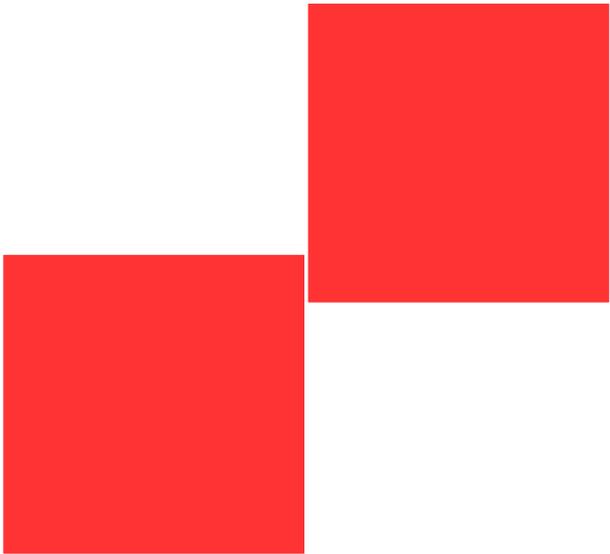




**GOVERNMENT OF THE REPUBLIC OF CROATIA**

Two red squares of different sizes, one larger than the other, positioned to the left of the title box.

# **National Reform Programme 2018**

**APRIL, 2018**

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## List of Abbreviations and Acronyms

|                |  |
|----------------|--|
| <b>AVETAE</b>  | Agency for Vocational Education and Training and Adult Education |
| <b>CBS</b>     | Central Bureau of Statistics                                     |
| <b>CCA</b>     | Croatian Competition Agency                                      |
| <b>CDCC</b>    | Central Depository and Clearing Company                          |
| <b>CEF</b>     | Connecting Europe Facility                                       |
| <b>CERN</b>    | European Organization for Nuclear Research                       |
| <b>CES</b>     | Croatian Employment Service                                      |
| <b>CHIF</b>    | Croatian Health Insurance Fund                                   |
| <b>CIGC</b>    | Career Information and Guidance Centre                           |
| <b>CIPH</b>    | Croatian Institute of Public Health                              |
| <b>CIT</b>     | Croatian Institute of Telemedicine                               |
| <b>CITM</b>    | Croatian Institute for Transfusion Medicine                      |
| <b>COA</b>     | Croatian Environmental Agency                                    |
| <b>CPII</b>    | Croatian Pension Insurance Institute                             |
| <b>CREA</b>    | Croatia Real Estate Agency                                       |
| <b>CRIP</b>    | Central Register of Insured Persons                              |
| <b>CROQF</b>   | Croatian Qualifications Framework                                |
| <b>CSF</b>     | Croatian Science Foundation                                      |
| <b>CSODDS</b>  | Central State Office for the Development of a Digital Society    |
| <b>CSS</b>     | Centre for Shared Services                                       |
| <b>DESI</b>    | Digital Economy and Society Index                                |
| <b>EC</b>      | European Commission  |
| <b>EEA</b>     | European Economic Area   |
| <b>EFSI</b>    | European Fund for Strategic Investments                          |
| <b>EIAH</b>    | European Investment Advisory Hub                                 |
| <b>EIB</b>     | European Investment Bank   |
| <b>EIF</b>     | European Investment Fund   |
| <b>EOJN</b>    | Electronic Public Procurement Classifieds Portal                 |
| <b>EPEEF</b>   | Environmental Protection and Energy Efficiency Fund              |
| <b>ERDF</b>    | European Regional Development Fund                               |
| <b>ESF</b>     | European Social Fund   |
| <b>ESIF</b>    | European Structural and Investment Funds                         |
| <b>ESPD</b>    | European Single Procurement Document                             |
| <b>ESSPROS</b> | European System of Social Protection Statistics                  |
| <b>EU</b>      | European Union   |
| <b>FEAD</b>    | Fund for European Aid to the Most Deprived                       |
| <b>GDP</b>     | Gross Domestic Product   |
| <b>GIS</b>     | Geographic Information System                                    |
| <b>GMB</b>     | Guaranteed Minimum Benefit                                       |
| <b>HALMED</b>  | Agency for Medicinal Products and Medical Devices of Croatia     |
| <b>HANFA</b>   | Croatian Financial Services Supervisory Agency                   |
| <b>HROTE</b>   | Croatian Energy Market Operator Ltd.                             |



|               |  |
|---------------|--|
| <b>ICT</b>    | Information and Communication Technology                       |
| <b>MA</b>     | Ministry of Agriculture  |
| <b>MCPPI</b>  | Ministry of Construction and Physical Planning                 |
| <b>MCV</b>    | Ministry of Croatian Veterans                                  |
| <b>MDFYSP</b> | Ministry of Demographics, Family, Youth and Social Policy      |
| <b>MEC</b>    | Ministry of Economy, Entrepreneurship and Crafts               |
| <b>MEE</b>    | Ministry of Environment and Energy                             |
| <b>MF</b>     | Ministry of Finance  |
| <b>MH</b>     | Ministry of Health   |
| <b>MIS</b>    | Management Information System                                  |
| <b>MLPS</b>   | Ministry of Labour and Pension System                          |
| <b>MPA</b>    | Ministry of Public Administration                              |
| <b>MRDEUF</b> | Ministry of Regional Developments and EU Funds                 |
| <b>MSE</b>    | Ministry of Science and Education                              |
| <b>MSP</b>    | Ministry of State Property                                     |
| <b>MSTI</b>   | Ministry of the Sea, Transport and Infrastructure              |
| <b>NCEA</b>   | National Classification of Economic Activities                 |
| <b>NCEEE</b>  | National Centre for External Evaluation of Education           |
| <b>NCO</b>    | National Classification of Occupations                         |
| <b>NIAS</b>   | National Identification and Authentication System              |
| <b>NITECS</b> | National IT Energy Certification System                        |
| <b>NRP</b>    | National Reform Programme                                      |
| <b>OECD</b>   | Organisation for Economic Cooperation and Development          |
| <b>OG</b>     | Official Gazette   |
| <b>OPCC</b>   | Operational Programme “Competitiveness and Cohesion 2014–2020” |
| <b>OPEHR</b>  | Operational Programme “Efficient Human Resources 2014–2020”    |
| <b>OPMAF</b>  | Operational Programme for Maritime Affairs and Fisheries       |
| <b>PHC</b>    | Primary Healthcare   |
| <b>PMR</b>    | Product Market Regulation                                      |
| <b>PPIS</b>   | Physical Planning Information System                           |
| <b>RC</b>     | Republic of Croatia  |
| <b>RDP</b>    | Rural Development Programme 2014–2020                          |
| <b>RES</b>    | Renewable energy sources                                       |
| <b>RSC</b>    | Restructuring and Sale Centre                                  |
| <b>SAB</b>    | State Administration Bodies                                    |
| <b>SAMIS</b>  | State Asset Management Information System                      |
| <b>SB</b>     | State Budget   |
| <b>SCM</b>    | Standard Cost Model  |
| <b>SGA</b>    | State Geodetic Administration                                  |
| <b>SHC</b>    | Secondary Healthcare   |
| <b>SME</b>    | Small and Medium-sized Enterprise                              |
| <b>STEM</b>   | Science, Technology, Engineering and Mathematics               |
| <b>TA</b>     | Tax Administration   |
| <b>UEHA</b>   | Unified emergency hospital admission                           |
| <b>ULRSG</b>  | Units of Local and Regional Self-Government                    |
| <b>ULSG</b>   | Units of Local Self-Government                                 |
| <b>VAT</b>    | Value Added Tax  |





## Foreword

The European Semester is a cycle of economic and fiscal policy coordination within the European Union (EU), within whose framework Member States align their policies with due economic policy at EU level. The participation in the European Semester is the responsibility of every EU Member State. The Republic of Croatia (RC) has been participating in the European Semester process since 2014. The main obligations arising from the participation in the European Semester are the preparation of annual National Reform Programmes and Convergence Programmes, and the Stability Programme for the euro area Member States.

This year's European Semester cycle began in November 2017 with the publication of three key documents: Annual Growth Survey, Alert Mechanism Report and Employment Report. The Alert Mechanism Report prescribed an in-depth analysis to be conducted in the Republic of Croatia, along with 12 other EU Member States, the results of which were published in the Country Report – Croatia of 7 March 2018. The Report for Croatia states that the recovery of the Croatian economy from the long-lasting and negative consequences of the economic crisis continued in 2017, with a projected growth rate of gross domestic product (GDP) of 3.2% in 2017, and 2.8% and 2.7% in 2018 and 2019. The economic growth in 2017 was based on domestic demand, especially personal consumption which is still the main driver of growth, given the rise in salaries and employment. Public consumption has also, after several years, started to contribute to growth, and strong export with a record-breaking tourist season also carries significant weight. An increase in convergence towards the EU average is expected within the medium term. The macroeconomic outlook for Republic of Croatia is favourable, which translates into a good opportunity for the implementation of structural reforms for the purpose of increasing potential growth.

The European Commission (EC) determined that Republic of Croatia is experiencing an excessive macroeconomic imbalance, albeit decreasing thanks to a combination of reforms, favourable economic conditions and risk reduction in the banking sector. The Republic of Croatia is therefore currently in the preventive mechanism of the process applied in case of macroeconomic imbalances. According to the Decision of the Council of the European Union from 16 June 2017<sup>1</sup>, Republic of Croatia has left the excessive budget deficit procedure as a result of good performance in the field of fiscal policy, and, above all, a historically low budget deficit.

In relation to the objectives of the Europe 2020 strategy – European strategy for smart, sustainable and inclusive growth, Republic of Croatia is on its way to achieve, or has already achieved, objectives in energy efficiency, using renewable energy sources, reducing early school leaving, reducing poverty and social exclusion.

For the purpose of answering structural challenges of the Croatian economy and reducing the macroeconomic imbalance, as well as accomplishing the objectives of the Europe 2020 strategy, the Republic of Croatia has developed the National Reform Programme (NRP) which defines the measures and activities to be implemented by the Republic of Croatia in the next 12 to 18 months. This year's NRP was coordinated with the Inter-Ministerial Working Group for the European Semester in accordance with the Decision on coordination of activities within the European Union's Economic Governance Framework<sup>2</sup>, which the Government of the Republic of Croatia (the Government) adopted by the Conclusion of its session held on 26 April 2018.

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<sup>1</sup> <https://bit.ly/2Jl24yq>

<sup>2</sup> OG, no. 13/17, 51/17 and 97/17



# 1. Introduction

Since the beginning of its term, the Government has been conducting a responsible economic policy for the purpose of strengthening economic growth and reducing the macroeconomic imbalance. The macroeconomic and fiscal indicators in 2017 and the beginning of 2018 demonstrate that the macroeconomic imbalance is decreasing, which was corroborated by the EC, as previously stated. Moreover, the Government has responded to the Agrokor crisis, a threat to the stability of the entire economic and financial system, in a timely and resolute manner. It is precisely the responsible economic policy that ensured Croatia's increased credit rating this year by Fitch and Standard & Poor's, for the first time since its twice-over reduction in the period of 2012–2015. Furthermore, the economic mood index in 2017 registered a significant improvement and reached the highest levels of the last ten years.

## Main objectives, reform areas and economic policies

Focus and determination in the implementation of key reforms is still a clear commitment which will enable the resurgence of convergence and the continued decrease of macroeconomic imbalances. Structural reforms and continuation of the current prudent fiscal policy will enable a further reduction of public debt and lay the groundwork for a stronger and long-term sustainable growth of the Croatian economy. A favourable macroeconomic environment, economic growth and stability of public finance are encouraging factors for implementing structural reforms.

Accordingly, the three main objectives are:

1. Strengthening economic competitiveness
2. Aligning education with labour market needs
3. Sustainability of public finances

The implementation of 59 reform measures in 11 reform areas will contribute to the achievement of these main objectives. An overview of reform areas according to objectives is provided below, planned measures are described in Chapter 4. Main Objectives, Reform Areas and Economic Policy Measures, while the table in Annex 1 lists the activities for the implementation of measures.

### 1. Strengthening economic competitiveness

- 1.1. Improving the business environment
- 1.2. Improving the management and disposition of state assets
- 1.3. Improving public administration
- 1.4. Improving the efficiency of the judicial system

Improving the business environment is a prerequisite for the improvement of the Croatian economy's competitiveness indicators according to relevant global methodologies. Special attention will be placed on the improvement of the regulatory framework for incentivising innovation, entrepreneurship and investment. Further reduction of administrative costs and non-tax payments and unification of inspection services in the economy will free entrepreneurs from the costs of excessive bureaucracy. The liberalisation of the services market and digitisation of starting a business will open up more opportunities for a facilitated access to the market for new entrepreneurs and market competition, which will influence productivity, prices, employment, investment and innovation. Incentivising the usage of digital platforms and tools, including e-Invoicing and e-procurement, will considerably reduce business costs.



A series of measures will be taken to support further implementation of Croatia's Transport Development Strategy 2017–2030<sup>3</sup> for the purpose of increasing the competitiveness of road transport, as well as the port sector and transport in inland waterways.

As a continuation of previously initiated activities in relation to the activation of state assets and the reduction of the state portfolio, as well as securing more responsible management and more successful state-owned businesses, the activities of improvement of state asset management will continue, and so will the management of the businesses themselves by boards of directors and supervisory boards for the purpose of enhancing business efficiency and business monitoring in state-owned businesses. The financial restructuring of state-owned road transit and railway system enterprises merits a special mention.

Activities will be instated for the purpose of increasing institutional efficiency, including the simplification of rules and accelerating the functioning of administrative and judicial bodies, primarily through the improvement of the provision of electronic services and access to information for citizens and businesses. Increased efficiency of public administration will be achieved by effectively managing human resources, as well as revising the system of determining salaries. An integrated system of strategic planning and development management will be introduced as foundation for channeling budgetary resources, monitoring achieved results and systematic assessment of the implementation of strategies, plans, programmes, activities and projects for the purpose of increasing the quality of formulating and implementing public policies.

Electronic communication between courts and other participants of judicial procedures will be introduced for the purpose of increasing the efficiency of provision of judicial services. The implementation of further reorganisation of the judicial system continues, with special attention placed on merging minor offence courts with municipal courts for the purpose of more rational distribution of judges and clerk workforce, which will contribute to the shortening of the duration of court proceedings and the reduction of the number of pending cases.

## **2. Aligning education with labour market needs**

### **2.1. Education in accordance with labour market needs**

### **2.2. Implementation of the curricular reform**

The Croatian educational system, particularly the development of vocational education and training, is headed towards changes and adaptations focused on quality and efficiency, a greater connectedness to the labour market and more learning methods focused on work-based learning. Within the context of further implementation of the Croatian Qualification Framework (CROQF), tools will be developed for setting an occupational standard and organising the Register of Individual Occupations according to the National Classification of Occupations (NCO), for the purpose of improving the quality and relevance of all education programmes in accordance with real economic and social needs. The instruments for improving the quality and relevance of adult education and lifelong learning programmes as well as study programmes will be strengthened in order to ensure their compliance with the real needs of the economy and society as a whole. The delivery of the pilot stage of the curricular reform is the first step towards the achievement of its objectives, and the establishment of a system of developing digitally advanced schools will enable the integration of modern learning and teaching methods into the educational process.

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<sup>3</sup> <https://bit.ly/2qdHwjq>



### **3. Sustainability of public finances**

- 3.1. Strengthening the framework for public financial management and implementation of fiscal consolidation
- 3.2. Stimulation of demographic renewal
- 3.3. Improving the efficiency of the social security benefits system
- 3.4. Ensuring the sustainability of the pension system and the adequacy of pensions
- 3.5. Ensuring financial stability, sustainability and quality of the healthcare system

Fiscal policy will continue to focus on strict control of budgetary spending and using excess income in relation to planning for further improvement of the budget balance, as well as on active management of public debt in accordance with the Public Debt Management Strategy for the period of 2017–2019<sup>4</sup>. Focusing on fiscal regulations, especially the provisions on medium-term budgetary objectives and limitation of the increase in budgetary expenditure, will contribute to maintaining long-term sustainability of public finances. Implementing a prudent fiscal policy, apart from having a long-term effect on reducing the imbalances in public finances, will also lay the groundwork for the reduction of the tax burden and expand the margin of discretion for a countercyclical effect of fiscal policy, thus increasing economic resilience.

One of the outlined tasks is supporting families in raising children, as well as improving the financial situation of families. The process of amending the Childcare Allowance Act<sup>5</sup> will be initiated for the purpose of increasing the income threshold. Moreover, investments will be made in improving the accessibility of services for parents and children included in early childhood education and care, so that every child in Republic of Croatia has equal opportunities, regardless of their place of residence or their family's socio-economic status.

The objective is to ensure a transparent social security benefits system with comprehensive data on social security benefits that citizens receive or can receive on a national or local level, which will serve as a foundation for better channeling benefits and programmes, as well as creating more efficient social policies for the purpose of better distribution of resources and reducing poverty. Further activities of developing e-services in the social protection system will contribute to a greater accessibility of its services.

The long-term financial sustainability of reforms in the pension and healthcare system will be increased by their continued development. Measures will be taken to ensure appropriate pensions long-term, along with fiscal sustainability, as well as measures for the purpose of rationalising expenditure in the healthcare system, improving primary healthcare, telemedicine services, transfusion activities and developing medical tourism.

#### **Measures for achieving the objectives of the Europe 2020 strategy**

Considering that the activities focused on achieving the objectives of the Europe 2020 strategy are being implemented and monitored through the European Semester, the NRP also defines 16 measures for achieving national objectives in the areas of employment, research and development, climate and energy, education and combating poverty and social exclusion.

In the area of employment, the implementation of measures for an active employment policy is continued with the aim of increasing the employment rate of men and women aged 20–64.

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<sup>4</sup> <https://bit.ly/2uSgDX9>

<sup>5</sup> OG, no. 94/01, 138/06, 107/07, 37/08, 61/11, 112/12 and 82/15

So as to improve the environment for research and development, there will be further activities of strengthening the national innovation system and the innovation potential of the economy, empowering human resources in science and the national public-access research infrastructure.

In the area of climate change and sustainable energy, planning is underway for a transition towards a circular economy and the promotion of use of energy from renewable sources, and of energy efficiency.

The area of education is seeing a continued implementation of the scholarship programme for students of a lower socio-economic status.

The activities related to securing humanitarian aid in kind and other support programmes for the most deprived continue with the aim of reducing poverty and social exclusion. So as to better direct social care programmes for persons and families at risk of poverty, the institutional capacities of the social care system will be further enhanced. Moreover, the prerequisites for the development of foster care quality will be ensured. The objective of the implementation of the deinstitutionalisation and transformation of social care homes is to improve the existing services. The financing of long-term civil organisations' programmes with the aim of developing and expanding the network of social services will be continued, as well as the co-funding of the cost of education for students of lower socio-economic status and students with disabilities.

The objectives, measures and activities of the Republic of Croatia in relation to the Europe 2020 strategy are outlined in Chapter 5, Measures for achieving the objectives of the Europe 2020 strategy, as well as in the table in Annex 2.



## 2. Macroeconomic outlook<sup>6</sup>

During 2017, the positive economic trends initiated in 2015 continued, following a six-year recession. Real GDP growth was 2.8%<sup>7</sup>, spurred primarily by domestic demand. These positive developments are expected to continue in the medium term. The projected real growth of GDP in the amount of 2.8% for 2018 is expected to slow slightly to 2.7% in 2019, and to 2.5% in 2020 and 2021. Such a slowdown in the projected period is the result of the convergence of GDP growth in relation to the growth of potential GDP in the medium term. Economic growth will be based exclusively on domestic demand throughout the entire projected period, whereas the contribution of net foreign demand will be slightly negative for the entire period and gradually decrease towards its end.

Table 1: Macroeconomic framework for the period of 2018–2021

|  | 2017        | Projection<br>2018 | Projection<br>2019 | Projection<br>2020 | Projection<br>2021 |
|--|-------------|--------------------|--------------------|--------------------|--------------------|
| <b>GDP - real growth (%)</b>                           | <b>2.8</b>  | <b>2.8</b>         | <b>2.7</b>         | <b>2.5</b>         | <b>2.5</b>         |
| Household consumption                                  | 3.6         | 2.9                | 2.8                | 2.6                | 2.5                |
| Government expenditure                                 | 2.0         | 2.2                | 2.2                | 1.8                | 1.5                |
| Gross fixed capital formation                          | 3.4         | 6.7                | 6.3                | 5.6                | 5.2                |
| Export of goods and services                           | 6.1         | 5.3                | 5.2                | 4.9                | 4.7                |
| Import of goods and services                           | 8.1         | 7.4                | 6.8                | 6.0                | 5.7                |
| <b>Contributions to GDP growth (percentage points)</b> | <b>2.8</b>  | <b>2.8</b>         | <b>2.7</b>         | <b>2.5</b>         | <b>2.5</b>         |
| Household consumption                                  | 2.0         | 1.7                | 1.6                | 1.5                | 1.4                |
| Government expenditure                                 | 0.4         | 0.4                | 0.4                | 0.4                | 0.3                |
| Gross fixed capital formation                          | 0.7         | 1.3                | 1.3                | 1.2                | 1.1                |
| Changes in inventories                                 | 0.4         | 0.1                | 0.1                | 0.0                | 0.1                |
| Export of goods and services                           | 3.0         | 2.7                | 2.7                | 2.6                | 2.6                |
| Import of goods and services                           | -3.7        | -3.6               | -3.5               | -3.2               | -3.2               |
| <b>Consumer price index growth (%)</b>                 | <b>1.1</b>  | <b>1.4</b>         | <b>1.4</b>         | <b>1.5</b>         | <b>1.6</b>         |
| <b>Employment growth* (%)</b>                          | <b>2.2</b>  | <b>1.8</b>         | <b>1.6</b>         | <b>1.4</b>         | <b>1.3</b>         |
| <b>Unemployment rate, survey (%)</b>                   | <b>11.2</b> | <b>10.0</b>        | <b>9.1</b>         | <b>8.2</b>         | <b>7.3</b>         |

\* National accounts definition

Source: Central Bureau of Statistics, Ministry of Finance

Household consumption rose significantly in 2017 due to favourable trends in the labour market, income tax relief and restoration of household confidence. In the following projected period, the growth of household consumption will experience a gradual slight deceleration in accordance with the trend in disposable income. Based on budgetary projections, we do not expect a significant contribution of government spending to economic growth in the medium term. After a weaker performance in 2017, solely due to reduced investments in the broader public sector<sup>8</sup>, a stronger growth of investment activity is expected for the coming period, with investments being generated primarily by the private sector. Investments are expected to be stimulated by the rising rate of utilisation of structural and investment EU funds, a further improvement of the investment climate in the conditions of a positive economic outlook and a continuation of favourable financing conditions. Extremely favourable growth projections of foreign demand for domestic goods and services indicate that the export of goods and services will provide the strongest positive contribution to the growth of economic activity for the entire projected period. However, the strong growth of final demand will

<sup>6</sup> The macroeconomic scenario is described in detail in the Convergence Programme of the Republic of Croatia 2018–2021.

<sup>7</sup> The data on GDP for 2016 and 2017 are provisional.

<sup>8</sup> The broader public sector includes the general government and majority state-owned enterprises, which, according to the ESA 2010 methodology do not belong to the general government sector classification.



lead to growth in the import of goods and services which will consistently exceed export, therefore, the contribution of net foreign demand will be slightly negative throughout the projected period. The labour market developments of 2017 were extremely favourable, and similar trends are expected for the forthcoming period. Employment is expected to experience moderate growth throughout the entire projected period, which will lead to a continued reduction of the unemployment rate. The decrease in the work force was brought to a halt during 2017 and is expected to grow slightly in the coming period. Modest growth in labour productivity is expected throughout the entire projected period, as well as the rise in benefits per employed person, which will lead to a slight increase in unit labour cost.

The three-year consumer price deflation period ended in 2017, and inflation remained at low levels. A mild acceleration of inflation to 1.4% is expected for 2018, primarily due to higher energy prices and, less significantly, prices not including energy and food, whereas food prices should experience decelerated growth. Inflation is expected to remain stable at around 1.5% for the remaining medium-term period.



### 3. Progress in Implementation of EU Council Recommendations

#### Recommendation 1:

- a. Continue with the implementation of fiscal policy in accordance with the requirements of the preventive section of the Stability and Growth Pact, which means that 2018 should still be in line with its medium-term budgetary objective***

After the budgetary deficit was reduced to 0.9% of GDP in 2016, the fiscal results of 2017 exceeded previous projections, i.e. there was a surplus in the general government budget, according to the ESA 2010 methodology, of HRK 2.8 billion or 0.8% of GDP. At the same time, the share of public debt in GDP was further reduced by 2.7 percentage points, i.e. to a level of 78% of GDP. The Republic of Croatia is obligated to keep taking measures of further fiscal consolidation and strengthening the fiscal framework compliant with statutory regulations of the EU in the upcoming period. Meeting the medium-term budgetary objective will ensure that the budget deficit and the public debt to GDP ratio are in accordance with the requirements of the preventive section of the Stability and Growth Pact.

- b. Strengthen budgetary planning and the multi-annual budgetary framework until the end of September 2017, including enhancing the autonomy and term of the Fiscal Policy Commission***

A public consultation was carried out regarding the pre-assessment for the draft proposal of the Fiscal Responsibility Act. The Act is to be entered into further procedure. This Act ensures the alignment of numeric fiscal regulations with the provisions of the Stability and Growth Pact, and strengthens the autonomy of the Fiscal Policy Commission as the supervisory body for the application of this Act, and for the implementation of the fiscal policy on a state level.

Amendments to the Budget Act will be adopted by October 2018 for the purpose of improving the medium-term budgetary framework, which expands upon the Economic and Fiscal Policy Guidelines and stipulates the obligation of publishing information on potential obligations with a significant effect on the budget, as well as on the effects of tax expenditures on revenue. For the purpose of budgetary planning and monitoring business activities of particular extra-budgetary users within the scope of general government according to the ESA 2010 methodology, we are currently preparing the implementation of a public tendering procedure to select a consultant for the project “More Efficient System of Financial and Statistical Reporting”. This project will include the drafting of bridging tables for the conversion of records of business events, according to the rules of entrepreneurial accounting, into budgetary accounting for certain extra-budgetary users.

