



# Interreg



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## Danube Transnational Programme

### DAPhNE

## D 3.3.2 National state aid report Croatia

State-aid schemes for funding investments  
in ports (public funding)

Work Package 3

Activity 3.3 State-aid schemes for funding investments in ports

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## 1 Scope of the document

The objective of work package 3 of DAPhNE Project is to adopt a joint harmonized approach in regards to legal port issues in order to apply the Same River, Same Rules principle. In the long run, this will secure a balanced development of Danube ports as buzzing economic centers. To this end, the representatives from the private and public port sector all along the Danube (RO, HR & BG Ministries of Transport, port administrations and port associations) join forces to investigate the issues regarding port legislation & public funding.

The scope of the document is to identify the role of public funding in relation *to inland cargo port investments in the Danube region*. Thus, development of maritime ports, river ports other than Danube, as well as port developments financed solely by private entities are not the scope of the project. If a port is both maritime and inland cargo port, the activities shall be split between the inland and maritime port functions in this document.

### 1.1 General terms

#### 1.1.1 State aid and non-state aid

In principle based on Article 107 (1) of the Treaty on the Functioning of the European Union (TFEU), any aid granted by a Member State or through state resources in any form is generally prohibited. The reason of the prohibition is that state aid distorts or threatens to distort competition in the internal market. Favouring certain undertakings or the production of certain goods through state funds that can be either direct i.e. grants provided or indirect, e.g. exemptions from any payment obligations to the state budget is deemed to have an adverse effect on the trade between Member States.

A measure shall be considered as state aid if involving all the following attributes:

- transfer of state resources;
- economic advantage: the aid reduces the costs normally borne in the budgets of the beneficiary undertakings;
- selectivity: the aid favors certain undertakings or the production of certain goods;
- distortion of competition, and
- affect on trade between the Member States.

Transfer of state resources means the use of funds belonging to, or being controlled by and imputed to public authorities. The form in which this transfer takes place is irrelevant from state aid perspective.

The private investor test is to assess whether there is an economic advantage involved for the beneficiary. This means that the economic advantage shall be established of the state did not act in the same way as a private investor would have acted.

Where aid benefits only products which are not subject to inter-state trade or where trade is affected only at a purely national level, the measure will not fall within the scope of prohibited state aid. This does not mean that only measures relating to exports or imports from a Member State to another are affected by Article 107 (1) TFEU. It may be that several circumstances in which aid is granted will lead to affecting the trade between Member States. When for instance aid strengthens the position of an undertaking compared with others competing in intra-Union trade, the latter shall be affected by the aid even if the beneficiary itself is not involved directly in exporting or importing goods.<sup>1</sup>

Despite the general prohibition of State aid, in some circumstances government interventions are necessary for a well-functioning and equitable economy. Certainly, there are exemptions from the principle of state aid prohibition. First there are exemptions where the aid shall be considered to be compatible with the internal market and thus involving no competition distortions. Then there are aid measures that, under certain conditions, might be compatible with the approach of the internal market.

The measures qualified as compatible by the TFEU are of a social and reparative nature, i.e. (1) social aid, granted to individual consumers, provided that such aid is granted without discrimination related to the origin of the products concerned; (2) aid to restore damages caused by natural disasters or exceptional occurrences; (3) aid granted to the economy of certain areas of the Federal Republic of Germany affected by the division of Germany.

The following may be considered to be compatible with the internal market:

- aid to promote the economic development of the seriously underdeveloped areas;
- aid to promote the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a Member State;
- aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest;
- aid to promote culture and heritage conservation where such aid does not affect trading conditions and competition.

Apart from the above, other categories of aid may be specified and deemed compatible by decision of the Council.

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<sup>1</sup> Case 730/79 Philip Morris v Commission [1980] ECR 2671

## 1.1.2 Port and port infrastructure<sup>2</sup>

### **Port**

'Port' means an area of land and water made up of such infrastructure and equipment, so as to permit the reception of waterborne vessels, their loading and unloading, the storage of goods, the receipt and delivery of those goods and the embarkation and disembarkation of passengers, crew and other persons and any other infrastructure necessary for transport operators in the port.

### **Maritime port**

'Maritime port' means a port for, principally, the reception of sea-going vessels.

### **Inland port**

'Inland port' means a port other than a maritime port, for the reception of inland waterway vessels.

### **Port infrastructure**

'Port infrastructure' means infrastructure and facilities for the provision of transport related port services, for example berths used for the mooring of ships, quay walls, jetties and floating pontoon ramps in tidal areas, internal basins, backfills and land reclamation, alternative fuel infrastructure and infrastructure for the collection of ship-generated waste and cargo residues.

## 1.1.3 Specific terms and types of public funding

The importance of public funding in port development varies from country to country and as well as the relevant public aid scheme.

In order to analyze the public funding practice of the Danube Region countries, it is necessary to clarify the key concepts and definitions of public funding. The common understanding of the following terms is very important to fill in the attached Excel-sheet with information on public granted port developments.

### **Individual aid**

'Individual aid' means:

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<sup>2</sup> Definitions are taken from the Commission Regulation (EU) 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 as regards aid for port and airport infrastructure, notification thresholds for aid for culture and heritage conservation and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for outermost regions and amending Regulation (EU) No 702/2014 as regards the calculation of eligible costs

- (i) ad hoc aid; and
- (ii) awards of aid to individual beneficiaries on the basis of an aid scheme.<sup>3</sup>

### **Aid scheme**

"Aid scheme" means any act on the basis of which, without further implementing measures being required, individual aid awards may be made to undertakings defined within the act in a general and abstract manner and any act on the basis of which aid which is not linked to a specific project may be granted to one or several undertakings for an indefinite period of time and/or for an indefinite amount<sup>4</sup>.

### **Aid intensity**

"Aid intensity" means the aid amount expressed as a percentage of the eligible costs.

