

# ALTERNATE SOURCES OF FINANCING URBAN TRANSPORT INFRASTRUCTURE

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# Main reasons to seek private financing:

- Rapid growth and urbanization in emerging economies (BRIC... etc)
- Replace and/or improve inadequate infrastructure (CEE Europe)
- Rehabilitate, renew or replace existing infrastructure in Western Europe, build additional infrastructure
- Other (protect one's competitive position in the face of rapid technological changes, etc)

# EXAMPLES OVER THE WORLD

- Tunnels
- Bridges
- Highways
- Railways
- Public bicycle schemes

# ENORMOUS NEED – INSUFFICIENT PUBLIC FUNDING

- THEREFORE, ALTERNATE SOURCES OF FINANCING HAVE TO BE FOUND, USUALLY FROM PRIVATE SOURCES, AN INVESTMENT WAVE IS EXPECTED IN CROATIA (EBRD meeting in Zagreb, May 2010) - some examples:
- Development and enlargement of almost all Croatian ports (financed thru EBRD, EIB, KfW, World Bank...)
- Port operators, possible Chinese investment into Port of Rijeka
- Projects prepared to foster railway infrastructure investment
- IPA to invest into inland ports and Dunav-Sava project, depending on environmental issues
- New Zagreb Airport Terminal to be developed by some kind of PPP (project value appr. 300 mil Euro, capacity 6 mil pass/ year)

# ZAGREB (SUB)URBAN AREA – TO DO:

- Mobility infrastructure (rail, roads, tunnels, bridges...)
- CITY ON SAVA, investment appr 800 mil Euro, 22 km along Sava, consisting of river regulation, four hydroelectric plants, 180 hectares of new buildable land, 70-100.000 new jobs to be created
- tender for underground garage near Westin Hotel
- In preparation:
  - Waste and sludge incineration plant: PPP mode
  - Zagreb Intl Fair + Convention Center reconstruction
  - Other....

# **CONVENTIONAL FINANCING BY PUBLIC SECTOR / AUTHORITY**

## **SPENDING PUBLIC MONEY LEADS TO**

- **significant cost overruns**
- **significant delays in delivery**

## **IT ALSO LEADS TOWARDS**

- **bad maintenance – shortened life cycles  
of infrastructure**

# PUBLIC PRIVATE PARTNERSHIP

“a long-term partnership between a public authority and a private entity seeking to invest profitably in a public service or public works related project, binding partners over an extended period of time, protecting the interest of both parties”

# PUBLIC PRIVATE PARTNERSHIP

associating private partners, due to their competence or financial power in providing public service or constructing public infrastructure

various possibilities:

- BOOT / Build–Own–Operate–Transfer
- BOO / Build–Own–Operate
- BLT / Build–Lease–Transfer



# **BENEFITS OF PRIVATE FINANCE**

- **IN DEVELOPING ECONOMIES PRIVATE PARTNERS GIVE BETTER PROJECT MANAGEMENT, MONITORING AND ACCOUNTABILITY WHILE AT THE SAME TIME THEY PROVIDE EXTRA FUNDING**
- **THEY ARE MORE REFLECTIVE ABOUT THE PROJECT'S COMMERCIAL VIABILITY THAN GOVERNMENT ENTITIES**

# SHARING OBLIGATIONS + PROFITS

- **LOCAL AUTHORITY SEEKS TO FIND A COMMON INTEREST W. LANDOWNERS / DEVELOPERS**
- **PRIVATE PARTNERS CAN PROVIDE FUNDING THAT PUBLIC AUTHORITIES LACK**
- **JOINT EFFORTS BY BOTH SIDES GIVE RESULTS: EXAMPLE MUNICH**

# SHARING EQUALLY OBLIGATIONS AND PROFITS / EXAMPLE MUNICH

- “SOZIALGERECHTE BODENNUTZUNG” (*Socially Compatible Land Use*), since 1994  
Lack of sufficient funding by municipality for land restructuring. Since altering land use increases its value remarkably, land owners / developers share obligations in land restructuring, providing for a socially compatible land use (financing technical and social infrastructure)

# SHARING EQUALLY OBLIGATIONS AND PROFITS / 15 YEARS IN MUNICH

- more than 30.000 dwellings, 1,25 mil sqm roads, 2,25 mil sqm green surfaces and parks, etc....
- land owners/developers participated w.
  - 200 mil € for roads etc
  - 80 mil € for green surfaces
  - 125 mil € for social infrastructure (social dwellings, day care, elementary schools, playgrounds...)

[http://www.muenchen.de/Rathaus/plan/bebplanung/393403/sobon\\_broschuere.html](http://www.muenchen.de/Rathaus/plan/bebplanung/393403/sobon_broschuere.html))

# PPP IN THE FIELD OF TRANSPORT

- ROADS AND ROAD RELATED INFRASTRUCTURE (TUNNELS, BRIDGES ETC)
- PUBLIC TRANSIT SYSTEMS RUNNING ON DEDICATED FACILITIES
- AIRPORTS
- PORTS.....

# LONG HISTORY: FRANCE SINCE 16.C

- first concession granted to Adam de Craponne for construction of a canal in 1554 in France
- since 19.century: concessions for
  - distribution of potable water
  - public transportation...
- from the beginning of the 1990s renewed success of public-private partnerships

# SPECIFIC FOR ZAGREB:

1. DOUBLING IN NUMBER OF VEHICLES IN LAST 15-20 YEARS;
2. LACK OF ADEQUATE PUBLIC TRANSPORTATION

traffic studies conducted by 1999 emphasized:

- **need for systematic construction of street network**
- **improvement of the city's public transportation (tram, bus, and railways as part of the public transportation in both city and region)**

studies recommended a system of light rail for main routes where demand for mobility and for improved quality were greatest.

# WHAT IS MOST URGENT:

- Investment into urban/ metropolitan (light) rail network - existing and enlarged, replace dam with viaduct, reconstruct tracks...
- Invest into airport (new terminal, airstrip...)
- Invest into public garages (P+R, other...)
- New bridges over Sava
- Waste and sludge incineration plant

All these interventions could bring profit to the investor and benefit to the city!



**THANK YOU!**

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