- c. Take necessary measures for the introduction of value-based real estate tax***

The Act on Local Taxes<sup>9</sup> was amended in October 2017, which abolished the introduction of real estate tax. During 2017, the ULRSR updated the real estate data in the municipal fee records, which will have a strong effect on the revenue in 2018. It should be pointed out that current activities on updating real estate data have led to an increase in revenue from existing fees. The municipal fee revenue on the state level has been increased by 13% in total since 2013, whereas the revenue from holiday home tax has been increased by 19.3%.

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<sup>9</sup> OG, on. 115/16 and 101/17



***d. Strengthen the framework of public debt management through annual updating of the public debt management strategy, in addition to other activities***

The Regulation on the internal organisation of the Ministry of Finance (MF)<sup>10</sup> of June 2017 regulated the public debt management on the administration level, consisting of organisational units, one of which is responsible for borrowing and risk management, the second for state guarantees, obligations and public debt claims, and the third provides legal and IT support. By virtue of the Act Repealing the Act on the Fund for the Compensation of Expropriated Property<sup>11</sup>, the Fund's activities were assumed by the MF from 1 January 2018, for the purpose of merging business activities and statistics management and of strengthening capacities related to public debt management, which was also defined by the Public Debt Management Strategy 2017–2019. One of the Fund's more significant tasks was the independent issuing of a Global Debenture of the Republic of Croatia as compensation for expropriated property, as well as the monetary and debenture reimbursement of the Republic of Croatia to relevant beneficiaries based on definitive rulings, as well as the allocation of debenture units in accordance with the regulations of the Central Depository Agency (CDCC). A new Regulation on the internal organisation of MF was adopted in March 2018 which aligns the organisation with the provisions of the Act Repealing the Act on the Fund for the Compensation of Expropriated Property. Pursuant to the Regulation, the Sector for the Compensation of Expropriated Property is established within the Public Debt Management Authority, and the activities taken over from the Fund by the MF will be performed by 25 employees.

The Public Debt Management Strategy for the period of 2017–2019 will be updated in May 2018 after the fiscal indicator projections within the Convergence Programme have been made.

**Recommendation 2:**

***a. Take measures to discourage early retirement, accelerate the transition to higher statutory retirement age, and align pension provisions for specific categories with the rules of the general pension scheme***

Comprehensive analyses and projections of possible solutions and financial effects have been made in 2017 for the purpose of improving the pension system in accordance with reform measures. Within this context, various solutions have been projected in relation to the acceleration of the equalisation of minimum age requirement for early retirement and old-age retirement for women, followed by the gradual acceleration of raising the minimum age to 67 for both men and women. In relation to the Pension Insurance Act<sup>12</sup> in force, we analysed the effects of potential options for further discouragement of early retirement, i.e. a greater penalty for early old-age retirement, as well as the effects of the stricter measures for old-age retirement for a long-term pensionable service holder in relation to the conditions in force from 60 years of age and 41 years of pensionable service. The implementation of the reform measure of discouragement from early retirement is further set back and complexified by the potential implementation of the pension bonus (for beneficiaries of 1st and 2nd pension pillars), since any future solution would affect the design and sustainability of the pension system. With the aim of a more extensive inclusion of additional retiree categories into the labour market, we are assessing the possibility of expanding the range of pension beneficiaries who may still work while retired, so as to stimulate work activation of the elderly, their gradual departure from the labour market and ensure additional income in old age. Based on expert opinions and considering the issue of the pensionable service system with increased duration, the conclusion was

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<sup>10</sup> OG, no. 54/17 and 26/18

<sup>11</sup> OG, no. 117/17

<sup>12</sup> OG, no. 157/13., 151/14., 33/15, 93/15 and 120/16



reached that it requires revision, whereas the introduction of new technologies, the improvement of safety and other labour conditions, as well as the application of general and particular measures of occupational safety, has made redundant the need for the application of said pensionable service for certain occupations/professions. Considering that the amendments to the Act on Pensionable Service with Extended Duration<sup>13</sup> will also affect the Pension Insurance Act, it is necessary to align them horizontally, therefore, the amendments to these regulations will be introduced simultaneously.

**b. Improve the coordination and transparency of social security benefits**

January 2018 saw the adoption of the Action Plan for improving the efficiency of the social security benefits system for the period of 2018–2020<sup>14</sup>. The measures defined by the Action Plan are focused on achieving a more effective and just system of social welfare and social exclusion, as well as on reducing the fragmentation of the system, and its integration on a national and local level.

In November 2017, the implementation of the Project of local-level standardisation of social security benefits with the *European System of Social Protection Statistics (ESSPROS) methodology* began. The purpose of the project implementation is the establishment of higher-quality relations with the local and regional level in order to standardise the social security benefits and programmes system, as well as facilitated monitoring. To this end, educational workshops for the standardisation according to the ESSPROS methodology were organised for the ULRSK representatives. The Ministry of Demographics, Family, Youth and Social Policy (MDFYSP) also established a network of county-level social welfare coordinators for the purpose of improving the activities between the city and municipal representatives on a county level, in relation to the implementation of social welfare programmes and collecting information on social security benefits.

So as to enable a faster and simpler access for users to certificates on their social welfare status that they require to verify their social status and claim certain rights in other systems, the service “SocSkrb ePotvrda” (Social Welfare e-Certificate) was introduced in October 2017 as part of the electronic public services within the e-Citizens system.

**Recommendation 3:**

**a. Improve adult education, especially of older workers, low-skilled workers and long-term unemployed persons**

The Strategy for Education, Science and Technology<sup>15</sup> also includes the adult education system, emphasising the incentivisation of the development of the lifelong education system. According to the Republic of Croatia workforce survey (2012), the share of the adult population (age: 25–64) involved in some kind of education, training or specialisation activity is very low (2.7%) in relation to the EU-27 average (9%). The Strategy for Education, Science and Technology states 5% as the desirable degree of involvement until 2020. In order to achieve this objective, it was necessary to redefine the regulations of the Adult Education Act<sup>16</sup> in force, as well as stipulate new ones which will ensure the prerequisites for higher-quality work in adult education institutions, as well as those orientated towards establishing a system of achieving quality in adult education and towards the removal of structural, situational and psychological obstacles to the access and participation of adults in programmes of formal and informal education. The drafting of a new proposal for the Adult Education Act is one of MSE’s priorities. A new Committee for the preparation of the Act Proposal

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<sup>13</sup> OG, no. 71/99, 46/07 and 41/08

<sup>14</sup> <https://bit.ly/2uSgDX9>

<sup>15</sup> OG, no. 124/14

<sup>16</sup> OG, no. 17/07



Draft was appointed in 2017 and is currently working on the final draft soon to be submitted for public consultation.

Improving the physical environment of adult education classes, changes in programme adoption standards and norms for the submission of requests for the execution of adult education programmes will be regulated more clearly by adopting amendments to the ordinances regulating the standards and norms of adult education.

The Curriculum for the Development of Basic Adult Skills will be written within the context of the “ERASMUS+ Implementation of the European Agenda for Adult Learning (2017–2019)” project which will unify the outcomes of learning directed towards raising the digital, reading and mathematical literacy (basic level), which adult education institutions will use to conduct classes and focus on raising the levels of digital, reading and mathematical literacy of low-competence adults. The appointment of a National Council for the Implementation of “New Opportunities for Adults” is currently in progress, which is aimed towards increasing the inclusion of the less-educated population into the adult education system, so that they can increase their basic skills level.

At the end of December 2017, we adopted the Guidelines for the Development and Implementation of an active employment policy in Republic of Croatia for the period 2018–2020<sup>17</sup>, a strategic document and framework for using the measures of the active employment policy. One of the three general objectives of the Guidelines is a better link between supply and demand in the labour market, where the measures of education and training, conducted by the Croatian Employment Service (CES), have an important role. Based on the Guidelines, from January 2018 onwards, the CES is implementing the improved package of measures titled “From measure to career”. The new measures are particularly directed at education and training of unemployed persons, especially the long-term unemployed and insufficiently qualified persons. The education measures enable unemployed persons to obtain additional qualifications or competencies. Unemployed persons can participate in more diverse education programmes with CES counselors taking into account their individual needs and abilities, as well as the needs of the labour market. Through lifelong professional orientation in CES offices and the Career Information and Guidance Centres (CIGC), and in cooperation with other partners at the national and regional level, CES provides different forms of support to unemployed persons and students in the development of career management skills, choosing a profession and searching for employment. These activities have contributed to the reduction of the share of unemployed persons in Croatia’s total unemployment rate. This share was 42.9% in the third quarter of 2017 (49.7% in 2016) for Croatia, whereas the EU-28 level for the same period was 44.7%.

#### ***b. Accelerate the reform of the education system***

The members of expert working groups reconvened in autumn of 2017 to improve the curricular documents following public discussion. The documents are being regularly translated and sent for domestic and foreign review. All the reviews received were positive and mostly praised by the reviewers. There is ongoing preparation for the implementation of the pilot stage of the curricular reform which will begin in the autumn of 2018. The experimental programme will be conducted in 3–5% primary and secondary schools with general and vocational four-year programmes in the Republic of Croatia. The public call to schools was published in February 2018.

Professional trainings have begun in the context of preparations for the implementation of the pilot project in the form of weekly webinars. Online professional trainings for Computer Science teachers have also started. Computer Science will become a compulsory subject in schools for 5<sup>th</sup> and 6<sup>th</sup>

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<sup>17</sup> <http://bit.ly/2CapJwA>



grade students from the school year 2018/19 onwards. The selection of schools which will participate in the experimental implementation is underway, to be followed by professional trainings of teachers in those schools. There are plans to visit the schools as well. Committees will be formed for 1<sup>st</sup> to 4<sup>th</sup> grade classes and for the subjects included in the experimental implementation, which will produce method manuals for teachers and digital education materials for 1<sup>st</sup> and 5<sup>th</sup> grade of primary school and 1<sup>st</sup> grade of secondary school, and participate in the preparation of teachers for the implementation of the experimental programme. Prior to the implementation of the experimental programme, additional equipment will be provided to schools participating in it.

#### **Recommendation 4:**

***a. Reduce fragmentation and improve the functional distribution of competence in public administration while also improving efficiency and reducing territorial disparities in the provision of public services***

The reform of the local and regional self-government is part of the comprehensive public administration reform. In order to propose certain measures, a good-quality analytical foundation should exist. It is necessary to determine the existing capacities of the ULRSB, reassess and analyse the existing scope and competence of the ULRSB, the quality and rationality of the performance of existing activities, and the possibilities and requirements for taking on new activities. A database of the capacities of the ULRSB, and an analysis of indicators for the evaluation of ULRSB capacities are in planning, due to the complexity of the process and the co-dependence with future outcomes of the project "Introduction of a quality management system into public administration of the Republic of Croatia" which the Ministry of Public Administration (MPA) contracted in February of 2018, in the context of using resources from the European Social Fund (ESF). These activities are preparation for producing a future model of functional and fiscal decentralisation.

During 2017, we have taken action for the purpose of streamlining the number of agencies and funds. Thus, the Act Repealing the Act on the Fund for the Compensation of Expropriated Property was passed, by which the activities of the Fund were taken over by the MF (as indicated in Recommendation 1/d). Moreover, in February 2017, the Government issued a Decision on the reconstitution of the Agency for Pressure Equipment into a limited liability company which defined the business purpose, share capital, company bodies and the method of appointing body members. The Decision of the Commercial Court in Zagreb from March 2017 registered the reconstitution of the Agency for Pressure Equipment as a limited liability company Oprema pod tlakom Ltd. for the inspection and testing of pressure equipment of a high danger level. Furthermore, the final proposal of the Act Repealing the Act on the Centre for Monitoring Energy Sector Business and Investments, by virtue of which the centre is abolished and its activities are taken over by the Ministry of Environment and Energy (MEE), entered into second reading in the Croatian Parliament.

***b. In consultation with social partners, harmonise the wage-setting frameworks across the public administration and public services***

The existing system of determining civil servant salaries, which has been regulated by a series of sectoral regulations, brought about the need to establish a uniform high-quality classification system of jobs which will enable a more stimulating, objective and just system of rewards and promotions, based on the principles of depoliticisation, expertise, work results and accountability. To this end, a proposal of the Act on Wages in Civil Service is being drafted which will take into consideration the principle of equal salaries for equal work, i.e. work of equal value throughout the entire civil service. Jobs in the sector will be distributed in a unique system consisting of payment classes and payment grades which defines the initial coefficients for each job. With this in mind, the future system of



performance assessment will be based on determining targets for each job which must be achieved in order to achieve the objectives of the institution. The normative solutions of the new Act are being drafted in parallel with the implementing regulations, i.e. the required new job classifications and regulations on the evaluation of civil servants and employees, without which the act cannot be applied.

#### **Recommendation 5:**

##### ***a. Accelerate the sale of state-owned enterprises and other state property, improve corporate management of state-owned enterprises***

In 2017, the shares and stocks of enterprises from the Restructuring and Sale Centre (RSC) portfolio were sold for HRK 315.92 million; their realised profits were HRK 1,205.44 million.

In the part relating to the reduction of the state portfolio and activation of unused state property in terms of real estate, in 2017, the total revenue from non-financial assets (sales and activation) amounted to HRK 105.2 million (15% higher than expected). During 2017, public tenders / calls / public notices for the purchase of real estate, apartments, real estate lease, business premises lease and sales of excess excavated mineral ore were continuously published. These activities produced the following results: the reduction of the state portfolio (by sales of real estate and termination of co-ownership) in the total value of HRK 62.6 million; the activation of unused state property (easement contracts, construction rights, lease and real estate use) through 131 concluded contracts; and real estate donation (simultaneously reduction of state portfolio and activation of state property) in the total estimated market value of HRK 135.6 million.

In December 2017, the Corporate Governance Code was adopted with the purpose of improving corporate management of enterprises in which the Republic of Croatia is a shareholder or stockholder<sup>18</sup>.

The Proposal of the Act on State Property Management passed the first reading in the Croatian Parliament in January 2018. In the meantime, the Final Proposal of the Act on State Property Management was also drafted, and is currently in government procedure before it is sent for second reading to the Croatian Parliament.

##### ***b. Significantly reduce the burden on businesses which is a consequence of regulatory costs and administrative burdens***

Up until April 2018, about 300 concrete measures were taken to improve business conditions for entrepreneurs through the adaptation of a series of economic regulations. The measures taken include administrative relief, reduction and abolishment of non-tax payments, liberalisation of the services market for several sectors, administrative relief through tax reform, partial flexibilisation of the labour market, public tendering reform and other regulatory changes.

Over 60% of measures defined by the Action Plan for administrative relief of the economy (for 2017)<sup>19</sup> were delivered by April 2018, with the remaining measures currently underway. The examples of delivered administrative relief measures are indicated below.

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<sup>18</sup> OG, no. 132/17

<sup>19</sup> <https://bit.ly/2H6hFnH>



Table 2: Examples of implemented measures in relation to the administrative relief of the economy

| Area                                     | Conducted administrative relief based on the SCM methodology   |
|--|--|
| <b>Occupational safety</b>               | <ul style="list-style-type: none"> <li>- An analysis of the occupational safety regulations was conducted and the numerous obligations of small-scale entrepreneurs and entrepreneurs involved in simple risk-free activities were reduced and simplified.</li> <li>- An amendment to the regulations which would eliminate monetary fines for small irregularities is in planning, so as to give the entrepreneur a time frame in which to correct the irregularity.</li> <li>- The development of an online guide for the implementation of occupational safety measures is in progress, which would enable small-scale entrepreneurs to independently conduct occupational safety measures and manage the necessary documentation, without the fear of fines and errors, since the application content was coordinated with the inspectors monitoring the field implementation of the regulations. This tool is simple to use and contains a great number of instructions and information on occupational safety, which also makes it educational for the entrepreneurs themselves. Until now, the online application for the occupation of hairdresser was produced, and more guides for administrative and other occupations are planned for development during 2018.</li> <li>- The application and delivery of the documentation on professional illness of workers was simplified, and the application time limit was extended to a minimum of 8 days. Notification of professional illness of a worker is no longer the obligation of the employer, but of the occupational medicine physician.</li> <li>- The obligation of organising occupational safety boards is now reduced from 4 times a year to 2, especially for low-risk business activities.</li> </ul> |
| <b>Sanitary and health requirements</b>  | <ul style="list-style-type: none"> <li>- The amendments to the Act on the Protection of the Public from Infectious Diseases created the foundation for conducting annual sanitary examinations of workers, reducing their frequency by 50%.</li> <li>- The obligation of sanitary examinations for around 15,000 workers employed in the transport of originally packaged personal hygiene products (e.g. shampoos) was terminated.</li> <li>- The duration of seminars on health safety of foodstuff and personal hygiene of persons employed in the production and transport of foodstuffs, which had previously lasted 25 hours, was reduced by 50%.</li> <li>- A series of measures was implemented in order to relieve traders and hospitality entrepreneurs from the delivery of documentation from registers which can be accessed independently by state bodies.</li> </ul>  |
| <b>Real estate brokerage</b>             | <ul style="list-style-type: none"> <li>- The exam price was reduced by 25%.</li> </ul>   |
| <b>Energy efficiency in construction</b> | <ul style="list-style-type: none"> <li>- The price of energy certification training in the construction sector was reduced by half in 4 institutions, thus enabling a more competitive price and selection for the attendant.</li> <li>- The obligation to certify documents by a notary public prior to the start of energy certification of buildings has been abolished.</li> </ul>   |
| <b>Employment status</b>                 | <ul style="list-style-type: none"> <li>- Self-employed service providers are no longer obligated to block their own accounts with the Financial Agency (FINA) due to late salary payments.</li> <li>- Registering working hours has been simplified. Employers are no longer obligated to register daily and weekly rest (in cases of equally distributed working hours). The registers should be filled out on a weekly basis (not daily). The amount of data to be registered was reduced and can also be registered electronically.</li> </ul>  |
| <b>Public procurement</b>                | <ul style="list-style-type: none"> <li>- Administrative costs were reduced by the introduction of e-procurement.</li> <li>- The most economically advantageous tender was introduced as the balance between price and quality, which translates into long-term savings for the contracting entities.</li> <li>- Innovation partnership was introduced which acts as a new type of public procurement procedure for the development and procurement of innovative goods, works or services.</li> <li>- A dynamic purchasing system and e-catalogue were introduced.</li> <li>- The obligation to consult economic entities on documentation regarding public works, services and goods of great value was established.</li> <li>- A single appeal period of 10 days was introduced, thus accelerating the procedure.</li> <li>- The appeal fee was reduced and a fixed appeal fee for procurement documentation of HRK 5,000 was introduced.</li> <li>- The administration fee of HRK 70 for appeals was eliminated.</li> <li>- Tender bid guarantees were reduced from 5 to 3%, whereas the guarantee for the orderly performance of contractual activities may not exceed 10% of the value of the concluded agreement.</li> <li>- The Electronic Public Procurement Classifieds Portal (EOJN) enabled the publishing of planned procurement, contract registers and procedure of consulting with economic operators prior to the</li> </ul>   |

- start of a public procurement procedure, as well as the submission of appeals via the e-Appeal system.
- The EOJN is linked to the Court and Trade Register, criminal and tax registers, and public contracting entities can immediately verify information through the available registers, instead of soliciting it from the economic operators.

Table 3: Examples of implemented measures affecting the Doing Business methodology of the World Bank<sup>20</sup>

| Area                                   | Implemented administrative relief based on the Doing Business methodology   |
|--|---|
| <b>Business start-up</b>               | <ul style="list-style-type: none"> <li>- The foundation of a simplified limited liability company with a lower equity than a liability company was made possible.</li> <li>- The notary public fees for certifying foundation documents were reduced.</li> <li>- The obligation to publish and pay HRK 900 for classifieds on the foundation of an enterprise with the Official Gazette (OG) was eliminated.</li> <li>- Stamp creation is no longer obligatory during business start-up.</li> <li>- The foundation of an enterprise bearing a name in any EU language was made possible.</li> <li>- A guideline was given according to which it was no longer necessary to prove, with the Commercial Court, the chosen enterprise name in a EU language by presenting an image copy from a dictionary of foreign words.</li> <li>- Electronic means of performing the first registration with the Tax Administration (TA) and compulsory social security were enabled.</li> <li>- Registration with the e-Pension service suffices, and the information is automatically sent to the Croatian Health Insurance Fund (CHIF).</li> <li>- The development of an electronic procedure of founding enterprises was initiated, eliminating the need for a physical notary public certification for standard founding acts. In order to make the process comprehensive, it includes the interconnectedness of business registries and procedures (Court Registry, Central Bureau of Statistics (CBS), TA, Croatian Pension Insurance Institute (CPII) / CHIF and banks) so as to enable business start-up in a single process lasting a maximum of 3 days.</li> </ul> |
| <b>Obtaining a construction permit</b> | <ul style="list-style-type: none"> <li>- Electronic construction permits were introduced.</li> <li>- The number of procedures and days for obtaining a construction permit was reduced.</li> <li>- Electronic confirmation of the main project is being introduced.</li> <li>- There are plans to reduce costs of obtaining construction permits.</li> </ul>  |
| <b>Obtaining power supply</b>          | <ul style="list-style-type: none"> <li>- The number of procedures for obtaining power supply was reduced from 5 to 3.</li> <li>- The time period of request processing was shortened and the SAP system was introduced.</li> <li>- The portal for users of the distribution power supply network was developed.</li> </ul>  |
| <b>Ownership registration</b>          | <ul style="list-style-type: none"> <li>- The Common Information Technology System was introduced in all land registries and cadastre offices.</li> <li>- Registering ownership with the Municipal Court of Zagreb can be performed in 4 days.</li> <li>- Electronic land registry expenditure was enabled.</li> <li>- The real estate transfer tax was reduced from 5 to 4%, thus facilitating transfer of ownership.</li> </ul>  |
| <b>Cross-border trade</b>              | <ul style="list-style-type: none"> <li>- Electronic monitoring of port cargo was introduced.</li> <li>- Customs duties were eliminated as a consequence of integration into the EU internal market with no import/export costs.</li> </ul>  |
| <b>Contract implementation</b>         | <ul style="list-style-type: none"> <li>- Alternative models of resolving commercial disputes and contract implementation are being promoted.</li> <li>- Electronic communication between attorneys and courts during the resolution of commercial disputes and contract implementation was introduced.</li> <li>- The average duration of enforcement and litigious proceedings was reduced.</li> </ul>   |
| <b>Bankruptcy resolution</b>           | <ul style="list-style-type: none"> <li>- The conditions of enterprise restructuring prior to bankruptcy were relaxed.</li> <li>- New financing in pre-bankruptcy proceedings was initiated.</li> <li>- The average duration of a bankruptcy proceeding with commercial courts (2017) is 313 days (1 year), whereas the pre-bankruptcy settlement proceedings are resolved within 167 days on average.</li> </ul>  |
| <b>Tax payment</b>                     | <ul style="list-style-type: none"> <li>- E-payment of taxes and contributions was introduced.</li> <li>- The forest fee for small-scale entrepreneurs with revenue of up to HRK 3 million is abolished.</li> <li>- The tourism fee for certain non-tourism business activities is abolished.</li> <li>- The contribution to the Croatian Chamber of Economy was abolished, the membership fee was reduced, and founders were exempt from paying the membership fee in the first year.</li> </ul>  |

<sup>20</sup> <https://bit.ly/2IYH2WI>



- The marginal profit tax rate was reduced from 20% to 18%, and to 12% for taxpayers with an annual income below HRK 3 million.
- Income tax rates were reduced to 24% and 36%, with an increase of non-taxable income to HRK 3,800.
- The real estate transfer tax was reduced from 5% to 4%.
- Vehicle excise duties were reduced.
- The trading name tax was abolished.

The Commission for the Reduction and Elimination of Non-Tax Payments commenced its activities, and the online portal for notifications on obstacles and fees was established. The executed non-tax relief for entrepreneurs consist of reducing the radio spectrum usage fee by over 30%, reducing the tourism membership fee by 5%, reducing a series of agricultural fees, as well as a 30% reduction of administrative fees, and many other measures. The Forests Act entered into parliamentary procedure, proposing the abolishment of forest fees for small-scale entrepreneurs with revenue of up to HRK 3 million, which accounts for over 90% of entrepreneurs.

In accordance with the adopted e-Croatia 2020 strategy<sup>21</sup> and the Action Plan for the implementation of the e-Croatia 2020 strategy<sup>22</sup>, the scope of the project “Establishment of the e-Business system” was defined, the objective of which is to bring public administration closer to the economic sector and other legal entities using the Internet, i.e. for the provision of online public services. The development and introduction of new electronic public administration services continued within the e-Citizens system (issuing of criminal registry certificates, e-Request for the issuing of a driver’s licence, e-Request for the issuing of an e-Passport and issuing the certificate of registration of social welfare users) which enabled significant time saving for citizens in obtaining certain documents.

Within the context of an electronic Point of Single Contact ([www.psc.hr](http://www.psc.hr)), over 90 electronic procedures for access to service activities were developed, whereas e-services for access to the services market for a series of activities will be developed further during 2018. The implementation of the Conclusion on the introduction of electronic procedures for registration of business establishment and obtaining approval for performing service activities<sup>23</sup> was enabled, pursuant to the Services Act<sup>24</sup>, by already enabling 90 procedures of sending necessary documentation to competent authorities via e-mail, with the option of paying fees using e-banking. The Point of Single Contact for services offers entrepreneurs over 220 sets of information on administrative conditions of business, especially in the services market.

In November 2017, the Act on the Amendments to the Land Registry Act<sup>25</sup> was passed, enabling the simplification and acceleration of business processes in land registries, as well as introducing real estate transaction security and the protection of ownership rights. The proposal of the Detailed plan of cadastral surveys and the establishment and renewal of land registries was drafted, the purpose of which is the establishment and renewal of land registries for those cadastral municipalities where cadastral surveys had been performed, without the procedures of exposure and the establishment and renewal of the land registry.

***c. Eliminate regulatory obstacles hindering access to regulated professions and professional and business services, as well as their performance***

Until April 2018, the liberalisation of the services market was carried out through 135 concrete sectoral measures which facilitated the exercise of rights of business establishment and freedom of

<sup>21</sup> <https://bit.ly/2qbz7gx>

<sup>22</sup> <https://bit.ly/2qgUkoG>

<sup>23</sup> <https://bit.ly/2Js34B8>

<sup>24</sup> OG, no. 80/11

<sup>25</sup> OG, no. 91/96, 68/98, 137/99, 114/01, 100/04, 107/07, 152/08, 126/10, 55/13, 60/13 and 108/17



service provision, while about 20 measures are currently in the process of being adopted. Electronic access for the submission of required documentation to competent authorities was introduced for many service activities, via the Point of Single Contact, as well as the issuing of authorisation for easier access to service activities.

