



## 1. Project Data

<b>Project ID</b> P102365	<b>Project Name</b> RIJEKA Gateway II (new FY09)	
<b>Country</b> Croatia	<b>Practice Area(Lead)</b> Transport	
<b>L/C/TF Number(s)</b> IBRD-76380	<b>Closing Date (Original)</b> 15-Dec-2014	<b>Total Project Cost (USD)</b> 97,113,790.71
<b>Bank Approval Date</b> 11-Dec-2008	<b>Closing Date (Actual)</b> 31-Dec-2018	
	<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>
Original Commitment	122,500,000.00	0.00
Revised Commitment	122,429,017.62	0.00
Actual	97,113,790.71	0.00

<b>Prepared by</b> Hiroyuki Yokoi	<b>Reviewed by</b> J. W. van Holst Pellekaan	<b>ICR Review Coordinator</b> Ramachandra Jammi	<b>Group</b> IEGSD (Unit 4)
--------------------------------------	--	--	--------------------------------

## 2. Project Objectives and Components

### a. Objectives

The objective of the Project is “to develop the capacity, financial performance, and quality of services in the port of Rijeka to meet growing traffic demand, through public-private partnerships, while facilitating urban renewal by enabling the relocation of port activities” (Loan Agreement, page 5; Project Appraisal Document, page 4)

For the purpose of the ICR Review, the objective was split into “to develop the capacity, financial performance, and quality of services in the port of Rijeka to meet growing traffic demand, through public-



private partnerships” (Objective 1) and “to facilitate urban renewal by enabling the relocation of port activities” (Objective 2). The Objective 1 is parsed to consist of three outcomes --- capacity building at the port, financial performance, and quality of services. The assessment of the overall outcome of Objective 1 is organized around these three outcomes.

**b. Were the project objectives/key associated outcome targets revised during implementation?**

Yes

**Did the Board approve the revised objectives/key associated outcome targets?**

Yes

**Date of Board Approval**

31-May-2017

**c. Will a split evaluation be undertaken?**

Yes

**d. Components**

**Component A: Port Terminal Development** (Appraisal cost: US\$105.8 million, Actual cost: US\$150.7 million)

This component included two activities: (i) extension of the existing Brajdicica Container Terminal (BCT) by about 330 meters with an additional capacity of 200,000 Twenty-foot Equivalent Unit (TEU); (ii) construction of a 400 meter long Zagreb Container Terminal (ZCT) with a capacity of about 225,000 TEU. The construction and procurement of superstructure and equipment would be financed by a concessionaire. The increase in the cost was primarily due to higher than expected cost estimates for the ZCT and repartition of the financing structure between Rijeka Gateway I (former project) and this project.

**Component B: Port Service Enhancement** (Appraisal cost: US\$10.0 million, Actual cost: US\$8.1 million)

This component involved four activities: (i) support in selection of a concessionaire; (ii) equipment and technical services for information flow integration and secured port access; (iii) enhanced environmental response with the development of a comprehensive port environment protection plan and purchase of a waste collection vessel; (iv) technical studies to prepare for the Masterplan implementation. During the first restructuring, the second component of the port community system was canceled because the Croatian Customs and the Port Concessionaires had already purchased their own systems, leading to the reduction in the cost.

**Component C: Project Implementation** (Appraisal cost: US\$21.5, Actual cost: US\$6.2 million)

This component included: (i) supervision of civil works activities; (ii) audit services for the project; and (iii) support in procurement and project management.

**e. Comments on Project Cost, Financing, Borrower Contribution, and Dates**



**Project Cost:** The estimated project cost was US\$144.64 million. The cost was revised to US\$149.02 million, and the actual cost was US\$123.70 million (ICR, p. 6).

**Financing:** The appraisal estimated that the International Bank for Reconstruction and Development (IBRD) would finance a US\$122.50 million loan. The actual IBRD's disbursement was US\$97.11 million (ICR, p 6).

**Borrower Contribution:** The estimated financing by the Government of Croatia was US\$22.14 million, while the actual spending was US\$26.59 million (ICR, p 6).