### **Aid category**

'State aid' and 'non-state aid' categories according to Article 107 (1) TFEU, (e.g. de minimis or aid for local infrastructures<sup>5</sup>)

## **2 Overall presentation of Danube Ports in Croatia**

Regarding the overall presentation of Danube Ports in Croatia a general information, as well as waterborne freight statistic from 2010 to 2017 are provided for the only existing inland cargo port located on the Danube River in Republic of Croatia – Port of Vukovar. Information related to number of ports, capacity and capacity usage of the port, modal split of waterborne transport, information of the ownership, port management and operation structure of ports, existence of public and private port, as well as bimodal and trimodal hubs and tendency in the last 7 years are presented along following sub-chapters.

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<sup>3</sup> Definition of the article 2 (14) of Commission regulation (EU) No 651/2014 (GBER regulation)

<sup>4</sup> Definition of the article 2 (15) of Commission regulation (EU) No 651/2014 (GBER regulation)

<sup>5</sup> Aid categories are detailed in Commission Regulation No 651/2014



## 2.1 General information of Danube ports

- number of ports

The total length of Danube in Croatia is 137,5 km and there is only one cargo port on Croatian part of Danube and it is Vukovar Port.

Port of Vukovar is located on the right bank of the Danube River on the river kilometre 1335+000. Total port area of Vukovar port is around 26 ha with no space for the further development. At the same time, the railway infrastructure modernization and electrification project is in progress and it will reduce the existing port area for approximately 5, 8 ha.

- capacity and capacity usage of ports

Port of Vukovar is an open shore type port with no port basins. It has a maximum draft of 2,6 meters and a cargo handling capacity of 2 mil. tons per year.

There are 7 terminals in the port which all have access to road, rail and IWW:

- Bulk cargo terminal,
- Grains terminal
- Break bulk (general) cargo terminal
- Two liquid cargo terminals
- Multipurpose cargo terminal
- Palletized cargo terminal.

Port equipment: port has three luffing/slewing and a mobile crane and pneumatic equipment. Pneumatic equipment is used on liquid terminal for transshipment of liquid cargo with capacity of 200 t/h, as well as for bunkering. Nevertheless, pneumatic equipment is also used on specialized terminal for transshipment of grains from vessel to storage, as well as from storage to vessel. Capacity of equipment at grains terminal ensure transshipment of 250.000 annually.

Furthermore, port cranes are used at bulk, general, multipurpose and palletized terminal. Luffing/slewing cranes with lower capacity, one with capacity of 16/25t and the other two 5/6t are mostly used for unloading and loading bulk cargo. Mobile crane has a capacity of 63t and is used at terminal for general cargo as well as on the multipurpose terminal.

Other port equipment:

- two maneuvering locomotives
- tugboat
- two-wheel loader
- spreader for handling containers
- C-hooks for handling coils with capacity 25t
- Grabs for handling bulk cargo with capacity from 5m<sup>3</sup> to 13m<sup>3</sup>
- one forklift with capacity of 20t
- seven forklifts with capacity from 2 to 5 tons.

Total length of the quay is 1700 m: 260 m is a vertical quay and 1000 m sloped quay. There is also a 400 m of undeveloped quay. Port has 3 road entrances with 6 lanes. Total length of quay side railway track is 800 m, total length of the railway tracks is 3000 m.

Seven berths are available for vessel docking. Five of them enables vessel berthing next to the quay wall close to facilities for loading/unloading of the vessel, while the remaining two berths enable vessel docking at floating facilities (barges) that are located at the liquid and fuel supply terminal.

Berthing of the vessel next to quay wall is possible on the sloped quay as well as on the vertical quay wall. Two of berths are on the vertical quay wall and they are located on the terminal for grains and the second one next to the mobile crane.

Port has open and covered storages, storages for dangerous goods, as well as silos for grains. Open storage is mostly used for dry, break and high and heavy cargo, while covered storage is used for break cargo sensitive to weather conditions. Open storage allows warehousing of the goods on the surface of the 10.000 m<sup>2</sup>, while covered storage has capacity of 3.000 m<sup>2</sup>.

Storage for dangerous goods is in the tanks for liquid cargo such are diesel fuel, gasoline and natural gas derivate with total capacity of 12.000 m<sup>3</sup>. Nevertheless, storage of diesel fuel is possible on the floating facility (barges) at the bunkering terminal with capacity of approximately of 2.000 tons. Storage of grains on specialized terminal for grains is possible in silos with capacity of 60.000 tons.

- modal split of waterborne transport in your country

Regarding the modal split of waterborne freight transport in Danube port in Croatia, Port of Vukovar provided possibilities of splitting inland waterway cargo between railway and road with opportunity of direct unloading from vessels/barge. Furthermore, also direct loading from railway wagon and trucks is preferred.

- the ownership – port management - operation structure of ports

Inland ports are subjects of special economic interest for the Republic of Croatia and they enjoy its protection (Art. 2 AINIP). For the port area in the national public port, it is defined that it is managed by the port authority (Art. 4. Par. 1 Subpar. 47 AINIP).

Port Authority Vukovar is a public institution founded by the Republic of Croatia in 2001 for management and development of the Vukovar Port and all wharfs of public interest on Danube River in Croatia. Port Authority is responsible for port management and the functionality of the port.

Beside the Port Authority there is a Ministry of the Sea, Transport and Infrastructure which is responsible for the development strategies, setting up a provisions and measures for the development including fiscal and administrative measures.

Public ports are, according to their significance in the port system, classified as:

- ports of national significance – port established by the Republic of Croatia and whose establishment, development and business operations are of interest for Republic of Croatia in terms of transport, economy and other.
- ports of county significance – is port established of the county and whose establishment, development and business operations are of interest of the county in terms of transport, economy or other.