Table 4: Examples of implemented measures in the field of market liberalisation<sup>26</sup>

| Area                                       | Conducted liberalisation of services market <sup>27</sup>   |
|--|---|
| <b>Driving schools</b>                     | <ul style="list-style-type: none"> <li>- Driving schools can set market prices autonomously, with no regulated minimum price.</li> <li>- The driving school network was abolished, which limited the permitted number of driving schools per county depending on the number of candidates.</li> <li>- Driving school employees will also be able to work part-time, which allows for market adjustment.</li> <li>- Taking into account the compulsory roadworthy condition of vehicles, the permitted age limit for B-category vehicles was raised from 7 to 10 years, and from 12 to 15 years for driving school buses. This reduced the compulsory new vehicle acquisition frequency, and smaller driving schools in particular will experience a certain relief regarding the obligation of acquiring new vehicles.</li> </ul>   |
| <b>Auditors</b>                            | <ul style="list-style-type: none"> <li>- Work authorisation for auditors is no longer limited by duration, i.e. it is no longer required to be prolonged every 3 years.</li> <li>- Only one board member is required to use the Croatian language, unlike the previous stipulation of the majority being required to use it, which encourages competition within which the market will conduct the assessment of required linguistic knowledge.</li> <li>- The authorised independent auditor is now free to establish more than one audit office, which eliminated the business establishment limitation.</li> <li>- The equivalent professional indemnity insurance for auditors acquired in another EU Member State is automatically acknowledged, which eliminates the obligation of repeated contracting of the same insurance.</li> <li>- Free price formation was maintained and legal form is not restricted.</li> <li>- The related undertakings of the audit office can freely provide certain tax advisory services to public-interest audit clients.</li> <li>- The audit client can be provided with tax services related to the preparation of tax forms, assistance with tax inspections, tax calculation and tax advisory.</li> <li>- Even though the Croatian Chamber of Auditors decides on the rate of Chamber contributions for auditors, the consent of the MF is required, which enables the reduction of said rate.</li> </ul> |
| <b>Tax advisors</b>                        | <ul style="list-style-type: none"> <li>- Tax advisors have the freedom to form prices, unlike the previous regulation.</li> <li>- There is no restriction to legal form, so either a limited liability company or a subsidiary may be established for the purpose.</li> <li>- The obligation that a tax advisor from the EU providing services on an occasional and temporary basis must assign an attorney to receive communication has been abolished.</li> <li>- Limited tax advisory services may be freely performed by authorised independent auditors, audit firms and accountants (which does not require a tax advisor licence).</li> <li>- The restriction under which nationals of the European Economic Area (EEA) may establish only a subsidiary providing tax advisory services and no other form of office has been abolished.</li> </ul>   |
| <b>Accountants</b>                         | <ul style="list-style-type: none"> <li>- The standardisation of charts of accounts for accountants was abolished.</li> <li>- Maintaining bookkeeping documentation in other EU Member States is made possible, which supports e-business and a more liberated cross-border provision of services.</li> </ul>  |
| <b>Architects, engineers and surveyors</b> | <ul style="list-style-type: none"> <li>- Market price formation was introduced for architects and engineers, and there is no restriction on marketing, legal form and number of offices.</li> <li>- The number of exclusive (monopoly) rights of architects and engineers was reduced.</li> <li>- Project manager activities can also be performed by persons not registered with the Chamber.</li> <li>- The compulsory traineeship through specialised work experience supervised by a mentor was abolished, and it suffices to meet the 2-year corresponding professional work experience requirement.</li> <li>- Architects and engineers registered with the Chamber are no longer obligated to receive constant specialised training, but may choose to collect points.</li> <li>- All architects entered into the directory of authorised building supervisors are automatically entered into the directory of authorised construction work supervisors as well.</li> </ul>  |

<sup>26</sup> In relation to the results of the OECD methodology on measuring *Product Market Regulation (PMR)* for 2013. The Republic of Croatia has already conducted certain deregulation measures (of prices in particular) in the area of auditing services, tax advisors, architects, engineers, energy and trade.

<sup>27</sup> Based on the EU Services Directive and (partially) the PMR methodology.



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|                                    | <ul style="list-style-type: none"> <li>- All authorised architects and engineers may conduct activities of project validation (certification), project drafting and signing, as well as expert building supervision.</li> <li>- Legal form is not restricted for surveyors.</li> <li>- The stipulated previous work experience for surveyors prior to entry into the directory was reduced from 3 to 2 years.</li> </ul>   |
| <b>Civil engineers</b>             | <ul style="list-style-type: none"> <li>- The procedure of issuing of civil engineering licences, which previously needed to be renewed every 5 years, was abolished.</li> <li>- Civil engineers can freely choose how many employees they will contract, whereas there were previously several categories of the stipulated minimum number of employees.</li> </ul>  |
| <b>Energy</b>                      | <ul style="list-style-type: none"> <li>- There is no regulation of service pricing.</li> <li>- The selection of suppliers has been made possible.</li> </ul>   |
| <b>Real estate brokerage</b>       | <ul style="list-style-type: none"> <li>- The regulation of service pricing was abolished, and the formation is at the discretion of the market.</li> </ul>   |
| <b>Recruitment agency services</b> | <ul style="list-style-type: none"> <li>- The procedure of recruitment agency licencing was abolished, i.e. a simple entry into the registry is required.</li> </ul>  |
| <b>Private museums</b>             | <ul style="list-style-type: none"> <li>- Museums may freely select their form of ownership, i.e. they can be public, private and religious. Private museums need not be just institutions, but enterprises as well, which enables them free profit management.</li> </ul>  |
| <b>Tourism</b>                     | <ul style="list-style-type: none"> <li>- The regulation of the occupation of tour escort was abolished.</li> <li>- The restriction of the number of employees in online travel agencies in residential properties was abolished.</li> <li>- The obligation of the branch manager of an online travel agency to declare residence in the apartment was abolished.</li> <li>- The obligation of service providers to employ a full-time branch manager in each branch or online travel agency was abolished.</li> <li>- The obligation of using travel agency identification codes was abolished.</li> <li>- The obligation of delivering the contract on travel representation by travel agencies was abolished.</li> <li>- The administrative procedure with regard to the obligation of meeting the minimum technical requirements for travel agencies, tourism-based agricultural family businesses, in medical tourism, for lease of parasols, sunloungers, sailboards and with special forms of tourist offer was abolished.</li> <li>- The scope of service providers was expanded to medical, conference and business tourism.</li> <li>- Service provision in medical tourism, besides special hospitals and rehabilitation centres, was also made possible for the private healthcare sector, which is an important step towards a potential future development in tourism.</li> <li>- The required work experience for travel agency managers was reduced to one year, compared to the previous regulation of several years.</li> <li>- The documentation required for branch managers was reduced and there is no obligation of seminar attendance prior to the exam.</li> <li>- Warnings are administered for minor offences, instead of automatic penalisation, which is another example of a changed statutory attitude of inspection teams towards entrepreneurs.</li> </ul> |
| <b>Trade</b>                       | <ul style="list-style-type: none"> <li>- The fee for issuing authorisations for small and medium-sized traders was reduced by about 25%.</li> <li>- Traders are no longer required to attest the scales every year, but every other year, reducing the frequency by 50%.</li> <li>- The continuation of trading activities without the issuing of a new decision on meeting minimum technical requirements was enabled, which ensured simpler business start-up and opening new retail outlets and job vacancies with no addition financial burden, which translates into direct savings.</li> <li>- Floor surface areas of warehouses for wholesale trade of goods can now be smaller than 50 m<sup>2</sup>, but no less than 25 m<sup>2</sup>.</li> <li>- Several retail outlets of the same trader in different locations can now use the same warehouse space.</li> </ul>  |
| <b>Notaries public</b>             | <ul style="list-style-type: none"> <li>- There is now the possibility of notary public services being provided by EU citizens without discrimination of the freedom of business establishment.</li> </ul>  |
| <b>Psychotherapists</b>            | <ul style="list-style-type: none"> <li>- Only the title and representation protection is regulated by law.</li> <li>- Minimum service prices are no longer regulated.</li> <li>- Licence duration is not limited.</li> <li>- Licence issuing is free of charge.</li> </ul>   |
| <b>Taxi service</b>                | <ul style="list-style-type: none"> <li>- The number of conditions for gaining a licence will be reduced, i.e. the condition will no longer be a 3-year education for professional drivers.</li> <li>- The licence will be easier to obtain, within 15 days from submitting the request. If the licence</li> </ul>  |



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|                  | <p>should not be issued within this time limit, the competent Ministry of the Sea, Transport and Infrastructure (MSTI) will issue a decision within the following 15 days.</p> <ul style="list-style-type: none"> <li>- The procedure of submitting the request can be performed by electronic means, as well as obtaining the permit and licence.</li> <li>- The maximum licence fee can no longer equal to more than 10 percent of the monthly net salary in the area of the unit of local self-government (ULSG) issuing the licence.</li> <li>- The driver will be obligated to keep only a copy of the licence in the vehicle, instead of the original.</li> <li>- The right of the ULSGs to limit the number of licences is abolished.</li> <li>- The licence will no longer depend on the taxi driver's establishment and place of residence, and they will be able to obtain a licence in any ULSG.</li> <li>- Prices will be freely determinable in accordance the market.</li> <li>- It will be possible to charge for rides by an e-application, not just by taximeter. Informing the passenger(s) on the price per kilometre via taximeter, or the maximum price via the e-application, will be compulsory.</li> <li>- Taxi drivers can have any legal form.</li> <li>- Taxi drivers of other EU Member States will be able to establish freely in the RC.</li> <li>- Foreign taxi drivers (of non-EU countries) will be able to provide services if prescribed by international agreement.</li> </ul> |
| <b>Attorneys</b> | <ul style="list-style-type: none"> <li>- Certain marketing limitations for attorneys will be eliminated (while maintaining the obligation of respecting professional ethical standards).</li> </ul>  |

Whereas obstacles were being removed for many sectors, business services (consultancy, marketing, public relations, media, design, wellness, gyms, IT, translation, accounting and other business services) were not regulated by licences and permits, which continues to guarantee a completely free access to the services market.

***d. Improving the efficiency and quality of the judicial system, particularly by reducing the duration of civil and commercial proceedings***

Following the conducted analysis of the effects of merging minor offence and municipal courts and consultations with all judicial bodies, the draft of the legislative package providing for further reorganisation of the court network was drawn up. In March 2018, the following proposals were accepted upon the first reading in the Croatian Parliament and will be entered into further processing: the Proposal of the Act on Areas and Seats of Courts, the Proposal of the Act on Areas and Seats of State Attorney's Offices, the Proposal of the Act on Amendments to the Courts Act, the Proposal of the Act on Amendments to the State Judiciary Council Act, the Proposal of the Act on the State Attorney's Office and the Proposal of the State Attorney's Council Act.

Apart from the reorganisation of the court network, the legislative package provides for certain amendments in relation to further improvement of the organisation of work and management of judicial bodies. One such amendment is for courts with over 15 judges where, pursuant to the Proposal of the Act on Amendments to the Courts Act, the position of judicial administration director will be introduced, who will report to the president of the court and assist him performing judicial administration tasks. In order to achieve better management of judicial bodies, tools of reporting (dashboards) were developed for heads of judicial bodies and made available on the website of the Ministry of Justice (MJ)<sup>28</sup>, with management reports also made accessible to presidents of courts within the existing judicial IT systems.

For the purpose of further promoting professionalism in the judicial system, the above mentioned statutory proposals provide for the modification in the manner of assessing judicial officials, amplifying disciplinary measures for judicial officials, ensuring greater transparency and efficiency in managing proceedings with the State Judiciary Council and the State Attorney's Council, systematic

<sup>28</sup> <http://bit.ly/2lOKrgX>

training for heads of judicial bodies in judicial and state attorney administrative tasks, improving transparency in respecting the Code of Ethics and strengthening/redefining the role of the judicial inspectorate.

For the purpose of further developing information and communication technologies in the judicial system, an integrated system of case management (e-File) was introduced to the Department of Crime of the Supreme Court of the Republic of Croatia. The introduction of the e-File system is in progress for the Civil Department of the Supreme Court of the Republic of Croatia. Specifications of the IT system upgrade at courts are in progress. Testing of the voice-to-text devices and programmes at certain courts and state attorney's offices is currently being conducted. The procurement procedure for 800 devices to be distributed among certain courts and state attorney's offices has been initiated. New e-service for issuing documents regarding pending criminal proceedings and certificates from criminal records for election purposes via the e-Citizens system was implemented. The application for issuing extracts of the Court Registry using the e-Citizens system is currently under development.

Reports of the analysis of the effects of the Bankruptcy Act<sup>29</sup> and the Consumer Bankruptcy Act<sup>30</sup> for the period of 2016 were made for the purpose of establishing systematic monitoring and efficiency analysis of both Acts, through the work of the working group already assembled for that purpose.

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<sup>29</sup> OG, no. 71/15 and 104/17

<sup>30</sup> OG, no. 100/15



## 4. Main objectives, reform areas and economic policies

### 4.1. Strengthening economic competitiveness

#### 4.1.1. Improving the business environment

##### Digital transformation of the economy

The Strategy for the Digital Transformation of the Economy will be drafted by the end of 2018. The following areas comprise the backbone of the strategy: improving the regulatory framework of incentivising innovations and investments in the context of a single EU digital market; creating new business models for small and medium-sized enterprises; incentivising the development of research and innovations in digital disruptive technologies; developing Gigabit networks as the basic infrastructure of the Internet of Things; cyber data security; improving education in digital skills for all ages and implementing the Industry 4.0 concept in selected industrial sectors.

The Republic of Croatia has a very low preparedness index of industrial enterprises for Industry 4.0 and a small share of such enterprises use top global methodologies, concepts and tools (*Lean Management, Six Sigma, Kaizen*) for the improvement of production and increasing competitiveness in the European and global market. Industry 4.0 introduces a new concept of production management and management of the development of products and services which creates a precisely determined and target value for the customer. Such changes should contribute to the rise in the share of industry in the GDP from 15% in 2016 to planned 20% in 2020. In order to reach the defined objective, it is necessary for the state to actively support, through different instruments, all business entities which will be identified as the carriers of the new industrial revolution.

The objective of the Croatian industry for the period of 2014–2020 is to reposition identified strategic activities in the global value chain towards the development of production activities that create added value. Another objective is increasing the Digital Economy and Society Index (DESI) to 0.49 points.

This objective is based on the Europe 2020 strategy, the Industrial Strategy of the Republic of Croatia 2014–2020<sup>31</sup> and the Smart Specialisation Strategy of the Republic of Croatia 2016–2020<sup>32</sup>.

##### Reducing tax burdens

In order to strengthen the competitiveness of the Croatian economy, measures will be taken to further reduce tax burdens, depending on the economic conditions. At the beginning of 2017, a comprehensive tax reform entered into force which provided tax relief for citizens and entrepreneurs of over HRK 2.5 billion. Through further changes to the tax system, the tax burden of citizens and entrepreneurs was additionally reduced by around HRK 1.2 billion at the beginning of 2018. Taking into consideration the need for further tax relief which would stimulate the competitiveness of the economy, analyses will be performed by the end of the year and further direction of reducing tax burdens will be determined.

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<sup>31</sup> <https://bit.ly/2HfZFEJ>

<sup>32</sup> OG, no. 32/16



## **Administrative relief of entrepreneurs and the economy, and the analysis of non-tax payments**

According to the Global Competitiveness Report (World Economic Forum, 2017), the Republic of Croatia ranks 135<sup>th</sup> in the world due to excessive burdens to the economy which hinders competitiveness, and 99<sup>th</sup> in the effect of regulations on foreign investments. According to the *Doing Business* methodology (World Bank 2017), the Republic of Croatia ranks 51<sup>st</sup> in the world due to long-lasting and complex administrative procedures and requirements.

The *Standard Cost Model (SCM)* methodology is applied for the purpose of systematic measurement and targeted reduction of administrative burdens of the economy.

The objective is to reduce, through comprehensive regulatory reform, the administrative burdens of the economy by about 30% (following the SCM measurement) and to reduce the overall non-tax burdens by about 10%.

By the end of 2016, the SCM measurement was conducted in the areas of occupational safety, sanitary conditions, opening enterprises and sole proprietorships, trade, real estate brokerage, energy efficiency in construction and public procurement. The Action plan for Administrative Relief of the Economy (2017) was delivered by the end of 2017 for more than 60% of the measures, while the rest are still undergoing implementation.

During 2017, a comprehensive application of the SCM methodology in measuring administrative burdens of the economy encompassed almost all regulatory areas of relevance to the economy, such as: tax regulations, customs, bankruptcy, construction, homologation, spatial planning, agriculture, agricultural land, phytosanitary conditions, maritime domain, fisheries, food, hunting, statistics, fire safety, protection of monetary institutions, foreign nationals, protection and preservation of cultural heritage, environmental and nature protection, as well as other areas. The SCM measurement also included the administrative costs of services market regulations for a number of sectors, such as energy, transport, architects, engineers, auditors, surveyors, healthcare, health insurance, dietary supplements, pharmaceuticals, tourism, hospitality, roadworthiness tests for vehicles, postal service, waste management, electronic communications and others.

In March 2018, we adopted the Action Plan for Administrative Relief of the Economy of 2018, containing a total of 142 relief measures by HRK 626 million. The continued application of the SCM methodology brought the total measured burdens for 200 analysed regulations to HRK 5.1 billion, which means that a relief of 12% of the measured amount is being conducted. The planned relief measures are to be applied in the areas of taxes, customs, statistics, surveying and cadastral activities, tourism and hospitality, metrology, precious metals, phytosanitary policy, aquaculture and fisheries, private protection and protection of monetary institutions. The measures include expanding the digitisation of different procedures (e-Tax and others) and linking registries, reducing the scope of documentation, eliminating certain procedures and authorisations, abolishing the obligations of keeping records, reporting and delivering copies or certificates, reducing the frequency of certain obligations, abolishing the tourism membership fee for the IT sector and other activities unrelated with tourism, abolishing statistics fees in relation to the National Classification of Economic Activities (NCEA), abolishing exam fees in the area of aquaculture and breeding, among others. Until the adoption of the Action Plan, 44 measures have already been implemented, saving the economy HRK 14.4 million.

In relation to non-tax relief, the key planned measures are abolishing the tourism membership fee for the IT sector and other activities unrelated with tourism, abolishing the fee for general useful functions of forests for small-sized enterprises, a relief of 20% of the wastewater fee for enterprises



that purify water, reducing the water utilisation fee to the providers of water-based services that have reduced their losses to the technically acceptable level, as well as other measures.

The systematic implementation of the Small and Medium-sized Enterprises (SMEs) Test upon adopting new regulations will continue. The SMEs test assesses the economic effects of regulations, both statutory and by-law. New regulations can be adopted only with prior consent and binding opinion of the Ministry of Economy, Entrepreneurship and Crafts (MEC), which enables quality control of regulations for small entrepreneurship. Consultations with entrepreneurs and other stakeholders on regulations affecting small entrepreneurship are being strengthened. The SMEs test is therefore an important segment in building an efficient public policy system for the economy and quality of public management.

### **Liberalisation of the services market**

Liberalisation of the services market for a number of professions enables opportunities for competitiveness and economic growth by facilitating start-ups, creating new job opportunities and innovations. Incentivising market competition opens up possibilities for price reduction, better choice and quality for the consumer. In this way the economy can stimulate productivity, investment and innovation. According to the Global Competitiveness Report (World Economic Forum, 2017), the Republic of Croatia ranks 135th in the world due to excessive market burdens which hinder the competitiveness of the economy, and 102nd in the intensity of market competition. The Croatian market is around 30% more strongly regulated than the EU average (about 1.4) according to the PMR methodology of the OECD (OECD PMR, 2013). In the area of professional services, the regulation level of the Croatian services market is 3.7 (40% above the EU average). The World Bank estimates the potential for productivity growth of the Croatian economy at about 5% if a certain level of profession deregulation is conducted by 2019 (EU Regular Economic Report, 2016). A deregulation of about 20% would reduce the regulation level of the Croatian services market (measured by the OECD PMR 2013) from 2.1 to at least 1.7 (about 20% above the EU average of 2013), whereas the regulation of professional services is planned to be reduced by about 40% (from 3.7 to at least 2.1).

Until April 2018, the liberalisation of the services market was carried out through 135 concrete sectoral measures which facilitated the exercise of rights of business establishment and freedom of service provision, while about 20 measures are currently in the process of being adopted. Some of the implemented measures have already had an effect of reducing the restrictiveness of the services market within the parameters of the OECD PMR methodology.

The objective is to incentivise a medium-term increase of economic productivity by about 5% through a minimum of 100 additional measures of market liberalisation for professional services by the end of 2019.

Therefore, MEC, in cooperation with the World Bank, carried out a detection of obstacles to market competition in the area of professional services. A regulatory analysis encompasses at least 50 professions, such as: auditors, tax advisors, accountants, attorneys, engineers (civil, electrical engineering and mechanical engineering), architects, urban planners, construction/works/project supervisors, design auditors, domestic energy assessors, notaries public, insolvency administrators, tour guides, travel agency managers, physical therapists, physical therapy technicians, pharmacists/chemists and pharmacy technicians, real estate agents and brokers, heating and air conditioning fitters, surveyors, environmental protection professions, customs representatives, investment advisors, credit intermediaries, brokers, insurance brokers and liquidators, drivers in road transport of cargo and passengers, taxi drivers, shipbrokers, navigators, pilots and air traffic controllers, private security officers, vehicle roadworthiness supervisors, vehicle registration clerks,



specialised driving school managers, fire safety officials and others. According to the OECD PMR methodology, the following regulatory conditions for market access and service provision were analysed: payments to professional Chambers (registration, licencing, membership, exam, contributions and other fees), exclusive and shared rights (monopoly), regulations of minimum and maximum prices, marketing and legal form restrictions, requirements regarding equity, studies on market justification, time/territorial/numerical limitations for licences, discrimination on grounds of nationality and place of residence, limitations to the number of offices and head offices, professional qualifications, previous work experience and other obstacles to establishment and the freedom of cross-border service provision.

Following the performed regulatory analysis, MEC and the World Bank are planning to determine intersectoral initiatives of concrete market liberalisation measures for around 24 professions until September 2018. By December 2018, MEC plans to draft an Action Plan for the Liberalisation of the Services Market (2019). This project involves horizontal cooperation between MEC and the Croatian Competition Agency (CCA), as well as the competent authorities and professional Chambers with legal authority to regulate certain professions.

The liberalisation of the services market is one of the fundamental components of the implementation of the EU's Internal Market Strategy which focuses on removing the remaining obstacles for service sectors and professions, incentivising market quality standards instead of excessive regulation, preventing the introduction of new services market regulations and obstacles through reform of the notification system, enabling free market access and equal conditions for new business models and digital platforms in the context of a cooperative economy, facilitating cross-border provision of professional services by a service e-card, developing the European Single Digital Gateway, developing single points of contact, among others. In line with the Internal Market Strategy, the European Cooperatives programme is also being implemented.

Within the context of the Internal Market Centre of the EU ([www.cut.hr](http://www.cut.hr)), following the Internal Market Strategy of the EU, the development of the electronic Single Point of Contact for services ([www.psc.hr](http://www.psc.hr)) is continued, which should provide all relevant answers on business start-ups, access to certain services market sectors and other business regulations in one place. The main objectives by the end of 2018 are: to increase the total number of bilingual sets of information and make them available to entrepreneurs, from the current 220 to at least 270; to increase the total number of procedures where it is possible to deliver documentation for licencing of service provision by e-mail for a series of activities, from the current 90 to at least 100, saving service providers time by at least 60%, and to introduce at least 15 electronic services for obtaining service provision licences for a series of activities, available via the e-Citizens system, saving service providers time by at least 60%. A Single Point of Contact for services will be integrated into the Single Digital Gateway by 2020, which would provide the economy and citizens with a comprehensive system of information on the regulations for a number of areas, electronic services and administrative support. The preparations for the development of a Single Digital Gateway will begin during 2018, in order for it to be functional from 2020.

### **Electronic business start-up**

According to the Global Competitiveness Report (World Economic Forum, 2017), the Republic of Croatia ranks 91<sup>st</sup> in the world in the number of procedures for business start-up. According to the *Doing Business* methodology of 2018 (World Bank 2017), the Republic of Croatia ranks 87<sup>th</sup> in the competitiveness of business start-up, with a total of 8 procedures unconnected electronically or through registries. According to the World Bank analysis, new business density was lower in the



period of 2008–2012 in relation to comparable countries of Central and Eastern Europe, which hinders the growth potential of economic productivity, job creation, investment and innovation.

Facilitating business start-ups by reducing the number of procedures, days, costs and by digitisation will contribute to improved competitiveness of the Croatian economy in relation to the methodologies of *Doing Business* (World Bank), competitiveness (World Economic Forum), economic freedom (*Fraser Institute and the Heritage Foundation*) and regulation of the services market (OECD PMR).

The objective is to enable establishing a business within a maximum of three days in just one electronic procedure by the end of 2018.

The adoption of the Regulation on electronic business start-up is planned for May 2018. It would ensure the development of a single (One-Stop-Shop) electronic procedure for establishing a business which would integrate all business registries and procedures (court registry, NCEA-CBS, TA, CPII-CHIF and bank accounts). It will not be necessary to appear before the Commercial Court, nor the notary public for standardised foundation acts, the obligation of creating a stamp will be abolished, as well as justifying the enterprise name or delivering copied entries from dictionaries of foreign words in cases of enterprise names in one of the languages of the EU. Such a procedure would be integrated into the state information infrastructure, so as to make it available to Croatian citizens and the EU/EEA via the e-Citizens system and on the link of the Single Point of Contact ([www.psc.hr](http://www.psc.hr)). This would also ensure the implementation of the Conclusion on the introduction of electronic procedures for registration of business establishment and obtaining approval for performing service activities, as well as the Services Act.

### **Unifying economic inspections**

The State Inspectorate will be reorganised so as to unify related inspection activities in the economy, which will reduce the burden on entrepreneurs. This will eliminate excessive division of authority between different inspections. The enactment of the Act on the Amendments to the Act on the Organisation and Scope of Ministries and Other Central State Administration Bodies will establish a State Inspectorate and determine the scope of inspection activities it performs. The State Inspectorate Act will provide a new internal organisation and common principles of inspection procedures. Moreover, coordinating inspection activities supervised by the State Inspectorate will lead to a more efficient repression of the shadow economy (unregistered business activities and undeclared labour) and thus improve market competition for all economic operators. Also, the penalisation of minor infringements will be reduced for cases where irregularities were amended after inspection, which will reduce the burden for entrepreneurs.

