

**REQUEST FOR EXPRESSIONS OF INTEREST  
(CONSULTING SERVICES – FIRMS SELECTION)**

**COUNTRY:** CROATIA  
**NAME OF PROJECT:** SUSTAINABLE CROATIAN RAILWAYS IN EUROPE PROJECT  
**Loan No.:** 8500-HR  
**Assignment Title:** FINANCIAL ADVISOR TO THE MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE

**Reference No.:** SUCRE-HZI-CS-FBS-2018

HŽ INFRASTRUKTURA d.o.o. has applied for financing from the World Bank toward the cost of the Sustainable Croatian Railways in Europe Project and intends to apply part of the proceeds for consulting services.

The consulting services (“the Services”) include Financial Advisory Services to the Ministry of the Sea, Transport and Infrastructure in connection with a possible strategic partnership between the rail operator/s and/or logistics company/ies and HŽ Cargo

The Republic of Croatia, represented by the Ministry of the Sea, Transport and Infrastructure (MSTI), is the sole owner of HŽ Cargo d.o.o. for cargo transport (hereinafter: HZ Cargo). HZ Cargo was established in 2006, following a decision to transform Croatian Railways into three separate companies – HŽ Cargo d.o.o., HŽ Putnički prijevoz d.o.o. (for passenger transport) and HŽ Infrastruktura d.o.o. As of January 5, 2017, the company's stock capital is 1,491,152,000.00 HRK. HZ Cargo, with its daughter companies, AGIT d.o.o., Održavanje vagona d.o.o (for wagon maintenance), Radionica željezničkih vozila Čakovec d.o.o. (railway vehicles factory) and Remont i proizvodnja željezničkih vozila Slavonski Brod d.o.o. (overhaul and production of railway vehicles) provides services for conventional transport, combined transport, transport of dangerous goods and special consignments, wagon renting, warehouse renting, wagon maintenance and eur-pallet.

After the failed privatization of a 75% stake in HZ Cargo to Romania’s GFR in 2013, the Croatian Government decided that the survival of rail freight transport was vital for the preservation and further development of the national economy. In accordance with the decision of the Government of the Republic of Croatia, HZ Cargo developed a restructuring program that forms the basis for the operational, financial and strategic restructuring of the company. In this respect, EU Directives and regulations were particularly taken into consideration and the European Commission accepted the proposed restructuring program in early 2017.

The restructuring program of HZ Cargo is focused primarily on restructuring to avoid bankruptcy. The main goal is to establish a business model that is able to respond to market conditions and that has a sustainable operation without any future intervention and assistance of the State, namely, the State Budget. The analysis revealed that significant changes are needed for the continuation of the business, namely: i) a business model through strategic and market positioning, ii) resolving the status of government subsidiaries and resolving the issues related to the separation of the former Croatian Railways, and iii) operational business process improvement through increased sales,

improved maintenance of transport capacity, and reduced costs, increased productivity and competitive ability.

HZ Cargo's market share, however, has continued to decrease, particularly in the most profitable market segments. Compared to last year, HZ Cargo's revenues in Q1 2017 and 2016 decreased by 8% and 37%, respectively. In 2016, HZ Cargo transported 10.9 million tons of goods and achieved 2,422 million TKM. Since the market liberalization in 2013, six new operators have obtained licences for rail cargo transportation in Croatia. This resulted in an increase in transported net TKM by 33% in Q1 2017 compared to the previous year. A dire financial situation, an uncompetitive rolling stock fleet (most freight cars owned are more than 30 years old, and the average age of all traction vehicles is almost 42 years), and weak integration into key logistics chains are calling into question the long-term sustainability of the company.

Given the current conditions and unsustainability in the long run, the Republic of Croatia, as the owner, is aiming to develop a new strategy for HZ Cargo.

**In this context, the Republic of Croatia is considering the appointment of a leading investment bank or company to provide financial advisory services to the Ministry of the Sea, Transport and Infrastructure.**

The assignment will be implemented through three Phases:

- Phase I-Preparatory Phase – Overview and assessment of HZ Cargo's current status
- Phase II – Interim Phase - Optimization process
- Phase III – Implementation Phase

The Duration of the engagement will be 10 months. The duration of the engagement may be further extended.

HŽ INFRASTRUKTURA d.o.o. now invites eligible consulting firms ("Consultants") to indicate their interest in providing the aforementioned Services. Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services. The shortlist criteria are:

1. Company profile, organization and staffing – global presence and experience in transport sector (preferably within the EU).