Within the port area, port owners can be different entities, which means Republic of Croatia, different public or private companies and even private owners. Port authority is in charge for management of the real estate owned by the Republic of Croatia, which are part of port area of the public port (Art. 131. Par. 1, Subpar. 1 AINIP). The Landlord model was the main idea of the Croatian port management model, but it was never established to its full meaning and purpose. As we mentioned, there are different landowners in the port area but there could be only port activities obtained within it.

Port authority is in charge to grant concession for different port activities. Concession in inland ports could be given for the port services, for the right to exploit common good and for public works.

Port Authority makes a concession giving plans (for 3 years ahead and for every year itself). The term for which concession is granted in public ports shall be determined based on the type of concession and planning documents based on which the concession is granted (Art. 144 AINIP).

Port operators apply to public open tender procedure for concession. Based on the decision on granting a concession, the port authority executes a concession agreement with the concessionaire (Art. 144, Par. 3 AINIP).

- public and private ports

Regarding the operational structure, in accordance with the main inland navigation and inland ports Act, inland ports in Croatia can be either public or private. Public port can be open for international traffic and for domestic traffic (Art. 117 AINIP). A public port has to provide, within the limits of available capacities, equal conditions of use for all vessels and all persons, without discrimination (Art. 118 AINIP).

Public ports are managed by port authorities. In public ports port authorities are obliged to ensure sustainability of business operations and financial stability by taking into consideration the economic criteria for valuation of the port service market (Art. 119 AINIP).

Every port has a port area which is designated by the Government of the Republic of Croatia by a regulation designating the port area for each port in line with physical planning documents and water management master plan. Designating port area is recorded in land registers. A port area may encompass several port basins or several detached traffic and technology units (terminals) specialised for transshipment of certain type of cargo. The Republic of Croatia is entitled to pre-emption right on properties belonging to port area. (Art. 123. AINIP).

There is not a private port on the Danube River, but it could be established as such. Private ports are ports that do not provide public services but are rather used by the port user for performance of their basic economic activity.

- ports as bimodal or trimodal hubs

Access to the port is possible by inland waterway as well as by road and railways. Connection with port hinterland is enabled by road and railway on the Pan European corridor X and on the branch Vc of the Pan European corridor V. Nevertheless, connection on the Mediterranean Corridor as a part European network TEN-T is provided over the Pan European Corridor X.

- tendencies of the past 7 years

The current situation is that port development is slowed down with the ownership problems. All the land should be owned by the Republic of Croatia and managed by the Port Authority. That could be solved by buying off the land, but the process is slow and too expensive. When Port Authority Vukovar was established, in 2001 some of the port operators were already

obtaining their activities in port from before and they were entitled to get so called “priority concession” without public tendering procedure. Those operators also owned infrastructure. The good thing is that the major operator “Luka Vukovar d.o.o.” was still state owned and Port Authority prepared and implemented division balance documentation so the land and the infrastructure is in this part today state owned. On the other hand, there are some previously state-owned companies who, in the meantime, become privately owned together with the land and infrastructure and they are today still situated in public port.

Other port operators are working on the land that is owned partially by the State and partially by the private or public (City) entities. Therefore, Port Authority has to ensure equal status for everyone when giving concessions and many times this is not an easy task to perform.

The port operator shall own equipment, which is port superstructure. Mostly, the current situation is like afore mentioned except of the one additional crane, which is owned by the Port Authority and given for use within the concession agreement.

## 2.2 Waterborne freight statistics 2010-2017

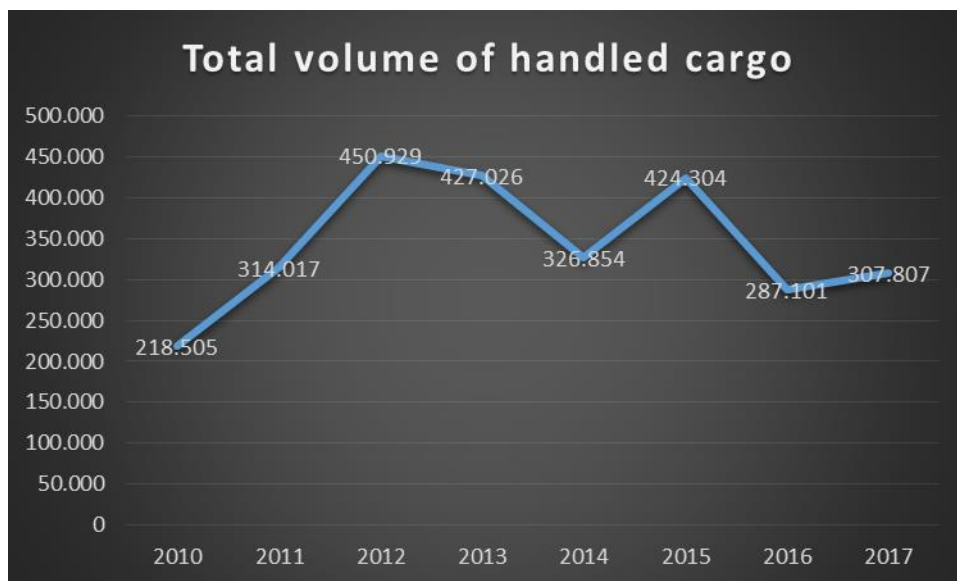


Figure 1: Total volume of handled cargo in port of Vukovar per year in tons

Total volume of handled cargo in port of Vukovar since 2010 until 2017 is shown on the Figure 1. Figure shows significant increase of cargo transshipment from 2010, as well as slightly falling in transshipment. In spite of positive tendency of cargo transshipment comparing to 2010, it is obvious that handled volumes are insufficient in relation to the current capacity of the 2 mil. tons per year.