The objective is to relieve entrepreneurs of frequent, irregular and uncoordinated inspections and actions, as well as to enable entrepreneurs to amend minor offences, without resorting to automatic penalisation. The plan is to achieve at least a 30% increase of coordinated inspections and to reduce the number of performed inspections. Another 20% reduction is planned for penalisation processing of minor offences that have been amended by the entrepreneurs after inspection.

### **Further development of electronic public procurement**

Using digital platforms and tools, including confidence services and electronic invoicing, economic operators can place their products and services on all existing and fast-growing markets, thus achieving greater visibility and competitiveness. Introducing electronic invoicing is a priority, since it significantly reduces business costs, creates saving and added value for the economy and public



administration, and contributes to reducing the shadow economy and increasing transparency. E-Invoicing can contribute to budgetary cost saving of around 6% of total public procurement through the development of a comprehensive electronic public procurement procedure, from electronic submission of tenders, supervising contract execution, e-Invoicing and e-Payment. In relation to transparency, it is precisely the e-Invoicing which will provide the most complete information for purposes of tax supervision and financial performance audit in real time.

The objective is to enable 100% submission and issuing of e-Invoicing in public procurement procedures, for the purpose of achieving a budgetary saving of about 6% of total public procurement, or approx. HRK 2.6 billion per year.

This will be conducted through the Act on Electronic Invoicing in Public Procurement.

Moreover, in cases of public procurement, the economic operator must prove certain facts so as to be able to participate in the procedure and be selected as contractor. Considering the different competence criteria which can be requested in the procedure, different evidence is required. The EC established eCertis – the Internet-based certificate storage where each Member State enters evidence for different competence criteria for economic operators required in public procurement procedures. All evidence requested by the Public Procurement Act must be entered into the eCertis system and regularly updated. By October 2018, the Republic of Croatia is required to enter the types and forms of evidence pursuant to the Public Procurement Act, which will also foster the development of electronic public procurement (e-procurement). This will ensure that economic operators, especially small and medium sized-enterprises, can participate more easily in public procurement procedures, since they will be able to find all information on evidence of competence they are required to deliver to the contracting entity in a single place. Furthermore, following the update of the eCertis database, it will be possible to upgrade the module into the EOJN, so that the information from the eCertis database is made visible and accessible through the EOJN system during the process of filling out the European Single Procurement Document (ESPD), providing information beforehand to the economic operator on the evidence they are required to deliver to the contracting entity. So, apart from facilitating participation in public procurement procedures to economic operators, this measure also contributes to increased legal security.

### **Improving corporate governance**

During 2018, corporate governance will be improved by amendments to the Corporations Act<sup>33</sup>. The statutory amendments will introduce stricter criteria for supervisory board memberships in larger corporations. Moreover, for the purpose of incentivising long-term participation of shareholders and increasing transparency between the corporations and investors, the Act will be made compliant with the regulations and requirements for EU Member States which ensue from the Directive (EU) 2017/828 of the European Parliament and Council of 17 May 2017 on the amendment to the Directive 2007/36/EC with regard to incentivising long-term shareholder participation. The Directive determines the requirements in relation to executing certain shareholder rights with regard to shares with voting rights in general meetings of corporations established in a EU Member State and with shares in the regulated market situated or conducting business in a EU Member State. It also determines special requirements for incentivising, especially long-term, shareholder participation. These special requirements are applied in relation with determining shareholder identity, transferring information, facilitating the exercise of shareholder rights, transparency of institutional investors / asset managers / proxy advisors, directors' remuneration and transactions with related parties.

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<sup>33</sup> OG, no. 111/93, 34/99, 121/99 – authoritative interpretation, 52/00 – Decision of the Constitutional Court of the RC, 118/03, 107/07, 146/08, 137/09, 125/11, 111/12, 68/13 and 110/15



Moreover, minority investors will be additionally protected with regard to increased transparency of transactions with related parties, the actions of approving transactions with related parties will be reexamined, publication of information on management will be requested on an individual basis, publication of information on basic employment and director functions of board members in other enterprises will be requested, and 5% shareholders will be able to add items to the agenda in general meetings.

### **Improving the land registry and cadastre system**

A number of activities have been underway in the Republic of Croatia for the last 10 years directed towards improving and linking the land registry and cadastre systems. Even though significant projects have been implemented and new solutions contributing to its efficiency were introduced, the system is still not at the desired level. Therefore, further improvement of the system will be performed by measures of synchronising information in land registries and cadastre, which will ensure legal security, stimulate and accelerate investment processes and improve the functioning of the real estate market. The adoption of the Detailed plan of cadastral surveys and the establishment and renewal of land registries is being planned, as the foundation for conducting relevant procedures, as well as for the establishment and renewal of land registries for those cadastral municipalities where cadastral surveys had been performed, without the procedures of exposure and the establishment and renewal of the land registry.

The procedure of individual reformation of land registries and cadastres into the Cadastral Database will be initiated. The procedure is regulated by the Land Registry Act, and provides for the establishment of a single title register, i.e. a Cadastral Database which will synchronise cadastral and land registries, without conducting new cadastral surveys using applications from the electronic database and electronically transferring all synchronised data in a particular time period, as well as continuing the management of that cadastral municipality in a single database, with the application of common business processes of the cadastre and land registry. Currently, there is a certain number of cadastral municipalities in the Republic of Croatia which are adequate for the individual reformation procedure, and initiating it will increase the number of synchronised data of the land registry and cadastre, since it is a very significant instrument of synchronising land registry and cadastre data without conducting long and expensive cadastral surveying.

### **Establishing a methodology for future real estate value assessments**

Developing a methodology of mass real estate valuations presupposes the establishment of a modern and developed system of real estate appraisals which should contribute to legal security for real estate investors and owners, as well as to the uniformity of appraisal of real estate value in judicial proceedings and expropriation procedures. Performing this activity will lay the groundwork for a mass real estate valuation in the future.

There is currently no real estate registry in the Republic of Croatia, therefore, real estate on the territory of the Republic of Croatia cannot be quantified, real estate categories cannot be defined nor can their condition or their value, be assessed. Therefore, the introduction of so-called price blocks is planned for the purpose of serving as the main tool for location parameters for mass real estate assessment, that is, it will provide the basis for assessing the real estate market value based on the influence of location of the value of property. Introducing price blocks is an important measure for the economy, since it will provide the incentive for investing in e-Property, insofar as it will contribute to the reduction of real estate investment risk by creating a reliable system for deciding on whether to invest in property. A Plan for Guide Value of Land – e-Property – will also be drafted.



## **Establishing a legal basis for the implementation of the water utility sector reform**

The water utility sector is fragmented and inefficient in implementing projects, as well as in the subsequent stages of managing the newly built systems, since it lacks personnel and technical equipment.

The prerequisite for an efficient implementation of investments in the area of water management for the purpose of securing compliance with the relevant EU directives is reforming the water utility sector of the Republic of Croatia, which includes the consolidation of public suppliers of water supply services and public waste water management services in the Republic of Croatia for the purpose of economising operations, improving the capabilities of public suppliers of water services for the implementation of development projects for the water utility infrastructure, as well as efficient infrastructure management and harmonising water service prices in a single service area.

Establishing a legal basis for the implementation of water utility sector reform, i.e. the enactment of the Water Service Act, will enable the consolidation of the sector, and, subsequently, efficient operations of public suppliers of water services, which will have a positive effect on the price of water services.

Due to great losses in public water supply systems, the charge for the use of resources (water utilisation fee) is calculated only per delivered volume of water, instead of the abstracted water volume minus the amount of acceptable loss. Therefore, the water utilisation fee will be reduced for those water service suppliers which bring their losses to the technically acceptable level. This reduction will be achieved by means of correction coefficients and a new calculation model for the above mentioned fee (using the abstracted water volume as base).

## **Further liberalisation of road transport**

The existing Road Transport Act<sup>34</sup> has been in force since 1 July 2013, meanwhile, significant changes occurred in statutory regulations of the EU which should be transposed, as well as an increase in economic activity, particularly tourism and an increase in the export of goods and services, which affected the relationship between supply and demand in the transport market.

The enactment of a new Road Transport Act is underway which will determine the conditions and manner of performing activities of public transport of passengers and cargo in domestic and international road transport, agency activities in road transport, activities of providing transport terminal services at bus and cargo terminals, own-account transport of cargo and passengers, as well as the competence of bodies responsible for the implementation of the act and its monitoring. In relation to this, further liberalisation of transport presupposes reform in the following areas: acquiring competencies for drivers of land motor vehicles; regular passenger road transport; taxi passenger transport; micro-transport and integrated passenger land transport; distributing licences for international cargo transport; providing terminal services at main bus stations; penalisation system for offences in road transport; availability of public transport in sparsely populated areas for which there is no interest of transport undertakings.

This will be achieved in the context of the implementation of the Road Development Strategy of the Republic of Croatia 2017–2030 in the section of road transport of passengers and cargo, and other activities in the road transport sector.

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<sup>34</sup> OG, no. 82/13



## **Increasing the competitiveness of the port sector**

An insufficiently connected port, in terms of transport, cannot develop nor be competitive, therefore, further investments, particularly in railway infrastructure, are also crucial for the further development of the port sector. Only the port of Rijeka is well connected by rail with the inland, but greater train compositions raise the cost of transport. Investments in infrastructure are being implemented by the “Rijeka Transport Route” project (valued at EUR 186.8 million), with the completion of a container terminal on the Zagrebačka obala in Rijeka and the “Reconstruction of the Rijeka-Teretna railway station” project should contribute to the increase of the port’s competitiveness.

Apart from investing in infrastructure, the role of the port authority and concession system in ports open for public transport will be redefined. A uniform information system will be established, as well as a unified and swift customs procedure and customs warehouse in ports in order to ensure a rapid and efficient system of customs clearance of the goods passing through Croatian ports, so as to give users a clear indication of the time in which goods will be cleared and the expenses they will bear regarding the customs process. This will also reduce the costs that port users have while the goods are being stored at the port, and also enable efficient planning of further transport of goods.

Furthermore, certain activities will be undertaken in order to ensure good and efficient promotion of Croatian ports in the European and global market, so as to attract cargo to the ports. Networks of representation would make Croatian ports recognisable on the global market, and they could compete in tenders of multinational companies.

## **Activating the potential of the maritime domain**

According to the binding legislative solution, maritime domain borders for all units of regional self-government possessing such domain are determined by the Borders Committee with the MSTI. This means that a single body is responsible for the entire Adriatic coast. Decentralising the procedure, i.e. transferring authority of determining maritime domain borders to the ULRSB would enable a greater number of competent bodies, but also increase the accountability of the borders committees of the ULRSB, which are currently only drafting border proposals. The new legislative solution, i.e. decentralisation of the procedure of determining maritime domain borders, will accelerate the process.

The objective is ensuring a swifter registration of maritime domain in land registries, on the basis of the laws and decisions which determined the borders. A large number of determined maritime domain borders have not been registered in land registries so far. Seeing as the registration of a maritime domain in land registries is a prerequisite for awarding a concession to activate the maritime domain potential, it is necessary to accelerate and simplify the procedure.

A unique browser will be provided, containing all information on the maritime domain, from the determined maritime domain borders, through the ports open to public transport, to concession special purpose ports. The Geographic Information System (GIS) of the maritime domain is intended as a uniform service for the state and citizens, since it contains all the relevant information on the maritime domain. Using the maritime domain GIS, every interested investor will have immediate access to information on the maritime domain area they are considering investing in, or be offered locations in which they could invest.

The entire coast will be divided into zones, depending on the economic potential of each area. Currently, initial concession fees are equal for all public tender invitations for awarding concessions,



so, in some cases, the tenderers offer significantly higher amounts, whereas certain locations do not offer economic justification for investment. Zoning the coast would make the initial concession fees significantly higher in more attractive locations than those of less attractive locations, which would result in greater investments in less attractive locations, due to more favourable concession conditions.

### **Increasing transport competitiveness in inland waterways**

The focus of the future development of inland water transport is expressed in the key measures which include: the market (attracting new markets, promoting entrepreneurship, improving the administrative and regulatory framework); fleet (improving logistic efficiency, the environmental and safety features of the inland vessels through subsidising); employment (attracting new/young workforce and encouraging the development of human resources, harmonising certificates for the commander and crew members); image (promoting inland water transport as economically viable and environmentally acceptable means of transport, following and developing market trends); infrastructure (securing the waterways for unimpeded and safe transport in accordance with the waterway category, as well as technical/technological modernisation of ports).

In order to ensure a better positioning of inland water transport and its integration into the intermodal European transport network of waterways, it is crucial to create conditions of inland waterways which are compliant with the requirements of their international classifications, and to ensure technical/technological modernisation of inland ports, their integration into logistic-distributional chains and to initiate their development cycles through investments in priority projects. The following projects were initiated for the purpose of implementing inland water transport measures: “Construction of the terminal for bulk cargo transshipment in the Osijek port”; “Reconstruction and improvement of the Sava river waterway”; “Construction of the terminal for bulk cargo transshipment” (in the value of HRK 130 million); “Construction of port infrastructure in the Slavonski Brod port” (in the value of HRK 38 million); “Upgrading the port infrastructure of the Slavonski Brod port” (in the value of HRK 142 million). The following projects are being prepared: “Preparation of the Study of environmental impact and project documentation for a section of the Sava waterway” and “Construction of intermodal infrastructure of the western section of the Osijek port”.

Until now, the only investments in port areas were made by their managing bodies, i.e. the Osijek and Slavonski Brod port authorities. Therefore, economic zones in the port areas of Osijek and Slavonski Brod will be presented to local entrepreneurs for the purpose of attracting new concessionaires. The objective is to simplify and reduce the burdens of future concessionaires by eliminating utility fees for the usage of port areas by the ULSGs. An analysis will be made of the way the economic zone is being used, which will be the foundation for organising a round-table discussion for the competent port authorities to present the results that would arise from awarding new concessions for economic zones (greater employment in the area, etc.)

#### **4.1.2. Improving the management and disposition of state assets**

##### **Ensuring the prerequisites for better corporate management of state-owned companies**

As a continuation of previously initiated activities in relation to securing more responsible management and more successful state-owned companies, the activities of improvement of state asset management will continue, and so will the management of the businesses themselves by



boards of directors and supervisory boards for the purpose of enhancing business efficiency and business monitoring in state-owned companies.

The Decision on the introduction of the medium-term planning requirement on the basis of which the businesses of strategic and particular importance, and majority state-owned companies will have the obligation to draft methodologically standardised medium-term business plans, and the Ministry of State Property (MSP) in cooperation with the MF will be able to monitor planning and business results through standardised reports.

For the purpose of improving state assets management and the management of state-owned companies, 5 workshops lasting several days will be organised for the members of supervisory and audit boards, where state representatives will be informed of the proprietary policy with regard to the management of shares and share holding, the Corporate Governance Code, planning and restructuring frameworks, the OECD framework, and all other knowledge and information necessary for efficient business operations and management of state-owned companies. This activity is intended to be continuously conducted.

Moreover, it has been determined that further development and improvement of operations of Croatia Airlines d.d. can be performed only in cooperation with a serious strategic partner.

### **Activating state assets and reducing the state portfolio**

In order to effectively reduce the state assets portfolio managed by the MSP and RSC, and subsequently reduce public debt and increase the credit rating, activities related to the identification, preparation and sales of non-strategic businesses will continue. After enacting the new Act on Management and Disposition of the Property Owned by the Republic of Croatia, the Regulation on the sales of stocks and business shares will follow, which should accelerate and simplify the conditions of sale of non-strategic businesses.

The activities of activation and improved management of state assets will continue by engaging it for use in economic development, the implementation of projects of general public or social interest, or infrastructure projects of ULRSG. These activities are currently somewhat hindered by the lack of regulated legal status of real estate owned by the Republic of Croatia, and the discrepancy of data between land registries and cadastres, registration of social ownership and national property for state-owned property, the lengthiness of the procedure of updating land registries underway in the majority of the Republic of Croatia and new cadastral surveying, lengthiness of property restitution procedures based on the Act on Indemnification for Assets Confiscated during Communist Yugoslavia and related registration of proceedings for state-owned property (and for a significant number of ex-military property), unsynchronised spatial plans of higher and lower levels, and frequent modifications to spatial plans. A significant issue regarding seaside real estate is the fact that a large part of the coast still has no established maritime domain borders. For the purpose of resolving the above mentioned issues, amendments to certain statutory and by-law regulations have been proposed (Act on the Amendments to the Act on Tourist and Other Construction Land Not Evaluated in the Transformation and Privatisation Process<sup>35</sup>, Act on the Amendments to the Act on Lease and Sale of Business Premises<sup>36</sup>, Regulation on disposition of properties owned by the Republic of Croatia<sup>37</sup> and the Regulation on donation of property owned by the Republic of Croatia<sup>38</sup>) which would continue the activation and improve management of state assets.

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<sup>35</sup> OG, no. 92/10

<sup>36</sup> OG, no. 125/11 and 64/15

<sup>37</sup> OG, no. 127/13

<sup>38</sup> OG, no. 127/13



The amendments to the Act on Incentivising Investment<sup>39</sup> enabled the inclusion of inactive real estate owned by the Republic of Croatia into projects supporting entrepreneurs by leasing said property (of primarily former manufacturing plants, former military assets) free of charge for a certain period, as incentive to economic activity, especially for assisted areas.

The objective is to increase the number of investment projects and activate inactive state assets, as well as to deliver at least 5 such investment projects per year by 2020 (such as the following projects: TEF, Šibenik; Hidrobaza, Pula; Saccorgiana Pula; Muzil Pula; Šepurine, Nin; Prukljan, Skradin; Kupari, Župa Dubrovačka; Stankovci airport, Stankovci; Češka vila, Vis).

Amendments to the Act on Tourist and Other Construction Land Not Evaluated in the Transformation and Privatisation Process, as well as prescribing the criteria and procedures of regulating co-ownership status of campsites between the Republic of Croatia and enterprises, will facilitate business operations of those enterprises in accordance with market demands, which will have a positive effect on the State Budget (SB).

### **Establishing a comprehensive state assets register**

The structural challenge of public policy in the area of state asset management is reflected in the fact that the state assets of the Republic of Croatia are classified, registered, valued and represented in a way that requires additional developmental elements. A dispersed state assets database is distributed among different state institution registries, which may result in excluding certain forms of state assets from common registries, or incomplete and outdated information on state assets. Therefore, one of the key measures of improving budgetary expenditure efficiency is the improvement of the current state assets management system.

A medium-term transformation of the existing State Assets Register from an administrative into a management system will be conducted, which will gradually unify all forms of state assets of the Republic of Croatia. This measure will be conducted in several stages, and a methodologically standardised basis for all forms of state assets will be used for the purpose of establishing a fully functional Central State Assets Register as the future central system of state assets management, in accordance with international standards and requirements of the MF. A methodologically structured base of authentic physical, legal, and economic and financial features/attributes on the forms of property is an infrastructural prerequisite for effective management and responsible asset utilisation, which leads to growth of financial and nonfinancial management effects, as well as an increase in the share of revenue resulting from state assets management and utilisation in GDP. Establishing a completely functional Central State Assets Register also requires electronically connecting with basic registries within the competences of other State Administration Bodies (SAB) and databases of other institutions conducted in accordance with the obligations stipulated by positive implementing regulations.

The initiated electronic connection to basic registries will continue (connection to the Common Information System, Court Registry, the CDCC data system), as will the activities of defining a data model and elaborating a comprehensive application solution for the systematic management of state assets in all its movable forms.

The execution of the entire project of establishing the IT System for State Assets Management (ISUDIO) will result in access to a redefined scope and structure of all state assets, with interaction and interoperative automated system containing all basic registries. This will also enable a

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<sup>39</sup> OG, no. 102/15 and 25/18



transparent and secure system with updated information, ready to provide an analytical reporting system at any moment, including management of main (principal) information.

The Act on the Central Register of State Assets will be passed for the purpose of determining institutional competence of organising and managing the register by the Central State Office for the Development of Digital Society (CSODDS).

### **Business and financial restructuring of state-owned road sector enterprises**

The objective of the financial restructuring is to prolong the payment time limit and reduce the debt interest rate of road sector enterprises and thus harmonise the obligations (expenditure) with revenue, optimise the yearly debt payments and consequently achieve sustainability of business in road sector enterprises.

The project “Modernisation and restructuring of the road sector” (MARS) was initiated for the purpose of supporting the implementation of this measure and is financed by a World Bank loan. A financial advisor for transactions was contracted within the context of the project. In November 2017, the MF issued a bond of EUR 1.275 billion in cooperation with the MSTI, due in 2030, with a yield of 2.953 percent and a coupon of 2.75 percent. It is the most advantageous issue, and with the longest maturity (12 years), ever performed on international capital markets. Contracts on Transfer of Funds were concluded with the enterprises Hrvatske autoceste Ltd. (HAC), Autocesta Rijeka-Zagreb d.d. (ARZ) and Hrvatske ceste Ltd. (HC), and the transferred funds were used for early payment of 11 less advantageous bank loans on 20 December 2017. The financial restructuring of the road sector is being conducted in two cycles. The first cycle was concluded, with approx. HRK 9.5 billion reprogrammed by early credit payments from eurobonds funds, which resulted in minimum savings on interest of HRK 110 million per year. The second reprogramming cycle of approx. HRK 14 million has also been completed. “Jumbo loans” were contracted, i.e. existing loans were closed by a single large loan for each enterprise (HAC Ltd., ARZ d.d., HC Ltd.), in three loans with much more advantageous conditions. The second refinancing cycle prolonged the maturity to 12 years, the interests were reduced from an average margin rate to a 6-month EURIBOR, from 3.77% to 1.95%, which was a saving on interest of a minimum of EUR 29 million per year, where the savings of both cycles amount to a minimum of EUR 50 million per year.

This measure makes road sector enterprises mostly financially stable, maintaining liquidity and ensuring stable settlement of their annual servicing loan obligations.

With regard to operative restructuring of the entire state-managed road sector, with special activities related to maintenance and tolls, including the effects on human resources in both public motorway enterprises and the HC, the technical maintenance framework will be improved by means of support to revisions of road classifications and maintenance standards, as well as a comprehensive road asset management system (RAMS). Streamlining the organisation and business activities of those enterprises will also be in focus, as well as reducing operative costs and improving road safety measures.

Through the MARS project, EUR 13.92 million have been obtained for the purpose of financing six main areas: road classification and elaborating maintenance standards, the road asset management system, streamlining business activities and business functions in motorways, tolls, operative and business streamlining of HC, and road safety measures.

In December 2017, the enterprises HAC Ltd. and HAC ONC Ltd. merged, fulfilling one of the measures of operative restructuring as defined in the sectoral policy letter of the Government of March 2017.



Moreover, 210 people used severance packages to leave the motorway system. Consequently, the procurement procedures are being conducted in accordance with World Bank regulations in all other areas (procurement for the toll system strategy, elaborating maintenance standards and defining the road asset management system; procurement of studies of the operative restructuring of HAC and HC and, as a subdivision, of road safety).

### **Business and financial restructuring of state-owned railway system enterprises**

The drafting of a new Railway Act is underway, which will enable harmonisation with the EU acquis<sup>40</sup>. Its objective is further development of the railway sector through reform of infrastructure management.

The primary objective of revising the National Railway Infrastructure Programme 2016–2020<sup>41</sup> is to achieve sustainability of the system for the future and to enable modernisation and development of the Croatian railway network as the prerequisite for competitiveness in relation to other European railway networks and forms of transport.

The MSTI, together with the Management Boards of enterprises, initiated the drafting of a sectoral policy letter outlining the most significant elements of the reform in the area of transport sector management, planned investments, and the management and business operations of state-owned enterprises, which are to be adopted by Government Decision.

Since 2015, the restructuring of Croatian railways has been conducted by an all-encompassing IBRD loan (of EUR 163.5 million) which was approved for all three railway enterprises on 6 May 2015. Restructuring of Croatian railways required, by means of a loan, the execution of the following (key) activities: optimising the number of employees (all three enterprises); conducting works contracted by the loan which would make the system more efficient, primarily by means of higher railway speeds and a more reliable, punctual service, regardless of the mode of transport. Apart from a more efficient system, HŽ Putnički prijevoz Ltd. (HŽPP) and HŽ Cargo Ltd. were to modernise trains using the loan in order to become more competitive, not just in the railway market, but also in relation to other modes of transport, primarily road transport, and to upgrade the entire system, principally using different IT application solutions.

The Restructuring Plan for HŽ Infrastruktura Ltd. (HŽ) was elaborated and will be realised through construction, renovation and modernisation of railway infrastructure<sup>42</sup> in order to raise its functionality level, and through streamlining of business costs by reorganisation, which will also result in the reduction of the number of employees by offering severance packages. The MSTI notified the EC of the elaboration of a multi-annual contract on public services, through the Restructuring Programme for HŽPP, for services of general economic interest in public railway transport of the Republic of Croatia. A multi-annual public service contract (PSC) will be concluded with HŽPP by direct appointment, in accordance with the EU acquis<sup>43</sup>. On the one hand, this will enable the continuation of railway passenger transport services in the Republic of Croatia as a public

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<sup>40</sup> The Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area (recast) (Text with EEA relevance) and the Directive (EU) 2016/2370 of the European Parliament and the Council of 14 December 2016 amending Directive 2012/34/EU as regards the opening of the market for domestic passenger transport services by rail and the governance of the railway infrastructure (Text with EEA relevance).

<sup>41</sup> <https://bit.ly/2EsAQ5g>

<sup>42</sup> With state-guaranteed loans and co-financed by EU funds.

<sup>43</sup> Regulation (EC) no. 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) nos. 1191/69 and 1107/70, and the Regulation (EU) no. 2016/2338 of the European Parliament and of the Council of 14 December 2016 amending Regulation (EC) no. 1370/2007 concerning the opening of the market for domestic passenger transport services by rail.



service of general economic interest, and on the other, it will create the prerequisites for necessary investments in improving the quality of the transport service and the business sustainability of HŽPP.

