsibility are selected for funding and approved in accordance with the criteria applicable of the OP;
- In its capacity as a beneficiary, assistance in the technical preparation and management of the projects on the basis of formal agreements with the implementing body;
- Quality appraisal of major projects prepared by the Final Beneficiaries (where relevant) and their submission to the National IPA Coordinator;
- Submission to the National Fund of requests for payment and all supporting documents;
- Ensuring that the National Fund and the National Authorising Officer receive all necessary information on the procedures and verifications carried out in relation to expenditure;
- Ensuring internal audit of its different constituting bodies;
- Ensuring irregularity reporting;
- Ensuring risk management reporting;
- Ensuring compliance with the information and publicity requirements.

**Croatian Railways Infrastructure (as an Implementing Body)** will execute the following functions with relation to the OP Priority Axis 1 – Upgrading Croatia’s rail transport system:

- Verification of tender documents received from beneficiary institutions and preparation of complete tender dossiers;
- Arranging tendering and contract award procedures;
- Acting as the Contracting Authority;
- Contract implementation;
- Preparation and submission of payment claims to the body responsible for measure/priority;
- Making payments to, and recoveries from, the final beneficiary;
- Ensuring that the body/ies responsible for priority/measure receive(s) all necessary information on the procedures and verifications carried out in relation to expenditure;
- Verifying that expenditure declared has actually been incurred in accordance with applicable rules, that the products or services have been delivered in accordance with the approval decision, and that payment requests by the final beneficiary are correct. These verifications shall cover the administrative, financial, technical and physical aspects of operations, as appropriate;
- Supporting the preparation of documents for the sectoral monitoring committee regarding progress made towards achieving the targets of the measures;
- Support in the preparation of sectoral annual and final implementation reports;
- Maintaining a separate accounting system or a separate accounting codification;
- Internal audit;
- Retention of all documents and ensuring that all the relevant information is available to provide for a sufficiently detailed audit trail;
- Irregularity reporting.

The Central Finance and Contracting Agency for EU Programmes and Projects (CFCA) (as an Implementing Body) will execute the following functions with relation to the OP Priority Axis 2 – Upgrading Croatia’s inland waterway system74 and Priority Axis 3 – Technical Assistance:

- Verification of tender documents received from beneficiary institutions and preparation of complete tender dossiers;
- Arranging for tendering and contract award procedures;
- Acting as the Contracting Authority;
- Contract implementation;
- Preparation and submission of payment claims to the body responsible for measure/priority;
- Making payments to, and recoveries from, the final beneficiary;
- Ensuring that the body/ies responsible for priority/measure receive(s) all necessary information on the procedures and verifications carried out in relation to expenditure;
- Carrying out verifications to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, the products or services have been delivered in accordance with the approval decision, and the payment requests by the final beneficiary are correct. These verifications shall cover administrative, financial, technical and physical aspects of operations, as appropriate;
- Support in the preparation of documents for the sectoral monitoring committee regarding progress made towards achieving targets of the measures;
- Support in the preparation of sectoral annual and final implementation reports;
- Maintaining a separate accounting system or a separate accounting codification;
- Internal audit;
- Retention of all documents and ensuring that all the relevant information is available to provide for a sufficiently detailed audit trail;

74 The CFCU will be the Implementing body for the Priority Axis 2 only until such time that the Croatian Inland Waterways Agency obtains accreditation to act as the Implementing Body
- Irregularity reporting.

All the bodies within the Operating Structure are ultimately accountable to the Ministry of Sea, Tourism, Transport and Development which bears overall responsibility for the Operational Programme management, in the execution of their specific tasks in relation to this Operational Programme.

A detailed organigramme of the Operational Programme management system is provided in Annex 3

5.1.2 Separation of functions

In accordance with the Article 21.2 of the IPA Implementing Regulation, the appropriate segregation of duties will be ensured between and within the designated bodies

Separation of functions between the bodies

The separation of functions results from the division of the tasks described above. This includes the following principles:

- on the one hand, a clear separation between verifications, controls, and evaluations to be carried out by the Operating Structure and by the National Fund; and on the other
- a clear separation between the audits carried out by the Audit Authority and the implementation and payment procedures.

Separation of functions within the bodies

The organisational structure of the bodies and their internal management and control procedures will take into account all requirements to ensure the proper separation of functions. This includes the following principles:

- before an operation is authorised, the operational and financial aspects shall be verified by members of staff other than the one responsible for initiation or implementation of the operation;
- certificates of statement of expenditure shall be drawn up by a person or department within the National Fund who is functionally independent from any services that approve claims;
- initiation, ex-ante, and ex-post controls are separate functions, to be carried out by different persons, functionally independent from each other.

5.2 Monitoring and evaluation

5.2.1 Monitoring arrangements

In order to ensure coherence and coordination in the implementation of the IPA components, programmes and operations as well as to follow the progress in the implementation of IPA assistance, the following monitoring committees will be established:

- IPA Monitoring Committee;
- Sectoral Monitoring Committee for the Transport Operational Programme.

IPA Monitoring Committee

Croatia will establish an IPA Monitoring Committee to ensure coherence and coordination in the implementation of all five Components of IPA.

Sectoral Monitoring Committee

The Head of the Operating Structure will establish a Sectoral Monitoring Committee within 6 months after the entry into force of the IPA Implementing Regulation

This Committee will be co-chaired by the Head of the Operating Structure and a representative of the European Commission. Its members will include the National IPA Coordinator or his/her representative, the National Authorising Officer or his/her representative, a representative of the European Commission, the Strategic Coordinator for Components III and IV or his/her representative, the Head of the National Fund or his/her
representative, representatives of all specific bodies making up the Operating Structures as well as representatives from civil society and socio-economic partners; the Committee will also include regional and/or national organisations with a relevant interest in contributing to the effective implementation of the programme to be agreed at its 1st meeting.

In order to ensure sufficient representation and membership, the composition of the Sectoral Monitoring Committee can be reviewed and extended by the Head of the Operating Structure in agreement with the European Commission. The Sectoral Monitoring Committee will be assisted by a permanent secretariat provided by the Operating Structure for the preparation of papers for discussion by the committee or for clearance by written procedure. The secretariat's tasks will be carried out by the Directorate for Strategic Infrastructure Projects.

The Sectoral Monitoring Committee will report to the IPA Monitoring Committee. Its tasks will include to:

a. Consider and approve the general criteria for selecting operations and approve any revision of those criteria in accordance with programming needs;

b. Review at each meeting progress towards achieving the specific targets of the Operational Programme on the basis of documents submitted by the Operating Structure;

c. Examining at each meeting the results of implementation, particularly the achievement of the targets set for each priority axis and measure and interim evaluations (it shall carry out this monitoring by reference to the indicators agreed); Information on the number of jobs created as a result of the implementation of individual projects should be specifically reported and monitored (this information has to be forwarded to IPA Monitoring Committee)

d. Examining the sectoral annual and final reports on implementation, including OP summary tables;

e. Inform itself of the annual audit activity report or of the part of the report referring to the Operational Programme;

f. Examine any proposal to amend the financing agreement of the programme and propose to the Operating Structure any revision or examination of the Programme likely to make possible the attainment of the programme's objectives or to improve its management, including its financial management, as well as to oversee cross cutting themes and publicity measures.