2. A list of major assignments with details on provided services which are by type and quantity comparable to the activities which are the object of this EoI and which were provided in the last 10 years. Qualification requirements that have to be met by every interested Consultant in order to participate in the tender are as follows:

- Expertise in the provision of expert advisory services and capital market or private placement transactions, especially in transport sector transactions (preferably within the EU). The proposal should include obligatorily a catalogue of all the relevant projects in which the interested party has participated in the last ten (10) years.
- Local presence and language requirements

### 3. Confirmation of availability of Key Experts with the required qualifications as indicated:

- Team Leader
  - Professional competence and experience:
    - a) Minimum 10 years professional experience as financial advisor.
    - b) Good knowledge in demand analyses, surveys, marketing and management.
    - c) Experience in railway sector is desirable.
      - The Team Leader will have the overall responsibility for work and all reports prepared.
      - He/she will act as the chief liaison for the consultancy team with the client.
      - The Team Leader shall not be changed without good reason and without the approval of the client.
- Senior Transaction Advisor with over 10 years' experience in mergers & acquisitions, capital markets and public companies' sales of shares. Relevant experience transactions finalized in Croatia should be considered as added value;
- Rail Freight Specialist with over 10 years' experience in the rail sector responsible for advising on technical, operational, commercial/market, and social aspects of railway companies including freight transport;
- Croatian Legal Expert with a minimum of 7 years of established experience in Croatian legislation relating to public and private companies;
- Financial Analyst with over 4 years of professional experience and at least 2 years of transport sector experience.

The attention of interested Consultants is drawn to paragraph 1.9 of the World Bank's "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014), ("Consultant Guidelines"), setting forth the World Bank's policy on conflict of interest. In addition, please refer to the following specific information on conflict of interest related to this assignment as per paragraph 1.9 of Consultant Guidelines.

Consultants may associate with other firms in the form of a joint venture or a sub-consultancy to enhance their qualifications. The "association" may take the form of a Joint Venture or a sub-consultancy. In case of a Joint Venture (JV), all members of the JV will be evaluated jointly for the purpose of shortlisting and shall be jointly and severally liable for the assignment and shall sign the contract in case it is awarded to that JV group. Interested consultants should clearly indicate the structure of their "association" and the duties of the partners and sub-consultants in their application. Unclear expression of interests in terms of "in association with" and/or "in affiliation with" and etc. may not be considered for shortlisting. Keeping one expression of interest per firm as principle, a consultant firm may decide whether it wishes to participate as a sub-consultant or as an individual consultant or as a partner in a joint venture. Please note that a firm shall submit only one expression of interests in the same selection process, either individually as a consultant, or as a partner in a joint venture. No firm can be a sub-consultant while submitting an expression of interests individually or as a partner of a joint venture in the same selection process. A firm, if acting in the capacity of a sub-consultant in any consultant or JV, may participate in more than one consultant, but only in the capacity of a sub-consultant.

A Consultant will be selected in accordance with Selection under a Fixed Budget (FBS) method, set out in the Consultant Guidelines. The fixed budget for this assignment is EUR 220,000.00 (not including VAT).

The Expression of Interest must be accompanied by complete Contact details.

If submitted in person, one original and two copies and a CD of the Expression of Interest in English shall be submitted to the Client in an envelope marked

**Expression of Interest for HŽ INFRASTRUKTURA d.o.o. for:  
FINANCIAL ADVISOR TO THE MINISTRY OF THE SEA, TRANSPORT AND  
INFRASTRUCTURE**

Based on the evaluation of Expressions of Interest, only shortlisted firms will be invited to submit their technical and financial proposal through a Request for Proposals.

Further information may be obtained at the address below during office hours: 8 am to 3 pm local time.

**Expressions of Interest must be delivered in written form to the address below (in person, or by mail, fax, or e-mail) by March 7, 2018, 2 pm local time.**

HŽ INFRASTRUKTURA d.o.o. room 180, third floor

Attn: Iva Mršo Nastić

Mihanovićeveva 12

10000 Zagreb, Croatia

Tel: + 385 (0) 1 453 4058

Fax: + 385 (0) 1 457 7587

E-mail: [Iva.MrsoNastic@hzinfra.hr](mailto:Iva.MrsoNastic@hzinfra.hr)

HŽ INFRASTRUKTURA d.o.o.