

Croatia adopts a Strategic Investment Projects Act

Summary

In order to simplify and speed up the delivery of all documentation and approvals necessary for launching any strategic or important project in Croatia, as well as to bring decision-making in regard to strategic projects to the central government level, the Croatian Parliament adopted the Act on Strategic Investment Projects on 25 October 2013. In addition, after its entry into force on 14 November 2013, a Commission for Assessment and Determining Proposals for Strategic Investment Projects was established by the Government on 13 January 2014. The scope of the Act, the criteria for assessment and selection, as well as the application procedure are explained hereinafter.

The Act has been published in the Official Gazette N°133/2013 (www.nn.hr) and a provisional translation in English can be found at web pages of the Agency for Investments and Competitiveness: <http://bit.ly/NFvZ6Y>

A. Scope

The Act regulates:

- Criteria and application procedure of strategic investment projects
- Procedures of assessment, preparation and implementation of strategic investment projects
- Disposition of state owned real estate necessary for the realization of a strategically important project
- Granting concessions related to the implementation of strategically important projects
- Issuance of administrative acts related to the implementation of strategically important projects
- Obligations of the investors and dynamics of their execution

B. Definition

Strategic investment projects are:

1. Private investment projects
2. Public investment projects
3. Public-private investment projects

Strategic investment projects include construction of building in relation to:

- Economy
- Energy
- Tourism
- Transport, Infrastructure
- Electronic Communications, Postal Services
- Environmental Protection, Public Utilities
- Agriculture, Forestry, Water Management, Fisheries
- Health Care
- Culture, Science, Technology, Education
- Defence, Judiciary

C. Criteria for Assessment and Selection of Strategic Investment Projects

Core criteria for considering projects as strategically important are the **value of the project** and the **type of investment**. The **value threshold** is:

- EUR 20 million
- If the investment would be **co-financed with EU-funds**, the threshold is EUR 10 million;
- If the investment would be made **in an undeveloped area**, the threshold is EUR 3 million.

In addition to meeting the value test, the project should be related to:

- Production or processing activities;
- Innovation activities (i.e., improvement and development of production processes, technologies and products);
- Business support activities (e.g., client support centers, outsourced departments, logistics and distribution centers, IT and telecommunication development centers, etc.), or
- High added value activities (e.g., architecture, design, art, marketing and other creative activities, tourism, business consulting, education, industrial engineering, etc.).

D. Competent Bodies for Assessment and Implementation of Strategic Investment Projects

To further facilitate more efficient and responsible implementation of the Strategic Projects, Government of the Republic of Croatia formed two bodies which will actively participate in all segments of project preparation and implementation.

These bodies are:

1. Commission for Assessment and Determining Proposals for Strategic Investment Projects

- Established by the Decree of the Croatian Government
- Chairman of the Commission: Deputy Prime Minister of the Croatian Government in charge of the Economy
- Deputy Chairman of the Commission: Head of the central government body responsible for the economy
- Four permanent members of the Commission are the heads of the central government bodies responsible for Construction and Physical Planning, Judiciary, Nature and Environmental Protection and State Property Management
- Three variable members are the head of the relevant government body depending on the area in whose jurisdiction a particular strategic project falls and representatives of local and territorial (regional) self-government in whose territory the project is realized

2. Operational Group

- Representatives of the central government body and other state administration bodies which have jurisdiction over the preparation and the implementation of the project
- Representatives of the competent state agency for investments:
 - Agency for Investments and Competitiveness (AIK)—for large enterprises investing in activities falling under the Act on Investment Promotion and Enhancement of Investment Environment
 - Hamag Invest—for micro, small and medium enterprises investing in activities falling under the Act on Investment Promotion and Enhancement of Investment Environment
 - Center for Monitoring Business Activities in the Energy Sector and Investments (CEI)—for investment projects in energy and public sector as well as for public-private investment projects
- Representatives of the executive body of a unit of local and territorial (regional) self-government on whose territory the project will be realized
- Representatives of the state agency responsible for competition
- Representatives of the central state administration competent for environmental and nature
- The Head of the Operational Group is selected from the representatives of the responsible state body or from the representatives of the state agency responsible for investment