The Sectoral Monitoring Committee shall confirm or make proposals to the Head of the Operating Structure, to the European Commission, the Strategic Co-ordinator and the National IPA Co-ordinator to revise the programme, where relevant, following an evaluation, including its results, as well as output and financial indicators to be used to monitor the assistance.

The Sectoral Monitoring Committee will set up its rules of procedure in agreement with the Operating Structure and the IPA Monitoring Committee. It will meet at least twice a year and upon request by the Commission. Intermediate meetings may also be convened as required.

As a principle the Sectoral Monitoring Committee will aim to take decisions by reaching consensus.

5.2.2 Management Information System

The Head of the Operating Structure is responsible for the efficiency and correctness of management and implementation and in particular for setting up, maintaining and updating regularly a reporting and information system to gather reliable financial and statistical information on implementation, for the monitoring indicators and for evaluation and for forwarding this data in accordance with arrangements agreed between the NIPAC and the Commission.

This system will be developed into one or several computerised system(s), in a form chosen by the Operating Structure, which will enable it to:

- monitor and manage the implementation of operations and projects, from the moment of tendering and call for proposal to the closure of the OP, in particular the results, whenever feasible, and outputs;
- carry out and monitor financial transactions;
- ensure the reporting requirements on the implementation of the OP.
The Operating Structure and all other bodies involved in the implementation of the OP shall have access to this system.

The Management Information System will be developed under the Technical Assistance component of this Operational Programme. The establishment of the Management Information System will be done under the guidance and supervision of NIPAC and the Strategic Coordinator, in order to ensure consistency and complementarity across all the Operational Programmes. Until the system becomes operational, reporting and collection of data will be done manually.

5.2.3 Monitoring System and Indicators

The quantitative and qualitative progress made in implementing the programme as well as its efficiency and effectiveness in relation to its objectives will be measured by the use of evaluation and monitoring indicators related to the results and outputs of the individual measures.

In identifying appropriate monitoring and evaluation indicators, account has been taken of the methodologies, guidelines and lists of examples of indicators issued by the Commission, in particular the "Indicative guidelines on evaluation methods: Monitoring and evaluation indicators" (August 2006, working document No. 2 for the programming period 2007-2013).

The Head of the Operating Structure is responsible for programme monitoring. In this context, the Operating Structure will collect performance data (outputs, results and expenditure) from operations and projects. It will establish, maintain and update the reporting and information system by taking this project-level data and aggregate it to measure, priority axis and whole OP levels. Data on individuals who are the ultimate beneficiaries must be collected for each project and used for aggregation at measure and priority level. On this basis the Operating Structure will assess the progress of the OP at each level against objectives and targets, prepare reports to the Sectoral Monitoring Committee, draft the sectoral annual and final reports on implementation and launch interim evaluations if required.

In the context of monitoring and for the purpose of using indicators, the role of the Operating Structure will also be to ensure that:

a. Monitoring requirements are built into the calls for tender and proposals documents (including preparation of the major project application forms, terms of reference and tender documentation);

b. Project applications (when appraised and selected) include proposed outputs and results, as well as data on individuals, that are consistent with the OP indicators for the appropriate measure;

c. Provision of data is built into the contract with beneficiaries as an obligation, and that performance data is provided systematically and in a timely manner by beneficiaries alongside the project reimbursement claim;

An indicative breakdown by category of the programmed use of the Community contribution to this Operational Programme will be established for monitoring and information purposes while the sectoral annual and final reports on implementation will provide information on the use of expenditure in accordance with such categories.

5.2.4 Selection of operations

All operations which are not major projects, and which are implemented by final beneficiaries other than national public bodies, shall be selected through calls for proposals.

The Operating Structure will set up a Selection Committee for each call for proposals launched for the selection of operations financed under a specific measure. The Selection Committee will have an odd number of members and it will be composed of the most appropriate officials and experts with technical competence to undertake a qualitative appraisal of project applications. These members will be nominated by the institutions in which where they are employed at the invitation of the body in charge of implementation, and they will have voting rights in the selection process. A member of the Operating Structure who prepared the guidelines for applicants will also participate in the Selection Committee work. The Committee will be chaired by a member of the Implementing Body without a voting right. The Selection Committee will appraise project applications in compliance with the selection criteria and methodologies agreed by the Sectoral Monitoring Committee. The applications will first be screened for their compliance with the eligibility and administrative criteria meeting the relevant eligibility requirements set out in the relevant measures (completeness, accuracy, etc) and thereafter will be evaluated according to their quality. The
Selection Committee will then make recommendations to the Operating Structure, in compliance with Article 158 of the IPA Implementing Regulation.

Procurement (including the award of any major projects) will follow the contract award procedures contained in the “Practical Guide to Contract Procedures for EC External Actions” (PRAG). Tender Selection Committees will be established for the evaluation of service, works and supply tenders, while their composition and decision making procedures will be in accordance with the principles set out in the relevant rules of the PRAG. All beneficiaries (whether public or private) will also comply with the principles established under the relevant PRAG rules.

5.2.5 Sectoral annual and final reports on implementation

Sectoral annual and final reports on implementation will be prepared by the Operating Structure in accordance with article 169 of the IPA Implementing Regulation. These reports will assess the implementation progress covering the attainment of set objectives, the problems encountered in managing the programme and the measures taken, the financial execution as well as monitoring and evaluation activities carried out. This will include specific progress reports on each major project, in accordance with the format to be agreed with the Commission. Programmes will include an up-to-date OP summary table and will be reviewed at least at the “second meeting” of the Sectoral Monitoring Committee each year.

5.2.6 Evaluation arrangements

Evaluations are a tool for assessing the relevance, efficiency and effectiveness of the financial assistance as well as the impact and sustainability of the expected results. As a minimum, an ex-ante evaluation and an interim evaluation will be carried out under the responsibility of the Head of the Operating Structure and the Strategic Coordinator, in accordance with the principles laid down in the IPA Implementing Regulation and guidance provided by the Commission.

The evaluation arrangements and activities of each programme will fully respect the principle of proportionality.

Ex-ante evaluation

Under the responsibility of the Operating Structure and the Strategic Coordinator, an ex-ante evaluation of the Transport Operational Programme was carried out by the European Policy Research Centre at the University of Strathclyde in Glasgow and is annexed to this programme. A summary of the results of the ex-ante evaluation and the way the evaluation was conducted is set out in section 1.5.

Interim evaluation

The Head of the Operating Structure is responsible for ensuring that adequate evaluations of the Operational Programme are carried out. The evaluations will be carried out by external experts, functionally independent from the management and control system. The evaluations will be managed by a designated official within the Ministry of Sea, Tourism, Transport and Development, who will be responsible for preparing the documents for tendering and contracting these experts under Priority Axis 3, reviewing the draft evaluation reports, acting as secretariat to the ad hoc Evaluation Committee, and liaising, as appropriate, between the selected experts and the said Committee.