**Dates:** The project was approved on December 11, 2008, and became effective on July 14, 2009. The project undertook three restructurings:

**First restructuring** (January 2014) was aimed to extend the project period until June 15, 2017. Accordingly, the PDO indicators on the container throughputs (Rijeka port container capacity and container traffic), PRA operating ratio, and proportion of dry cargo handled by operators with a private majority ownership were amended and to be achieved by the adjusted closing date of June 15, 2017.

**Second restructuring** (July 2016) was to reallocate disbursement categories and to change disbursement percentages.

**Third restructuring** (May 2017) involved several changes. The Project Development Objective (PDO) was revised to "to develop the capacity, financial performance, and quality of services in the port of Rijeka to meet growing traffic demand, through public-private partnerships" by eliminating "while facilitating urban renewal by enabling the relocation of port activities" because there was no supporting activity on urban renewal. Accordingly, associated indicators were dropped, namely, areas for urban development available and selection of a private developer to redevelop the Delta/Port of Baros area. The project closing date was extended until December 31, 2018 to allow for the completion of the Zagreb Container Terminal within the project life, and to support the Government through the concessionaire selection (Restructuring Paper (2017) para 10).

The third restructuring lowered the level of ambition for the project. This review will therefore include one split rating of outcome.

The project was closed on December 31, 2018.

### 3. Relevance of Objectives

#### Rationale

**Alignment with strategy:** The objective of the project aligns with the Bank's strategy. The Country Partnership Strategy (CPS) 2014-17, which was the latest CPS at the time of closing, sets out the two main pillars: (a) create space for the private sector, while improving the role of the state as a service provider and (b) improve its regional cooperation. The PDO supported both of the pillars through PPP based port operations and the port's function of improving regional connectivity. In addition, the most recently approved



Country Partnership Framework (CPF) 2019 – 24, aims to (i) build essential institutional capacity and (ii) catalyze private sector investment or leveraging additional resources. The project has been supportive of the CPS/CPF by attracting a private concessionaire and enabling private financing to the port operations.

**Country context:** The objective of the project was highly relevant to the country context. At the time of appraisal, the country's objective was to join the European Union (EU), and the development of Pan-European transport corridors was the key strategy to enable the country to achieve convergence to the EU. One of the corridors - Corridor Vb (today called as EU Mediterranean Corridor) – originated from the Rijeka Port, one of the two international ports in the country. According to the IEG's interview with the Bank task team, Croatia needed to meet the key criteria in the EU Transport Policy to be able to join the EU, one of which was access to the sea. The Port of Rijeka, which handled over 90% of container traffic in the country, needed to ensure access to the sea, however the port experienced inadequate infrastructure provided inefficient services.

The port observed a significant container traffic growth by 58 percent from 2005 to 2007, hitting 720,000 TEU in 2007, almost equivalent to its capacity of 770,000 TEU. To accommodate the growing demand of cargoes, the port needed several measures: expansion/construction of the berths; improvement of the port layout; enhancement of the storage space management; improved cargo handling productivity. The port development Masterplan (2008) defined strategic priorities of these investments through public-private partnerships (PPP) modality, which the Port of Rijeka Authority (PRA) owned infrastructure while the private concessionaire provided superstructure and equipment.

The PDO was aimed to address this infrastructure shortage, financial sustainability, and quality improvements, thereby contributing to country's convergence strategy to the EU.

**Previous sector experience:** The Bank has been involved with the Rijeka Port development through the Rijeka Gateway program, under which the Bank supported port restructuring and modernization; port/city interface redevelopment; and international road improvements. The project was developed based on experience and provided infrastructure under the Rijeka Port development.

Taking the alignment with the strategy, country context, and sector experience into consideration, the review concludes the relevance of the original objective is high. Despite the elimination of the second objective as part of the third restructuring, the objective remained highly relevant because the country's prime focus was on accession to the EU for which the project contributed to assuring Croatia's access to the sea by improving port container capacity and efficiency rather than the urban renewal interventions. Thus, this review retains the relevance of the revised objective as high.

## **Rating**

High



## 4. Achievement of Objectives (Efficacy)

### OBJECTIVE 1

#### Objective

To develop the capacity, financial performance, and quality of services in the port of Rijeka to meet growing traffic demand, through public-private partnerships.