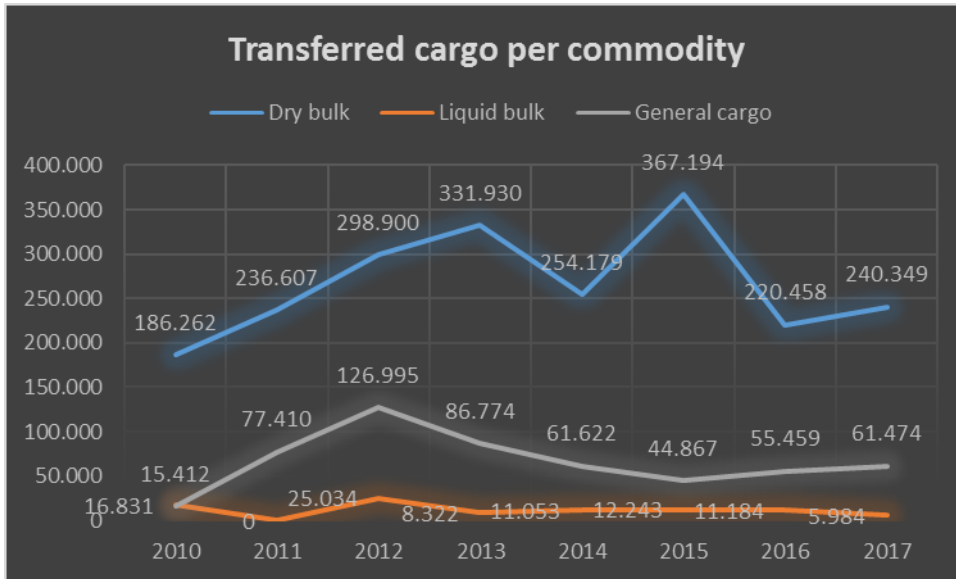


Figure 2: Annual transferred cargo per commodity in tons

Regarding the transferred cargo per commodity, Figure 2 shows relation between transshipment of dry bulk, liquid and general cargo since 2010 until 2017. Nevertheless, dry bulk cargo is the most present in the transshipment, while general cargo took the second pace in port's transshipment. Liquid cargo is transhipped in small quantities and also represents insufficient of transferred cargo compared to existing capacity for storage such cargo type. Except of transferred cargo expressed in quantities, figure 3 provides insight in presence of certain cargo type expressed in percentage.

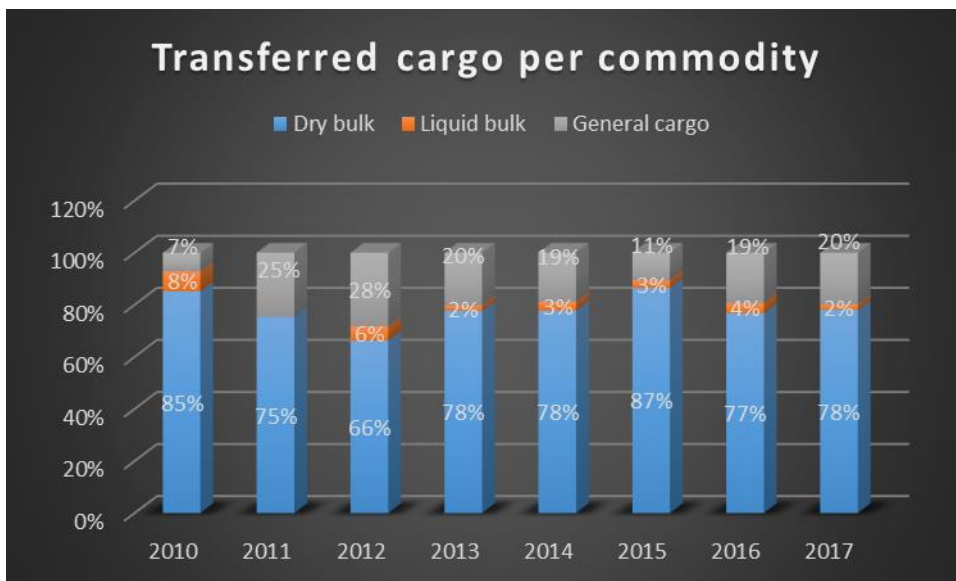


Figure 3: Annual transferred cargo per commodity in percentage

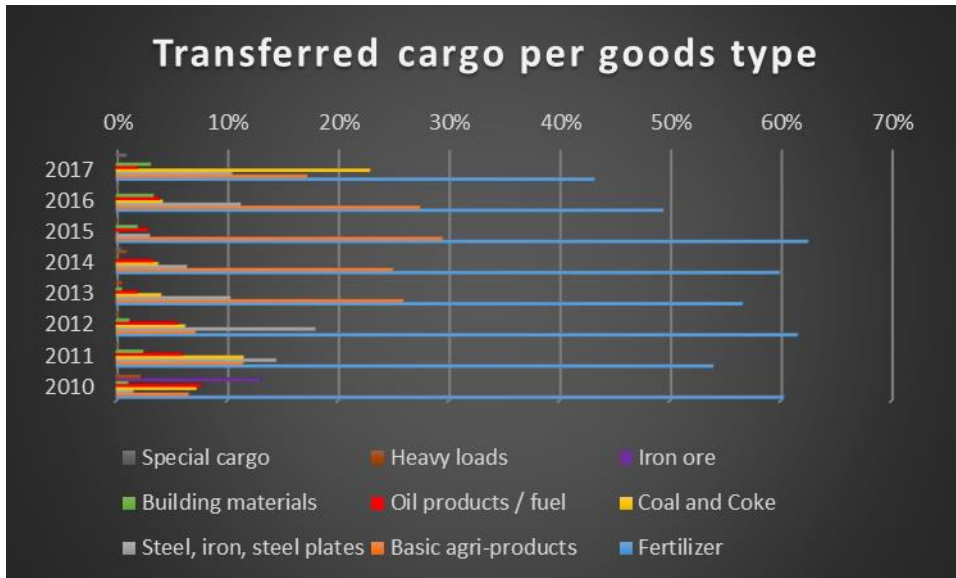


Figure 4: Annual transferred cargo per goods type in percentage

The most transshipment type of cargo is fertilizer, followed by agricultural products and in the 2017 coal and coke presented significant volume in cargo transshipment. Figure 4 provides insight of transshipment cargo per goods type compare to total cargo volume.