Evaluation committee

The Sectoral Monitoring Committee will designate an ad-hoc committee to assist the Operating Structure in its evaluation activities. The Committee will adhere to the ‘partnership principle’ and will include members (and invitees where relevant) who are experts in evaluation. Moreover, the assistance of the Committee will be availed of at all stages of the process (including guidance, planning, implementation and communication of results) in order to ensure the overall quality of the evaluations undertaken. At the same time, all relevant stakeholders and institutions / organisations will be invited to contribute where appropriate.

The designation and establishment of this ad-hoc Committee will be made in accordance with the Sectoral Monitoring Committee’s rules and procedures adopted in accordance with Article 167.2 of the IPA Implementing Regulation.
Evaluation activities and timing

Given this programme covers the 2007-09 period, but involves operational activity up to 31 December 2012 under the N+3 rule, it is proposed that only one interim evaluation is carried out, and that this will commence in October 2009. As no larger-scale projects will have been completed at this stage, this would be effectively a process evaluation examining the efficiency and effectiveness of programme and project implementation, but within the context of the progress made with implementation, including the performance against indicators at the project level (physical and financial objectives) and at the measure level (outputs). This will also include a review of performance on the horizontal themes of the OP.

5.3 Information and publicity

5.3.1 Introduction

Information and publicity are important aspects of pre-accession assistance and in particular to the successful design and delivery of the Operational Programmes, given the partnership basis on which they are undertaken. Communicating for a successful management and implementation of the Operational Programmes can be broken down into a series of information and publicity activities.

Accordingly, Article 62 of the IPA Implementing Regulation sets out certain requirements regarding the information to be provided and publicity of programmes and operations financed by the Community, addressed to citizens and beneficiaries with the aim of highlighting the role of Community funding and ensuring transparency.

The information to be provided by the Operating Structure should include inter alia the publication of the list of final beneficiaries, the names of the operations and the amount of Community funding allocated to operations. The Commission must also ensure the publication of the relevant information on tenders and contracts in the official Journal of the European Union and other relevant media and websites.

Article 63 of the IPA Implementing Regulation provides further that the Commission and the relevant authorities of the beneficiary country shall agree on a coherent set of activities, to be funded from the TA priority of the Operational Programme, to make available and publicise information about IPA assistance.

In accordance with the above provisions the Ministry of Sea, Tourism, Transport and Development, Directorate for Strategic Infrastructure projects shall be responsible for the information and publicity activities under the programme. The information shall be addressed to the citizens of Croatia and to the European citizens in general, and to the (potential) beneficiaries. It shall aim to highlight the role of the Community and ensure that IPA assistance is transparent.

5.3.2 Requirements

In compliance with Article 63 of the IPA Implementing Regulation the Ministry of Sea, Tourism, Transport and Development, Directorate for Strategic Infrastructure projects shall prepare a Communication Action Plan (CAP) to provide strategic coherence to the set of activities to publicise information about IPA assistance. The Communication Action Plan shall be consistent with the information and publicity strategy issued by NIPAC. The CAP shall cover the period 2008-2012. The Ministry of Sea, Tourism, Transport and Development will submit a draft of the Communication Action Plan to the NIPAC and Commission within four months of the date of signature of the Financing Agreement covering the Operational Programme. As a minimum the Communication Action Plan shall include the following points:

- The aims and target groups;
- The strategy and content;
- The indicative budget;
- The administrative departments;
- The criteria used for evaluation.
5.3.3 Activities

The Ministry of Sea, Tourism, Transport and Development shall ensure that the information and publicity measures are implemented in accordance with the Communication Action Plan aiming at the broadest possible media coverage using all suitable forms and methods of communication at the appropriate territorial level. The Ministry of Sea, Tourism, Transport and Development will be responsible for organising at least the following information and publicity measures:

- A major information activity publicising the launch of an Operational Programme, even in the absence of the final version of the Communication Action Plan;
- At least one major information activity a year, as set out in the Communication Action Plan, presenting the achievements of the Operational Programme including major projects;
- The publication (electronically or otherwise) of the list of beneficiaries, the names of the operations and the amount of Community and national funding allocated to the operations.

The Ministry of Sea, Tourism, Transport and Development shall provide potential beneficiaries with clear and detailed information on at least the following:

- The possibility of financing opportunities offered jointly by the Community and the beneficiary country through the OP;
- The conditions of eligibility to be met in order to qualify for financing under the Operational Programme;
- A description of the procedures for examining applications for funding and of the time periods involved;
- The criteria for selecting the operations to be financed;
- The contacts at national, regional or local level that can provide information on the Operational Programme.

5.3.4 Indicative budget

The indicative budget for the Communication Action Plan under this Operational Programme for the period 2007-2009 will be set at an appropriate level in order to provide adequate cover for the costs of the publicity and information measures. The budget allocation per year, as well as the indicative amounts necessary for the period 2010-2013, will also be presented in the Communication Action Plan.

5.3.5 Management and implementation

Within the Ministry of Sea, Tourism, Transport and Development, information and communications will be assigned to Directorate for Strategic Infrastructure projects. The information and publicity team will be composed of 1 official whose tasks will involve supporting the Head of the Operating Structure in the performance of the following functions and responsibilities:

- Discussing the Communication Action Plan with the Commission;
- co-ordinating the information and publicity activities under other IPA funded programmes;
- Communication with the media;
- Elaboration, implementation and assessment of the programme’s Communication Action Plan;
- Presenting the programme in the relevant national and Commission information networks;
- Handling enquiries from beneficiaries;
- Monitoring and control on the fulfilment of the P&I requirements from the beneficiaries;
- Development, production and distribution of information material; the preparation and implementation of public events;
- Development and maintenance of the contents of the programme website;
- Liaison with IT regarding technical maintenance;
Management of out-sourced services;
Elaboration and monitoring of the annual Communication Action Plans and coordination of internal events and training.

Given that some of the information and publicity measures will require out-sourcing for professional services (such as design and pre-print, web pages, printing, advertising, photography and opinion pools), it will be the responsibility of the information and publicity team to manage such services and ensure they are contracted in accordance with public procurement rules.

5.3.6 Monitoring, evaluation and reporting

Monitoring, evaluation and reporting are a compulsory requirement for the implementation of the publicity measures included within the Communication Action Plan of the programme.

The progress made in the implementation of the Communication Action Plan shall be reported during the meetings of the Sectoral Monitoring Committee. The Head of the Operating Structure shall inform the Sectoral Monitoring Committee of the information and communication measures carried out and the means of communication used. The Head of the Operating Structure will also provide the Sectoral Monitoring Committee with examples of the communication measures carried out.

The annual and final reports on the implementation of the Operational Programme shall include the following information:

- Examples of information and communication measures for the Operational Programme undertaken during the implementation of the Communication Action Plan;
- The arrangements for the information and publicity measures concerning the publication - electronically or otherwise - of the list of beneficiaries, the names of the operations and the amount of public funding allocated to the operations;
- The content of major amendments to the Communication Action Plan.

A set of indicators for the evaluation of the publicity measures will be included in the Communication Action Plan and will represent the essential part of the plan with regard to the assessment of the efficiency and effectiveness of the implemented publicity activities.