#### Rationale

##### Theory of Change:

The PDO intended to achieve two sets of objectives, first of which was to develop the capacity, financial performance, and quality of services in the port of Rijeka to meet growing traffic demand. The activities that contributed to the capacity improvement (capacity was implicitly referred to as the port container capacity) were made through the extension of the Brajdica Container Terminal (BCT) and construction of Zagreb Container Terminal (ZCT). Financial performance was designed to be improved through enabling a PPP arrangement for port operation, where the project supported the selection of a concessionaire. Quality of services was planned to improve the information system, environmental management, and the preparation and implementation of the Masterplan (ICR p 12).

The project revised the PDO by dropping the second objective (urban renewal) and its associated indicators as described in the Restructuring Paper 2017, para 16. This triggered a split rating mentioned at the end of Section 2e of this review. Hence, this assessment of Objective 1 reviews the achievement of the original Objective 1 and the revised Objective 1.

#### Outputs:

- The ICR reported that the construction of Zagreb Terminal infrastructure was completed up to 97%. An IEG's interview with the Bank task team confirmed that the construction was completed in May 2019. **Achieved.**
- The construction of the Brajdica Container Terminal extension was completed. **Achieved.**
- The ICR described that the quality of the supervision of works on the two terminals was satisfactory. **Achieved.** However, it should be noted that the ICR's assessment was based on the quality of supervising engineers' progress reports, while there was no objective measurement provided of the actual works.
- An environmental protection plan was developed. **Achieved.**
- One concession agreement was negotiated compared with the target of two. The BCT is being operated by the Adriatic Gate Container Terminal (AGCT), for which the contract was signed in 2011. According to the task team, the ZCT terminal is in the process of selecting the concessionaire and it is scheduled to be signed by 2020 Q1. **Expected to be achieved.**
- The following technical studies were completed according to the IEG's interview with the Bank task team.
- Environmental Impact Assessment for Reconstruction of railway stations at Rijeka and Rijeka Brajdica related to the construction of new (Zagreb Pier) and extension of existing (Brajdica) container terminal.



- Economic and justifiability study: Assessment of the efficiency of the port system for reception of ship-generated waste and cargo residues on the area of the Port of Rijeka Authority.
- Development of Options for Improving Rail Freight Services to the Rijeka Port Area.
- Technical Assistance in Implementation of EU Funds, including Cost-Benefit Analysis, Project Study and Preparation of other Application Documents.

## Outcome:

### 1) Container Handling Capacity

- Rijeka port container capacity was increased from 150,000 TEU to 400,000 TEU against the target of 750,000 TEU. The lower container capacity was due to incompleteness of the Zagreb terminal construction. According to the Bank task team, the construction of the Zagreb terminal was completed in May 2019, thus the target was achieved. **Achieved.**
- Container terminal productivity was increased evidenced by an increase in the box move per crane per hour from 18 to 22. **Achieved.**
- Container traffic was increased from 145,000 TEU to 260,000 TEU against the target of 300,000 TEU. The ICR pointed out that it was highly likely to meet the target once the ZCT became operational (ICR p 21). According to the Bank task team, the selection of the concessionaire has been in progress and bids for the contract will be opened by the end of February 2020. Once the concessionaire is selected and a contract signed the port at Rijeka will be able "to meet the growing traffic demand" and therefore highly likely to achieve the target. **Expected to achieve target.**

### 2) Financial performance

- The PRA's operating ratio (ratio of operating expenses to total operating revenue) was reduced from 153% to 93.2% against the target of 120%. **Exceeded.**
- Subsidies for interest as a percentage of operating revenues were reduced from 46% to 0.3% against the target of 10%. **Exceeded.**
- The private sector invested US\$117 million against the target of US\$71 million. **Exceeded.**
- A portion of dry cargo port activities carried out by operators with private majority ownership was increased from 29% to 76% against the target of 65%. **Achieved.**

### 3) Quality of services

- Not measured in the Results Framework. Nevertheless, there were several improvements in the quality of intermodal connectivity. The PRA (together with a Railway Infrastructure Company) obtained the grant financing from the EU for the construction of two intermodal yards as a result of the project support on Environmental Impact Assessment for Reconstruction of railway stations Rijeka and Rijeka Brajdica related to construction of the new (Zagreb Container Pier) and extension of existing (Brajdica) container terminal. The grant covered loading/unloading of containers; reconstruction of the railway station Rijeka-Brajdica; the construction of a new track in the connecting tunnel, and project management.