HŽ Cargo is a strategic enterprise. The market share of HŽ Cargo is constantly dropping since the market liberalisation of 2013, especially in the most profitable segments of the market. Apart from HŽ Cargo, there are currently 6 private operators on the market. Other than the financial situation, a non-competitive stock (most freight trains are over 30 years old, and the average age of all traction vehicles is nearly 42 years) and poor integration in key logistic chains puts the long-term sustainability of the company at risk. Taking into consideration the current conditions and long-term unsustainability, the Republic of Croatia, as the owner, is attempting to develop a new strategy for HŽ Cargo, and for this purpose a public recruitment notice has been published, to contract, using a World Bank loan, a financial advisor that should analyse the market and help HŽ Cargo find a strategic partner that would stabilise business and the future of the company.

#### **4.1.3. Improving public administration**

##### **Review of the salary determination system**

The drafting of the Proposal for the Act on Wages in Civil Service determined the framework of the payment class system and payment grades, as well as assessing work efficiency. The implementation and sustainability of statutory decisions depend on the Regulation on the classification of civil service jobs and the Regulation on the assessment and rewarding of civil servants, which are currently being elaborated.

The prerequisite for the introduction of a payment class and grade system (payment scale system) is the implementation of a simulation of classification, assessment and reward models, which are being elaborated simultaneously with the normative decision of implementing regulations. The new payment system ensures a more transparent organisational structure by distributing jobs into payment classes in accordance with standard classification parameters, and links work efficiency of civil servants with their salaries. All state bodies actively participated in distributing jobs into payment classes, taking into consideration the basic principle of equal salary for equal work.

With regard to the new assessment system, the preparation of all assessment stakeholders will be necessary in order to achieve trust, empowerment of competitive spirit and strong motivation, especially of managing officials in the role of assessors.

The regulations in force prescribe the competencies of civil and public servants as consisting only of the necessary professional qualifications and work experience in the relevant sector, or in corresponding positions. Therefore, it is necessary to determine general competencies for public service employees, following the analysis of business processes in public administration and of the requirements of certain jobs, as well as special competencies necessary to perform specific jobs. General and specific competencies for public administration work should be the same for comparable categories of employees performing similar jobs of the same complexity and the same level of education. After determining the competency framework for employees, the established key competencies will have to be implemented in job requirements in ordinances of internal order, or in the acts determining the systematisation of jobs.

##### **Streamlining and standardised regulation of the organisation and job performance in public administration**

Based on the analysis of the state administration system, jobs performed by bodies and financial costs of business, a hierarchical and functional disproportion and inconsistency has been detected in



performing activities of state administration. Therefore, the management and organisational framework of the state administration system must be optimised, i.e. it is necessary to establish a standardised framework which would organise the state administration system in a logical and consistent manner. This will contribute to increased efficiency of the state administration system.

### **Streamlining the system of legal entities with public authority of the agency type**

In accordance with the Action Plan for the Implementation of the Public Administration Development Strategy 2017–2020<sup>44</sup> of December 2016, the following three reform priorities were established: 1. Organising an efficient public administration, 2. Depoliticisation and efficient management of human resources in the public sector and 3. Informatisation of public services.

For the purpose of fulfilling the first reform priority, the MPA adopted a proposal related to the reduction of the number of agencies, i.e. streamlining the system of legal entities with public authority of the agency type (Measure 1.3 of the Action Plan). The proposal consists of streamlining public entities of the agency type in the first place by abolishing, merging or adjoining part of the agencies to central state bodies, and then standardise public agencies as legal forms. Agencies conducting the same business as central SABs have special units that perform general tasks, which creates unnecessary costs. Establishing another unit (department, service, sector, or even directorate) within the central SAB would be less costly than to have an agency functioning as a separate legal entity.

Moreover, approaching the issue from a functionality and transparency standpoint, the existence of a single body with clear and broad authority is more acceptable for end users than a great number of legal entities with no clearly delimited authority.

### **Establishing the model of functional and fiscal decentralisation**

Excessive functional fragmentation and inadequate distribution of activities between the central and local government bodies results in differences in the number and quality of provided public services and hinders decentralisation.

In the attempt to build an efficient, effective and economical local and regional self-government, it is necessary to determine the existing capacities of ULRSB beforehand in order to obtain a clear idea of their capabilities in providing public services. Based on the information on ULRSB gathered in the database on unit capacities, an analysis of the assessment indicators of their capacities will be conducted. ULRSB should be provided with appropriate administrative and financial capacities to carry out high-quality and efficient provision of services under its statutory scope, as well as handling new tasks and performing decentralised activities taken over from central state administration.

The end objective is improving the functional distribution of authority and the efficiency of ULRSB, whilst ensuring the equal provision of services to citizens.

### **Streamlining of state information structure**

One of the detected issues which reflect negatively on the level of usage of online public e-services in Croatia, as well as communication with public government bodies via online applications, is the inadequate, information silo and inefficiently managed Information and Communication Technology (ICT) infrastructure of public administration.

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<sup>44</sup> <https://bit.ly/2gNYHqa>



Pursuant to the National Information Infrastructure Act<sup>45</sup>, the Centre for Shared Services (CSS) will be established. This will enable a rational and cost-effective development of an interoperable ICT system within the state administration based on a “state cloud” concept. The CSS is a long-term measure in the context of the NRP and it represents a strong political commitment. Therefore, the application to the ERDF will be prepared during 2018, as well as the signing of the Grant Agreement and initiating the implementation of the “Establishment of Shared Services Centre” project and include 40 institutions into the “state cloud”. The end objective of this measure is establishing a single strategic site for managing and coordinating the development of a state ICT, crucial due to the streamlining of state ICT expenditure by monitoring the spending of budgetary resources.

### **Improving the provision of electronic services and access to information for citizens and businesses**

The information gathered in the conducted analysis of the current situation in public administration supports the argument on the necessity of further efforts in supporting and delivering the initiated public administration reforms. Simplification, streamlining and modernisation of business processes are of extreme importance to the public administration reform. The need for analysing horizontal functions in the SBAs and establishing standards in the organisation and implementation of horizontal functions has been recognised. In order to reduce the effect of the above mentioned elements on citizens and business entities, a series of activities are planned for the purpose of improving service provision and access to information for citizens and business entities.

Establishment of single administrative locations as physical and digital portals will facilitate access to public administration services, as the information and services of various public administration bodies will be available to users in one place.

With regard to relations with business entities, plans have been put in place for an ESF application, signing of a Grant Agreement and implementation of a 3-year project “Establishment of a common e-Business platform” which will commence with the aim of providing electronic public services to business and other legal entities, following the concept and positive results of the e-Citizens system.

In order to modernise the payment process of charges and fees for public services provided by public sector bodies, plans have been put in place for an ESF application, signing of a Grant Agreement and implementation of a 3-year project “Establishment of a common e-Fees system” with corresponding services available for use by all public administration bodies, citizens and business entities, for cashless payment of administrative charges and fees upon provision/use of public services.

A further obstacle to the reduction of bureaucratic hindrances in state administration services is also the fact that the citizens or business entities must submit a signed form in order to use public sector services. Therefore, plans have been put in place for an ESF application, signing of a Grant Agreement and implementation of a 3-year project “Establishment of a common e-Signature, m-Signature and e-Stamp system” with corresponding services which will be available for use to all public administration bodies, citizens and business entities for the purpose of electronic signing and/or stamping of electronic documents and their validation.

The end objective of the above-mentioned measures is to establish common platforms and corresponding digital infrastructure services for public administration bodies which will improve the provision of electronic public services and reduce burdens (of regulatory costs and procedures) for citizens and business entities.

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<sup>45</sup> OG, no. 92/14



Moreover, the further development of e-services in the area of spatial planning is crucial for improving efficiency, transparency and accountability of public administration work in this particular area, which directly contributes to the improvement of the investment climate, a greater degree of user satisfaction, as well as to further progress of the Republic of Croatia as a digitally mature society and economy.

The Physical Planning Information System (PPIS) is intended as a platform encompassing individual applications/modules, with information from existing modules displayed through the PPIS Geoportal. The modules are autonomous computer applications which are integrated into a common IT infrastructure, with the option of exchanging information between particular modules. To date, we have established the PPIS Geoportal with free and public access, as well as 3 modules for authorised users for the purpose of data entry: e-Catalogue, e-Permit and e-Property. In the upcoming period, efforts will be made to improve and expand the existing modules and set up new ones.

The e-Plans module is planned to be put into operation, which will enable the loading, editing and storing of spatial plans (new generation) and metadata at a single central location, and their publication on the PPIS geoportal. The accessibility of spatial plans in a single location will contribute to the transparency of the spatial planning system and facilitate the issuing of acts for the implementation of spatial intervention procedures, as well as other public documents the issuing of which requires access to spatial plans. This measure also ensures better monitoring of the spatial status, general spatial management and control of procedure lawfulness. The finalisation of the application will take place after the adoption of implementing regulations which are in preparation.

The e-Catalogue with the e-Register is a module that will enable the entry of spatial plans (old generation) and spatial plans metadata at a single central location and their presentation on the PPIS geoportal, as well as in other modules (e-Permit, e-Property, e-Inspection, etc.), if necessary. The e-Catalogue is connected to the e-Permit module for the purpose of loading the corresponding information on spatial plans of importance for a particular spatial intervention in the acts created via the e-Permit.

Further implementation of the e-Permit module for issuing construction approval acts is intended to create a unique system that will allow end users to submit an application for any location in the Republic of Croatia in a single place, to have up-to-date reports in the e-Permit system, and to be able to view all issued permits updated on a daily basis in one place and in a uniform way. Submission of electronic permit applications via the e-Citizens system will be facilitated through the introduction of a digital employee signature and delivery of electronic acts to the user mailbox of the e-Citizens system (and the future e-Business system) will be ensured. A whole range of upgrades is planned, which will simplify and temporarily shorten the permit issuing process, such as the implementation of electronic fee payment through the e-Fees module. The objective is issuing country-wide construction acts electronically in a standardised manner.

The e-Archive (of permits) is a submodule that will upgrade the existing e-Permit system and will be used to store, overview and search archive content metadata created in the system, as well as enable the preparation of future imports of digitised archive material generated in external systems. It would include building permits issued after 15 February 2018 until e-Permit is introduced. Establishing e-Archive will create the prerequisites for the entry of issued permits in digital form and electronic browsing. End users of the e-service will be state and public administration bodies, as well as applicants and parties in the procedure.

Development and implementation of the e-Inspection module will enable the performance of all the procedures related to inspection exclusively by electronic means. The result will be faster



implementation of administrative and non-administrative procedures, as well as faster informing of citizens of the measures taken and the solutions adopted. The establishment of this module will ensure the recording of illegal spatial interventions for which executive decisions of the construction inspection are issued according to special regulations, and will also digitally monitor spatial interventions in terms of compliance of the implemented changes within the provisions of spatial plans and construction regulations. The e-Inspection module will modernise the way construction inspection functions, it will increase effectiveness of inspection visits and the measures taken by inspection teams against illegal construction.

Citizens of the Republic of Croatia cannot currently use their national electronic identity credentials included in the National Identification and Authentication System (NIAS) for online access to cross-border e-services applications provided in other EU Member States in the same way they are currently being used to register with the services available in the e-Citizens system. In order to allow Croatian citizens access to such services, the eIDAS Notification to the EC is planned for the purpose of recognising NIAS as the Croatian national eID scheme for purposes of electronic identification in other EU Member States.

### **Introduction of an integrated system of strategic planning and development management**

A large number of unlinked strategic documents, along with poor performance outcomes, lack of performance monitoring frameworks, lack of long-term development strategy and lack of cohesion between long-term and medium-term strategic planning acts and the budget negatively reflect on the effectiveness of public administration in the Republic of Croatia. Therefore, an integrated system of strategic planning and development management comprising long-term, medium-term and short-term strategic planning will be introduced as a basis for channeling budgetary resources, monitoring achieved results and systematic assessment of the implementation of strategies, plans, programmes, activities and projects for the purpose of increasing the quality of formulating and implementing public policies.

At the end of 2017 the Strategic Planning and Development Management System Act of the Republic of Croatia<sup>46</sup> was passed which regulates the system of strategic planning of the Republic of Croatia and the management of public policies, i.e. preparation, drafting, implementation, reporting, monitoring of implementation and effects, as well as evaluation of strategic planning acts that, in accordance with their competencies, are made, adopted and implemented by public bodies.

During 2018, new procedures, tools and methods for strategic planning will be introduced. By January 2019, an information system for strategic planning and development management will be established as an information-communication platform to be used for the collection, analysis and storage of data and indicators for drafting, monitoring and reporting on the implementation of strategic planning acts and development projects that are in preparation.

The Decision on the establishment of the Board of Directors and the Executive Working Group for the drafting of the National Development Strategy of the Republic of Croatia by 2030<sup>47</sup> initiated the process of preparing the strategy and the first activity related to the process of its drafting. The website [www.hrvatska2030.hr](http://www.hrvatska2030.hr) was started, where citizens can offer their suggestions for the vision of Republic of Croatia in 2030 and through a citizens' questionnaire communicate their opinions and thoughts on the developmental issues of importance to the formation of the National Development Strategy.

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<sup>46</sup> OG, no. 123/17

<sup>47</sup> OG, no. 97/17



## **Improving the standardised framework of the fight against corruption**

Based on the Anti-Corruption Strategy for the period 2015–2020<sup>48</sup> we will adopt an Action Plan for the period 2019–2020, which is intended to further intensify the efforts so as to achieve the set objectives which will include: activities for neutralising corruption risks elaborated within the measures set out in certain sectoral areas of the Strategy; competent bodies for the implementation of the planned activities; deadlines; necessary financial resources and indicators of the implementation of planned activities. The new Action Plan will focus on increasing transparency (securing information accessibility), accountability and integrity of civil servants and officials, the efficiency of public government bodies by defining clear rules of conduct for civil servants and officials, and removing the remaining flaws in system organisation and in the legislative framework of priority horizontal and sectoral areas. These prerequisites are necessary for managing corruption risks in state administration, ULRSB, public sector bodies, enterprises in which the state and ULRSB own stock, the private and nonprofit sector.

For the purpose of reducing corruption, a new statutory regulation in the area of whistleblower protection will be drafted, providing the prerequisites for safe and efficient reporting of illegalities and irregularities and further increasing transparency and integrity in all social spheres. There is no particular act on the protection of whistleblowers in the Republic of Croatia; the area is regulated through provisions of certain acts (Criminal Act, Civil Servants Act, Labour Act, Trade Act, Act on Civil Servants in ULRSB, the Confidentiality of Information Act, Act on the Internal Control System in the Public Sector). Nevertheless, despite the existing statutory framework, registered cases indicate that the whistleblower still face different forms of discriminatory actions, and there is still room for strengthening the available and reliable modes of reporting irregularities. Enactment of the Whistleblower Protection Act will prescribe the forming of a system which will allow potential whistleblowers to effectively report irregularities and provide adequate protection of their integrity, for the purpose of raising awareness among employees and citizens on the necessity of reporting illegal behaviour and corruption, and, in general terms, of increasing accountability and transparency of public and private sector activities.

### **4.1.4. Improving the efficiency of the judicial system**

#### **Digitisation of the judicial system**

Electronic communication between courts and other participants of judicial procedures will be introduced for the purpose of increasing the efficiency of provision of judicial services. The objective is to enable electronic linking and communication between judicial bodies and other state bodies, as well as with citizens who would thus be able to communicate with the court or follow the proceedings electronically. This would expedite the work of judicial bodies, as the time for delivery and feedback is shortened (information exchange), and of attorneys, expert witnesses, notaries and other participants in judicial proceedings. The establishment of compulsory electronic communication of attorneys, notaries public and state attorneys with the commercial courts is planned during 2018, which would then expand to other courts and parties, i.e. participants in judicial proceedings.

Electronic record keeping will be introduced in certain judicial bodies which will significantly shorten the duration of respective proceedings and enable the redistribution of administrative capacities.

#### **Reorganisation of court networks**

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<sup>48</sup> OG, no. 26/15



The issues of lengthiness of judicial proceedings and a relatively high number of pending cases are continuously attempting to be solved by various normative and organisational measures, such as the streamlining of the number and modifications of real and local authority of judicial bodies, establishing individual specialised courts, delegating cases and incentivising personnel transfers and replacements.

The size of certain courts, i.e. judicial areas of the existing network and the geographical specificities of certain areas demonstrated difficulties in managing large courts and their regular remote services. On the other hand, too small courts with less than 10 judges are of insufficient size to be managed effectively and to perform their primary function.

A significant drop in the influx of minor offence cases following the amendments to the relevant minor offences legislation of 2013 demonstrated the unsustainability of a separate organisation of minor offence courts.

For the purpose of removing these drawbacks of the existing network, the implementation of further reorganisation of the judicial system is planned during 2018 and 2019, with special emphasis on the merging of minor offence courts and municipal courts, on ensuring a more balanced caseload for first-instance judges and a more rational use of judges and clerks, which will result in shorter judicial proceedings and the reduction of the number of unsolved cases.

#### **Resolving cases older than 10 years before municipal and commercial courts**

Despite significant progress in reducing the number of pending court cases, the duration of judicial proceedings is still excessive, which causes dissatisfaction with the judicial system for a great number of citizens and business entities, and is also a hindrance to business operations. The extremely negative perception of the state of the judicial system is also caused by a significant number of cases over 10 years old which are still being processed in courts. Therefore, the MJ, in cooperation with all municipal and commercial courts, initiated the project of resolving cases over 10 years old. The objective of the project is to expeditiously resolve cases lasting for over 10 years, in order to reduce the number of such cases to a minimum, until their complete resolution, in the shortest time span possible. The implementation of this measure will contribute to the acceleration of judicial proceedings and to the creation of a favourable environment for investment.

## **4.2. Aligning education with labour market needs**

### **4.2.1. Education in accordance with labour market needs**

#### **Establishment of the National Classification of Occupations (NCO) register**

Despite the fact that the total education level of society is on the rise, the labour market is experiencing an issue of a lack of workforce possessing suitable qualifications and skills. Apart from the interventional measures of an active employment policy used to reduce this discrepancy, primarily by educating unemployed persons, the key prerequisite for preventing the discordance of education and the labour market is the provision of tools for qualitative and quantitative monitoring of the labour market and education analyses. Relevant sources of information, their organised overview and efficient integration will form an effective system for the adoption of high-quality analyses and conclusions related to the necessary strategic approach of development and application of suitable qualifications and skills on the labour market.



The NCO is a tool essential for the collection, processing and dissemination of information on occupations. It is precisely through the NCO that meaningful communication between stakeholders in the process of recruitment is ensured, as well as in the education system, human resources development and management, science and other research related to monitoring labour market trends. The Ministry of Labour and Pension System (MLPS) is actively elaborating the NCO, and, in the initial stage, it produced an analysis of the existing databases for the purpose of elaborating a Register of Individual Occupations.

The objective is to draft a new list of individual occupations within the context of the NCO, since the existing list of occupations of the NCO 98 contains a great number of outdated occupations. It is also necessary to supplement the NCO with new occupations that have appeared in the labour market (such as various IT-related occupations) and to establish the Register of Individual Occupations as the key element for creating new occupations and revising existing ones. A new individual list of the NCO, along with the Register, will enable a more efficient recognition of occupations on the labour market, improve the work of employment agencies and be used as the foundation for elaborating analyses of trends in supply and demand on the labour market.

### **Ensuring CROQF tools essential for the alignment of education with the labour market**

The Republic of Croatia is developing the Croatian Qualifications Framework (CROQF) as the instrument for recognising and synchronising supply and demand on the labour market by establishing occupation and qualification standards, and education programmes based on them. The essential principle of linking education with the needs of the labour market resides in defining key jobs and competencies as the substantial components of a certain occupation and which represent its standard. A clearly defined occupation standard, i.e. the group of competencies which comprise an occupation, helps develop and define the outcomes of learning which represent the fundamental component of a certain qualification standard. The end objective of so defined qualification standards, extrapolated from occupation standards, is to create education and study curricula and programmes which would ensure the creation of a competent workforce, in accordance with the current and future labour market needs.

In order to define the appropriate occupation standard on a qualitative level which corresponds to real labour market needs, it is essential to develop key tools which enable linking relevant data derived from labour market monitoring. The objective is to develop an analytical and expert foundation (NCO tools) which will be used to more precisely define competencies considered necessary by employers on the labour market for the performance of certain occupations. The end objective is that pupils, university students and other education participants acquire the knowledge and skills they need to perform the work required by the occupation which they are being educated towards, and to align, through this process, education programmes with the needs of the labour market.

### **Alignment of vocational training and needs of the labour market**

Vocational training is a very important component of the education system which encompasses roughly 70% of high school students acquiring the necessary knowledge and skills for successfully entering the modern labour market, higher education and lifelong learning processes.

The Croatian education system, and therefore the development of vocational training and education, is headed towards changes and adaptations in accordance with the objectives defined in the Strategy for Education, Science and Technology (2014), focused on quality and efficiency, greater links with the labour market, a greater share of learning methods focused on work-based learning, appeal,



excellence and the inclusion of vocational training and education, as well as the priorities defined by the Vocational Education and Training Development Programme (2016–2020)<sup>49</sup>. EU funds (EUR 83 million from the ESF and EUR 63 million from the European Regional Development Fund – ERDF) will be used for the development of vocational education based on the above-mentioned programme.

The Act on Amendments to the Vocational Education Act<sup>50</sup> provides for: development and design of new vocational curricula for acquiring vocational qualifications required by the labour market; establishment of a better quality assurance system and design of a system that will enable lifelong learning and mobility, and the establishment of regional competency centres.

Vocational education institutions, to be developed as Regional Competency Centres, will become places of vocational education and training excellence where programmes of regular vocational education will be conducted, as well as professional training and lifelong learning and other forms of formal and informal education (work-based learning, competitions and presentations of knowledge and skills, etc.).

Measures and activities establishing and developing regional competency centres will be conducted in accordance with the Regional Competence Centre Network. In the first investment stage, they will focus on the following (sub)sectors: tourism and hospitality, mechanical engineering, electrical engineering, information and communication technologies, agriculture, and healthcare, and other vocational sectors in the second stage, taking into consideration national/regional priorities and labour market needs.

The existing network of vocational schools and education programmes (curriculum) is not aligned with the needs of the economy and the labour market and does not provide equal opportunities of education and acquiring fundamental and professional competencies necessary to access the labour market to all students. Streamlining the number of vocational schools and education programmes based on physical, material and human resources and work-based learning opportunities, in line with national and regional labour market needs, will create conditions for enhancing the quality of vocational schools and achieved competencies necessary for accessing the labour market.

Part of the objectives of the Vocational Education and Training Development Programme (2016–2020) will be delivered through the Swiss-Croatian Cooperation Programme, in accordance with the Framework Agreement between the Swiss Federal Council and the Government. Within the context of the above-mentioned activities, the “Modernisation of the vocational education and training programme” project was developed and includes the activities of modernising the vocational education and training programme for trades and crafts in the Sector of personal, protection and other services, strengthening the capacities of vocational teachers and mentors with employers, strengthening the capacities of schools included in experimental implementation, and improving the reputation and promotion of vocational education. The needs of the labour market will be researched (analysis) and the sector profile is to be updated.

Raising the quality level of vocational education, adopting entrepreneurship competencies, promoting a culture of entrepreneurship in society and developing a positive attitude towards lifelong learning in entrepreneurship is essential for developing a competitive economy and new employment. An education system aligned with the needs of the labour market is being developed comprehensively, and it will provide for the introduction of dual vocational education. In such a system, the employers establish partnerships with education institutions and reach common decisions on education programmes and registration quotas. This will allow for the flexibility of

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<sup>49</sup> <https://bit.ly/2Hknqvq>

<sup>50</sup> OG, no. 25/18



vocational curricula, the quality of professional service provision and their linking with adult education and lifelong learning. The Croatian dual education model will be based on the examples of best practice (Germany, Austria and Switzerland), while also maintaining the traditionally best current elements of domestic vocational education.

The objective is to incentivise apprenticeships within the context of dual education for the purpose of acquiring practical skills which correspond to the labour market and of encouraging the reduction of unemployment.

High quality and efficient apprenticeships, where the apprentices acquire work-related skills and experience, learn while working and acquire practical competencies, will facilitate the entrance of young people into the labour market, as well as career advancement of adults through new employment.

The provisions of the Crafts Act<sup>51</sup> and its corresponding by-laws introduced the education system for related trades and crafts (Single Education Model – SEM). The education system for related trades and crafts is based on apprenticeships conducted in the facilities of economic operators, and, as such, contains features of dual education adapted to the national context. The duration of the apprenticeship is three years, and the total number of course hours differs depending on the occupation. Nevertheless, all programmes include a compulsory 2,600 hours of practical classes (900 + 900 + 800) which are mostly held in the facilities of the economic operators, i.e. tradesmen or legal entities. The professional-theoretical part, practical classes and apprenticeship training are connected in terms of content and organisation. Professional theory is integrated into practical classes and training. Professional theory subjects are the product of integrative programming, i.e. a large number of subjects was reduced to a smaller number of areas encompassing essential and useful content for the practical application of theoretical knowledge.

Apart from ensuring a relevant statutory framework for promoting apprenticeship-based education, grant projects of awarding scholarships to students of shortage trades are being implemented, as well as grants for economic operators that provide apprenticeships to students.

### **Increase of quality, relevance and appeal of adult education and lifelong learning programmes**

Following the admission into the EU, the Republic of Croatia is facing the challenges of European policies which have a significant effect on, among other things, the further development of the adult education system.

The enactment of the new Adult Education Act will eliminate the shortcomings of the existing adult education system for the purpose of making it compliant with the statutory-normative decisions in force for regular vocational education. A quality assurance system will be established in order to make education programmes which provide qualifications compliant with the qualification standards from the CROQF Register, and education programmes which provide learning outcomes with the learning outcomes of the CROQF Sub-register of Learning Outcomes.

In the context of the IV. cycle of the Implementation of the European Agenda for Adult Learning (2017–2019), the Curriculum for the Development of Basic Adult Skills will be drafted which will unify the outcomes of learning directed towards raising the digital, reading and mathematical literacy (basic level), which adult education institutions will use to conduct classes and focus on raising the levels of digital, reading and mathematical literacy of low-competence adults.

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<sup>51</sup> OG, no. 143/13



The implementation of “New Opportunities for Adults” is intended to increase the inclusion of the less-educated population into the adult education system, so that they can increase their basic skills level. Considering that this part of the population find it hard to participate in the education process for a number of reasons (material, psychological and structural obstacles), the entire implementation of “New Opportunities for Adults” will be designed so as to provide quality education for as many target group individuals as possible.

