

No updated data on concessions, no debt collection, concessionaires write their own competition conditions...

In recent years, politics in Croatia emphasizes the importance of better management of state assets, but at the same time disregards chaos in available mineral resources. Analysis of management of mineral resources which was conducted by the State Audit for the past three years shows that we still lack the strategy and planning in granting concessions, the concession registry is inaccurate and there is no comprehensive record of the area where the operations are carried out, the control of exploitation on the fields that are under concession is at a low level, values of fees are questionable, especially for hydrocarbons, and acquiring secure collection of fees is neglected in accordance with the estimated value of the concession.

No guarantees are needed

The most criticism addressed to 25 competent authorities, from the ministries to the offices in the counties, was directed to the Ministry of Economy, under whose competence was the Department for Energy and Mining. After the new government was formed, the Department was transferred to the new Ministry of Environment and Energy, and it is still being organized, but at the very beginning they will face a long list of instructions from the state auditors with the aim to correct long-standing errors. For example, a blank promissory note up to EUR 13 200 regardless of the estimated value of the concession was needed for the collection of receivables related to concession fee.

Auditors have found that in many cases neither such guarantees were acquired, nor notices were sent nor there was debt collection. There is no procedure, among other procedures, related to debt collection and dealing with guarantees. According to auditors, the Ministry of Finance is partially responsible for the collection of receivables, and it checks the status of receivables through the concessions registry which is being kept exactly in that department.

Auditors instructed the Ministry of Finance to independently, without concedent request initiate the procedure through its inspection services related to controlling the concessionaires that do not comply with the obligations in accordance with the concession agreement. Auditors confirmed that the Ministry had not initiated such activities from 2013 to 2015. The situation in the state and local budgets would be improved through a greater commitment, and last year EUR 204 million was paid to the budget for all concession fees, but majority comes from the public telecommunications and radio frequencies, while the state collected less than EUR 51.3 million from the exploitation of mineral resources.

Without any control

## Croatia: The Government Must Urgently Change the Policy of Mineral Resources Concessions

According to auditors, the state unreasonably trusts concessionaires regarding the excavated quantities of mineral resources in the fields, it neither controls them, nor reviews the operation of their companies nor compares the data. Fierce criticism came from auditors with reference to widespread practice that companies that have been granted concessions prepared proposals for tendering procedure and that as rule were the only bidder on tenders. In the period from 2013 to 2015, the Ministry of Economy conducted in such way 124 tendering procedures for the exploration and exploitation of mineral resources. When reviewing the documentation, auditors have found that in most cases the process of seeking for the concessionaires was initiated by interested companies, which have prepared proposals for the competition that were later used in the bidding process.

Therefore, auditors propose modification of the system for granting concessions in a way to first determine mineral resources reserves, which Croatia still does not have, and thus create the conditions for the State to initiate the procedures. Although in the analyzed years the biggest step forward was undertaken in the policy of concessions in the field of hydrocarbon exploration, auditors advise the Government to reconsider the justifiability of the fee for acquired amounts of 10 percent of the market value, and to consider the introduction of income tax for exploration and exploitation of hydrocarbons, which the Republic of Croatia does not have, while, for example, in Greece it amounts 54 percent.