## Rating

Substantial

### **OBJECTIVE 1 REVISION 1**

#### **Revised Objective**

To develop the capacity, financial performance, and quality of services in the port of Rijeka to meet growing traffic demand, through public-private partnerships.

#### **Revised Rationale**

**Theory of Change:** The TOC for Objective 1 Revision 1 was the same as for Objective 1. But PDO indicators for the levels of ambition for port container capacity, volume of container traffic, port operating ratio, private sector investment, and dry cargo handling by private operators were all raised as documented under the original Objective 1

#### **Outcomes:**

The outcomes listed under the heading of Objective 1 above indicate substantial achievements towards the revised targets for PDO indicators for Objective 1, Revision 1 at the time of final project closing. The efficacy of achievements against the revised indicators is therefore rated by this review as substantial.

## Revised Rating

Substantial

### **OBJECTIVE 2**

#### **Objective**

To facilitate urban renewal by enabling the relocation of port activities.

#### **Rationale**

##### **Theory of Change:**

The second objective was to facilitate urban renewal by enabling the relocation of port activities. The ICR noted that the idea behind this objective was to reconfigure the port, relocating some industrial operations away from the port areas, improving port area accessibility to citizens, tourists, and business leading to a viable urban development (ICR p 28).

There were an outcome indicator and two intermediate outcome indicators to measure the achievements of this objective, but there was no activity and hence no achievements against these indicators.

#### **Outputs:**



- The available area for urban redevelopment was unidentified against the target of 7ha. **Not Achieved.**
- The selection of a private developer to redevelop the DeltdPort of Baross area was not initiated. **Not Achieved.**

**Outcome:**

- No redevelopment of the urban area was achieved against the target of 7 ha. **Not Achieved.**

Because there were no activities under the project to support the objective, achievements of outputs and outcomes were negligible.

**Rating**

Negligible

**OBJECTIVE 2 REVISION 1**

**Revised Objective**

The objective was dropped as part of the third restructuring in May 2017.

**Revised Rationale**

The objective was dropped as part of the third restructuring in 2017. Accordingly, the PDO indicator and intermediate outcome indicators were also eliminated and outputs and outcomes were negligible.

**Revised Rating**

Negligible

**OVERALL EFFICACY**

**Rationale**

The efficacy of the first objective “to develop the capacity, financial performance, and quality of services in the port of Rijeka to meet growing traffic demand, through public-private partnerships” was substantial. This conclusion was based on port container capacity building which was substantially improved. Enhanced financial performance was also substantially achieved, but any change in the quality of port services was not measured. The achievement of Objective 1 before restructuring was therefore assessed as substantial. After restructuring the project’s achievements against the revised Objective 1 was also substantial because the original and revised outcome indicators were achieved. The efficacy of the second objective “to facilitate urban renewal by enabling the relocation of port activities” was negligible before restructuring due to the absence of any achievements that approached the original second objective. Given the restructuring decision



in 2017 to drop the second objective, this review rates the overall efficacy of Objective 2 as negligible before and after restructuring.

The challenge that the country faced was to increase the Rijeka port container capacity and efficiency to assure Croatia's access to the sea which was a condition of the EU annexation. This was the project's most important objective. Therefore, this review concludes that the overall efficacy of the project's achievements is substantial.

### **Overall Efficacy Rating**

Substantial

## **5. Efficiency**

**Economic and financial analysis:** The project calculated the Economic and Financial Rate of Return both at appraisal and in the ICR, both applying a 12% discount rate. For the economic analysis, the PAD estimated EIRR at 15.9% and NPV at US\$59 million, while the ICR's estimate was 13.0 % and US\$13 million respectively. Two reasons were provided in the ICR to explain the decrease in both EIRR and NPV: (i) slowdown of the global economy due to the 2008 global financial market crisis, decreasing cargo traffic; (ii) the construction delay and non-delivery of the ZCT, reducing the economic/financial benefits. For financial efficiency, the appraisal estimated 12.9% of FIRR and US\$4,198 million NPV, while the ICR estimated 11.2% and US\$4,108 million. This decrease was also attributed to the delay in the ZCT construction.