Activities will be undertaken for the purpose of increasing the inclusion of adults in lifelong learning. The outcomes of lifelong learning should lead, above all, to achieving and developing personal potential and be an important element of active citizenship, and also enable better employability of individuals, i.e. increase their competitiveness in the labour market. Dynamism, adaptability and competitiveness of more developed (“learning”) knowledge-based societies are in correlation with the degree of citizen inclusion in various forms of lifelong learning and the quality of the education process. Constant learning is preferable not just for individuals, but also for organisations. It is also important for them to be constantly learning or supporting a learning environment – within the economy, but also within public, state and local administration.

The implementation of a series of measures and activities related to the increase in participation of adults in lifelong learning is planned for the upcoming period, and so is the implementation of basic adult education and training for simpler occupational jobs, the purpose of which is to fund the participation in basic adult education programmes for adults with no completed elementary school education, pursuant to the Adult Education Curriculum<sup>52</sup>, as well as in training programmes for simpler occupational jobs in regular and consultation-instructive classes.

Also, considering the obsolescence of the Basic Adult Education Curriculum currently in force, the drafting of a new programme of basic adult education is underway, in relation to the implementation of basic adult education and training for simpler occupational jobs which will enable the implementation of modern teaching methods and the acquisition of learning outcomes which are suitable for the needs of individuals in modern society and basic knowledge and skills as foundation for further learning and employment.

### **Promotion of quality and relevance of study programmes and prevalence of practical training**

A great number of study programmes conducted in the Republic of Croatia, as well as their discordance with the needs of the economy, indicate the necessity for streamlining the number of study programmes, a crucial element of which is strengthening the instruments of directing their alignment with real economic and social needs. The Ministry of Science and Education (MSE) will therefore conduct activities for the purpose of improving the quality and relevance of study programmes using CROQF tools.

Considering that the current situation indicates the need for greater intervention into the development of the system of ensuring and improving the quality of science and higher education, a new Act on Quality Assurance in Science and Higher Education will be enacted. The proposal of the new Act proposes an improvement of procedures of external assessment of study programmes which should be compliant with the qualification standards of the CROQF Register.

In accordance with the proposed statutory amendments, the publication of an open call for the implementation of reform projects is planned, co-financed by the ESF, within which potential study programme providers will draft qualification standard proposals, as well as common quality

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<sup>52</sup> OG, no. 136/03



standards, i.e. the foundation for the development of quality and relevant study programmes and tools for improving accreditation procedures.

Considering that the establishment of a quality system based on qualification standards is a multiannual reform process, to date projects co-financed by the ESF have already been conducted, which included drafted proposals of qualification standards (and occupation standards as tools of their alignment with labour market needs). In order to actually apply the results of the conducted projects, the qualification (and occupation) standard proposals will be evaluated by competent sectoral councils, and, following a positive evaluation, the qualification (and occupation) standards will be entered into the CROQF Register, which will make them available for application as a key tool of improvement of the quality and relevance of study programmes.

The quality and presence of professional traineeship in study programmes will be improved. The Strategy for Education, Science and Technology highlights a lack of student traineeship in some of the study programmes. Furthermore, the Strategy emphasises that study programmes are still lacking methods of developing transversal competencies such as communication and presentation skills, management skills, or entrepreneurship. The quality of professional traineeship is a prerequisite for acquiring competencies in many study programmes, as well as a prerequisite for better student employability and better preparedness for the requirements of future employers.

Based on the results of the analysis on the representation of traineeship in higher education, carried out by the Institute of Economics, Zagreb, in October 2016, a call will be sent out to traineeship holders for which the funds have been provided under the Operational Programme Effective Human Resources “Development and improvement of the learning model through work and implementation of an improved model of professional practice in higher education”. The total value of the call amounts to HRK 100 million (EU and SB), with projects being implemented by higher education institutions. Activities will include: developing a model of professional traineeship by developing learning outcomes and procedures for evaluating acquired learning outcomes; improving the quality of traineeship/apprenticeship by creating traineeship/apprenticeship programmes based on learning outcomes and procedures for evaluating acquired learning outcomes; improving the mentoring and professional traineeship system and implementing professional traineeship (establishing/improving career development centres in higher education institutions and encouraging employers to join professional traineeship programmes).

### **Improving the efficiency of higher education financing**

A detailed comparative analysis will determine the advantages and shortcomings of the first and second cycle of programme funding in order to establish a conceptual foundation for the third cycle of programme funding of higher education. A Committee will be established which will include all system stakeholders (students, representatives of social partners, public higher education institutions and the MSE), and its task will be to develop a conceptual foundation and guidelines for the improvement of programme financing, i.e. the proposal of new programme contracts which should include a higher education component and a science component as well.

On expiration of the Decision on multiannual financing of higher education, at the end of the academic year 2017/18, the Government will issue a new Decision which will prescribe the rules of financing scholarship subsidies for students in public higher education institutions, after a consultation process with stakeholders.

The MSE started negotiating with the EC on the possibilities of using mechanisms of technical assistance and exchange of experiences and knowledge between Member States in this, relatively



new, area of cooperation between competent authorities of education policies. In November 2018, a peer learning activity (PLA) workshop on programme financing, co-organised by the MSE and EC, will take place in Zagreb. Considering that programme financing is perfectly complementary with the new EU strategy for higher education adopted in 2017, within the context of the Working Group on Higher Education, a subject dedicated to efficient financing and management in higher education is also planned. Mechanisms of sustainable financing of European university networks as a new initiative on the European level will be explored in the context of PLA, for which it will be necessary to ensure additional sources of national co-financing.

Consulting with other Member States (peer counseling) will be taken into consideration, by which the Republic of Croatia can request counsel from selected EU Member States that proved successful in programme financing of higher education. Developed concepts would be discussed with international experts of the selected countries. Project documentation for financing the improvement of programme financing through the ESF will also be drafted. Simultaneous action on two levels is planned. The drafting of structural instruments (programme objectives), the prerequisite for successful programme financing, will be financed by means of direct awards of MSE funds, and the execution of strategic objectives on the national and institutional level will be financed by means of an open call to higher education institutions.

The indicator of successful negotiations between the MSE and public higher education institutions will be the concluded programme contracts linking funds for financing higher education institutions with programme objectives and strategic management. Based on the arranged concepts and rules of financing, the MSE will conclude a programme contract with every public higher education institution and define the objectives to be achieved by the higher education institution, including deadlines and allocated funds.

#### **4.2.2. Implementation of the curricular reform**

##### **Preparation and implementation of the pilot stage of the curricular reform**

The experimental programme is the first step towards achieving the objective of a comprehensive curricular reform, which is the establishment of a balanced and efficient education system which corresponds to the demands of modern and essential education, with special emphasis on the focus of Croatian education on the development of generic competencies.

The objective of the experimental programme is to verify the applicability of the new curricula and modern work methods for the purpose of increasing student competencies of problem solving, as well as raising the level of all forms of literacy. This process places an emphasis on the empowerment of teachers and professors by means of professional training and constant support.

The experimental programme will be conducted in 1<sup>st</sup> and 5<sup>th</sup> grade of primary school for all subjects, whereas Biology, Chemistry and Physics will be added in 7<sup>th</sup> grade. The experimental programme for high schools will be conducted in 1<sup>st</sup> grade of general programme secondary schools and 1<sup>st</sup> grade of four-year vocational schools within general subjects.

The implementation of the experimental programme encompasses the following activities: professional training of education workers in the implementation of the programme, counselling visits to schools; compiling method manuals for teachers and digital educational content for 1<sup>st</sup> and 5<sup>th</sup> grade of primary school and 1<sup>st</sup> grade of secondary school; composing an interactive online platform outlining curricula and learning outcomes; providing equipment to education institutions/schools for the implementation of the experimental programme; developing a task bank for the first stage of implementation of hybrid evaluation.



## **Establishing a system of development of digitally mature schools**

For the purpose of increasing the level of digital literacy through several projects of school system informatisation, we initiated the implementation of the e-Schools programme. The programme consists of the implementation of the e-Schools pilot programme, initiated in 2015 which ends in 2018, and the implementation of the second stage which is planned for the period of 2019–2022, and which will include all schools in the Republic of Croatia and will be based on the results of the pilot project. The schools in the pilot project (151 schools) are equipped with two different types of classrooms (presentational equipment – PCs, touchscreen monitors, speakers – and interactive equipment, including 30 tablets). The teaching and non-teaching school staff is also equipped in all schools. One of the key project activities is the systematic introduction of information-communication technology into the learning and teaching process, as well as the development of digital educational content. The objective is to integrate modern learning and teaching methods into the education process.

### **4.3. Sustainability of public finances**

#### **4.3.1. Strengthening the framework for public financial management and implementation of fiscal consolidation**

##### **Improving the fiscal framework**

For the purpose of fully adapting the national legislature to the provisions of the Stability and Growth Pact, the Proposal for the Fiscal Responsibility Act was drafted and will soon enter government procedure. It completely synchronises the numeric fiscal rules related to the structural balance rule, the expenditure rule and the public debt rule. The Act also stipulates the deficit level rule for state budget projections, which has, until now, been stipulated by the provisions of the Budget Act<sup>53</sup>, for the purpose of increasing the reliability of medium-term state budget projections. The new Act also defines the obligation of adhering to the recommendations of the Council of the EU for the duration of the procedure in case of excessive budgetary deficit, for the purpose of resolving the excessive budgetary deficit and public debt. It also stipulates the procedures for cases where the Government or the Fiscal Policy Commission should determine a risk of significant deviation from the fiscal rules as defined by the Act. This Act continues empowering the autonomy of the Fiscal Policy Commission, defined as a permanent, independent and autonomous state body. The Commission has thus been given a stronger supervisory role regarding the application of the Fiscal Responsibility Act<sup>54</sup> and the implementation of the entire state fiscal policy with the aim of improving the public finances system.

##### **Improving budgetary planning, controlling spending and upgrading fiscal statistics**

Amendments to the Budget Act are in preparation, which should strengthen budgetary planning, spending control and upgrade fiscal statistics. The Act will broaden the content of said Guidelines which will now cover multi-year budget objectives expressed in general budget deficit/surplus indicators, public debt and revenue/expenditures of the general budget; projections according to type of revenue and expenditure of the general budget based on fiscal impact of unchanged laws, other regulations and planning acts, and the description of foreseen changes in legal and other regulations with fiscal impact in the medium-term budgetary period. The importance of ensuring objective macroeconomic and fiscal projections, as well as the necessity of explaining their significant

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<sup>53</sup> OG, no. 87/08, 136/12 and 15/15

<sup>54</sup> OG, no. 139/10 and 19/14



deviation from EC projections, is also highlighted. Moreover, a more efficient system of financial and statistical reporting will be established for the purpose of improving fiscal statistics, especially for those extra-budgetary users pertaining to the general government sector, according to the ESA 2010 methodology. Furthermore, the Act will also prescribe the obligation to disclose information on potential liabilities with significant budgetary implications, as well as the obligation to define the content, time periods, scope and method of disclosing information on the effects of tax expenditures on revenue. Likewise, a method of monitoring and publishing fiscal data for the general budget according to ESA 2010 methodology is planned for introduction.

### **Ensuring stricter implementation of the recommendations of the state audit**

The new State Audit Office Act (SAO) will ensure stricter implementation of recommendations of the SAO in order to achieve a lawful, dedicated and purposeful use of budgetary resources, as well as an efficient and effective functioning of the financial management and control system. According to the SAO Report for 2017, as much as 31.8% of orders and recommendations given by the SAO were not carried out (27.9% in 2016). Therefore, this Act will elaborate the procedure following the completed audit in greater detail, placing a special emphasis on the obligations of the audited entity. Penalising sanctions will be introduced for the cases of non-compliance with the findings and recommendations of the SAO. It also defines audited entities more clearly and what the audit procedure consists of, it prolongs the time frame for delivery of the report on performed audit of the annual report on SB execution, the possibility of contracting special experts as external partners for the purpose of resolving specific issues, as well as providing more detailed explanation of the obligations of SAO employees.

### **4.3.2. Stimulation of demographic renewal**

#### Demographic renewal and family policy

The Republic of Croatia is facing extremely unfavourable demographic trends which are, undoubtedly, a lasting threat to the general future development of the country, therefore, demographic development is a top priority for the Republic of Croatia and demands comprehensive and synchronised measures of all SABs. The Government recognises and places families in the centre of societal interest. One of the outlined tasks is supporting families in raising children, as well as improving the financial situation of families. The changes in the population age structure in the Republic of Croatia are pronounced, which is reflected in the continuous decrease in the number of newborn children and the share of the younger population in the total population, compared to the increase in the older population, especially those surpassing working age. This means a negative natural increase is present, a negative net migration balance and a decline in the total population. The Republic of Croatia is included in the EU Member States which demonstrate a simultaneous birth rate decrease and a negative migration balance. The poor demographic situation impacts a series of social trends in the country. Considering this, as well as the recent intensive emigration of the young and educated population, direct and indirect population policy measures will be implemented for the purpose of increasing the birth rate, a long-term balancing of the age structure and maintaining the geographic balance of the population so as to increase the share of the younger population.

The priority objective of family and population policies is to empower families, by means of the family support system, in relation to raising children, starting with maternity and parental leave, to part-time working rights due to childcare, monthly subsidies, one-off aid and tax benefits.

For the purpose of creating a more favourable environment and financial conditions for families



with newborn children, the Act on the Amendments to the Act on Maternity and Parental Benefits<sup>55</sup> entered into force on 1 July 2017, as one of a series of measures of the comprehensive family and population policy. Improving the support system refers to, above all, the increased maximum salary benefit paid during parental leave for employed and self-employed parents, from 80% to 120% of the budgetary base, as well as the salary benefit during maternal and parental work leave for parents with a second income, parents agriculturalists and unemployed parents, as well as during maternal and parental care of newborn children of an unemployed mother, from 50 to 70% of the budgetary base. Apart from these benefits, the amendment to the Childcare Allowance Act<sup>56</sup> is being drafted for the purpose of increasing the income threshold (total income earned in the previous calendar year per household member on a monthly basis).

Apart from the above-mentioned measures, continual investments are being made in policies aiding the balancing of work and family life, as well as improving the accessibility of services for parents and children included in early childhood education and care, so that every child in Republic of Croatia has equal opportunities, regardless of their place of residence or their family's socio-economic status.

Incentivising measures are also being implemented for the improvement of quality housing. The objective is to create the conditions for improving quality housing for as many citizens and target groups as possible, and thus contribute to the prevention of social exclusion of vulnerable population groups.

Public housing (POS) has been implemented for a number of years, with the participation of public funds for housing construction, i.e. residential buildings. The programme enables apartment sales with payment in installments with more favourable terms than those on the market in terms of interest and repayment period. The implementing authority of investor activities with regard to apartment construction and sales are the Croatia Real Estate Agency (CREA) and non-profit legal entities which, in accordance with planned public funds and housing needs, plan apartment construction of a certain scope based on consolidated plans.

The preparation of the new Housing Loans Subsidies Act is underway. A new element of this Act will be the possibility of extending the co-financing plan for a family having/adopting a child while their loan installment co-financing plan is still in force. Another new element is the purchase of a used apartment or house, which enables real estate purchase in areas with no new apartments on the market.

An overview of credit types being implemented as incentivising measures for the improvement of quality housing is presented below.

- Loans for apartment construction – part of the funds (subsidies) is drawn from the SB, part is provided by the ULSG, and the remainder of the funds is provided by the apartment buyers through personal funds and bank loans. The construction of 1,571 apartments is planned for the period of 2018–2020 in the following stages: in 2018 – 582 apartments, in 2019 – 417 apartments, and in 2020 – 572 apartments. The objective is to construct a total of 9,603 apartments by the end of 2020 through the POS programme, or 45.73% of the total needs according to the stated needs of ULSGs from June 2009.
- Loans for family house construction – the “B” Programme provides loans for a part of the construction costs, whereas the second part of the funds is provided by commercial banks; the “C” Programme regulates the financing of construction material for family house construction. The objective is to approve a total of 79 loans by the end of 2020.

<sup>55</sup> OG, no. 85/08, 110/08, 34/11, 54/13 and 154/14

<sup>56</sup> OG, no. 94/01, 138/06, 107/07, 37/08 – Decision of the Constitutional Court of the Republic of Croatia, 61/11, 112/12 and 82/15



- Loans according to the POS PLUS model – incentivising the sales of newly constructed apartments on the real estate market, using SB funds and approving loans of apartment purchase with public funds, as well as concluding and monitoring the implementation of loan contracts, in cooperation with commercial banks and building societies with which CREA concludes agreements of business cooperation with regard to providing loans for the execution of the programme, i.e. approving housing loans for citizens.
- Apartment lease – the construction of apartments for lease is made possible, which resolves the housing needs of citizens unable to purchase their own home. Lessees may purchase their home during the lease term, where the lease payments previously made are deducted from the apartment price. A significant expansion of this programme is planned, which requires additional funding from the SB. Part of the funds for apartment construction should be provided by the Croatian Ministry of the Interior (MI) and the Ministry of Defence (MD), as well as city budgets. Cities would solve the problem of housing for shortage occupations by constructing apartments for lease, as well as keep highly educated professionals in Republic of Croatia (doctors, professors, scientists). A new POS programme is being drafted to this end.
- Subsidising housing loans – further co-financing of first real estate purchase is planned, the target group being young families. For this purpose, the preparation of the new Housing Loans Subsidies Act is underway.

In order to improve the economic and social situation, as well as to reduce the rates of unemployment and poverty in five Croatian counties (eastern Croatia), disproportionately affected by poverty and emigration, the Slavonia, Baranja and Srijem Project was initiated.

### **Improving social security of families with children and ensuring quality care for children of early and pre-school age, and promoting a work-life balance**

Childcare allowance in the Republic of Croatia, as a form of monetary income of parents and other legally defined persons, represents a monetary benefit for the purpose of childcare and upbringing of children. The Childcare Allowance Act is based on the principle of social sensitivity, i.e. on providing support for childcare users whose monthly income per household member in the previous year does not exceed 50% of the budgetary base. Having in mind the very unfavourable demographic trends that the Republic of Croatia is still facing, further efforts are necessary to increase the birth rate, as well as further measures which will strengthen and support families and childcare through the legal and financial system. To this end, childcare allowance, as a direct measure of incentivising the birth rate, is a significant contribution of society to bearing costs of raising children. Improving the statutory regulations with regard to childcare allowance will enable the increase of the income threshold level as the condition for obtaining the childcare allowance from 50 to 70% of the budgetary base, in order to increase the scope of potential childcare allowance users and, subsequently, of children encompassed by said right, and of potential users of the pro-family supplement exercised by childcare allowance users for their third and fourth child.

Increasing the scope of potential childcare allowance and pro-family supplement users would provide additional aid to families with enhanced childcare, and produce a significant positive social effect by improving the status of future childcare allowance users eligible to exercise that right, as well as the effect with regard to total pro-family trends and maintaining and raising social security of families with dependent children. It is precisely this proposed measure that lowers the criterium for obtaining childcare allowance, and is thus a significant step in ensuring more favourable childcare and parenting conditions, especially when taking into account the fact that the income threshold has not been increased since 2006, and that its stagnation on the level of 50% of the budgetary base



reduced the number of childcare allowance users. Consequently, according to the proposed amendments, the expected increase of the number of childcare allowance users would be up to 50%, i.e. 150,000 children would be included by these amendments.

This measure will be delivered through amendments to the Childcare Allowance Act. This solution is expected to produce a significant positive social effect through by improving the status of future childcare allowance users eligible to exercise that right, as well as the effect with regard to total pro-family trends and maintaining and raising social security of families with dependent children.

For the purpose of demographic renewal, especially of sparsely populated areas, it is necessary to ensure quality and accessible measures/services which would meet the needs of families with small and preschool children and thus create the prerequisites for them to remain in the community.

The objective of the programme of support for improving the physical environment of preschool institutions / kindergartens is, among other things, to promote and coordinate systematic measures in kindergartens which would demonstrate concern for the child population and the most reproductive parent group. In relation to this issue, one of the demographic revitalisation measures of the Republic of Croatia is providing places in childcare institutions to all preschool children in ULSG areas. The programme was designed as a response to local developmental priorities, and the funds intended for the implementation of the programme will provide aid for kindergarten founders / ULSGs in project implementations. Investments in kindergarten facilities will contribute to the improvement of physical environment, as well as to the increase in the quality of pedagogical standards and a more balanced accessibility of early and preschool education programmes. As a reaction to the necessity for ensuring institutional care of all preschool children in ULSG areas (cities and municipalities), the MDFYSP published the Call for submission of projects contributing to the improvement of the physical environment of preschool institutions / kindergarten, therefore, in 2018, it will co-finance the drafting of project documentation, construction / continued construction or upgrade of facilities or part of facilities, providing fixed equipment, landscaping, maintenance works on outdoor grounds and energy retrofitting of facilities. A Call for submission of projects of improvement of childcare services in the early and preschool education system was also published, and funds for the employment and education of preschool teachers, expert assistants, education-rehabilitation experts and ancillary staff were secured, as well as for mobile equipment and lease of premises, and the development of special programmes for the purpose of introducing extended working hours in kindergartens.

One of the key challenges of quality early and preschool education is organising the work of kindergartens which would meet the needs of employed parents. Therefore, one of the planned measures of the family and demographic policy is the improvement of services for children in the early and preschool education system which would provide extended working hours of kindergartens, for the purpose of enabling a better balance of family and professional life. Extending the working hours of preschool institutions / kindergartens translates into prolonged stay, afternoon work and/or shift work for kindergartens. The result of the implementation of this activity will be increased availability of preschool institutions / kindergartens, availability of quality programmes, and an increase in the number of children included in early and preschool education programmes.

#### **4.3.3. Improving the efficiency of the social security benefits system**

##### **Improving the statutory framework of the social security benefits system**

The risk of poverty and social exclusion, although in decline, is still high, particularly for certain citizen groups: children, the elderly and persons with disabilities. The poverty risk rate was reduced by 0.1



percentage points in relation to 2015 and 2016, and is now at 19.9%, i.e. 826,097 people in the Republic of Croatia live in risk of poverty according to the final results.

The “Persons at risk of poverty or social exclusion” indicator demonstrated the reduction of the rate from 29.9% in 2013 to 27.9% in 2016 (compared to the EU rate of 23.5%). Users of the Guaranteed Minimum Benefit (GMB) made up about 14% of the total number of persons at risk of relative poverty in 2016. This is the result of the line for determining persons at risk of poverty being significantly higher than the income threshold for obtaining the Guaranteed Minimum Benefit, therefore, it is necessary to improve its adequacy (level) so that it enables a more significant reduction of the poverty gap or a way out of poverty. Moreover, research/practice demonstrates the need for improving the scope of the GMB so as to make it available to everyone lacking sufficient financial resources. Also, the need for improving the exercise of the above-mentioned right was detected, since research showed that a certain number of persons are not exercising the rights they are entitled to for different reasons.

The social welfare system provides for the highest number of benefits and services intended for the poor and socially excluded, as well as other persons in need of social protection. One of the basic preconditions for a simpler, more accessible, transparent and more adequate social security benefit system is to improve the legislative framework governing the area of social security benefits.

For the purpose of improving the system, a new Social Welfare Act will be drafted on the basis of available analyses and research, proposals of implementation bodies and users, as well as social partners, so as to improve the adequacy of social security benefits and ensure alignment with the minimum wage and the development rate (index) of ULRSG. This will expand the scope of users, i.e. the availability of said benefits. Moreover, non-standardised measures for the purpose of increasing transparency and availability will also be implemented through the improvement of IT, information flow and its greater accessibility. The reduction of the number of persons at risk of poverty, especially children, the elderly and disabled persons should be aided by greater coordination of ULRSG, ensuring the access of users to quality social services and changing the statutory framework. Ultimately, depending on the legislative decision and cooperation with social partners, the coordination and transparency of social security benefits would be improved and the expanded scope of users that will obtain benefits rights by the application of the new Social Welfare Act would be ensured.

### **Integration of social security benefits management**

The Republic of Croatia is experiencing regional imbalance and insufficient coordination of social security benefits paid on the ULRSG level. Further investments in the integration of social security benefits data will ensure a transparent system with accessible information on the type and amount of benefits for each user.

Social security benefits in the social welfare and social protection systems are not transparent, which means that, although it is clear which social security benefits are ensured at the national and local level, there is no single system to ensure the transparency of information on social security benefits paid by the ULRSG and an efficient comparison of benefits paid on the national and local level.

Therefore, the objective is to ensure a transparent system of social security benefits with accessible information on the type and amount of benefits for each user. The comprehensive insight into data on social security benefits which citizens receive or can receive on a national or local level will serve as a foundation for recommendations and guidelines for better channeling benefits and



programmes, as well as creating more efficient social policies for the purpose of better distribution of resources and reducing poverty.

Considering the large number of benefits provided by ULRSB, as well as the significant amount of funds invested by the ULRSB in social welfare, the insight into the social welfare system on the local and regional level will be ensured by means of collecting data and processing it according to the ESSPROS methodology. Analysing said data and recommendations will enable the creation of policies which will influence the balancing of regional differences in the Republic of Croatia.

Pursuant to the Social Welfare Act<sup>57</sup>, ULRSB are required to keep records and documentation on exercising rights in the social welfare system, as well as other social welfare rights as established by the general acts of ULRSB, and are required to deliver reports on those issues. The Regulation on the content and maintenance of records and documentation, and the mode and time limits of delivery for ULRSB reports will be adapted to the new ways of collecting reports on social security benefits in electronic form, in accordance with the ESSPROS methodology.

Conducting this measure will enable electronic exchange of information on ULRSB social security benefits, which will make the system more transparent, functional and economical, and, in order to prevent potential risk of incomplete or incorrect data, the system will be compared with the reporting system of the MF and CBS.

#### **Provision of e-services from the social welfare system**

In order to enable an economical and simple access to social welfare services to citizens, the activities of establishing new e-services within the e-Citizens system will continue. By December 2019, another four e-services will be established (submitting requests for maternal and parental benefits, submitting requests for childcare allowance, submitting requests for personal disability benefits and submitting requests for assistance and care allowance). Measures will be taken to inform the public on the availability and manner of use of this service in order to make it accessible for as many citizens as possible.

This will contribute to greater accessibility of the social welfare system. The implementation of this measure will represent time and cost saving for citizens with regard to submitting requests for the recognition of social welfare system rights. The administrative pressure on the systems of competent SABs will be reduced, and less time will be spent on receiving requests and issuing certificates.