Furthermore figure 5 shows percentage of transshipment per good type compare to total transshipment for dry bulk cargo, while figure 6 provide insight of transshipment general cargo per goods type.

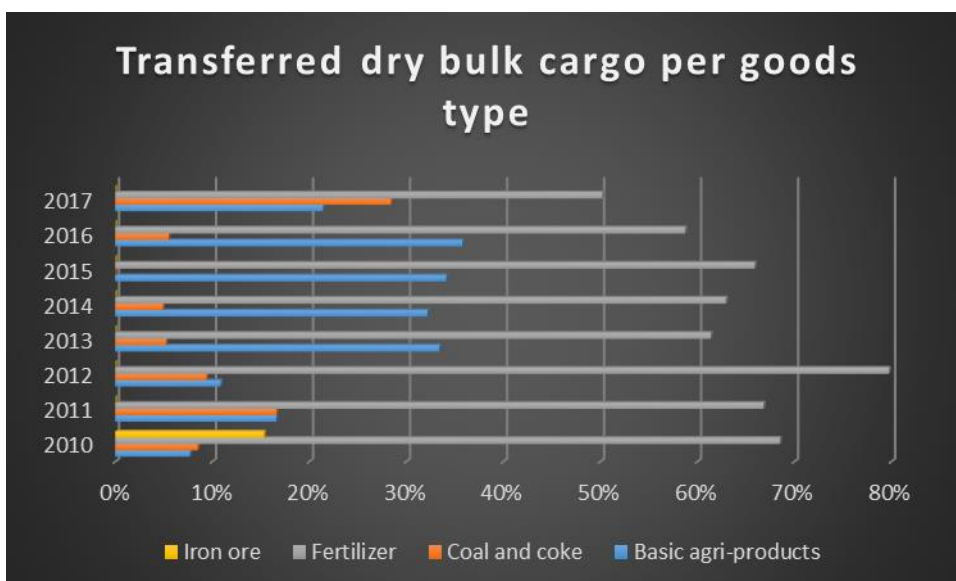


Figure 5: Annual transferred dry bulk cargo per goods type in percentage

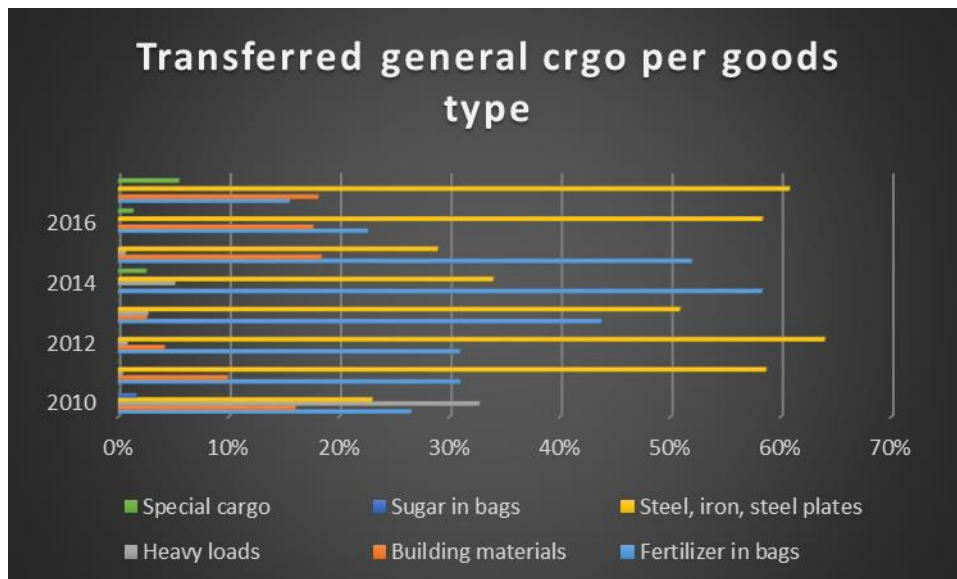


Figure 6: Annual transferred general cargo per goods type in percentage

From above provided transshipment cargo statistic data for Vukovar Port dominated exporting of fertilisers and agricultural products are dominant type of cargo. Nevertheless, transshipment of coal and coke in total volume represented transit through port of Vukovar towards Bosnia and Herzegovina.

## 2.3 Development of ports 2010-2017

### 2.3.1 Objective of port developments

According to Mid-Term Development plan for inland waterways and inland ports 2009 - 2016 main objective of development Danube port is Croatia is focused on the Port of Vukovar thought implementation of the project New East Port.

The Port of Vukovar is being constructed (reconstructed) due to the planned growth in the transport volume and due to the fact that in the near future, the Danube – Sava canal will be running through the area.

The basics of the development concept of the port of Vukovar according to Mid-Term Development plan can be summarised as follows:

- Modernization and construction of additional port capacities within the existing port area - New East Port – Phase I



- Port infrastructure projects in the zone of construction of the mouth of the Danube-Sava canal should be adapted to the construction of the additional capacities – Phase II
- Designate the port to contribute the development of the business zones and the economy in its hinterland
- Modernization of road and rail infrastructure at the approaches to the port, including the connection with the main traffic corridors (V c, X).

Before adoption of Mid-term Plan Port Authority Vukovar was made Master plan for Vukovar port, as well as Conceptual design of the port and location permit was issued.