The task team explained to IEG that the IRR and NPV included future revenues to be generated from the ZCT, which will be operational in 2020. The figures were generated by the financial model used in the PAD keeping all the assumptions made at appraisal stage, except for updated container traffic and timing of ZCT construction. The analysis was based on expectations since no hard evidence on projected container throughputs was provided in the efficiency analysis. Using the same assumptions as at the appraisal stage was optimistic for the derivation of the economic and financial benefits of the project.

**Aspects of design and implementation:** The ICR recognized that there were design/implementation shortcomings in the project. First, the timeline of the project was too optimistic. The designed year of commissioning the Zagreb terminal was four years, which was not sufficient given the time for construction completion and selection of the concessionaires and their investments in superstructure and equipment (ICR, page 72). As a result, the project's closing date was extended by 4 years. Second, technical difficulties hampered the project's progress. According to the ICR, geotechnical uncertainties such as boulders and compacted stones slowed the progress of construction at the Zagreb terminal. In the former Rijeka Gateway project, similar technical problems (e.g., soil condition) were observed, though it would not be possible to eliminate such uncertainties under the ground and water. There were a few other binding factors raised in the ICR that affected the project's efficiency, such as the financial health of the contractor, delays in completing connector roads, and the failure of the first concessionaire selection for the operation of the ZCT.

This review rates the overall efficiency of this project as modest.



## Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	15.90	91.30 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	13.00	91.30 <input type="checkbox"/> Not Applicable

\* Refers to percent of total project cost for which ERR/FRR was calculated.

## 6. Outcome

**Original objectives** Relevance to the country context and the Bank’s strategy was high. Overall efficacy was substantial given the sound results of the port capacity improvement against the negligible performance of the urban renewal. Efficiency was modest due to the lower estimated economic and financial performance compared to the estimate in the PAD, and inefficient implementation factors. Hence, the outcome of the original objectives was moderately satisfactory.

**Revised objective.** The relevance of the objective was high. Efficacy was substantial given the expected increase in the container throughputs. Efficiency remained modest. The outcome of the revised objective was therefore moderately satisfactory.

Taking into account the ratings discussed above and weighing by the shares of disbursements before and after the 2017 restructuring the project’s overall outcome is clearly moderately satisfactory. The standard table for the derivation of a project’s overall outcome confirms the rating of moderately satisfactory.

	Original	Revised
1) Relevance	High	High
2) Efficacy		
Objective 1	Substantial	Substantial
Objective 2	Negligible	Negligible
Overall Efficacy	Substantial	Substantial
3) Efficiency	Modest	Modest
4) Outcome Rating (value)	Moderately Satisfactory (4)	Moderately Satisfactory (4)
5) Amount Disbursed (\$m)	70.27	24.9
6) Disbursement (%)	74%	26%
7) Weight Value (4 x 6)	2.96	1.04
8) Total Weight (sum of 7)	4.00	
9) Overall Outcome Rating	Moderately Satisfactory (4.0)	



**a. Outcome Rating**  
Moderately Satisfactory

## 7. Risk to Development Outcome

**Technical and Operational Risks:** For the BCT, the PRA had a concession agreement with the concessionaire, which required the concessionaire to maintain infrastructure (except one meter of quay wall), superstructure, and equipment. There is a little technical and operational risk associated with operating the BCT. For the ZCT, the construction has been completed and the selection of the concessionaire is underway. The selection has been progressing given the fact that the current stage has already passed Expression of Interest and requested submission of proposals (as of October 2019 according to the interview with the Bank task team). The current estimate of the initiation of the ZCT operation is scheduled in 2020 Q1.

Another risk can be the connection of D403 connector roads and a rail link (government projects), both of which have not been completed. A current estimate is that the D403 road is scheduled to call for the proposal by the end of October 2019 and to be completed by 2022. For the rail link, the construction works have been started and completion is expected by 2021 Q3. Until these transportation networks are completed, the trucks from/to the port will use the existing road, which will disturb the traffic around the port area, potentially affecting the deterioration of the port services and its operation.

