

PRESS RELEASES

National strategic investment projects and project cycles in the Republic of Croatia

ANTO BAJO, Institute of Public Finance, Zagreb

JAKŠA PULJIZ, Institute for Development and International Relations, Zagreb

The Ministry of Economy, Entrepreneurship and Crafts (MINGPO) has presented the *Act on Strategic Investment Projects of the Republic of Croatia* for debate before the Parliament. The original Act was adopted in 2013 (NN 133/13) and has been amended twice. A new act has been presented in order to define, in a more concise manner, strategic investment projects and activities aiming at removing administrative obstacles for their implementation. More specifically, the aim is to shorten and accelerate the licensing procedure for public and private investment projects as well as for public-private partnership investment projects of strategic interest for the Republic of Croatia.

The Act shall regulate the criteria and application procedures for strategic investment projects, the process of assessment, selection, preparation and implementation of strategic projects, the disposal of state-owned real estate for the purpose of strategic project implementation, granting concessions and issuing the necessary administrative acts.

Competent bodies for project application submission. For all private and public-private projects, an investor submits the application to the Agency for Investments and Competitiveness, while for all public projects the application is submitted to MINGPO. Administrative checks for project applications in the energy sector (previously performed by the abolished Centre for the Monitoring of Business Activities in the Energy Sector and Investments) are performed by MINGPO (for public projects) and the Agency for Investments and Competitiveness (for public and public-private projects).

Inclusion on the list of strategic projects. The Act lays out procedures for project inclusion, deadline extension, and removal. *Projects of Common interest – PCIs* are suggested to be granted priority status at the national level and to be automatically included in the List of Strategic Projects¹ (at the proposal of the Commission). MINGPO shall issue an ordinance to regulate the content of project applications and the manner in which they are to be submitted.

All EU funded projects are priority projects. At the proposal of the Commission, investment projects financed from European structural and investment funds and implemented in the 2014 – 2020 programming period (as well as in the subsequent financial framework), as well as any infrastructure necessary for their realisation, shall be automatically included in the List of Strategic Projects. Interestingly, the Pelješac bridge project is not on the list of priority projects, even though it meets all the conditions, while its accompanying projects are. However, since all construction permits have been obtained, this obviously does not represent an obstacle to obtaining the strategic project status.

¹ Ensuring the implementation of Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure.

The Act does not help resolve the problem of unsatisfactory sectoral distribution of investments. The structure of the projects applied for is such that transportation and environmental projects outnumber real economy projects, while it would be better if it were the other way around. The fact that there are no processing or ICT investment projects (see tables enclosed with the **proposal of the Act**) tells us that the policies aimed at attracting investments are weak, and nothing suggests that the new Act would bring about a significant change. Interestingly, the majority of proposed strategic projects are outside of MINGPO's scope of administrative competence.

This Act proposal needs to be linked to the Proposal for an Act on the Strategic Development Planning and Development Management System. This proposal is missing one overarching provision on the need for projects to be harmonized with relevant strategic documents (which is one of the admissibility criteria). This omission has not occurred in the case of development planning projects, which require strategic investments to be harmonized with development plans (this being a possible limiting criterion for project implementation).

Another goal is to reduce or eliminate political risks when it comes to project implementation. Investors, especially foreign investors, find the authorities' stance towards projects to be very relevant (whether on the national, regional or local level). Political support by no means implies that any project should be included in the strategic project list by applying political (non-economic) criteria, but rather that such projects are expected to bring significant economic benefits and benefits to the society as a whole. In this way, if continuity and an appropriate level of efficiency when it comes to resolving obstacles in the preparation of strategic projects are ensured, the Act could have a positive impact on attracting investments.

Political risk comprises multiple issues, the most frequent issue being abandoning the project in the preparatory stage without offering any explanation to investors or the public. In the end, private and public funds have been spent, investors are confused, and the outcome has turned out to be very negative for all stakeholders. For instance, three years ago, the government invested significant funds in the preparation of the highway monetisation project, attracting private investors who spent money on project documentation and situation analysis, only to step down. By deviating from a set course and making unclear decisions, the authorities (central, regional and local) make private investors doubt the feasibility of the project, which may be sufficient for the investor to give up on it altogether. Other such examples are dilemmas surrounding investment into the Srd golf course or the problems encountered by Norwegian investors when faced with unresolved property relations at Sućuraj on the island of Hvar.

The Act proposal provides a quality institutional framework to remove administrative limitations and thus attract large-scale investment projects to Croatia. However, it will certainly not resolve its key investment policy problems.