

## Investment

### ADDRESSING THE INFRASTRUCTURE GOVERNANCE CHALLENGE AROUND THE KOPER INVESTMENT PROJECT

- ▶ The Slovenian government is keen to promote the expansion of the port of Koper as a competitive northern Adriatic container port and logistics hub.
- ▶ Further developing the port requires improved transport links between the port and Ljubljana and the regional motorway and freight rail systems.
- ▶ Ensuring that the transport and port infrastructures are delivered in a manner that provides value for money for Slovenian citizens is crucial, in particular by carefully assessing the optimal delivery mode for the project.
- ▶ Having a long term strategic vision for the use of the infrastructure stock will help to attract private investment not only into the port, but also into other commercial and social infrastructures for the surrounding region.

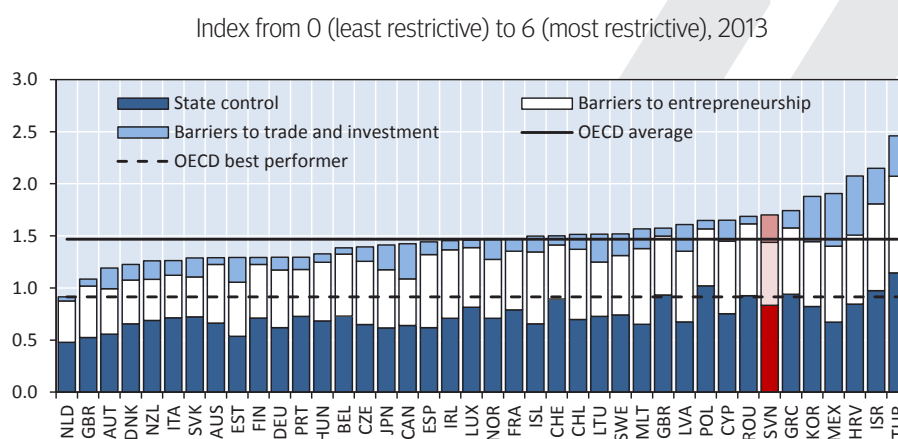
#### What's the issue?

As in many OECD countries, the governance of major infrastructure projects is a crucial concern for Slovenia. As its signature infrastructure project, the Slovenian government is keen to promote the expansion of the port of Koper as a competitive northern Adriatic container port and logistics hub. Although the market share of Koper has increased steadily, from 8.8% in 2002 of the total volume of the four main seaports in the Northern Adriatic (Trieste, Ravenna, Venice and Koper) to 14.1% in 2010, Koper is underperforming in terms of efficiency. Further developing the port will depend on improved

transport links between Ljubljana and the regional motorway and freight rail systems.

The cost for a second Koper-Divaca railway line, which would ease the flow of goods from coastal to inland areas and abroad, has been estimated at around EUR 1.35 billion. Slovenia expects to receive about 30% of that amount from EU sources, with the remainder being financed from private and/or domestic public sources. Ensuring that the transport and port infrastructures are delivered in a way that provides value for money for

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Source: OECD Product Market Regulation Database, [www.oecd.org/eco/pmr](http://www.oecd.org/eco/pmr).

Slovenian citizens is thus crucial. Local residents will expect economic and social development of the port and its hinterland to be prominent in the planning.

To this end, aligning and sequencing public and private investments so as to achieve a comprehensive infrastructure development package is key. OECD experience shows that the starting point should be a long term strategic vision for the use of the infrastructure stock. It is important to ensure some capture of economic benefits by the local population. OECD experience also underlines the need for real engagement with stakeholders. The process for designing infrastructure should rest on broad-based consultations with local residents, social partners, businesses and potential investors and have a primary focus on the users' needs.

On the basis of a rigorous assessment of infrastructure needs, the characteristics of the project and stakeholders preferences, the optimal delivery modality (e.g. public private partnership, regulated privatization, direct delivery) can be identified. Given the pressure on public finances in Slovenia, attracting private investment to the project will be crucial. Slovenia currently has the highest share of public investment in total investment among OECD countries, indicating that private investors might not be fully mobilised at present to fund infrastructure development. Public authorities need to ensure that the right enabling environment for private investment is in place, including clear and coherent regulations and a supporting tax regime, among others. Currently, Slovenia's overall regulatory framework is among the most restrictive in the OECD (see Figure). Upgrading the skills and capacities of the public officials who work with private sector investors should also be a priority.

### Why is this important for Slovenia?

The potential of the Koper port is under-used as an asset for regional and national economic development. Port-related activities in Koper have important spillovers to other regions in Slovenia. For every job created in the port, there are close to 3 jobs created in associated industries. Moreover, Koper has some significant advantages over other regional ports as, with further railway investment, it would operate with a very high rail-to-road ratio, including the onward transit beyond the capital. This represents a major competitive advantage given EU targets for increasing rail shares in freight transport.

There is a lot at stake in getting the Koper project right: improved governance can lead to substantial savings and play an important role to enhance future economic growth, sustainable development and citizens' well-being. By contrast, poor governance can have important political repercussions and impose significant financial burdens on taxpayers.

### What should policy makers do?

- ▶ Adopt broad-based and integrated strategic investment plans for the Koper rail and port projects that ensure coordination across ministries and across levels of government and that put in place effective systems of consultation.
- ▶ Ensure that the plan is led at the highest level (Prime Minister and senior ministers) and takes an ambitious perspective on what infrastructure can achieve in terms of direct and indirect economic and social development impact.
- ▶ On the basis of the plan, carefully assess the optimal delivery mode for the infrastructure project.
- ▶ Use the action plan required by the EU to address the challenges with respect to skills and capacities of the public workforce that deals with private sector contractors.



### Further reading

OECD (2013), *Investing Together: Working Effectively across Levels of Government*, OECD Publishing.

<http://www.oecd.org/bookshop?lang=en&pub=9789264200456>

OECD (2012), *Recommendation of the Council on Principles for Public Governance of Public-Private Partnerships*.

<http://www.oecd.org/gov/budgeting/PPP-Recommendation.pdf>

OECD (2007), *Principles for Private Sector Participation in Infrastructure*, OECD Publishing.

<http://www.oecd.org/daf/inv/investment-policy/ppp.htm>