#### **4.3.4. Ensuring the sustainability of the pension system and the adequacy of pensions**

##### **Encouraging a longer working life**

Expenditures for pension insurance of generational solidarity amounted to HRK 38.07 billion (10.5% of GDP) in 2017, with revenue from contributions amounting to HRK 21.18 billion (56% of pension insurance expenditures), and 44% of pension expenditures being financed from the SB. Demographic estimates for 2030 reveal that the share of the population aged 65 and older in the total population is expected to be over 25%. The 1st mandatory pension pillar holds 1.23 million users compared to 1.48 million insured (ratio of 1:1.20), with a short average pension term of 30 years, a high share of pensioners in younger age groups, small number of old-age retirement users with a pension term of 40 years and over, with the share of an average pension in the average wage being less than 40%. This data indicates the necessity for a pension system reform for the purpose of maintaining its sustainability.

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<sup>57</sup> OG, no. 157/13, 152/14, 99/15, 52/16, 16/17 and 130/17



For the purpose of incentivising longer participation in the labour market, an amendment to the Pension Insurance Act<sup>58</sup> is being considered, which would gradually accelerate the equalisation of the age threshold for early and old-age retirement for men and women, as well as gradually accelerate raising of the age threshold to 67 for men and women. At the same time, an increase of penalty on early retirement and expansion of the range of retirees who may work and receive a pension.

By extending the range of retirees who may work while receiving a pension, new categories will be able to gain an additional income in old age. However, it should be pointed out that work along with the use of a pension should be viewed in a wider context, of the labour market trends and consequences of greater inclusion of retired persons in the labour market taking into account that the Republic of Croatia has the lowest rate of employment (of the 15–64 age group) in the EU – at 59.6% compared to the EU 28's rate of 71.9%. It is clear that this area should be addressed by an interdisciplinary analysis. It is important to point out that this involves exceptionally complex activities which require accurate and comprehensive projections and effects of possible solutions in order to ensure social security to all pension beneficiaries without discrimination while maintaining sustainability of the pension system in accordance with economic capacities of the state.

The complexity of the projections is additionally increased and the process is slowed down by the possibility of introducing a bonus for beneficiaries of the 1st and 2nd pension insurance pillars. Namely, pensions achieved by beneficiaries of the 1st and 2nd pension insurance pillars are lower than the pensions based on the 1st pillar alone with a pension bonus and it is therefore planned to introduce a pension bonus for the persons insured under the 1st pillar with a mandatory insurance under the 2nd pillar. In that way, the difference in the amount of the pension received by beneficiaries of both mandatory insurance pillars and the amount of the pension received by beneficiaries of the 1st pillar alone shall be reduced and adequacy of their pensions shall be affected. It is necessary to achieve an agreement and find a sustainable solution in cooperation with social partners.

### **Improving the pensionable service system with extended duration**

The pensionable service system with extended duration is applied in the Republic of Croatia in a wider scope than in other EU member states through the applicable Act on Pensionable Service with Extended Duration<sup>59</sup> which sets out jobs and occupations eligible for calculation of the pensionable service with extended duration. This category of insured persons is also allowed an early retirement. In order to improve the system, amendments to the applicable regulation are planned to reduce the current number of jobs and occupations where the pensionable service is calculated with extended duration by taking into account actual occupational health protection levels.

Application of the insurance with extended duration shall be provided for those jobs where, despite all applied occupational health protection measures, health may deteriorate due to unfavourable working conditions and for those occupations where physiological functions decline after a certain age to such extent that they prevent further successful performance of the job. At the same time, amendments are proposed regarding the reduction of the age of eligibility for old-age pension depending on effective duration of pensionable service. Depending on the legislation and cooperation with the social partners, it is also planned to reduce the number of insured persons and pension beneficiaries who exercise their right to a pension through the Act on Pensionable Service with Extended Duration.

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<sup>58</sup> OG No. 157/13, 151/14, 33/15, 93/15, and 120/16

<sup>59</sup> OG No. 71/99, 46/07, and 41/08



## **Improvements to the capitalised pension system**

In the system of voluntary pension savings, a favourable trend has been observed with an increase of insured persons included in the voluntary open and closed pension funds, whose number has been steadily growing over the past years. At the moment, there are 8 open voluntary pension funds including 285,775 members and 19 closed voluntary pension funds which include 30,409 members.

In the course of payment of pensions from the capitalised pension system, there is a risk related to the existence of a single pension insurance company as well as a reduced number of payments from the voluntary pension system. In order to implement the measure of improving the capitalised pension system, amendments to the Voluntary Pension Funds Act<sup>60</sup> and the Pension Insurance Companies Act<sup>61</sup> are planned to ensure improved operations of entities in the voluntary capitalised system for the benefit of all members of the voluntary pension funds, to ensure greater investment security, and better risk management, to facilitate greater dispersion of investment of voluntary pension funds' assets and assets of the pension insurance company and ultimately to increase the amount of pension received by members of pension funds.

Greater pension security and better protection of members and beneficiaries of the voluntary pension system as well as a greater number of members in open and closed pension funds shall be achieved through the new management requirements and better assessment of own risks in compliance with the Directive (EU) 2016/2341 of the European Parliament and the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs), new requirements for use of depositaries and enhanced authority of supervisors.

### **4.3.5. Ensuring financial stability, sustainability and quality of the healthcare system**

#### **Functional merging of hospitals – centres of excellence**

The objective of the proposed measures from the field of improvement of hospital healthcare is to improve the quality of healthcare, optimise hospital healthcare system resources and achieve financial stability of the healthcare system. The above shall be achieved through a reform of the hospital system through functional integration of hospitals and a reform of the hospital system aimed at better management of human resources.

Functional integration of hospitals was started in the present period. To date, 6 contracts have been concluded between 12 hospitals. The functional integration achieves functional cooperation, i.e. linking of the hospitals with the aim of an improved quality of health services, safety and patient satisfaction, healthcare service providers' satisfaction, and financial stability and sustainability of the healthcare system. The modality in which activities are performed shall change for the functionally integrated hospitals. In individual hospitals, the number of activities shall increase after the functional merger in order to provide equally accessible and high quality healthcare protection to the population they serve. They include palliative care activities where the existing hospital facilities in individual counties and/or regions are not sufficient for the population they serve. A concentration of a greater number of cases through the process of functional integration in a single institution shall render the quality of the provided health care significantly better. It is also clear that such functional integration shall result in specific positive financial effects and an aspect of availability of healthcare services is improved because the concentration of medical staff and equipment at a single location improves efficacy of healthcare and shortens waiting lists.

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<sup>60</sup> OG No. 19/14, and 29/18

<sup>61</sup> OG No. 22/14, and 29/18



The same approach is taken towards management of human resources in healthcare. Required data and system analyses used as the basis for activities are being gathered. The enactment of a new Healthcare Act is a prerequisite for the encouragement of the best possible results and quality of work by employees, i.e. rewarding the employees for above-average work results. According to the proposed legislation, the above would be provided for by a Government regulation. The objective is more efficient management of human resources through incentives to physicians contributing to greater work satisfaction and reducing their numbers leaving the healthcare system.

### **Unified procurement of medications, consumables, implants and medical equipment**

In order to implement the determined Government policy on achieving the best value for the invested funds through active participation of all entities of the society in cost-cutting measures and especially SB beneficiaries, the Ministry of Health (MH) and the public institutions/healthcare institutions founded by the Republic of Croatia shall jointly conduct procurement procedures in compliance with the public procurement principles in a manner allowing effective public procurement and cost-effective use of funds.

The MH has been designated as the entity which shall perform joint public procurement for 12 subjects of procurement deemed significant for obtaining overall savings which are considered a significant factor for standardisation of quality of healthcare services and mutual duties and authorities have been established through Agreements concluded with healthcare institutions. Other subjects of procurement shall continue to be jointly performed, but healthcare institutions shall keep the role of clients in those procedures.

It is deemed that a greater number of experts for a specific subject of procurement shall be gathered and cooperation stimulated by making the MH the client. The experts are employees of the largest healthcare institutions in the Republic of Croatia who perform the greatest number of healthcare procedures and they also the greatest consumers of the products obtained through joint procurement. Thus formed expert committee is tasked with developing better and more uniform technical specifications of the subject of procurement.

The developed technical specifications and list of items for procurement and experience gained in the procurement procedure shall be the basis for creation of standards for medical products used in all healthcare institutions involved in joint procurement. This increases and defines the area and scope of subjects of future procurement more clearly and that shall contribute to increased consumption of the products obtained through joint procurement.

The fact that the MH has assumed the role of the client improves control and creates a single central location for the management of joint public procurement. In that respect, efforts are being made to establish an information system to control all implemented joint procurement procedures, concluded framework agreements, contracts based on framework agreements and/or orders in order to allow clear insight into consumption through joint procurement at all times.

The healthcare institutions' problem with regard to assessing their needs has been recognised and it is a reason for involving a greater number of experts and creating a catalogue of products to be procured through joint procurement. Establishing the catalogue would reduce consumption of medication and medical consumables outside the joint procurement because it would clearly expand the type of medicines and consumables procured. Intensive efforts are being invested in achieving and reinforcing public procurement procedures and the established objectives are to increase the number of contracts concluded on the basis of framework agreements into a unified public procurement model and expand the number of public procurement categories. A result of achieving



the above objectives shall be improvements to financial stability of the healthcare system and reduction of unnecessary expenditure, and greater annual savings.

### **Introduction of a central management system for managing the organisational structure of the healthcare system**

Within the framework of this measure, the Central management system for managing the organisational structure of the healthcare system shall be established for use by authorised personnel of healthcare institutions (hospitals and the Croatian Institute of Public Health - CIPH) in the Republic of Croatia in order to perform the initial entry of the required data as well as any changes.

Standardisation of the organisational structure, a list of codes as well as employee rights and data is a key step in developing the interoperability and gathering of data by the institutions in real time. An upgrade to the hospital communication system shall facilitate two-way communication with the hospitals in relation to notifications sent to hospitals and data sent by the hospitals to the MH, the CHIF and the CIPH. In order to clearly see the current manner of hospital management, the objective is to introduce full transparency of hospital management by means of daily submission of data on all elements of operation of the institutions. These elements would be immediately published on the MH website. Publication of all data would ensure full transparency of operations of the hospitals. This type of reporting would help principals to compare their operations with operations of other institutions themselves and to improve management of their institutions independently. On the other hand, it would allow the MH to actively monitor trends in all institutions and to act preventively.

Implementation of this measure shall also entail an upgrade to the invoicing system to allow each hospital information system (HIS) to connect directly to the CHIF through a web service or by loading records. Furthermore, invoicing shall be complemented with a structured specialist finding, a discharge letter, but only those elements needed by the CHIF. Namely, today, hospitals send a discharge letter in PDF format along with each inpatient invoice. However, the present-day PDF-format discharge letter is only suitable for viewing and it is not possible to automate a process of its review and automatic comparison with items on the invoice. It is also planned to introduce a central appointments calendar with the objective of reducing waiting times, as well as to monitor and plan contractual facilities.

### **Introduction of clinical (diagnostic - therapeutic) guidelines**

Clinical guidelines or action algorithms are the basic documents defining specific practical recommendations and standard procedures in selected topics of clinical work and conduct of each physician in individual clinical areas. Their purpose is standardisation and optimisation of criteria and procedures concerning diagnostics, treatment and monitoring of patients and reduction of costs of the healthcare system.

In the Republic of Croatia, there are no binding clinical guidelines which consequently affects the quality of healthcare service, and it may lead to uneven level of healthcare protection at the level of the Republic of Croatia, generation of waiting lists, legal uncertainty and inefficiency of the healthcare system and financial unsustainability.

Therefore, an initial package of short, concise and clear guidelines for specific branches of medicine shall be developed. The selection of the branches of medicine shall also take into consideration high costs of the healthcare system in those areas. All physicians practising branches of medicine for



which the clinical guidelines are being developed shall be educated on the application of new guidelines.

Indicators of the results are standardisation of diagnostic procedures, better quality of healthcare services, controlling of work, reduction of costs in the healthcare system, reduced waiting lists, improved legal certainty for patients and physicians and relief to the secondary and tertiary levels of healthcare protection.

### **Introduction of a new system to determine prices of medicines and harmonisation of prices of orthopaedic devices**

This bill establishes a new system for determining prices of prescription medicines whereby the Agency for Medicinal Products and Medical Devices (HALMED) would determine the maximum permitted price of medicines on the Croatian market. In the present system, prices of newly registered medicines are set by the CHIF only after the holder of the authorisation submits a request for inclusion of the medicine in the CHIF list of medicines.

This bill would allow healthcare institutions less expensive procurement and purchase of medicine in case of need, which cannot exceed the maximum permitted price for the Croatian market. The maximum price is also defined for new medicines arriving on the market of the Republic of Croatia for the first time in cases where the holder of the authorisation has not yet lodged a request for inclusion in the CHIF list.

In the segment of medical products, the lack of transparency of manufacturer prices and their margins represents a significant problem, which interferes with regulation of the market of medicinal products included in the CHIF list. Therefore, the limited budget for medical products is not optimally utilised and some more modern medical products are not available to insured persons. The problem might be resolved by establishing the criteria of publication of manufacturers' prices and definition of corresponding margins which shall be attempted by the new Ordinance on criteria for inclusion of medical products in the CHIF list. Concurrently with the new Ordinance, internal regulations shall be adopted to revise the existing list and to allow inclusion of new and more modern aids in the CHIF list.

### **Development of health tourism**

Development of year-round tourism is also based on the development of healthcare tourism and, in the Republic of Croatia, a uniform territorial distribution of special hospitals and health resorts allows development of health tourism.

Health tourism services are provided within the framework of 20 special hospitals and health resorts containing 5,618 registered beds and employing 3,559 medical and non-medical staff. Special hospitals and health resorts have at their disposal approximately 2,213 beds under contracts with the CHIF. Due to inadequate conditions, the facilities cannot be marketed and there are more than 2,000 empty beds every day in the special hospitals. The MH makes public calls awarding grants for the development of design documents for the reconstruction necessary for the special hospitals and health resorts to apply for financing using EU funds. Only two special hospitals have been refurbished and the only option for the refurbishment of 18 special hospitals and health resorts is using funding drawn from EU funds.

In addition, health tourism shall be legally regulated using the Healthcare Protection Act.

### **Improving primary healthcare**



Availability of healthcare to all citizens of the Republic of Croatia in equal manner and under equal terms is the basic starting point of all strategic documents in the healthcare sector (principle of availability) and includes uniform distribution of specialist knowledge at the national, local, and regional levels and at the levels of primary, secondary and tertiary healthcare.

There are significant differences in the availability of primary healthcare across the Republic of Croatia due to insufficient availability of medical equipment and human resources in family medicine, emergency medicine, paediatrics, gynaecology and radiology and the lack of a comprehensive and controlled system for continued professional training of general/family medicine practitioners, partly due to organisational complexity, but mostly due to the lack of a stable financing system. At the moment, there are approximately 2,350 practising general/family medicine physicians and approximately 50% of these physicians have not completed specialisation in family medicine.

The purpose of this measure is to improve access to healthcare at the level of primary healthcare (PHC) and especially in less attractive, rural and underdeveloped areas by ensuring a sufficient number of specialists of specific medical branches which have exhibited shortages as well as medical equipment thereby reducing referring patients by primary healthcare providers to higher instances/hospitals and ensure quality of provided healthcare and improve efficiency of provision of healthcare services at the primary level.

The pursued objective is greater availability, efficacy and quality of healthcare services at the primary healthcare level, more efficient and more rational use of healthcare resources, relief for the unified emergency hospital admittance (UEHA), secondary healthcare (SHC) and the hospital healthcare system. Reduction of referrals by the PHC providers to the SHC by 15% while allowing more diagnostic and therapeutic procedures.

The commenced activities are performed within the framework of the Operational Programme Competitiveness and Cohesion 2014–2020 operational programme (OPCC) and through the Operational Programme Efficient Human Resources 2014–2020 (OPEHR) and a limited call for submission of project proposals for grants was published under the title “Improving access to PHC with emphasis on remote and deprived areas by investing in the needs of primary healthcare providers” aimed at equipment and smaller infrastructural works. Comprehensive permanent professional training of general medicine physicians with no specialisation has been agreed in a contract concluded with the Croatian Medical Chamber to increase knowledge and skills of physicians in the field of general/family medicine. Projects are being prepared for further training of emergency medical staff and nurses for the purpose of expansion of their competencies.

A consultation with the interested public in relation to the draft proposal of the new Healthcare Protection Act is in progress.

### **Transformation of the healthcare system through use of telemedicine services**

New technologies offer the possibility of surpassing standard cost-cutting and improvement of quality by transforming the manner in which healthcare is provided. Telemedicine, i.e. provision of medical services remotely using ICT technologies is an example of such transformative technology allowing a paradigm change in relation to medical services.

Use of telemedicine services shall contribute to the achievement of the following objectives: available, high-quality and timely medical care for patients (for example in transfusion medicine where it is possible to apply telemedicine services to determine the suitability of a patient for



transfusion a lot faster), alleviation of pressure on the healthcare system and workers in areas affected by shortages (islands, areas far from large towns, even hospitals in the city of Zagreb), reduction of staff placed on unnecessary on-call or stand-by duty, reduction of patient burden (for example islanders who spend an entire day to travel to a 30 minute examination), reduction of direct costs of the healthcare system (CHIF - refund of patients' travel expenses, overall lower cost of telemedicine services compared to "standard" services, prevention of unnecessary repetition of diagnostic procedures).

### **Efficient organisation and networking of transfusion activities in the Republic of Croatia**

The objective is to include hospital transfusion units in a unified national IT programme (e-Delphyn) which shall lead to better management of stocks of blood preparations and improved quality of transfusion treatment at the national level.

Linking HISes to the national transfusion IT programme (e-Delphyn) shall additionally reduce professional medically unnecessary repetition of laboratory tests.

In 2018, the objective is to link the HIS with e-Delphyn within five institutions.

### **Improving the management of non-medical activities**

The plan within this measure is to achieve a reduction of unnecessary expenses for non-medical services in hospitals. In 2018, it is planned to start implementation of action plans to deliver the proposed changes and better management of non-medical activities by hospitals, the adoption of Standards and guidelines for better management of cleaning and laundry services, and the adoption of guidelines for management of hospital buildings and equipment maintenance activities. Their objective shall be an increase of quality of non-medical activities directly affecting quality of healthcare (reduced risk of hospital infections) and optimisation of costs through increased productivity and efficiency in the provision of the above services.

The objective of the proposed changes is to improve quality and then also to streamline the system as much as possible. By improving the management of non-medical activities we plan to generate savings in the amount of HRK 82 million per year, which shall have a positive impact on the healthcare budget.



## 5. Measures for achieving the objectives of the Europe 2020 strategy

In relation to the objectives of the Europe 2020 strategy, the table below provides an overview of the most recent available figures regarding the achievement of the national objectives of the Republic of Croatia.

Table 5: Progress in the achievement of national objectives in relation to the Europe 2020 strategy

| Indicators   | EU target                                 | Republic of Croatia target              | Achieved values in Republic of Croatia |       |       |       |       |      |         |
|--|---|---|--|-------|-------|-------|-------|------|---------|
|  |   |   | 2008                                   | 2012  | 2013  | 2014  | 2015  | 2016 | 2017    |
| Employment rate of persons between 20 and 64 years of age %                      | 75  | 65.2                                    | 64.9                                   | 58.1  | 57.2  | 59.2  | 60.6  | 61.4 | 65.6%** |
| R&D investments, share of GDP, %   | 3   | 1.4                                     | 0.88                                   | 0.75  | 0.81  | 0.78  | 0.84  | 0.85 | *       |
| Reduction of greenhouse gas emissions compared to 1990, %                        | 20 (30)                                   | max increase of 11% in relation to 2005 | 95.43                                  | 80.42 | 76.74 | 73.99 | 75.38 | *    | *       |
| Increased share of renewable energy sources in gross total energy consumption, % | 20  | 20                                      | 22.0                                   | 26.8  | 28.0  | 27.8  | 29.0  | 28.3 | *       |
| Increasing energy efficiency, %***   | 20  | 20                                      |  | 12.32 |       |       |       |      |         |
| Primary energy consumption, MTOE   | /   | 11.15 (10.71)                           | 9.1                                    | 8.3   | 8.0   | 7.7   | 8.0   | 8.1  |         |
| Final energy consumption, MTOE   | /   | 7.0 (6.96)                              | 7.4                                    | 6.7   | 6.6   | 6.2   | 6.6   | 6.6  |         |
| Early school leaving, %  | 10  | 4                                       | 4.4                                    | 5.1   | 4.5   | 2.8   | 2.8   | 2.8  | 3.0     |
| Percentage of population with tertiary education 30–34 years of age, %           | 40  | 35                                      | 18.5                                   | 23.1  | 25.6  | 32.1  | 30.8  | 29.3 | 27.3    |
| Persons at risk of poverty and social exclusion (share in total population, %)   | 20 million less people at risk of poverty | 150,000 less people at risk of poverty  | 23.7                                   | 32.6  | 29.9  | 29.3  | 29.1  | 27.9 | *       |

\* Data not available

\*\* 3rd quarter of 2017

\*\*\* Observed through primary and final energy consumption

Source: Eurostat

### 5.1. Employment

#### Implementation of active employment policy measures

According to the latest Eurostat data, the employment rate of population aged 20–64 increased from 62.9% in the third quarter of 2016 to 65.6% in the same quarter of 2017. At the same time, the unemployment rate decreased from 10.9% to 9.0%.



Table 6: Active labour market policy measures implemented during 2017, with number of beneficiaries until 31 December 2017

| Measure   | Newly included up to until 31 December 2017 | Total number of beneficiaries in 2017 |
|---|---|---------------------------------------|
| Employment grants                                 | 6,030                                       | 11,556                                |
| Self-employment grants                            | 3,583                                       | 5,824                                 |
| Education of unemployed persons                   | 4,571                                       | 5,743                                 |
| Training in the workplace                         | 254   | 273                                   |
| Public works                                      | 10,662                                      | 11,479                                |
| Vocational training without commencing employment | 9,947                                       | 25,649                                |
| Grants for the preservation of jobs               | 2,860                                       | 4,273                                 |
| <b>TOTAL</b>                                      | <b>39,907</b>                               | <b>64,797</b>                         |

Source: CES

At the end of December 2017, the Government adopted the Guidelines for the development and implementation of an active employment policy in Republic of Croatia for the period of 2018–2020, a strategic document and framework for using the measures of the active employment policy. Pursuant to the Guidelines, in December 2017, the Administrative Council of the CES adopted the Conditions and methods for use of funds for implementing an active employment policy within the purview of the CES in 2018.

The MLPS analysed in detail the measures implemented in 2017 and it was decided to additionally improve the ones exhibiting the best results. The new measures are aimed at stimulating employment and self-employment and education and training of unemployed persons. The improvements to the active employment measures and their targeting towards groups which are difficult to employ, entrepreneurs shall be provided with the required workforce and it shall lead to faster activation and inclusion of unemployed persons in the labour market. Through employment subsidies, employers are provided with co-financing of salary cost in the amount from 50% to 75% for the person employed by using this measure. The amount of subsidy as a self-employment incentive has been increased from HRK 35,000 to HRK 55,000 and to HRK 70,000 if the self-employed person accepts two persons to vocational training without employment. The funds foreseen for events of association have also been increased and the subsidy ranges from HRK 110,000 to as much as HRK 270,000.

Large strides have been made in strengthening of traineeships which shall be eligible for CES measure co-financing for the first time. The basic objective of the support for traineeships is to enable young people to become employed. At the same time, safety mechanisms have been embedded into the measure if vocational training without employment to prevent abuse of the measure and approval criteria have become more restrictive. Compared to 2016, the number of new users of vocational training declined by 34% in 2017. It is intended to gradually replace the vocational training measure with the traineeship measure as the labour market recovers. At the same time, in order to better align the labour market needs and education, investments shall continue to be made in education and training of unemployed persons. In 2018, more than 11,000 persons shall be trained for scarce occupations thereby supporting the needs of the growing economy. All active employment policy measures are planned to involve 50,000 beneficiaries through the “From measure to career” package for which HRK 1.6 billion has been provided.



## 5.2. Research and development

### Strengthening the national innovation system and innovation potential of the economy

According to Eurostat data, the proportion of total investment in research and development in Croatia's GDP in 2016 was 0.84% while Croatia's aim is to reach 1.4%. According to the *European Innovation Union Scoreboard* report (EC, 2017), due to a lack of technologically relevant companies and low proportion of business sector investment in research and development, Republic of Croatia only ranks 26th. Key obstacles are absence of a systematic and effective investment policy and complexity and fragmentation of the innovation system.

Through the National Innovation Council, a unified innovation policy system shall be established in Republic of Croatia in order to overcome the existing fragmentation of the innovation value chain and the gap between the scientific-research and business sectors.

The enactment of the new Scientific Activity and Higher Education Act aligning the legislation with new directions of public policies and the needs of a modern system of science and higher education will contribute to an increase of overall investment in research and development and consequently to an increase of Croatia's competitiveness. It will also create an environment conducive to promoting cooperation between science, higher education and the economy which will facilitate the transfer of knowledge among those systems. Furthermore, amendments to the legislative framework will influence an increase of competitiveness of public scientific organisations and public universities, assurance of an effective system of financing of the public scientific organisations and public universities promoting development, an increase of quality of studying at all levels of higher education, the creation of an environment that encourages scientists to participate in international scientific competitive projects, encourages the mobility of scientists and introduces the principle of responsibility in science and higher education.

The proposed act on state aid for research and development projects has passed the first reading in the Croatian Parliament and the final proposal of the act is being drafted. Competent ministries have also developed an Ordinance on state aid to research and development projects which shall be issued by the minister competent for the economy after the act is passed.

The Act and Ordinance on State Aid for Research and Development Projects will regulate the conditions for granting state aid for research and development projects in the horizontal aid category for R&D and innovation as of 2018. State aid for R&D projects will be realised as a right to a further reduced profit tax and income tax base for justified costs of research and development projects classified into the categories of underlying research, industrial research and experimental development. Tax breaks range from EUR 50,000 for feasibility studies to EUR 300,000 for underlying research. Tax breaks may increase in cases where an entrepreneur has contracted more than 50% of the cost of research with scientific organisations on the basis of contracts, know-how and patents. The amounts then range from EUR 7.5 million for feasibility studies to EUR 40 million for underlying research. This measure recognises the unfavourable position of small and medium-sized enterprises on the market, as well as the great potential for cooperation between the scientific-research institutions and the economic sector. By increasing investments in the development of new products and value added services, an increase of competitiveness on the global market and an increase of exports are also made possible. The availability of aid for R&D projects is extremely important because such projects imply large investments with uncertain results, but are crucial to creating value-added products and, consequently, new jobs.