The yearly results of the qualitative and quantitative analysis will be used for the elaboration of the annual Communication Action Plans, including any modifications thereof.

5.3.7 Partnership and networking

Bodies that can act as relays for the programme and disseminate the information concerning the general public will include the following:

- Professional and trade associations and organisations;
- Economic and social partners;
- Non-governmental organisations;
- Educational institutions;
- Organisations representing business;
- EU Information centres and Commission Representations (in particular the EC Delegation);
- Other main stakeholders under each priority.

The Operating Structure will work in close cooperation with the above-mentioned bodies for the dissemination of information regarding the programme and in particular the IPA pre-accession assistance strategy for component IV.

5.3.8 Internet

The website of the programme will be linked to the CODEF, MFIN, ECD, DG ELARG, DG EMPL and DG REGIO websites and with the websites of the other programmes. It will be created according to the following principles:
Accessibility to as many users as possible – ensuring the site has a simple address; registering it on main search engines so it can be found easily; designing it to be viewable with low specification screens and software; ensuring it is quick to download.

Prioritising fast access to rich information – the site should be clearly organised so users can find what they are looking for quickly and easily; the information should be available as downloadable pdf format documents, where possible.

Visual appeal – strong visual identity through logos, use of colours etc. without limiting the clarity, speed and simplicity

Developing as an ongoing resource

Interactive content, exploiting the unique strengths of websites
ANNEX 1: MEMBERSHIP OF INTER-MINISTERIAL WORKING GROUP (IWG)

(Note: * indicates designated lead ministry for managing the OP)

Central Office for Development Strategy and Coordination of EU Funds (CODEF)
- Ms Nataša Mikuš, Deputy State Secretary (Chair, IWG)
- Mr. Vjeran Bašić, Head of Section
- Mr. Dalibor Dvorny, Expert Assistant

Ministry of the Sea, Tourism, Transport and Development (MSTTD)*
- Mr. Mate Jurišić, Assistant Minister
- Mr. Dražen Antolović, Senior Advisor

Ministry of Environmental Protection, Physical Planning and Construction (MEPPPC)
- Ms. Anita Gulam, Advisor

Ministry of Foreign Affairs and European Integration (MFAEI)
- Ms. Željka Babić, Expert Assistant

Central Bureau of Statistics
- Ms. Edita Omerzo Advisor

CARDS 2003: Support to National Development Planning
- Mr Franz Goetz, External Expert Consultant
## ANNEX 2: INDICATIVE LIST OF PROJECTS AND THEIR IDENTIFICATION CARDS

<table>
<thead>
<tr>
<th>Project number</th>
<th>Project name</th>
<th>Measure</th>
<th>Estimated value of projects in Euros</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Zagreb Main Station Signalling and Interlocking System</td>
<td>Measure 1.2</td>
<td>17,900,000</td>
</tr>
<tr>
<td>2</td>
<td>Line Rehabilitation Okučani to Novska Section</td>
<td>Measure 1.1</td>
<td>38,500,000</td>
</tr>
<tr>
<td>3</td>
<td>Line Rehabilitation Novska to Dugo Selo Section</td>
<td>Measure 1.1</td>
<td>135,000,000</td>
</tr>
<tr>
<td>4</td>
<td>Line Rehabilitation Zaprešić to Savski Marof Section</td>
<td>Measure 1.1</td>
<td>25,000,000</td>
</tr>
<tr>
<td>5</td>
<td>Rehabilitation and Improvement of the Sava River Waterway</td>
<td>Measure 2.1</td>
<td>40,000,000</td>
</tr>
<tr>
<td>6</td>
<td>Reconstruction of the Port of Vukovar – New Port East</td>
<td>Measure 2.1</td>
<td>40,000,000</td>
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<td>Project No: 1</td>
<td>Priority Axis: 1</td>
<td>Measure No.: 1.2</td>
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</tr>
<tr>
<td>--------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td></td>
</tr>
<tr>
<td>Project location:</td>
<td>Zagreb</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Project name | Zagreb Main Station Signalling and Interlocking System |

2. Investment value | (estimated) | 17,900,000 EUR |

3. Description of main project components and/or activities
- installation of the new electronic signalling equipment on the Zagreb Main Station line, and the neighbouring branching point Trešnjevka including removal of the old equipment
- installation of the new equipment for control of the inter-station distance between Zagreb Main Station and Zagreb West Station including removal of the old equipment
- replacement of the old outdoor safety elements and cables, and construction of the interface to the neighbouring fail-safe signalling equipment
- upgrade and rehabilitation of telecommunications to support the new signalling and interlocking system
- minor track works on adjustment of the existing station tracks and adjustment of overhead line equipment
- adaptation of the existing equipment building

4. Description of main project objectives and expected results
- to replace the almost 70 years old relay interlocking system with the new generation of electronic signalling equipment in one of the biggest and busiest railway stations in Croatia.
- expected results are
  - Improved safety and reliability of the signalling and interlocking equipment
  - Maintenance cost savings
  - Increase of the speed of trains, and capacity of the station

5. Month and year of start of project implementation | 06/2008 |

6. Month and year of end of project implementation | 12/2010 |

7. Project duration (months) | 30 |

8. Readiness of basic project documentation

<table>
<thead>
<tr>
<th>Document type</th>
<th>status</th>
<th>status description</th>
<th>completion date</th>
<th>comment</th>
</tr>
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<tbody>
<tr>
<td>Pre-feasibility study</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>Not necessary for a reconstruction / upgrading project</td>
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<tr>
<td>Feasibility study (with cost-benefit analyses which includes economic and financial analysis)</td>
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<td>06/2007</td>
<td>The study commissioned from a local company. Due to be delivered beginning of July 2007</td>
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<tr>
<td>EIA study</td>
<td>in progress</td>
<td>07/2007</td>
<td>For an reconstruction / upgrade project full EIA procedure not required Environmental protection report will enable the determination by the competent national authority</td>
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</tr>
<tr>
<td>Tender documents</td>
<td>in progress</td>
<td>12/2007</td>
<td></td>
<td></td>
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<tr>
<td>Other (specify)</td>
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<td></td>
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9. Status of project design documentation and permits

<table>
<thead>
<tr>
<th>Documentation type</th>
<th>Status (tick box)</th>
<th>status description (none/in progress/completed)</th>
<th>completion date</th>
<th>comment</th>
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<tr>
<td>Project part 1 – Signalling and Interlocking</td>
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<tr>
<td>Conceptual design</td>
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<td>n/a</td>
<td>n/a</td>
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<tr>
<td>Preliminary design</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Main design</td>
<td>completed</td>
<td>05/2007</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
10. Description of the land ownership status:
Within the existing infrastructure – no land acquisition needed.

11. Describe current project status
Zagreb Main Station is the main railway junction for inter-city and long distance passenger and freight transport on the X and Vb Corridors. It is equipped with relay fail-safe signalling equipment, which was installed in 1940. Some parts of this equipment were replaced in the meantime. The speed within the station is currently reduced to 30 km/h, due to the condition of signalling equipment. The spare parts for such obsolete equipment are hard to obtain, which makes the technical maintenance very difficult and expensive.