Plan was to reconstruct and modernize Port of Vukovar until 2016 through EU funds. Nevertheless, Ministry of the Sea, Transport and Infrastructure was a beneficiary, while Port Authority Vukovar was the end user of the EU funds from IPA fund for the project development of the New East Port. For implementation of the project New East Port preparation of Main Design Project as well as tender documentation for conducting procurement procedure for construction was contracted. Unfortunately, in its implementation project was suspended in 2014 and the main objective of development didn't reach through Mid-Term plan for Port of Vukovar.

Furthermore, measure for Vukovar port development is aligned with Transport Development Strategy of the Republic of Croatia 2014-2030. The measure is needed and well defined, even if some further studies might be necessary. In order to develop and upgrade the Port of Vukovar the following measures have been identified: modernization and construction of new facilities to increase the capacity of the existing port, developing and building a New East Port and modernization of road and rail infrastructure connections. To begin with measures conducting a new Mid-term Development Plan needs to be prepared and adopted by Government.

### **2.3.2 Port development expenditures**

As a part of activities defined by the Croatian legislation port authorities are in charge for construction and modernization of port facilities on behalf of the Republic of Croatia in public ports, as well as for their maintenance. To provide those activities financial funds are secured in the budget of the Ministry of the Sea, Transport and Infrastructure as a part of State budget. Expenditures focused on construction and modernization, as well as for maintenance of port facilities since 2010 until 2017 are presented on figure 7.

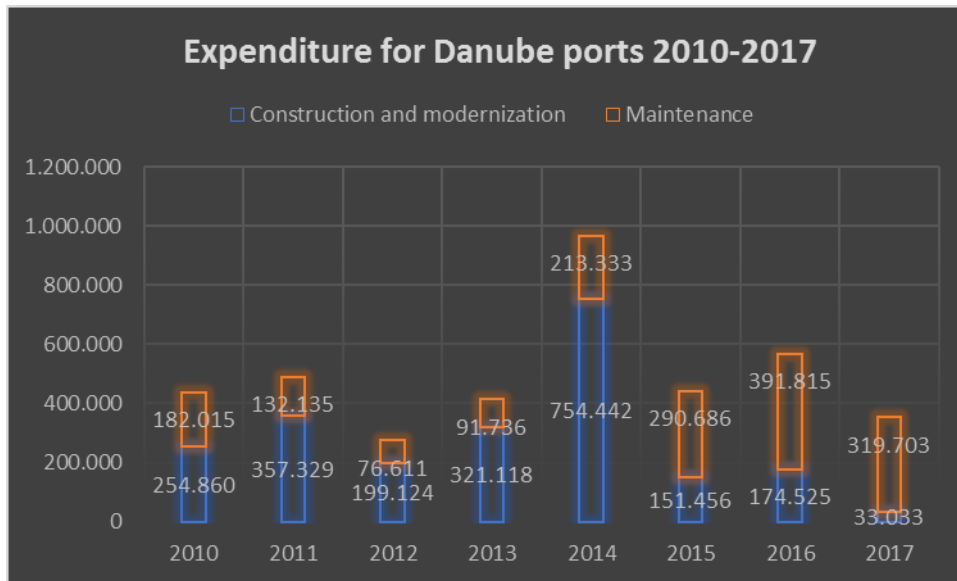


Figure 7: Expenditures for Danube ports in EUR (2010-2017)

Expenditures for construction and modernization include not only investment for cargo port, but also investments in passengers' terminals, as well as maintenance. Furthermore, under the budget line construction and modernization except cost for investment for construction, also are included costs for technical documentation as well as studies.

Investments focused on inland cargo port, more precisely for Port of Vukovar, imply land purchase, construction, costs for technical documentation, as well as maintenance of ports roads, railway tracks and quay wall. Furthermore, within State budget EU funds are secured for IPA Technical assistant. IPA Technical assistant is foreseen for Technical assistance to the Transport Operating Structure for management of the Operational Programme and implementation of projects. Expenditures which foreseen for Port of Vukovar are presented on the figure 8, and they are not considered as a state aid.

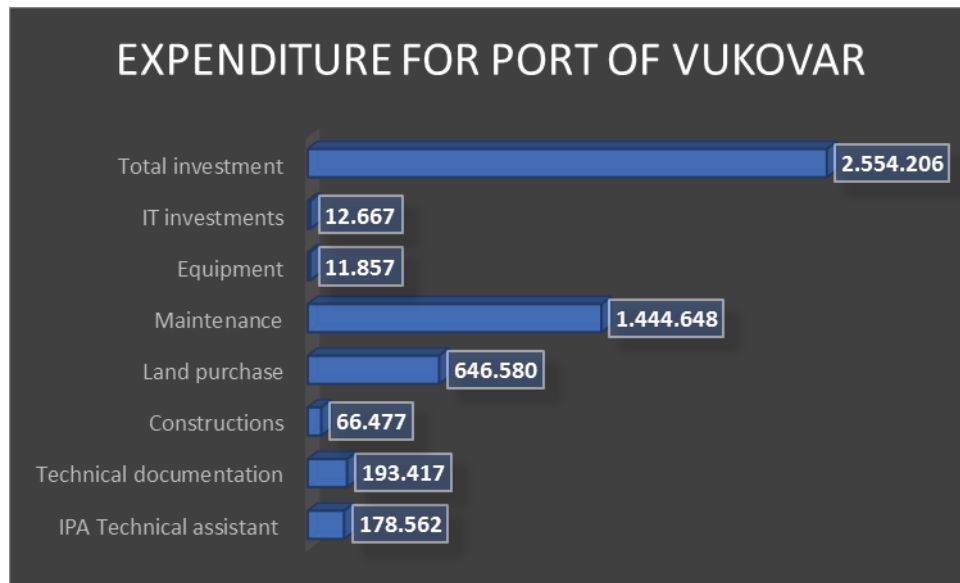


Figure 8: Expenditure for Port of Vukovar in EUR (2010-2017)

## 3 Public funded investments in inland cargo ports of the Danube Region

### 3.1 Introduction of public funded investments

Regarding the aid schemes and individual aids for development of ports no such state aid has been granted in Republic of Croatia since 1st January 2012. Most of the granted state aids for inland waterway sector were assigned for inland waterway shipping operators in national transport.