**Financial Risks:** Financial risks are modest. The PRA has improved its fiscal position. A debt service coverage ratio (DSCR) remained stable at 1.3; the operating ratio has significantly improved as stated in the efficacy section; and the institution has managed operational expenses with their own revenue while minimizing the government subsidies. Uncertainty remains in the on-going process of selecting the concessionaire for the ZCT. The PRA needs to conclude the concession agreement with the successful bidder within a reasonable range of the financing plans.

**Institutional Risks:** The institutional risks are low. The contractual agreement with the concessionaire is clearly defined in the concession agreement, which will be replicated in the ongoing selection of the concessionaire for ZCT.

## 8. Assessment of Bank Performance

**a. Quality-at-Entry**



The project was carefully designed. The project was informed by the achievements of the first Rijeka Project, and properly appraised from the technical and financial points of view. The risks of the construction were identified based on earlier experience. As indicated in the ICRR, the project design could have been improved by accommodating more time for the construction and assuring systematic linkages between the PDO, outcomes, outputs, and activities of the results framework including the activities contributing to the urban renewal outcome.

### **Quality-at-Entry Rating**

Moderately Satisfactory

#### **b. Quality of supervision**

Bank's supervision was moderately satisfactorily performed. The Bank conducted supervision missions, developing aide memoires. The Bank adjusted itself by adapting an implementation logic given the various stakeholder's involvement. For example, when the Bank realized that the port communication system had already been procured by the customs, the Bank dropped the activity but ensured the working relationship between the PRA, contractors, and custom department (ICR p 15).

A decision on dropping a part of the PDO on facilitating urban renewal was poorly executed. A restructuring paper (2017) mentioned that facilitating urban renewal by enabling the relocation of port activities was dropped because there were no activities financed with project resources. This could be attributed to the weak quality at entry, while there is no evidence in the ICR that the Bank attempted to nudge relevant institutions and authorities to better contribute to the urban renewal agenda.

### **Quality of Supervision Rating**

Moderately Satisfactory

### **Overall Bank Performance Rating**

Moderately Satisfactory

## **9. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

As stated in the quality at entry, the results framework could have been improved. In addition to the insufficient causal theory among PDO, outcome, and output, several issues involved in it. First, some outcome indicators showed the immediate result of the activities, which should have been regarded as the output. For example, an increase in Rijeka port container capacity should have been the output indicator because the indicator would have been immediately achieved once the construction of the container berths was completed. Second, there were some activities that were not measured in the results framework such as the preparation of the masterplan implementation. Third, there was an indicator that was not measurable. The quality of supervision works was not objectively defined and measured.



## **b. M&E Implementation**

M&E implementation was moderately satisfactory. The team has monitored major indicators around port capacity and financial performance, which were well captured in the ISR and Restructuring papers. The revision of some indicators on container volume was made during restructuring taking account of the significant changes in the global trade market (ICR p 18).

## **c. M&E Utilization**

M&E was periodically utilized at several points. All the performances and indicators were documented in the aide memoires. The PRA adequately monitored the relevant indicators (ICR p 26).

### **M&E Quality Rating**

Substantial

## **10. Other Issues**

### **a. Safeguards**

The project was classified as Environmental Category A and triggered the Bank's safeguard policies on Environmental Assessment (OP/BP 4.01), Physical Cultural Resources (OP/BP 4.11), and Projects on International Waterways (OP/BP 7.50). The Environment Impact Assessments (EIAs) incorporated a comprehensive environmental monitoring plan including sea-sediments, sea quality, noise, etc. With environmental monitoring and reporting, no significant environmental non-compliance was reported. OP/BP7.50 was initially triggered, but the exception was applied due to the limited impact to the immediate basin of Rijeka.

Although no social safeguards were triggered, the Bank monitored the land acquisition and resettlement triggered by the government's project on D403 road civil works. As a result the 2017 restructuring introduced the following legal covenant (ICR p 27): "The Guarantor through its ministry in charge of transport shall ensure, or cause, to the satisfaction of the Bank the carrying out of such D403 Road civil works and any land acquisition and/or resettlement required therefore in a manner compliant with environmental and social impact mitigation processes and documentation (including the preparation of a Resettlement Policy Framework by not later than September 30, 2017), duly disclosed and consulted, all satisfactory to the Bank." ICR noted that at the time of the project completion, the Resettlement Policy Framework was in preparation (ICR p 27) given the slow progress of the project.