12. Name of final beneficiary
Croatian Railways Infrastructure

13. Name of Operator
Croatian Railways Infrastructure
14. Sources of financing

<table>
<thead>
<tr>
<th>National component (including final beneficiary)</th>
<th>IFI (EIB)</th>
<th>Other donor (specify)</th>
<th>Proposed IPA grant</th>
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<tr>
<td>4.5 M EUR</td>
<td>..........EUR</td>
<td>..........EUR</td>
<td>13.4 M EUR</td>
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</table>

15. Additional Comments: Replacement of the relay fail-safe signalling equipment is the first phase of the reconstruction of the Zagreb Main Station and the prerequisite to the further reconstruction of the station.
<table>
<thead>
<tr>
<th>Project No: 2</th>
<th>Priority Axis: 1</th>
<th>Measure No.: 1.1</th>
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</thead>
<tbody>
<tr>
<td>Project location:</td>
<td>County: Sisak - Moslavina</td>
<td></td>
</tr>
</tbody>
</table>

1. Project name
Line Rehabilitation Okučani to Novska Section

2. Investment value (estimated)
38.500.000 EUR

3. Description of main project components and/or activities
- track overhaul of the 19.5 km double track line with replacement of the permanent way material
- reconstruction of station tracks in Okučani
- rehabilitation of the Rajić halting-place
- rehabilitation of the substructure, culverts and drainage system,
- installation of ETCS system
- adjustment of overhead line equipment

4. Description of main project objectives and expected results
- to achieve speed of 160 km/h
- to increase line capacity
- to decrease maintenance costs

5. Month and year of start of project implementation
06/2009

6. Month and year of end of project implementation
06/2011

7. Project duration (months)
24

8. Readiness of basic project documentation

<table>
<thead>
<tr>
<th>Document type</th>
<th>status</th>
<th>status description</th>
<th>completion date</th>
<th>comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-feasibility study</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>not necessary for a reconstruction / upgrade project</td>
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<tr>
<td>Feasibility study (with cost-benefit analyses which includes economic and financial analysis)</td>
<td>none</td>
<td>09/2008</td>
<td>To be proposed for financing / reallocation under ISPA measure IPA Project Pipeline Preparation (Transport)</td>
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<tr>
<td>EIA study</td>
<td>none</td>
<td>09/2008</td>
<td>To be proposed for financing / reallocation under ISPA measure IPA Project Pipeline Preparation (Transport)</td>
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<tr>
<td>Tender documents</td>
<td>none</td>
<td>10/2008</td>
<td></td>
<td></td>
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<tr>
<td>Other (specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Status of project design documentation and permits

<table>
<thead>
<tr>
<th>Documentation type</th>
<th>Status (tick box)</th>
<th>status description</th>
<th>completion date</th>
<th>comment</th>
</tr>
</thead>
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<tr>
<td>Project part 1 – Civil, Track &amp; Electrification</td>
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<td></td>
</tr>
<tr>
<td>Conceptual design</td>
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<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Preliminary design</td>
<td>in progress</td>
<td>09/2007</td>
<td>Only for the reconstruction in Okučani</td>
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</tr>
<tr>
<td>Main design</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final design</td>
<td>in progress</td>
<td>01/2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Location Permit</td>
<td>none</td>
<td>12/2007</td>
<td>Only for the reconstruction in Okučani</td>
<td></td>
</tr>
<tr>
<td>Building Permit</td>
<td>none</td>
<td>06/2008</td>
<td></td>
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</tr>
<tr>
<td>Project part 2 – Signalling &amp;Telecommunications</td>
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<tr>
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<tr>
<td>Final design</td>
<td>in progress</td>
<td>01/2008</td>
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<td></td>
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<tr>
<td>Location Permit</td>
<td>none</td>
<td>12/2007</td>
<td>Only for the reconstruction in Okučani</td>
<td></td>
</tr>
</tbody>
</table>
10. Description of the land ownership status:
Within the existing infrastructure – no land acquisition needed.

11. Describe current project status
- double-track line for both passenger and freight transport
- track gradient up to 6% and horizontal alignment that allows the speed up to 160 km/h, with the exception of a curve on the exit of the railway station Okučani where max speed is 100 km/h,
- last overhaul in period 1980-1981; due to the poor condition of the track the speed is reduced to 120 km/h
- category D4: maximum permissible axle load 22.5 t/axle, i.e. 8 t/m
- clearance gauge: UIC GC
- electrified with AC 25kV/50Hz system
- breaking distance: 1500 m

12. Name of final beneficiary
Croatian Railways Infrastructure

13. Name of Operator
Croatian Railways Infrastructure

14. Sources of financing

<table>
<thead>
<tr>
<th>National component (including final beneficiary)</th>
<th>IFI (EIB)</th>
<th>Other donor (specify)</th>
<th>Proposed IPA grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.6 M EUR</td>
<td>.........EUR</td>
<td>.........EUR</td>
<td>28.9 M EUR</td>
</tr>
</tbody>
</table>

15. Additional Comments:
The capacity of this section was under-utilised in 2005 – utilisation of the section was 22 %. Despite the low utilisation of capacity on this section, the average speed was reduced in 2006 due to the poor track condition and it will be reduced further, if the line is not rehabilitated; therefore the overhaul of this line section is necessary on a long term basis.
In addition, the intervention needed to achieve these speeds is rather simple, no land acquisition is expected and the project preparation (technical design, permits) can be finalised in a shorter time period than for the single-track sections. Hence, this project is proposed for implementation before the single-track sections.

<table>
<thead>
<tr>
<th>Project No:</th>
<th>Project location:</th>
<th>Priority Axis:</th>
<th>Measure No.:</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Counties: Zagreb, Sisak - Moslavina</td>
<td>1</td>
<td>1.1</td>
</tr>
</tbody>
</table>

1. Project name
Line Rehabilitation Novska to Dugo Selo Section

2. Investment value (estimated)
135.000.000 EUR

3. Description of main project components and/or activities
- 3 phases: I. Novoselec – Dugo Selo 27.1 km
  II. Kutina – Novoselec 27.7 km
  III. Novska – Kutina 26.5 km
- track overhaul of the 81.3 km single track line including reconstruction of station tracks
- reconstruction of sections of curved track to increase speed to 160 km/h
- rehabilitation of the substructure, culverts and drainage system,
- replacement of level crossings with bridges on a higher rank state roads, rehabilitation of other level crossings
- replacement of the relay signalling equipment with electronic equipment and installation of ETCS system
4. Description of main project objectives and expected results

- centralised traffic control system covering route from Okučani to Dugo Selo including CTC centre in Zagreb to manage traffic operations from Slovenian border to a point west of Vinkovci
- upgrade of telecommunication system including the introduction of new GSM-R system
- adjustment of overhead line equipment

5. Month and year of start of project implementation

3/2010

6. Month and year of end of project implementation

12/2013

7. Project duration (months)

Up to 3 years per phase

8. Readiness of basic project documentation

<table>
<thead>
<tr>
<th>Document type</th>
<th>status</th>
<th>status description</th>
<th>completion date</th>
<th>comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-feasibility study</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Feasibility study (with cost-benefit analyses which includes economic and financial analysis)</td>
<td></td>
<td>none</td>
<td>12/2008</td>
<td>To be proposed for financing under IPA measure 1.1</td>
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<tr>
<td>EIA study</td>
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<td>12/2008</td>
<td>To be proposed for financing under IPA measure 1.1</td>
</tr>
<tr>
<td>Tender documents</td>
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<td>none</td>
<td>6/2009</td>
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<tr>
<td>Other (specify)</td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

9. Status of project design documentation and permits

<table>
<thead>
<tr>
<th>Documentation type</th>
<th>Status (tick box)</th>
<th>status description (none/in progress/ completed)</th>
<th>completion date</th>
<th>comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceptual design</td>
<td></td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Preliminary design</td>
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<tr>
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<tr>
<td>Building Permit</td>
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<td>none</td>
<td>11/2009</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

10. Description of the land ownership status:
Approximately 90% within the existing corridor – NO land ownership issues.
Land acquisition needed in several locations where major reconstruction of sections of curved track or extension of station tracks is planned.