Through the State aid scheme for inland waterway shipping operators in national transport, *de minimis* aids for development of river transport has been granted with the aim of navigation safety raising through the financing of navigation equipment, as well as equipping the vessels in accordance with the technical requirements for achieving environmentally friendly technical performance of vessels. Furthermore, the State aid scheme is also focused on subsidizing of fuel prices for national vessels operators.

Despite the fact that afore mentioned granted state aid is not related with port development, it is still listed in the table 1 in order to gain insight on the state aids granted for the entire inland waterway sector.

1. Table: Aid schemes and individual aids in entire inland waterway sector

Name of the Aid scheme/ Individual Aid	Individual Aid or Aid scheme	Beneficiary	Selection procedure	Total investment (EUR)
State aid for inland waterway shipping operators in national transport (2012-2017)	Aid scheme ( <i>de minimis</i> aid)	Shipping operators	Excluded from reporting to the Ministry of Finance	85.150,00

## 3.2 Selection procedure

State aid in the Republic of Croatia is regulated by the “State Aid Act” (Official Gazette no 47/2014, 69/2017). State aids are regulated by State Aid Act without interfering with their regulation in the Treaty on the Functioning of the European Union and the regulations of the European Union institutions as areas of exclusive competence of the European Union.

Act regulates the competences of the bodies of the Republic of Croatia in the field of State aid and *de minimis* aids, State aid policy of the Republic of Croatia, procedures prior to granting State aid, keeping records and reporting on State aid and *de minimis* aid grants.

### **MEANININGS OF THE TERMS**

According to the Act, certain terms have the following meanings:

- **State aid** is the actual and potential expense or reduced State revenue allocated by the State aid provider in any form which distorts or threatens to distort competition by placing it in a more favorable position for a particular undertaking or the production of a particular commodity and / or service in so far as it effects on trade between Member States Of the European Union, in accordance with Article 107 of the Treaty on the Functioning of the European Union (hereinafter: TFEU)
- **State aid scheme** is a legal act based on which, without the need for additional implementing measures, state aid is granted to predetermined state aid beneficiaries as well as a legal act on the basis of which state aid not previously linked to a particular project is awarded to one or more beneficiaries state aid for an indefinite period of time and / or an indefinite amount
- **Individual State aid** is State aid not awarded on the basis of the State aid program
- **State aid exempted from the obligation to report to the European Commission** are State aid that is not required prior to the award to the European Commission in accordance with the relevant EC regulations adopted under Article 108 of the TFEU
- **De minimis aid (Small-value aid)** is the aid governed by a valid EU regulation which, by its amount, does not disturb or threaten to distort competition and does not affect on trade between the Member States of the European Union and does not constitute State aid under Article 107 of the TFEU
- **State aid / de minimis aid donor** is the central state administration body, local and regional self-government units and each legal person awarding state aid / de minimis aid grants
- **The beneficiary of the state aid / de minimis aid** is any legal and natural person who, engaged in economic activity, takes part in the movement of goods and services and receives state aids / de minimis aids, irrespective of its form and purpose

- **The application to the European Commission** is a proposal for a state aid scheme or individual state aid for approving its allocation in accordance with the applicable Council and European Commission regulations governing the procedure for granting and granting State aid
- **State aid rules** are those rules of the *acquis* on state aid governing the conditions for their allocation, as well as the rules of the Republic of Croatia to which the rules of the *acquis* on the conditions for granting State aid have been transposed.

### **JURISDICTION OF BODIES IN THE FIELD OF STATE AID AND SMALL VALUE AID**

The Ministry of Finance, in the field of State aid and *de minimis* aid, carries out the following tasks:

- Implements and supervises the implementation of state aid policy within the fiscal policy measures of the Republic of Croatia
- Gives opinions on the proposals of the state aid scheme and the individual state aid in relation to the established state aid policy
- Gives opinions on proposals for State aid programs and individual state aid in respect of their compatibility with State aid rules prior to the submission to the European Commission for approval
- Submits to the European Commission proposals for state aid programs and individual state aid
- Gives its opinion on the proposals for state aid programs and individual state aid exempted from the obligation to report to the European Commission and informs the European Commission about this
- Provides expert assistance to providers of State aid and *de minimis* aid
- Collects, processes, records data on granted state aids and *de minimis* aid grants and conducts an analysis of the effectiveness of state aid and *de minimis* aid
- Draws up an annual State Aid Report
- Reports to the European Commission on the granting of state aid
- Participates in the work of the European Union institutions in the field of state aid and *de minimis* aid
- Cooperates with international organizations and other subjects of international law in the field of state aid and *de minimis* aid
- Drafting proposals for state aid and *de minimis* aid regulations and draft regulations to be adopted by the European Union *acquis* on state aid and *de minimis* aid grants

- Gives an opinion on the draft regulations drawn up by the competent authorities relating to state aid and *de minimis* aid grants
- Provides training for the professional training and improvement of the provider and / or beneficiary of state aid and *de minimis* aid.

State aid and *de minimis* aid providers carry out the following tasks:

- Make proposals for state aid programs and individual state aid from its scope
- Grants State aid upon receipt of the opinion or approval of the competent authorities and after its publication
- Grants small value grants
- Monitors the implementation of the use of state aid granted and *de minimis* aid
- Keep records for granted state aid and *de minimis* aid within its jurisdiction
- Submit data on granted state aids and *de minimis* aid to the Ministry of Finance
- Analyze the effectiveness of the granted state aid and notify the Ministry of Finance
- Carry out refund of the state aid and *de minimis* aid.