**b. Fiduciary Compliance**

**Financial Management**

Project financial management was satisfactory, as reported by the ICR. Quarterly Interim un-audited Financial Reports have been acceptable and financial audits of the project account and the PRA have also been acceptable during the project implementation (ICR p 27).

**Procurement**

Although not clearly stated in the ICR, procurement performance was satisfactory according to the latest ISR. Although the delay in procurement was observed, there were no issues against the Bank guidelines reported in the ICR. The project rating on procurement has been either moderately satisfactory or satisfactory throughout the project, confirming the acceptable standard of procurement compliance.

**c. Unintended impacts (Positive or Negative)**

NA

**d. Other**

NA

**11. Ratings**

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Satisfactory	The construction of the Zagreb terminal was completed shortly after the ICR was completed, contributing to the increase in the port capacity. Similarly, the concessionaire of the Zagreb terminal is under selection and an agreement is to be completed in early 2020, which is highly likely to increase the container throughputs. Thus, the first objective was expected to be substantially achieved.
Bank Performance	Satisfactory	Moderately Satisfactory	Quality at entry had shortcomings in developing the



results framework. There were also shortcomings in supervision.

Quality of M&E	Substantial	Substantial
Quality of ICR	---	Substantial

## 12. Lessons

The ICR listed eight lessons which were predominantly concerned with challenges and pitfalls related to the timely implementation of large infrastructure projects such as geological conditions, the weather, economic recessions, ensuring effective institutional collaboration, and identifying aspects that are outside the control of entities responsible for the project. These lessons were elaborated using the experience of this project’s implementation at Rijeka and they could be useful for similar projects in the Bank and elsewhere, but they were without a doubt lessons that have been learned many times already in a wide range of projects.

However, one of the lessons in the ICR referred to the cancelled urban renewal project. This was more novel than the others but not elaborated. This review takes the opportunity to expand on the lesson in the ICR.

### **An explicit theory of change or causal framework provides a clear basis for implementation**

The project aimed to improve the capacity, financial performance, and quality of services in the port of Rijeka but it was also intended to facilitate urban renewal in the area close to the port. The project was explicitly designed to improve the capacity and financial performance through the construction of the terminals as well as mobilizing private investments to attract container traffic and improve the competitiveness of the port. However, the strong focus on these two issues in the project’s results matrix diminished the attention to the remaining objectives - urban renewal and quality of services. For example, the ICR noted (page 25) that the responsibility of addressing urban renewal was not assigned to the Borrower, and there were no activities financed with project resources to this objective. The lesson is that a results framework or theory of change needs to be designed in a way that indicates the causal chain between project inputs through intermediate outcomes to the various project objectives and identifies the institutions that make the causal chain effective and facilitate the project’s implementation. Unless project objectives are clearly stated in a project’s theory of change it is unlikely that they will attract the attention needed to be successfully achieved.

## 13. Assessment Recommended?

No

## 14. Comments on Quality of ICR



While much of the ICR was **succinct and to the point**, the discussion of the project's restructuring which included numerous unnecessary references to the earlier Rijeka Gateway I project was tedious and unclear. **The relevance section was, however, well structured**, but it could have been more compelling if the criticality of the project around EU convergence had been described. The **Theory of Change (TOC) had some weaknesses** because there were inadequate links to the assessment of efficacy. For example, the TOC clearly demonstrated the causal links of the project to the quality of port services, but no basis was provided to assess the enhanced quality of these services. Similarly, there were shortcomings in the results chain for facilitating urban renewal at the port. The **efficiency section was clear**, candid, and reflective. **Lessons were comprehensive** but they were somewhat too focused on the challenges of implementing large infrastructure projects rather than, for example, the reasons why the PPP model (landlord model) contributed successfully to the increase in productivity and financial performance of the Brajdica container terminal, and the reasons why the urban renewal failed as part of this project.

**a. Quality of ICR Rating**  
Substantial