11. Describe current project status

Overall characteristics
- single-track line for both freight and passenger transport
- track gradient of up to 5% and horizontal alignment that allows the speed of maximum 130 km/h with the exception of individual curves which limit the speed predominantly on the entrance or exit of the railway stations
- last overhaul during 1979-1986 period (Nvoska station in 1971) and due to the bad condition of the track the speed has been reduced to 70/80 km/h
- category D4: maximum permissible axle load 22.5 t/axle, i.e. 8 t/m
- clearance gauge: UIC GC
- electrified with AC 25kV/50Hz system
- relay fail-safe signalling equipment in stations installed in 1960-s
- interlocking equipment on interstation distances is automatic block; breaking distance 1000 m.

Novoselec – Dugo Selo
  stations: Dugo Selo Ivanić Grad and Novoselec

Kutina – Novoselec
  stations: Ludina, Popovača, Moslavačka Gračenica and Kutina

Nvoska - Kutina
  Stations: Banova Jaruga, Lipovljani and Nvoska

<table>
<thead>
<tr>
<th>12. Name of final beneficiary</th>
<th>Croatian Railways Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. Name of Operator</td>
<td>Croatian Railways Infrastructure</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>14. Sources of financing</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>National component (including final beneficiary)</th>
<th>IFI (EIB)</th>
<th>Other donor (specify)</th>
<th>Proposed IPA grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>33.8 M EUR</td>
<td>....-......EUR</td>
<td>....-......EUR</td>
<td>101.2 M EUR</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>15. Additional Comments:</th>
</tr>
</thead>
</table>

The capacity utilisation on this section in 2005 was up to 63%. With the further deterioration of track condition and increase in traffic volumes this single-track section from Nvoska to Dugo Selo will soon become a bottleneck of the Corridor X in Croatia. The investment proposed under this IPA measure will provide expansion of the existing capacity of the line to accommodate the forecast increases in traffic over the next 10-15 years period, after which time track duplication will have to be considered.
### Project No: 4

**Priority Axis: 1**

**Measure No.: 1.1**

**Project location:** County: Zagreb

1. **Project name:** Line Rehabilitation Zapresic to Savski Marof Section

2. **Investment value (estimated):** 25,000,000 EUR

3. **Description of main project components and/or activities:**
   - track overhaul of the 7.5 km double track line with replacement of the permanent way material
   - reconstruction of station tracks in Zapresic and Savski Marof
   - rehabilitation of the substructure, culverts and drainage system,
   - replacement of level crossings with bridges on higher rank state roads, rehabilitation of other level crossings
   - replacement of the relay fail-safe signalling equipment with electronic equipment which will be remotely controlled from the Central Traffic Control centre in Zagreb and fitted with ETCS system
   - re-positioning of signals to enable the speed of 160 km/h
   - upgrade of the telecommunication system (including the installation of new GSM-R system) and adjustment to the new Centralised Traffic Control System
   - adjustment of the overhead line equipment

4. **Description of main project objectives and expected results:**
   - increase speed to 160 km/h
   - introduce interoperability through ETCS
   - increase line capacity
   - reduce maintenance costs
   - reduce number of employees

5. **Month and year of start of project implementation:** 9/2010

6. **Month and year of end of project implementation:** 7/2013

7. **Project duration (months):** 34

8. **Readiness of basic project documentation**

<table>
<thead>
<tr>
<th>Document type</th>
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<th>status description</th>
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<th>comment</th>
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<tbody>
<tr>
<td>Pre-feasibility study</td>
<td></td>
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<td>n/a</td>
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<tr>
<td>Feasibility study (with cost-benefit analyses which includes economic and financial analysis)</td>
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<td>none</td>
<td>10/2009</td>
<td>To be proposed for financing under IPA measure 1.1</td>
</tr>
<tr>
<td>EIA study</td>
<td></td>
<td>none</td>
<td>10/2009</td>
<td>To be proposed for financing under IPA measure 1.1</td>
</tr>
<tr>
<td>Tender documents</td>
<td></td>
<td>none</td>
<td>1/2010</td>
<td>To be proposed for financing under IPA measure 1.1</td>
</tr>
<tr>
<td>Other (specify)</td>
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</table>

9. **Status of project design documentation and permits**

<table>
<thead>
<tr>
<th>Documentation type</th>
<th>Status (tick box)</th>
<th>status description (none/in progress/completed)</th>
<th>completion date</th>
<th>comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceptual design</td>
<td></td>
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<td>n/a</td>
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</tr>
<tr>
<td>Preliminary design</td>
<td></td>
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<td>6/2008</td>
<td>To be prepared within ISPA TA Project pipeline preparation</td>
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<tr>
<td>Main design</td>
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<td>8/2009</td>
<td>To be proposed for financing under IPA measure 1.3: Project Pipeline Preparation</td>
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<tr>
<td>Final design</td>
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<tr>
<td>Location Permit</td>
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<td>12/2008</td>
<td></td>
</tr>
<tr>
<td>Building Permit</td>
<td></td>
<td>none</td>
<td>12/2009</td>
<td></td>
</tr>
</tbody>
</table>
10. Description of the land ownership status:
Land acquisition needed for station tracks extension / reconstruction.