### **STATE AID POLICY**

The Government of the Republic of Croatia designs the state aid policy of the Republic of Croatia by specifying its priority objectives and the purpose of efficient use of the funds of the state budget of the Republic of Croatia.

The state aid policy of the Republic of Croatia follows the policy of the state aid of the European Union and the guidelines of the fiscal and economic policy of the Republic of Croatia.

The Government of the Republic of Croatia, on the proposal of the Ministry of Finance, provides guidelines for the state aid policy for a three-year period.

In drafting the State Aid Policy Guidelines, the Ministry of Finance cooperates with the state administration bodies, taking into account the data on the effectiveness of the state aid granted in previous years.

### **PROCEEDINGS BEFORE THE AWARD OF STATE AID**

In field of port infrastructure Ministry of Sea, Transport and infrastructure drafts the State aid proposal, as well as program proposal for *de minimis* aid.

*De minimis* aid are awarded in accordance with the applicable EU Regulation regulating *de minimis* grants.

Selection procedure before granting State aid is divided on two procedures. The first one considered state aids for which there is an obligation to report to the European Commission, and the second one that are not obligatory to report to the European Commission.

### **3.2.1 Selection procedure 1**

#### **State aid for which there is an obligation to report to the European Commission**

The State Aid provider shall submit to the Ministry of Finance a proposal for a State aid scheme or individual State Aid for submission to the European Commission. Within 45 days of the receipt of the full proposal for a State aid scheme or individual State Aid, the Ministry of Finance shall give its opinion on its compliance with the State aid rules and guidelines of the State aid policy of the Republic of Croatia. The proposals of the State Aid Provider of Local and Regional Self-Government Units shall be submitted to the Ministry of Finance only on their compatibility with the State Aid Rules.

If the Ministry of Finance considers that the proposal is in line with the State aid rules and guidelines of the State aid policy of the Republic of Croatia, it shall without delay notify the proposal of the State aid program or individual state aid to the European Commission and inform the state aid provider thereof.

If the Ministry of Finance considers that the proposal is inconsistent with or incompatible with the state aid rules and / or guidelines of the state aid policy of the Republic of Croatia, it shall propose to the State Aid Provider amendments to the submitted suggestions in written to achieve compliance. The State Aid Provider shall make the proposed amendments within the deadline set by the Ministry of Finance, which may not be shorter than 8 or more than 30 days. If the State Aid Provider fails to submit to the Ministry of Finance the proposed amendments within the deadlines, Ministry of Finance shall reinstate the State Aid Provider of the application. If, even after a repeated request, the State Aid Provider fails to submit the required amendments within the deadline set by the Ministry of Finance, it shall be considered that the State Aid Provider has withdrawn from the proposal, unless the State Aid Provider does not submit the request.

Furthermore, proposal of the State aid scheme or individual state aid is reported by the Ministry of Finance to the European Commission upon a receipt of the corrected proposal without delay if it considers that the proposal is in compliance with the State aid rules and guidelines of the State aid policy of the Republic of Croatia.

If the State Aid Provider requests that the proposal for which the Ministry of Finance considers compliant with the Guidelines for State Aid Policies of the Republic of Croatia, without the



proposed amendments to be made for the purpose of alignment with the State Aid Rules, the Ministry of Finance will act upon the request of the State Aid Provider and issue a missed proposal to the European Commission without delay.

The State aid provider may not grant State aid from the proposal prior to the approval of the European Commission.

### 3.2.2 Selection procedure 2

#### **State aid exempted from the obligation to report to the European Commission**

The State Aid Provider a proposal for a state aid scheme or individual state aid submits to the Ministry of Finance exempted from the obligation to report to the European Commission in order to give its opinion on the compatibility of the content of the proposal with the State aid rules and state aid guidelines of the Republic of Croatia.

The Ministry of Finance shall give its opinion on the proposal at the latest within 45 days of the receipt of a complete proposal stating that the proposed State aid is exempt from the obligation to report to the European Commission and that it is in accordance with the rules on State aid and Guidelines for State Aid Policies of the Republic of Croatia.

On the proposals for the state aid provider of the local and regional self-government units, Ministry of Finance shall give its opinion only on their state aid status exempt from the obligation to report to the European Commission and in compliance with state aid rules.

If the Ministry of Finance considers that the proposal is incompatible with, or is not sufficiently aligned with, state aid rules and / or state aid guidelines of the Republic of Croatia, it shall propose in writing to the State Aid Provider of Amendment suggestions for achieving compliance. The State Aid Provider shall make the proposed amendments within the deadline set by the Ministry of Finance, which may not be shorter than eight or more than 30 days.

If the State Aid Provider fails to submit to the Ministry of Finance the proposed amendments within the deadlines, the Ministry of Finance shall re-send request to the State Aid Provider.

If, even after a repeated request, the State Aid Provider fails to submit the requested amendments for alignment with the guidelines of the State aid policy of the Republic of Croatia within a deadline set by the Ministry of Finance, it shall be considered that the State Aid Provider has withdrawn from the proposal.

The State Aid Provider may grant State aid only after receiving a positive opinion from the Ministry of Finance on the compatibility of the State Aid Program proposal or individual State Aid with the Guidelines of the State Aid Policy of the Republic of Croatia. If State Aid Provider does not agree with the opinion of the Ministry of Finance on the compatibility of the proposal with the rules on state aid, the State Aid Provider may request from the Ministry of Finance the application of the proposal for which the Ministry of Finance considers the harmonized with guidelines of the state aid policy of the Republic of Croatia, directly to the European Commission.

If the application is requested and executed to the European Commission, the State Aid Grant may not grant State aid from the proposal prior to the approval of the European Commission.