

# Establishing a Central Registry of State Assets: third time lucky?

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*Source / Izvornik:* **Press releases, 2018, 11, 1 - 3**

**Journal article, Published version**

**Rad u časopisu, Objavljena verzija rada (izdavačev PDF)**

<https://doi.org/10.3326/pr.2018.105>

*Permanent link / Trajna poveznica:* <https://um.nsk.hr/um:nbn:hr:242:372986>

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*Download date / Datum preuzimanja:* **2024-11-22**



*Repository / Repozitorij:*

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# PRESS RELEASES

## Establishing a Central Registry of State Assets: third time lucky?

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**A proposal for an Act on a Central Registry of State Assets is currently under parliamentary procedure, with the aim of establishing the records and ensuring effective management of the property of the Republic of Croatia (RC). Over the last five years, several versions of the registry have been developed and a number of institutions set up with the same goals, so that a reasonable question is whether the new act, i.e. the Registry, can ensure that those goals are met.**

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**The Republic of Croatia owns and/or has at its disposal a significant number of assets in various forms** whose total value is unknown. Only the accounting value of financial assets for 2017 is available (about HRK 201bn)<sup>1</sup>. Unlike the central government's total assets, whose size and value is unknown, the estimated accounting value of the assets (stock of assets) of local government units stood at HRK 128bn in 2017 (non-financial assets accounted for HRK 101bn and financial assets for HRK 27bn).<sup>2</sup> Although not being completely registered, the total state property has a very high value and should therefore be effectively maintained and appropriately managed. The property of both central and local governments, to be managed by executive and representative authorities on behalf of citizens, is an inadequately used source of financing for both levels of government. Despite some major changes in the approach to state property management during the transition period, i.e. the last 25 years, little progress has been made in meeting the key prerequisite for more efficient management - comprehensive records of the types, purposes, number and value of assets, as well as the revenues from and expenditures for those assets.

**Without accurate records, it is difficult to assess the quality and efficiency of property management.** A registry of state assets was first regulated by the State Property Management Act (OG 145/10 and 70/12). According to the new Act on the Management and Disposal of Assets Owned by the RC (OG 4/13, 130/14, 18/16 and 89/17), effective as of 30 July 2013, the central registry is maintained by the State Office for State Property Management (DUUDI). However, despite the time passed and the existence of the registry, the size and value of state assets and the effects of their management are still unknown.

**Institutional framework for state assets management.** The Government in 2013 adopted a Strategy for the Management and Disposal of Assets Owned by the RC for the period 2013-2017 (OG 76/13). On that occasion, the Government publicly presented its project of development and implementation of the State Assets Management Information System (ISUDIO) with a view to upgrading the existing registry. The DUUDI's Strategic Plan for the period 2016-2018 was aimed at

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<sup>1</sup> See CNB, 2018. [Financial accounts](#).

<sup>2</sup> See MoF of the RC, 2018. [Financial reports of ULRS](#).

redefining the concept and scope of the state property records, as one of the priority measures within the EU economic and fiscal policy coordination cycle. The project started with identifying the appearance forms of real estate, but there was a problem with definition. For example, concession is not a type of state assets, but rather a form of legal transaction. The State Property Ministry<sup>3</sup> inherited the revised strategic plan of the DUUDI for the period 2016-2018, based on medium-term goals and guidelines.

**The professional and the general public are fatigued.** Only four comments on the proposed Act (currently under parliamentary debate) have been submitted during this summer's public consultation, which leads to the conclusion that the professional public is tired of futile attempts to establish a comprehensive registry and a state property management system.

**Key novelties in the Act on a Central Registry of State Assets.** The concept of state assets encompasses the assets of: the central government, local government units, budget users and companies. All bodies of central government and local government units, as well as budget and extra-budgetary users, companies owned by the central government and local government units and institutions are required to keep own records and submit them to the Central Registry of State Assets, kept by the Central State Office for Digital Society Development on behalf of the State Property Ministry. Data on any changes in the property (e.g. its sale, purchase or rent) should be submitted within 60 days. Entities subject to submission obligation that have so far failed to deliver data to the Registry are required to do so within 6 months. Regrettably, the Act proposal does not include any penalty and violation provisions regarding the non-compliance with the data submission obligation.

Once the Act is passed, **Rules on the Technical Structure of Data and a Regulation on the Organization of and the Method of Keeping the Central Registry** are expected to be adopted. The Registry should be maintained by the State Property Ministry as the data owner, rather than the organization providing technical support, i.e. the Central State Office for Digital Society Development, which may be a major obstacle to successful Registry management.

**Table 1.** Goals of the new Act on a Central Registry of State Assets, and its implementation challenges

Goals of the Act	Implementation challenges
<ul style="list-style-type: none"> <li>– Keeping records and gaining insights into the scope and structure of the appearance forms of assets;</li> <li>– Effective management and supervision of the disposal and stock of assets;</li> <li>– Better and faster decision-making with respect to the management and disposal of assets;</li> <li>– Monitoring the benefits and effects of asset management by appearance form of assets.</li> </ul>	<ul style="list-style-type: none"> <li>– Discrepancies in individual asset entries between the cadastre and land registry;</li> <li>– A lack of tools for or measures of effective asset management;</li> <li>– Problems with real-time data update;</li> <li>– Dependence on other registries (e.g. land registry or cadastre);</li> <li>– Differences in the appearance forms of assets between various state registries (e.g. cadastre, land registry, GCE, Fina, etc.);</li> <li>– Difficulties in defining a high-quality data model;</li> <li>– Accuracy and reliability of data;</li> <li>– Questionable accuracy of asset value data.</li> </ul>

**Performance evaluation of state property management.** For over 25 years now, Governments have been faced with all kinds of challenges relating to the listing of state assets. Even after the adoption of the proposed Act, Governments will continue to face the 'old' challenges of measuring the asset management performance, reporting, and public debates on the successful implementation of plans and responsibility for their failure. Regrettably, not even this Act proposal offers any clear criteria for the performance evaluation of the State Property Ministry and the Central State Office for Digital Society Development, responsible for the Registry. Since 2017, revenues from the management (privatisation) of state financial assets in the annual amount of HRK 1bn have been regularly planned in the national budget. However, those plans have never been executed and the reasons for the absence of the receipts remain unknown (Table 2). Time will show whether the latest Act proposal will change the situation.

<sup>3</sup> The State Property Ministry was set up in November 2016 as a successor to the State Office for State Property Management (DUUDI).

**Table 2.** National budget receipts from the sale of stocks and shares in the state property principals, 2015-2021 (in million HRK)

Year		Receipts
2015	Plan	50
	Outturn	1
	<b>% of plan</b>	<b>2</b>
2016	Plan	345
	Outturn	345
	<b>% of plan</b>	<b>100</b>
2017	Plan	1,400
	Outturn	117
	<b>% of plan</b>	<b>8</b>
2018	Plan	1,000
	Outturn January – June	94
	<b>% of plan</b>	<b>9</b>
2019	Plan	1,001
2020	Projections	1,000
2021	Projections	1,000

Source: Ministry of Finance of the RC: National budget plans and outturns, 2015- 2019.