11. Describe current project status
- double-track line for both passenger and freight transport
- track gradient up to 5% and the horizontal alignment that allows the speed up to 160 km/h, with the exception of the railway station Zapresic,
- last overhaul in period 1972; due to the poor condition of the track the speed is reduced to 80/120 km/h
- category D4: maximum permissible axle load 22.5 t/axle, i.e. 8 t/m
- clearance gauge: UIC GC
- electrified with AC 25kV/50Hz system
- interlocking system between the state border and Savski Marof is interstation dependence (1 block between stations) and between Savski Marof and Zapresic automatic block
- relay fail-safe signalling equipment is installed at the railway stations
- breaking distance: 1000 m

12. Name of final beneficiary
Croatian Railways Infrastructure

13. Name of Operator
Croatian Railways Infrastructure

14. Sources of financing

<table>
<thead>
<tr>
<th>National component (including final beneficiary)</th>
<th>IFI (EIB)</th>
<th>Other donor (specify)</th>
<th>Proposed IPA grant</th>
</tr>
</thead>
</table>

15. Additional Comments:
The central point of this project is the reconstruction of the railway station Zaprešić that will enable the separation of passenger and freight traffic in the area of Zagreb junction through the future freight bypass on the western entrance to Zagreb.
Project No: 5  
Priority Axis: 2  
Measure No.: 2.1

### Project Location

1. **Project name**: Rehabilitation and Improvement of the Sava River Waterway

2. **Investment value** (estimated): 40,000,000 €

3. **Description of main project components and/or activities**

   - Activities:
     1. Execute dredging works to improve Sava fairway depth in Sections I - XIV
     2. Construction of waiting areas and traffic guidance in 2 sharp river bends in Sections XI – XIII
     3. Construction of waiting areas and traffic guidance in 6 sharp river bends in Section XII - XIV
     4. Upgrading of the marking system and maintenance in arrear for the Captaincies of Sl. Brod and Sisak
     5. Replacement of the Jasenovac and Galdovo bridges to guarantee minimum vertical clearance

4. **Description of main project objectives and expected results**

   Rehabilitation and improvement of the Sava, to CEMT IV class

5. **Month and year of start of project implementation**: 06/2008

6. **Month and year of end of project implementation**: 06/2010

7. **Project duration (months)**: 24

8. **Readiness of basic project documentation**

<table>
<thead>
<tr>
<th>Document type</th>
<th>status</th>
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<th>completion date</th>
<th>comment</th>
</tr>
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<tbody>
<tr>
<td>Pre-feasibility study</td>
<td>YES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feasibility study (with cost-benefit analyses which includes economic and financial analysis)</td>
<td>NO</td>
<td>In progress</td>
<td>03/2008</td>
<td></td>
</tr>
<tr>
<td>EIA study</td>
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<td>In progress</td>
<td>06/2008</td>
<td></td>
</tr>
<tr>
<td>Tender documents</td>
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<tr>
<td>Other (specify)</td>
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9. **Status of project design documentation and permits**

<table>
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<tr>
<th>Documentation type</th>
<th>Status (tick box)</th>
<th>status description (none/in progress/ completed)</th>
<th>completion date</th>
<th>comment</th>
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<tbody>
<tr>
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<tr>
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<tr>
<td>Final design</td>
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<td>Upon adoption of EIA Study</td>
<td>12/2008</td>
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<td>Building Permit</td>
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<td>Other (specify)</td>
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<table>
<thead>
<tr>
<th>10. Description of the land ownership status: State</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>11. Describe current project status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currently the project is in the Feasibility study and Environment study phase of development</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>12. Name of final beneficiary</th>
<th>Agency for Inland waterways</th>
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</thead>
<tbody>
<tr>
<td>13. Name of Operator</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>14. Sources of financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>National component</td>
</tr>
<tr>
<td>(including final beneficiary)</td>
</tr>
<tr>
<td>10.0 M EUR</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>15. Additional Comments:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project should be developed in close cooperation with Sava river commission and other members of Sava river commission. (Republic of Slovenia, Serbia and BiH)</td>
</tr>
</tbody>
</table>
## Project No: 6

### Project location

1. **Project name**
   - Reconstruction of the Port of Vukovar – New port East

2. **Investment value (estimated)**
   - 1. Phase - 22.000.000 €
   - 2. Phase - 18.000.000 €

3. **Description of main project components and/or activities**

   1. **Infrastructure:**
      - Vertical key wall 700m, Reconstruction of rail tracks and port roads
      - Suprastructure: - Multipurpose terminal (warehouse), Terminal for Weather protecting material handling, Bulk terminal (Loading and unloading equipment, conveyors)

   2. **Infrastructure:**
      - Vertical key wall 500m, Additional storage capacities

4. **Description of main project objectives and expected results**

   At the present moment port cannot response to growing transport demands. The reason is capacity limits and availability of operational surface. The port has significant importance in transit of goods for Bosnia and Herzegovina industry (80% of total cargo handled). The poor capacity of the port is as a result of the breakdown in use during the war and an insufficient level of renewal. The project objective is, therefore, to develop modern port facilities that will trigger economic development in Vukovar city and in the region. The final result will be increased port capacity up to 2.5 mil tonnes per year and improvement of operational safety.

5. **Month and year of start of project implementation**
   - 01/2008

6. **Month and year of end of project implementation**
   - 01/2012

7. **Project duration (months)**
   - 48

8. **Readiness of basic project documentation**

<table>
<thead>
<tr>
<th>Document type</th>
<th>status</th>
<th>status description</th>
<th>completion date</th>
<th>comment</th>
</tr>
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<tbody>
<tr>
<td>Pre-feasibility study</td>
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<td></td>
</tr>
<tr>
<td>Feasibility study (with cost-</td>
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<tr>
<td>benefit analyses which includes</td>
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<tr>
<td>economic and financial analysis)</td>
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<tr>
<td>EIA study</td>
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<td>Partially (Included in Feasibility study. Separate EIA study is needed according to Croatian legislation in design phase)</td>
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<tr>
<td>Tender documents</td>
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<tr>
<td>Other (specify)</td>
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9. **Status of project design documentation and permits**

<table>
<thead>
<tr>
<th>Documentation type</th>
<th>Status (tick box)</th>
<th>status description (none/in progress/completed)</th>
<th>completion date</th>
<th>comment</th>
</tr>
</thead>
<tbody>
<tr>
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<td>03/2008</td>
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</tr>
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</tr>
<tr>
<td>Location Permit</td>
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<td></td>
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<tr>
<td>Other (specify)</td>
<td>---</td>
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</tr>
</tbody>
</table>

10. **Description of the land ownership status**

   State ownership – Partially (80%) – 20% in process of dispossession.
11. Describe current project status

Currently, the project is in stand-by phase, as adequate capacity for the design and engineering of the project does not, in the present moment, exist.

12. Name of final beneficiary

Port Authority Vukovar

13. Name of Operator

14. Sources of financing

<table>
<thead>
<tr>
<th>National component (including final beneficiary)</th>
<th>IFI (specify)</th>
<th>Other donor (specify)</th>
<th>Proposed IPA grant</th>
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<tbody>
<tr>
<td>3.0 M EUR</td>
<td>18.0 M EUR</td>
<td>7.0 M EUR</td>
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</table>

15. Additional Comments:
ANNEX 3: DIAGRAM OF THE TOP INSTITUTIONAL STRUCTURE
### ANNEX 4: SEE CORE REGIONAL NETWORK ACTION PLAN

