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World Bank Project Supports Development of Key International Port and Trade Corridor

Ploce, November 20, 2006 – Port of Ploce Authority signed a Loan Agreement with the World Bank for a loan of €58.8 million (US\$ 75.3 million) for the **Trade and Transport Integration Project (TTI)**. For the loan, the Ministry of Finance also signed a Guarantee Agreement with the Bank.

The project's objective is to develop trade along the trade Corridor Vc, one of the three major Pan-European transport corridors linking Croatia to EU markets, by improving the capacity, efficiency and quality of services on the southern end of the Corridor, with a particular focus on the Port of Ploce and on coordination aspects among all corridor participants in Croatia and Bosnia and Herzegovina (BiH). The Ministry of Sea, Tourism, Transport and Development (MSTTD) and the Port of Ploce Authority (PPA) jointly prepared this Project, with the support of the World Bank and the European Bank for Reconstruction and Development (EBRD).

The Trade and Transportation Integration Project consists of three components:

- **The Port Infrastructure Development component** for the Port of Ploce will include the construction of a new bulk cargo terminal, construction of a container/multipurpose terminal and rehabilitation of the supporting port infrastructure such as roads, rail, water and wastewater and power supply.
- **The Trade and Transport Integration component** will focus on the development and rollout of a modern electronic port community system, integrating all members of the port community, shipping agents, rail, road transport, border agencies, into a seamless information system, and ensuring smooth and coordinated functioning of the Port.
- **The project implementation component** will, among other activities, support the successful implementation of the Project through technical assistance to the Port of Ploce Authority to implement its business plan and establish the concession for new terminals.

“Achieving economic growth and attaining quicker convergence with European Union standards are strategic goals for the Croatian Government. The Trade and Transport Integration Project, built on a partnership between the Government of Croatia, Port of Ploce Authority, the World Bank and the European Bank of Reconstruction and Development is expected to be a major driving force in achieving a direct increase in economic growth for the southern region of Croatia, as well as for neighboring countries such as Hungary and B&H,” said **Anand K. Seth, the World Bank Regional Director for Croatia, Bulgaria and Romania.**

“The Republic of Croatia confirms once again through this project its orientation on the united Europe, with the focus on regional cooperation, since the users of services of this important Croatian port include the companies from the neighboring Bosnia and Herzegovina. The Corridor Vc starts in Budapest and

*finishes in Ploce, running over the B&H territory. In addition to the construction of the container terminal and bulk cargo terminal, the Republic of Croatia will, as part of its regular investments into Croatian Railways, improve the railway access to the Ploce port, whereas the Customs Administration will try to expedite the customs procedure in cooperation with the colleagues from Bosnia and Herzegovina, thus enabling a fast and smooth transit of cargo across the border crossing,” said **Ana Hrastovic, Assistant Minister of Finance.***

The Government of Croatia considers that the Port of Ploce offers good prospects for trade and transit traffic, as demonstrated by the growth in traffic experienced over recent years. The direct economic activity generated by the traffic represents today about US\$19 million per year for the port, the Croatian railways and other Croatian transport intermediaries. It has therefore become vital for Croatia to upgrade the infrastructure and operational capabilities of its second largest port to meet these growing demands in traffic, while maintaining its financial viability. In its capacity as the regional gateway for trade and transport, the Port will place Croatia in the drivers’ seat as a regional leader to achieve greater economic integration of the South East European region.

*“The Croatian Government has endorsed this project because it is a justified investment given the significant increase in traffic volume on the Adriatic and in Croatian ports, as a result of strengthened economic activities in southern Dalmatia and the gravitation area of the Port of Ploce. Construction of the container and bulk cargo terminals in the Ploce port on the Pan-European Transport Corridor V.c will enable increased competitiveness and continued economic development of Croatia, but also of the region as a whole,” said **Bozidar Kalmeta, Minister of Sea, Tourism, Transport and Development.***

To ensure successful implementation of this Project estimated at € 91 million and strengthen the partnership of all corridor participants, the Railway companies in Croatia and B&H elaborated and signed a Memorandum of Understanding and an Action Plan in May 2006, to optimize rail traffic flows from the port to its clients in B&H and ensure that the capacity increase in the port is matched by a similar capacity increase in the railways. An Environmental Impact study has also been conducted, ensuring that there is no significant negative impact on the marine life or bird life in the Neretva Valley. Regular monitoring of the use of the port and adjacent areas by migratory and breeding species will take place before and during port development.

Going to the Future Port of Ploce in 2010

- Annual traffic volume is expected to increase from 2 million tons in 2004 to about 7.2 million tons in 2010.
- The Port will increase its bulk capacity from 3 to 8.9 million tons.
- Container cargo expected to grow from 17,000 in 2005 to 40,000 TEU in 2009.
- The Port will increase its direct container handling capacity to 66,000 TEU by 2010.
- Rail commercial speed increased by over 35% by 2010.
- Private sector participation in port operations will increase from 40% to 85%.

Since the Republic of Croatia became a member in 1993, the World Bank has actively offered its financial and technical assistance, and counsel pertaining to policies in various fields and analytical services. To date, the Bank has offered support for 31 projects with a total value of US\$1.73 billion, and it has approved 48 grants with a total value of US\$51.5 million. The projects completed so far have been assessed as satisfactory. The success of the overall project portfolio over the past years is also above the regional average, and fund disbursement rates are high.

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