

in focus



Ankica Parun-Jarallah

300,000 Unemployed by End of Year

The Croatian Unemployment Agency (HZZ) expects the number of unemployed in Croatia to near 300,000 by the end of the year.

The Head of the Agency, Ms. Ankica Paun-Jarallah, on Monday, after a session of the Economic Social Council (GSV), which was discussing trends in the labor market in the first 6 months, stated estimates that the number of unemployed by the end of the year to reach between 280,000 and 295,000, which is at least 30,000 more than August last year, when HZZ registered 251,000 unemployed.

Media Has Been Excellent During the Crisis

During the economic crisis, the media has done their job well, while others have not. This is the consensus of all the participants of the roundtable, titled "Crisis and Media - What Could We Have Done Differently".

The WMF attracted almost everyone that knows anything about the media. The many presentations and roundtable discussions were very well attended. The most attended discussion was the last one, partially due to the interesting topic and guests (Ivica Mudrinić, Hrvoje Vojković, Marjan Jurleka, Davor Tomašković and Nadan Vi-

došević). This year's WMF very much covered the economy and business media. If we are to judge by the discussions regarding the future of business media, Croatia will soon only have one business-focused daily newspaper.

Darko Marušić, Editor-in-Chief of Poslovni Dnevnik, and Silvana Mengušić, Editor-in-Chief of Business.hr, quickly agreed that Croatia is too small a country for 2 (business) daily newspapers. They both agreed that the one to "survive" is the one that will be the best quality and is the most persistent.

Croatia Collects Lowest Level of Property Tax in EU

Introducing a property tax through the taxation of real estate ownership is a capital form of intervention in the tax system involving large administrative efforts whose revenue expectations are unsure.

This is one of the conclusions of the latest research done by the Institute for Public Financing (IJF), titled "Everything you need to know about property taxation." Compared to 19 EU countries, the author of the research, Ms. Marina Kesner-Škreb, emphasizes that Croatia collects the least from property taxation.

In 2006, such taxes made up 0.13% of the total collected tax revenues. Between 2003 and 2007, in Croatia, cities and municipalities collected approximately 100 million kunas from property taxation, or 0.12% of their total tax revenues. The research cautions regarding the possible turnaround in taxation policies with an eventual introduction of a property tax (through the taxation of real estate ownership).



Taxation of real estate

Poslovni dnevnik

Government Dismisses HEP Management Board

Change Mravak replaced by person responsible to supervise him

Prime Minister Jadranka Kosor decided not to wait for the formal decision from the Zagreb County Court and dismissed the HEP (Croatia Electricity company) Management Board. While waiting for the outcome of the investigation initiated by the Zagreb County Court, on Tuesday, the Government reached a decision and instructed the Supervisory Board to dismiss the HEP Management Board.

In an official announcement, the Government did not list the reasons for their decision. However, their spokesman, Mr. Zlatko Mehun, confirmed that the decision is related to the ongoing investigations.

The chance to run the biggest Croatia state-owned company with a yearly revenue of 12 billion kunas was given to the State Secretary of the Ministry of Economy and the President of the HEP Supervisory Board, Mr. Leo Begović. In order to settle into the new position, a few other procedures need to be completed, but, considering that the company is 100% owned by the state and its Assembly is the Secretary of the Ministry of Economy, Miljenko Pavlaković, these procedures can practically be carried out in one day.

In order for the new President to carry out the Government decision for the naming of Begović, the Assembly needs to first dismiss Begović as the President of the Supervisory Board and name the



days. On Tuesday, Begović did not want to make any comments regarding any possible new management board names until he reaches a final decision. His competence and goals in running the company will be valued based on the people he gathers in his team. This will also reveal the Government's plans regarding the management that is awaiting a sensitive phase of financial and personnel restructuring. What remains a question is the reason why the Government waited. "If HEP was listed on the stock market it would have suffered extreme pressure from these scandals that have been making headlines the last six to seven weeks and go bankrupt," commented Poslovni Dnevnik's source from within the energy industry. He added that it would have been more logical if the Board stepped down on their own, instead of being dismissed by the Government.

The contents of the Board Member contracts, concerning the conditions and the amounts of severance packages, prolonged the decision making. Radomir Milišić, HEP spokesman, claims that these severance packages of millions of kunas are not true, but that Mravak has the right to 400,000 kunas and other members of the board 300,000.

In addition, they have a right to a life insurance policy valued at 2,500 euro per years worked and do not get the right to buy out their official vehicle, as mentioned in the media.

AFTER EVERYTHING, IT IS ODD THAT THE GOVERNMENT DECIDED ON A YOUNG MAN LACKING EXPERIENCE

retired general Krešimir Čosić, current Deputy President of the Supervisory Board, to his position. The first reactions to this Government decision were mostly comments on the Government's policy to maintain continuity in the management of HEP and name the person that enjoys strong party support. Presently, the experts believe that this was more important than to form an expert management. Besides, Begović will be mainly making decisions regarding the naming of a new Management Board for which, according to our sources, he has been given 14



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Summary by AmCham

Managers Forecast Recovery in 3rd Quarter of 2010

Strategic repositioning and restructuring of projects, followed by close supervision, is the solution for the future companies. This is the opinion of 41% of Croatian entrepreneurs that participated in the research of the consulting company Roland Berger.

Roland Berger carried out a survey among 40 managers on the question of how the crisis influenced the Croatian economy and when they would expect the recovery to

occur. The director of the Zagreb office of Roland Berger, Mr. Vladimir Preveden, is optimistic regarding the speed of recovery of the Croatian Economy, given the fact that for the first time so many Croatian managers considered repositioning and restructuring as the key result of the economic recession.

Namely, in 2008, only 3% of the Croatian entrepreneurs thought of repositioning as one of their strategic objecti-

RIGOROUS APPROACH TO PAYMENTS COLLECTION RECOMMENDED

ves. Preveden believes that repositioning and restructuring will be the main topic in the months to come and the first results are to be expected at the end of the 2009.

Lack of financing, reduced investments, increased illiquidity, and lower prices are the main problems facing managers. Of those surveyed, 96% caution that the rates for available financing are unfavorable, 28% have stopped investments, and 17% that they wi-

ll soon also option to stop their investments. Production has been reduced by 12% of businesses.

The rationalization of operational costs has been implemented by 62% of those surveyed, with 54% confirming new sales initiatives. Implementing layoffs and a halt to new employment has been opted by 29% of managers, 13% are considering this option, and 13% confirm worsening of payments and illiqui-

ty. They expect that the situation will worsen in the near future. One third of those surveyed expect a recovery to begin in Q3 2010.

Some of those surveyed mention recovery in 2011. Preveden suggests that the recipe for the recession to be ensuring short-term liquidity, timely payments and rigorous management of payments. Those that are not successful in these measures will need to immediately begin restructuring.