<table>
<thead>
<tr>
<th>Seq</th>
<th>Mod</th>
<th>Cor Route</th>
<th>Project Name</th>
<th>Pre.-Cod</th>
<th>Location</th>
<th>Inter Type</th>
<th>Km</th>
<th>Cost Meur</th>
<th>Current Status</th>
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<td>1</td>
<td>RD</td>
<td>Cor X</td>
<td>Completion of Belgrade bypass, Sector 1-3: Dobanovci-Ostružnica</td>
<td>SERRDO17.2</td>
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<td>3</td>
<td>RD</td>
<td>Cor Vc</td>
<td>Reconstruction of Šešljje-Šamac</td>
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<td>Compl of motorway, Sec Zenica/Donja Gračanica-Kakanj</td>
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<td>Compl of motorway, Sec Kakanj-Viškovo (Sarajevo bypass)</td>
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<td>Cor Vc</td>
<td>Construction of Mostar bypass, connected to Corridor Vc</td>
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<td>BiH</td>
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<td>Cor VIII</td>
<td>Construction of Mostar bypass, connected to Corridor VIII</td>
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<td>MAC</td>
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<td>Bypass Niksic</td>
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<td>Eastern mini-bypass Podgorica</td>
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<td>Route No. 7</td>
<td>Kosovo sec (Pristina Region) of route No 7 Br. Morina-Merdare to Corridor X and Duress</td>
<td>KOSRD011a</td>
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<td>RW 13</td>
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<td>Upgrading rail signalling and telecommunications along Cor X</td>
<td>MACRW022</td>
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<td>Rehabilitation of the rail line Tabanovci-Gevgelia (Cor X) sec:Veles-Zgropolic-Demir Kapija</td>
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<td>Reconst/upgr to double track line Beograd-Nis/Belgrade-Resnik-Klenje-M.Ivance-M.Krshn-V.Planar</td>
<td>SERRW022.6</td>
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<td>Remote rail control traffic system Savski Marof-Zagreb-Tovarnik</td>
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<td>Cor VII</td>
<td>Danube riverbed restoration;5 sec:Apatin,Vernelj-Petres,Staklar,Mohovo,Beska</td>
<td>SERIW032-36</td>
<td>SER</td>
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<td>AP 14</td>
<td>Airport</td>
<td>Functional improvement of airside at Belgrade Airport</td>
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<td>19 AP 20</td>
<td>Airport</td>
<td>Split Airport: New Aircraft platform i.e.apron</td>
<td>HRVAP002</td>
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<td>22 Sea Port</td>
<td>Transport and Trade Integration (TTI), Port Ploece</td>
<td>HRVSP010</td>
<td>HRV</td>
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<td>21 Sea Port</td>
<td>Port of Dubrovnik: Construction of international passenger terminal</td>
<td>HRVSP011</td>
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<td>22 Sea Port</td>
<td>Reconstruction of Volujica Quay, port of Bay</td>
<td>MONSP011</td>
<td>MCN</td>
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MINUTES OF MEETING HELD ON 15 MARCH 2007

CONSULTATIONS WITH PARTNER INSTITUTIONS IN TRANSPORT SECTOR REGARDING TRANSPORT OPERATIONAL PROGRAMME

The Ministry of the Sea, Tourism, Transport and Development organised a presentation of the Transport Operational Programme on 6 March 2007 in the premises of the Ministry, Prisavlje 3, Zagreb.

The meeting was hosted by Mr. Mate Jurišić, Assistant Minister (MSTTD) as a representative of the Directorate for Strategic Infrastructure Projects, the head of the IPA Operating Structure for the transport sector. Along with Mr. Jurišić, parts of presentation were also held by Mr. Dalibor Dvorný, Expert Assistant from Central Office for Development Strategy and Coordination of EU Funds as the central coordination body for IPA programme in Croatia, and Ms. Zrinka Ivanović Kelemen from Croatian Railways Infrastructure as the main final beneficiary.

Invited to the meeting were the representatives of the following partner organisations:

- Institute of Transport and Communications, Zagreb
- University of Zagreb, Faculty of Civil Engineering
- University of Zagreb, Faculty of Transport and Traffic Sciences
- Railwaymen Trade Union of Croatia
- Railroad Engineer Trade Union of Croatia
- Infrastructure Union of Croatian Railways
- Technical Inspection of the Rolling Stock Trade Union
- Croatian Railwaymen Trade Union
- Union of Croatian Train Dispatchers
- Agency for Inland Waterways

All of the invited partnership institutions sent their representatives to the meeting.

The scope of the meeting was to clearly present the multiple facets of the current version of the Transport OP, and moreover to explain to the partners their actual and future role in the programming process.

The presentation was divided in several parts; the introduction, an overview of the institutional setup for IPA, and a presentation of the actual project proposals. The hosts provided in-depth explanations concerning the Transport OP: IPA institutional setup, the institutions involved in drafting, the process of Inter-Ministerial Working Group approach, the hierarchy of consulted strategic documents, the OP template, priority axis, measures and finally project proposals.

The meeting then continued with a discussion of possible alternative project proposals as the partners suggested further projects related to investments in reconstruction and modernisation of rolling stock and investments in construction of distribution centres. After it was mutually understood that most of these ideas are not eligible for IPA co-financing the participants were satisfied with the explanation and therefore broadly supported the proposal for partial reconstruction of the railway line on the Corridor X, particularly the proposals regarding safety of the railway transport as the main priority.

The participants also expressed their support for similar future initiatives regarding project presentations.

Finally, the participants were given the possibility to submit, within a ten-day period, written remarks and proposals referring to the presented Operational Programme. Since no comments were received by the agreed closing date, we are of the opinion that the Operational Programme for Transport is fully endorsed.

Zagreb, on 15 March 2007
MINUTES OF MEETING HELD ON 13 JUNE 2007
CONSULTATIONS WITH ENVIRONMENT SECTOR REGARDING TRANSPORT OPERATIONAL PROGRAMME

The second consultation meeting with partners was held on June 13, 2007 at the premises of the Ministry of Sea, Tourism, Transport and Development, at Prisavlje 14, in Zagreb.

The meeting was attended by representatives of the press, radio and television, and by the representative of the environmentalist group GREEN ACTION (Friends of the Earth Croatia). Other NGO’s were also invited, but their representatives did not attend the consultations. The invitations were distributed through personal e-mails and through dedicated environment protection networks “The Green Forum” and Croatian Environment PRESS Centre. The representatives of the Ministry, Croatian Railways Infrastructure and CODEF (Central Office for Development Strategy and Coordination of EU Funds) informed the persons present about preparation of the Operational Program for Transport 2007-2009.

The following day, information on the preparation of the TOP was given in the press, radio and television. On June 21, the environmentalist group “Green Action - Friends of the Earth Croatia” sent a letter to the Ministry with general comments highlighting minor damage to environment that would occur from traffic flows being oriented towards railway and river transport routes. In addition, Green Action is of the opinion that an environmental impact study should be prepared and that protection measures should be determined for the proposed railway rehabilitation sections, principally as, on some segments of the sections proposed for rehabilitation, the railway route is to be relocated to allow for an increase in the horizontal curve radii. Improvement of the Sava River navigation capabilities is acceptable if the existing eco-system is preserved to the maximum level possible. Green Action considers that it would be ideal if no technical interventions are made to the Sava River bed. However, they are aware that this is impossible and hence they ask for maximum protection measures, and for implementation of all relevant national and international laws.

Green Action supports the Vukovar Port construction incentive, but emphasises that the port extension work should be carried out in keeping with relevant national and international laws to ensure that the environment will be affected as little as possible during the port construction and during its subsequent use.