E. Application procedure

I. In order to obtain the 'strategically important' project status, application must be made to the Ministry of Economy.

The application **must include**:

1. Description of the project and detailed explanation on its meeting the criteria necessary for the selection of strategic investment project;
2. Documents, data and other proof about the project's compliance to the laid down selection criteria;
3. Study containing*:
 - 3.1. conceptual description, status and location of the project
 - 3.2. strategic, business and financial plan and an investment plan for a specific investment project for a period of five years
 - 3.3. proof of financial capacity/secured resources of project's financing
 - 3.4. detailed profile of the company, including subsidiaries and reference list
 - 3.5. certificate confirming that all tax, pension and health insurance liabilities are fulfilled, except when the economic entity is approved, in accordance with special regulations, deferred payment of the said liabilities
 - 3.6. document issued by a bank or other financial institution, proving the solvency of the economic entity not older than 30 days.

**Items 3.3.-3.6. do not relate to public investment projects*

4. In case when the interested investor has established a special purpose company operating on the territory of the Republic of Croatia for less than six months, the founder of the company shall submit data on financial capacity certified by a competent authority in the country where the Investor is seated, and especially a revised financial report for the last two years of business operations, data on solvency verified by responsible banking/financial institutions and basic financial indicators for the last two years of business operations.

II. Central government body responsible for the economy performs administrative check of the received applications and

1. Submits proper and complete application for the consideration to the Commission for Assessment and Determining Proposals for Strategic Investment Projects; or
2. If the central government body responsible for the economy receives incomplete application, it will invite the interested investor to supplement the same within eight days. If the interested investor fails to provide proper and complete documentation by the specified deadline, his application will be rejected by a decision.

III. Commission assesses if the applied project meets the laid down criteria and proposes its inclusion on the List of Strategic Investment Projects.

Upon receiving strategically important status, **a group consisting of officials from relevant ministries**, agencies and local government, as well as other experts which may help in realizing a particular project, **will be appointed and tasked with being a point of contact to actively help the investor to commence the project** and to facilitate the rendering of all necessary public authority decisions.

All investments that are given a mark of strategic investment have the right to have faster procedure - all related official procedures become urgent and have top priority. All official opinions must be rendered within 15 days (in exceptional cases within 30 days). The competence for issuing location, construction and usage permits is completely transferred from local government units to the Ministry of Construction. A location permit may be issued even if there is no urban development plan or detailed development plan.

() Nota bene. It should be noted that in 2012 the Croatian Government also adopted the Act on Investment Promotion and Enhancement of Investment Environment, which has provided a number of tax and employment incentives to investors committed to significant investments in Croatia.*

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Why Invest in Croatia?

Legal framework

- New legal framework: Act on Strategic Investment Project and Act on Investment Promotion and Enhancement of Investment Environment
- Commitment of the Governments highest level in deciding on projects status and later implementation
- Clear criteria for determining strategic investment project
- Expedition of the issuance of documentation required for public and private projects of strategic interest.
- Disposition of real property owned by the state and giving concessions
- Defined obligations of investors
- Clear dynamics of fulfilling obligations from governing bodies.
- Significantly quicker and more attentive treatment during the approval processes
- Deliverance of all official opinions within 15 days (in exceptional cases within 30 days).
- The competence for issuing location, construction and usage permits transferred from local government units to the Ministry of Construction
- A location permit may be issued even if there is no urban development plan or detailed development plan.
- Various incentive measures:
 - Tax incentives,
 - Employment incentives,
 - Incentives for education and training,
 - Incentives for the capital expenses of investment projects,
 - Incentives for labor intensive investment projects.
- Incentive measures can be used by enterprises registered in the Republic of Croatia investing in fixed assets in the minimum amount of:
 - € 50,000 and 3 new jobs created for micro enterprises
 - € 150,000 and 5 new jobs created for small, medium and large enterprises.