Turning Croatia’s Ports into Regional Gateways

Croatia is famous for its coastline, stretching more than five hundred kilometers along picturesque nooks and crannies, including more than 1,000 beach rimmed islands. Increasing numbers of tourists head for Croatia’s beaches on the Adriatic every summer, giving a boost to the country’s economy during those months.

Looking beyond seasonal tourism, the Croatian government with the support of the World Bank is also set on turning its ports into engines of regional growth through increased private sector investments.

Two World Bank projects integrate this planned enhanced port infrastructure within a vision of expanded regional trade. One has been underway in the Port of Rijeka, near Slovenia, since October 2003. The other project, which began in March 2007, focuses on Ploče, where Croatia narrows to a sliver and meets Bosnia-Herzegovina’s southern point. Both projects aim to maximize the benefits of Croatia’s proximity to Europe and South Eastern Europe.

Rijeka - vying for a major position as Southern Europe’s gateway

Rijeka is Croatia's largest port, its second-largest economic center, and its third-largest city. Historically, the port was the main point of entry into the Austro-Hungarian Empire.

Today, Rijeka is working actively to strengthen its position as a competitive gateway to Europe at a time when the Northern Adriatic ports are experiencing strong growth in containerized traffic from the Far East to Central Europe. Over the past five years, containerized cargo through Rijeka grew from a modest 15,000 containers to 145,000 containers. The new Masterplan Update foresees growth to over 600,000 containers by 2020, requiring additional capacity to be added rapidly.

The transport sector accounts for about 10,000 employees and over 500 enterprises in the Primorkso-goranska County, where Rijeka is located. The Rijeka Gateway program is expected to further such activity and enable the port of Rijeka to seize the opportunity to place itself on the European port map.

“You’re only 25 kilometers away from the EU,” says Gerald Ollivier, Program Team Leader for Transport projects. "Rijeka is as close as you can be to Europe without being in the EU at this stage. A number of European and Asian shipping lines are already showing interest in the upcoming concessions for the container terminals.”
The Rijeka Gateway program aims to develop the capacity, financial performance, and quality of services in the port of Rijeka so as to meet growing traffic demand while also facilitating urban renewal by enabling a relocation of port activities. The port of Rijeka already generates around 60 percent of its cargo traffic from trade with Hungary, Austria, Slovakia, and the Czech Republic.

The capacity upgrade in the port will enable it to develop as a major regional port, connecting seaways with even more European road and railway corridors. The project also supports strengthened public-private partnership, by introducing the first long term port concessions in Croatia, based on substantial private investment in superstructure and equipment.

"Once Croatia does become part of the EU, Rijeka could see a large increase in tourism if it prepares itself," predicts Ollivier. "It is therefore crucial that Rijeka rethinks and redefines its port-city interface.”

Historically, Rijeka has the image of an industrial city because of its high urban density and limited sea access. Over the past three years, the port and the city have worked to identify solutions to change this image, revitalizing those parts of the existing port into urban spaces as new port space becomes available. The Rijeka Gateway project supports this both through the development of new terminal capacity and support in the technical studies and governance options for this redevelopment. Citizens of Rijeka are excited about the proposed transformation that would improve both the quality of life in Rijeka and the City’s competitiveness.

A series of World Bank loans is working towards achieving this goal, financing major improvements such as the reconstruction of the port infrastructure, construction of two new terminals, the construction of access roads, and the replacement of equipment used for handling heavy cargo.

The Bank is also supporting the improvement of the Rijeka waterfront with the construction of a new passenger terminal for cruise ships carrying up to 500 passengers, which will be completed by the end of 2008. In addition, the Bank is also enabling private developers to create a marina in the old harbor and developing a new hotel, residential, and commercial area along the sea.

**Attracting businesses and jobs to the region**

By 2014, Rijeka could start looking more like Barcelona or Baltimore thanks to a mixture of public and private investments. "The Bank is playing the role of a catalyst, helping to create a package that is attractive for the citizen of Rijeka and the private sector," notes Ollivier. "The close cooperation with the port and the city covers a wide range of topics including governance in port city development, concessions in port, corridor development, sustainable public investments leveraging private investments, and modernization of port services in particular.”

**Bojan Hlaca, Executive Director of the Rijeka Port Authority**, expects significant public benefits from this project. "Our consultants estimate that about 2,000 jobs will be created in Rijeka and another 1,000 in the region," he said. "Most of the work will be sea-related, and some will be related to tourism.”

This focus is part of a renewed World Bank effort to develop trade logistics globally and in the region and the same ‘big picture’ approach is being used in Ploče.

**Ploče - a key Croatian port for Bosnia**

Situated just north of the Neretva river delta, Ploče is the entry-point to a trade route, or ‘Corridor Vc’ in Euro-speak, which links industries in Bosnia and Herzegovina to supplies shipped by sea. These industries, clustered around the Bosnian cities of Mostar, Lukavac, and
Zenica, have been reorganized, partially privatized and have received foreign investments in recent years.

“What we see is a number of former linkages being re-established in the region,” says Olivier. “Coal from Australia comes to Ploče, then moves by train to a coke factory in Lukavac. The coke, in turn, is exported to Smederovo, in Serbia, to produce steel. These regional linkages call for better logistics to sustain higher levels of production.”

The modernization of the port system in Ploče is expected to more than triple the annual traffic volume – from 2 million tons in 2004, to about 7.2 million tons in 2011. Croatia’s government hopes it will boost the economic development of Southern Dalmatia, and benefit the region as a whole in the process.

The four railway companies – three in Bosnia and one in Croatia – involved in the corridor are working together to implement a plan for upgrading rail capacity in conjunction with port capacity upgrades. Railway operators are cooperating to improve customer service and to help businesses move goods along the production chain from factories to markets through a better use of existing infrastructure.

**IMPACT TO DATE IN RIJEKA PORT**

*Making Croatia a more attractive trading route:*

- Dry cargo traffic grew 107% and passenger traffic by 144% between 2002 and 2007. Port traffic doubled from 2.4 million tons in 2000 to 4.8 million tons in 2006.
- Container traffic grew significantly from 15,000 containers TEU in 2002 to 145,000 TEU in 2007.
- The port of Rijeka evolved from a feeder port for small vessels to a port of call for six liner services, with much larger vessels (up to 4,000 TEU in capacity) calling in.
- A new passenger terminal was constructed.
- Port development was better integrated in its surroundings, with the construction of international connection roads around Rijeka.
- Ten ‘black spots’ in the Croatian road network with high incidence of traffic accidents were eliminated.
- The Law on Seaport was amended to widen opportunities for private sector investment in the port sector.