## **Strengthening human resources in science**

According to the existing participation in the EU research and innovation programme Horizon 2020, Republic of Croatia is among the less successful EU Member States in terms of use of funds from the programme with the success rate of Croatian project applications at about 11.2% which is somewhat below the EU-28 average which stands at about 13.3%. In order to encourage top Croatian scientists to submit applications in response to the calls published within the Horizon 2020 Programme, enhance the absorption of their preparation, science management and project monitoring capacity and in order to encourage their networking with international partners and consortia, a series of activities of Croatian scientists shall be funded through a permanently open call for proposals by awarding mini-grants, which should ultimately facilitate an increase of their participation and Croatia's visibility in the European Research Area.

As regards the improvements to the scientific organisation management and financing quality system and promoting scientific excellence, the Croatian Science Foundation shall be awarded EUR 10.8 million (HRK 81 million) through a direct award of funds from the ESF over a period of 5.5 years for implementation of the "Young Researchers' Career Development Project – Training of Doctoral Students" aimed at increasing the number of young researchers through their employment in institutions within the system of science and higher education. In the above period, 154 doctoral students will be employed in this manner and thus given support in an early stage of development of their research careers, with the ultimate objective of rejuvenating and strengthening the Croatian scientific system as a reform step in establishing a higher-quality and more efficient system of science in Croatia.

## **Strengthening of the national research infrastructure with public access**

In accordance with the EU directives, Republic of Croatia has adopted the "Plan of Development of Research Infrastructure in the Republic of Croatia" which requires the provision of a central site with data on the entire scientific and research equipment found in institutions within the science and higher education system in order to ensure efficient use of funds for procurement of new and maintenance of the existing equipment and to assess justification of requests for equipment included in projects financed using assets drawn from the European Structural and Investment Funds (ESIF). The existing database of scientific research instruments Šestar shall be used as the central site for entry of data on scientific equipment until the completion of the unified information system within the "Scientific and Technological Forecasting" project.

Participation of Croatia's scientific and research institutions and scientists in the work of prominent international organisations is of exceptional importance for the networking of Croatian science and economy with highly developed global circles. As early as in 2014, Republic of Croatia started talks on possible cooperation with the European Space Agency (ESA). By signing and ratifying the Agreement on cooperation in peaceful exploration and use of outer space, a legal framework shall be established for such cooperation in the field of research and peaceful use of space as well as conditions for the implementation of projects of common interest, thereby opening Croatia's path to full membership, facilitating exchange of scientists and experts and exchange of information and contacts between interested industries, allowing promotion and implementation of science and space technology educational activities, provision of expert opinions and assistance in management of space projects and similar activities.

In 2014, the Government rendered a Conclusion on the commencement of the procedure for accession of the Republic of Croatia to the associated membership of the European Organization for Nuclear Research (CERN) representing, through signing of the Accession Agreement, the first step to



becoming a full member of CERN. Accession to CERN shall ensure the following: conditions for strengthening excellent science in Republic of Croatia through an increase of capacity for development of base sciences, fully fledged access of Croatian companies to all CERN's calls for proposals, an increased capacity for transfer of knowledge and technology, opportunities for additional education for graduate and doctoral students in the field of natural and technical sciences and other benefits. By acceding to CERN, Croatian scientists shall become a part of about 8,000 scientists from 580 scientific and research institutions using CERN's facilities for their research.

### **5.3. Climate change and energy sustainability**

#### **Limitation of emission of greenhouse gases by the national annual quota for sectors outside the Emissions Trading System**

Greenhouse gas emissions in terms of assessing the achievement of the objective are monitored on a yearly basis. The level of greenhouse gases in sectors outside the Emissions Trading System in 2005 was 17.4 Mt CO<sub>2</sub>eq.

Further control of compliance with the obligations is planned through annual monitoring of greenhouse gas emissions in order to achieve restriction of growth of emissions of greenhouse gases outside the trading system up to 11% by 2020 in relation to the 2005 level. For 2015, Republic of Croatia was allowed a quota of 19,996,708 tCO<sub>2</sub>-eq while actual emissions in 2015 in the sector outside the trading system were 15,565,304 tCO<sub>2</sub>-eq.

#### **Transition to a circular economy**

Transition to a circular economy is a great opportunity for further sustainable development and economic growth. This is a precondition for sustainable investments and a stable and predictable business environment. The EU encourages savings in use of natural resources and emphasises the potential benefits of secondary raw materials in economic development, growth and creating new "green" jobs. The transition to low-carbon and circular economies to create new jobs in the field of innovative services and the production of new, sustainable products is also supported. One of the areas in which a circular economy and greater resource efficiency have potentially significant macroeconomic importance is investing in waste management infrastructure and increasing the use of valuable waste materials. Moving to a circular economy also involves a series of activities that help remove obstacles and ensure predictability for businesses, promote innovation and improve the investment environment, primarily by encouraging a reduction in waste generation, or increased recycling, to provide sufficient quantities of quality secondary raw materials.

Introduction of a landfill tax will efficiently encourage the diversification of waste from the landfill and separation of said waste at the production site, together with increased recycling, with the final goal being the performance of assumed obligations and the shift from a linear to a circular economy. Furthermore, the Republic of Croatia has to ensure separate collection and recycling of at least 50% of its waste by 2020, and the rate of recycling of municipal solid waste was 21% in 2016. Therefore, the Waste Management Plan of the Republic of Croatia for the period 2017–2022<sup>62</sup> describes specific waste management objectives and measures and activities for the implementation of set objectives.

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<sup>62</sup> OG No. 3/17



## Promotion of use of energy from renewable sources

The Republic of Croatia meets the objective of increasing the share of renewable energy sources in gross total energy consumption and, according to Eurostat data, the share of renewable energy sources in Republic of Croatia in 2016 is 29%.

Promotion of use of energy from renewable sources is one of the objectives of the energy policy of the Republic of Croatia. An increased use of energy from renewable sources is an important part of the package of measures required to reduce greenhouse gas emissions and comply with the binding objective regarding renewable energy for 2030 and contribution of the EU Member States to the same, including their base scenarios where general national objectives for 2020 are assumed (some elements encompass development of heating and cooling using renewable sources and development of renewable fuels for use in transport). In that respect, the 2020 National Renewable Energy Action Plan is being implemented. Furthermore amendments to the existing legislation shall allow a more cost-effective method for achieving the objective and create frameworks for further implementation of renewable energy sources, strengthening of sustainability criteria through new technologies, introducing market principles, increasing the share of heating and cooling from RES, decarbonisation and energy diversification in transport. Production of electrical power from renewable sources should be used with reduced costs for consumers and taxpayers.

Table 7: Data on renewable energy consumption for the period 2013–2016

|  | 2013   | 2014   | 2015   | 2016   |
|--|--------|--------|--------|--------|
| <b>Sectoral and total shares and actual energy consumption from RES (%):</b> |        |        |        |        |
| RES - heating and cooling  | 37.2   | 36.2   | 38.54  | 37.58  |
| RES - electricity  | 42.2   | 45.3   | 45.45  | 46.71  |
| RES - transport  | 2.2    | 2.1    | 3.58   | 1.26   |
| <b>Share of RES in each sector in direct energy consumption (ktoe):</b>      |        |        |        |        |
| <b>Gross direct consumption of RES for heating and cooling</b>               | 1237.0 | 1094.3 | 1251.2 | 1219.4 |
| <b>Gross direct consumption of RES for electricity</b>                       | 645    | 677.2  | 704.5  | 728.8  |
| <b>Gross direct consumption of RES in transport</b>                          | 81.6   | 77.9   | 69.0   | 24.5   |

Source: Progress Report on renewable energy consumption and promotion in the period 2013–2016.

## Introduction of energy efficiency obligation schemes

Introduction of an energy efficiency obligation scheme is an obligation for the EU Member States arising from the 2012/27/EU Energy Efficiency Directive. The obligation has been imposed on the EU Member States in order to ensure achievement of the objective regarding reduction of consumption of energy in direct consumption at the level of 20% by 2020. Republic of Croatia has transposed the Directive's obligations through Article 13 of the Energy Efficiency Act<sup>63</sup>. It has become apparent that the method of transposition of the obligation fails the determined objectives and that amendments are necessary to make the energy efficiency obligations scheme effective and contributing to the reduction of energy consumption in direct consumption and thereby to the overall reduction of impact of consumption of energy on the environment (i.e. emission of greenhouse gases).

The planned reduction of consumption of energy in direct consumption by the end of 2020 which shall be achieved through the obligation schemes is 10,633 PJ. Since it is not possible, at this moment, to assess which sources of energy and which share of individual energy source shall generate the reduction, it is not possible to estimate the favourable impact of the amendments to CO2 emissions.

<sup>63</sup> OG No. 127/14



## **Encouraging energy efficiency of residential and public buildings**

Increasing energy efficiency of buildings in order to reduce CO2 emissions and increasing the share of RES in direct energy consumption will be achieved by retrofitting to upgrade the energy performance of residential, public and commercial buildings. A programme has been developed for providing information to building owners and users about the energy performance of a building, i.e. the energy required to heat the space and recommendations for reducing energy consumption and encouraging the decision to perform energy retrofitting of buildings. In 2017, the MCPP provided software for determining the energy performance (Energy certification) for use free of charge. Values are transferred from the software to the National Energy Certification Information System (IEC), which was introduced in 2017. The IEC allows the calculation of energy performance of buildings and energy needed for heating and cooling of buildings according to applicable standards, and the drafting of energy rating certificates. In 2018, the IEC and the software are planned to be additionally upgraded to improve e-services to citizens.

The public sector building energy retrofit programme 2016–2020 is co-financed using ERDF funds allocated within the OPCC for which EUR 211.81 million was provided. In 2017, energy retrofit payments were effected in the amount of EUR 5.53 million (EUR 2.7 million from the ERDF and EUR 2.83 million from the Environmental Protection and Energy Efficiency Fund- FZOEU). The plan in 2018, is to save 5 GWh of primary energy in public sector buildings.

The 2014–2020 programme of energy retrofitting of apartment buildings and the 2014–2020 programme of energy retrofitting of family houses are implemented using the ERDF funds allocated within the OPCC, with EUR 100 million provided for the purpose. In 2017, funds were paid for performed energy retrofits in the amount of EUR 1.83 million (from the ERDF). In 2018, the plan is to improve the energy rating in 4,000 households in apartment buildings.

## **5.4. Education**

### **Reducing early school leaving rate**

Early school leaving has always been at a low level in the Republic of Croatia (percentage of early school leaving in the Republic of Croatia was 5.1% in 2012, 4.5% in 2013, 2.7% in 2014, 2.8% in 2015, 2.8% in 2016<sup>64</sup>), while the Europe 2020 Strategy sets the target at 10%. According to the above data, the Republic of Croatia is at the very top of the EU in relation to other EU Member States, which is linked to the way the education system is established and a long tradition of inclusion in the education system. This is why no special measures were planned that would be aimed solely on early abandonment of education, instead when improving the system and during its development it is important to involve all students in accordance with their capabilities and abilities, and make the high-quality system accessible so the students can complete their commenced education.

### **Implementation of the scholarship programme for students of a lower socioeconomic status**

In accordance with the Proposed 2018–2021 National Plan for Advancement of Social Dimension of Higher Education in the Republic of Croatia, in order to increase access and completion of higher education, the MSE awards government scholarships to full-time students at institutions of higher education in Croatia. Since the academic year 2017/18, the project of “Award of Scholarships to Students of a Lower Socioeconomic Status” is being implemented within the OPEHR thereby raising the number of scholarships by an additional 5,000 scholarships financed from the ESF. By the end of

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<sup>64</sup> [https://ec.europa.eu/education/sites/education/files/monitor2017-hr\\_hr.pdf](https://ec.europa.eu/education/sites/education/files/monitor2017-hr_hr.pdf)



the project in 2022, a total of 10,000 scholarships shall be awarded per academic year. For the academic year of 2017/18, the MSE announced the procedure for awarding government scholarships in October 2017 and linked it to the start of the academic year. In previous years, the award of scholarships was linked to the fiscal year rather than the academic year, however in the following five years of implementing the project the objective is to pay the students the funds immediately upon concluding the call for applications. This year, students received the first payments as early as in December 2017.

From the academic year of 2017/18, scholarships are awarded for studies in STEM areas (3,400 scholarships per year) within the OPEHR. An increase in the capacity of student accommodation using the funds from the OPCC is planned by the end of 2018, and to provide an additional 1,850 beds (present accommodation capacity is 11,028 beds) which would be paid from ERDF funds (HRK 256.3 million).

## **5.5. Reduction of poverty and social exclusion**

### **Providing humanitarian aid in kind and other support programmes to the most deprived**

The main reason for the implementation is a high rate risk of poverty and material deprivation in Croatia, which requires additional measures to help the most vulnerable, and which will be implemented through activities of providing assistance in the form of food (as a meal or food package) and/or basic material necessities (such as school supplies and equipment, hygiene products and other basic necessities) financed under the Fund for European Aid to the Most Deprived (FEAD).

In September 2017, a call for proposals was published to provide school meals to children at risk of poverty in 586 primary schools in the amount of HRK 25 million. This project covers primary schools in counties whose national development index does not exceed 125% of the national development average (all counties except the Istria County, Primorje-Gorski Kotar County and the City of Zagreb). In November 2017, a call for proposals was also published for provision of assistance through distribution of food and the basic material assistance which is intended to encompass approximately 100,000 persons, for which HRK 49 million is planned. The projects are aimed at alleviating the most serious forms of child poverty and poverty among other socially vulnerable persons by providing non-financial assistance.

### **Establishment of a coordinated support system for groups at risk of poverty and social exclusion**

For the purpose of focusing the social care programme on persons and families at risk of poverty the twinning project “Strengthening the Institutional Capacities of the Social Welfare System to Improve the Opportunities/Routing of the Social Welfare Programme and Reducing Poverty” is being implemented. A software solution and an IT system to monitor and evaluate social programmes shall be developed within the project and the final versions of the checklist for early identification of families and children at risk of poverty through an analysis of formed indicators shall be created and disseminated. Also, two social programmes shall be developed in two pilot-counties for which it was determined that they need specific programmes to reduce the risk of child poverty. Together with above activities, experts shall receive relevant training in the use of all databases and information systems that will be developed under the project.

### **Development of quality foster care and even distribution of accommodation in foster families**

The Foster Care Development Plan for the period 2016–2017 has been created together with the analysis of children housing needs across all counties. Analysis data points to an insufficient number



of foster parents and other targeted support programmes for foster parents, for which additional funding should be provided. The new Foster Care Act is currently being drafted and will provide the prerequisites for the development of fostering as an occupation and specialised fostering as well as a plan of education of foster parents aimed at empowering them to face ever-increasing challenges in the field of foster care services.

### **Intensifying the process of deinstitutionalisation and transformation of social welfare homes**

In implementing deinstitutionalisation, it is important to ensure provision of services in the community, and to transform institutions and improve existing services in the homes for users who use the services of the institution. Tenders for awarding grants under the EFRR - Improvement of infrastructure for the provision of social services to children and young people in support of the deinstitutionalisation process (phase 1 - total value of HRK 71.4 million) were published in 2016, alongside the Improvement of infrastructure for the provision of social services in the community to disabled persons in support of the deinstitutionalisation process (phase 1 - total value of HRK 107.2 million) and Improvement of infrastructure of social welfare centres in support of the deinstitutionalisation process (phase 1 - total value of HRK 73.1 million). Implementation of 7 contracts is in progress including two community service centres (transformed homes) for persons with disabilities, a community service centre for children without adequate parental care and three social welfare centres with the total contract value of HRK 30.41 million.

In March 2017, calls for proposals were published for ESF funded grants - Support for the process of deinstitutionalisation and prevention of institutionalisation of children and youths (total value of HRK 63 million) and Support to further process of deinstitutionalisation and transformation of social welfare homes for persons with disabilities (total value of HRK 135 million). Implementation of three contracts supporting the process of deinstitutionalisation and prevention of institutionalisation of persons with disabilities and children with developmental disorders (of total value of HRK 33.44 million) is in progress.

An analysis of implementation of measures and activities set out in the Operational Plan of Transformation and Deinstitutionalisation of Social Welfare Homes and other Legal Entities Performing Social Welfare Activities in the Republic of Croatia for the Period 2014–2016 was performed with the aim of intensifying the performance of transformation and deinstitutionalisation of homes whose founder is the Republic of Croatia and providing further financial assistance from EU funds. The development of the 2018–2020 Operational Plan is in progress with an emphasis on the expansion of the scope of institutions and beneficiaries of the operations.

### **Financing of long-term civil organisations' programmes with the aim of developing and expanding the network of social services**

In March 2017, a call for applications for three-year programmes of civil society organisations was launched with the aim of developing and expanding the community service network. Funding of approximately 130 programmes in the total amount of HRK 32 million a year is planned from the portion of revenue generated by games of chance.

In January 2018, a call for proposals for award of ESF grants was published in order to expand the community social service network. The purpose of the call for proposals is improving social inclusion and promoting a work-life balance by providing support to the development of effective and inclusive social services. Through this operation, projects shall be funded with the aim of expanding social services in the community by social service providers (social welfare institutions, associations, religious communities, funds, local and regional self-government ULRSK, international organisations



and national minorities' councils) ensuring wider availability of social services in the community while curbing poverty and supporting inclusion of vulnerable groups. The total value of the call for proposals is HRK 110.15 million.

### **Co-funding the cost of education for students of lower socio-economic status and students with disabilities**

The existing legislative framework of primary and secondary education regulates the right of each child/pupil with developmental disorders to an appropriate programme and form of education whenever possible in the community where the child/pupil lives while providing required programme and professional support and spatial and pedagogic-didactic adjustment, taking into account their needs, interests, abilities and capacities in compliance with all strategic documents of the Republic of Croatia and international documents adopted by Croatia. In this way, children/pupils with significant developmental disorders can be successfully included in the education system in their community with rehabilitation and expert professional support. In accordance with the Primary and Secondary Education Act<sup>65</sup> and implementing regulations, resources are provided for customised transport of students with developmental disorders and resources for co-financing of textbooks, as well as for recruiting teaching assistants and other activities performed within the science and education system.

The objective of providing teaching assistants and professional communication intermediaries to pupils with developmental disorders in institutions of primary and secondary education is to increase social inclusion and integration of pupils with developmental disorders in the institutions of primary and secondary education. Furthermore, the objective is to provide support to inclusion of pupils with developmental disorders in primary and secondary education institutions in order to provide conditions for improving their learning achievements, more successful socialisation and emotional functioning through activities related to recruitment of teaching assistants and professional communication intermediaries to pupils with developmental disorders. The MSE, together with the Agency for Vocational Education and Training and Adult Education (AVETA), has finished evaluating project proposals within the call for proposals "Providing teaching assistants and professional communication intermediaries to pupils with disabilities in elementary and secondary education institutions - Phase 3" and issued the Decision on financing grants for 50 projects in the total amount of HRK 362.4 million providing funding and support for 2,648 pupils with developmental disorders. In September 2017, a four-year contract was signed, with this year's call for proposals providing funds for the financing of teaching assistants for 4 school years with the aim of supporting inclusion of pupils with developmental disorders in primary and secondary education institutions in order to ensure conditions for improving their learning achievements, more successful socialisation and emotional functioning.

In August 2017, after a public call for project proposals for provision of teaching assistants to pupils with developmental disorders in the school year 2017/18, the MSE issued the Decision of award of grants to associations providing teaching assistant services and used funds obtained from games of chance (HRK 11.7 million) to provide for work of additional 307 teaching assistants for 321 pupils with developmental disorders.

In accordance with the legal framework<sup>66</sup>, increased costs of customised transport, didactic materials and food for pupils with developmental disorders who attend school pursuant to a decision on

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<sup>65</sup> OG No. 87/08, 86/09, 92/10, 105/10, 90/11, 16/12, 86/12, 94/13, 152/14, and 7/17

<sup>66</sup> The Decision on criteria for financing increased costs of transportation and special teaching means and aids and co-financing meals for pupils with developmental disabilities in primary education programmes for 2017, the Decision on criteria for financing increased costs of transportation and special teaching means and aids for pupils with developmental disabilities in secondary education programmes in 2017, and Article 69, paragraph 4 of the Primary and Secondary Education Act.



appropriate schooling programme are regularly provided for. Payments are made for the school year, i.e. for 10 months. In 2017, HRK 23.82 million was paid for the above activities in elementary schools and HRK 2.10 million for the same in secondary schools.

The MSE co-finances textbooks for full-time primary and secondary school pupils and full-time and part-time students at institutions of higher education and universities in the Republic of Croatia exercising the right to compensation for free textbooks pursuant to: the Ordinance on conditions, procedure and method of exercising of the right to free textbooks for Croatian Homeland War veterans and members of their families; Ordinance on conditions, procedure and method of exercising of the right to free textbooks for military personnel and civilians with disabilities attributable to war; Decision on co-financing of procurement of textbooks and accompanying supplementary teaching materials for primary and secondary school pupils in the Republic of Croatia in the school year 2017/18 who are entitled to free textbooks as members of households who are beneficiaries of the guaranteed minimum compensation and beneficiary of upkeep assistance; and the Decision on co-financing of mandatory free textbooks for children of persons killed by explosive materials left over from the war who exercise the right in accordance with the Mine Action Act. In 2017, HRK 9.95 million was used for the above activities and textbooks were provided to 13,719 pupils and 1,362 students.



## 6. Use of European Structural and Investment Funds

### 6.1. Progress in use of ESIF funds

In the 2014–2020 financial period, Republic of Croatia has a total of EUR 10.676 billion at its disposal from ESIF.

Out of that amount, EUR 8.397 billion has been earmarked for cohesion policy objectives, EUR 2.026 billion has been set aside for agriculture and rural development and EUR 253 million for development of fisheries.

Until 31 January 2018, projects worth EUR 3.952 billion, or 36.84% of allocated funds for the 2014–2020 period were contracted. The OPCC records the best percentage of contracted funds (41.10%), followed by the Rural Development Programme (RDP) with 33.84%, the Operational Programme Maritime and Fisheries (OPMAF) with 27.5%, while the worst percentage of contracted funds is the OPEHR with 24.08%.

By 31 January 2018, the beneficiaries were paid EUR 980 million, i.e. 9.14% of the allocated funds. The RDP recorded the best percentage of funds paid to beneficiaries with 18.32%, followed by the OPMAF with 8.69%, and the OPCC with 7.22%, while the OPEHR recorded the worst percentage of paid funds at 5.80%. The growth of positive absorption since the beginning of 2016 continued in the course of the fourth year of the seven-year financial period, which indicates the progress made in use of ESIFs. In 2017, growth of contracting of 192.33% and growth of funds paid to beneficiaries of 170.29% were achieved in comparison to the end of 2016.

Since the current financial period for the EU funds runs from 2014 to 2020, the EC has calculated spending using the n+3 rule for the first time at the end of 2017. From the OPCC, EUR 388.72 million have been certified and thereby the 2017 objective has been surpassed (the objective was EUR 248.94 million). From the OPEHR, EUR 73.60 million have been certified and thereby the 2017 objective has been surpassed (the objective was EUR 69.86 million).

In 2018, the objectives shall be significantly more demanding and it shall be necessary to certify additional EUR 543 million for the OPCC and additional EUR 175 million for the OPEHR and achievement of the n+3 objectives shall be considered for the first time for the two remaining programmes (RDP and OPMAF). In early 2018 the RDP already had EUR 367.41 million certified thereby achieving the 2018 n+3 objective (EUR 360.73 million).

In 2017, measures from the Priority National Action Plan for Increase of Efficiency of Utilisation of ESIFs in 2016–2018 adopted by the Government in June 2016 were assigned priority. The action plan has been adopted for the purpose of implementing measures for stronger absorption of ESIFs, which focuses on four measures to increase efficiency of the implementation system for award of grants within the framework of the ESIF operational programmes implemented in 2017.

In 2017, measures were implemented to increase the efficiency of the implementation of the grant scheme under ESIF operational programmes, specifically:

#### **Simplification of grant award procedures for users**

The new version of the Common National Rules (version 3.0) has been adopted on 9 June 2017, which, among other things, also refines the grant award procedure. A simplification of the procedure is reflected in the simplification of individual business processes significant for the beneficiary as well



as the management and control system itself. Generic instructions for applicants have been introduced in order to ensure an optimal level of uniform conduct of all bodies in the system, but primarily with the aim of preparing documentation of grant award calls for proposal which shall be accurate and structured and thereby also more accessible to applicants in terms of comprehension of conditions of the call for proposal as well as their rights and obligations. In relation to individual schemes, the possibility of grant award through vouchers has been introduced, which allows eligible applicants a faster and simpler access to funds in an expedited process of grant award. Award procedures for open and restricted procedures and for direct awards to strategic projects have been improved with attention to the rules on the scope of documentation submitted by the user, reducing their administrative load while maintaining the appropriate quality of the process.

### **Operationalisation of upgraded IT system for business process support (MIS System)**

Concurrently with updating of the procedures through amendments to the Common National Rules for the OPCC, in November 2017, the first part of the e-Funds for the OPCC system was commissioned and submission of project proposals through the system is mandatory for all newly published calls for proposals. A public portal of the system used to inform the public about available calls for proposals as well as the point of entry into the e-Funds system is accessible at <https://efondovi.mrrfeu.hr>. In 2018, upgrading of the MIS shall continue by providing it with new functionalities and inclusion in the OPEHR system.

### **Establishing a mechanism for exchanging information between competent authorities for addressing applicants' complaints and managing irregularities**

The Ministry of Regional Developments and EU Funds (MRRFEU) has established two coordinator networks in the fields of public procurement and government subsidies where representatives of all bodies included in the ESIF control and management systems participate. At the meetings of the above networks, activities are performed related to sharing of good practices and recommendations aimed at prevention of irregularities arising from incorrect application of rules related to government aid and public procurement. Network meetings are held at least once every four months or more often if necessary. In 2017, 16 meetings of the Public Procurement Coordinators Network and 12 meetings of the Government Aid Coordinators Network were held.

In order to prevent irregularities including fraud and in order to exchange good practices in performance, reporting and monitoring of performance in response to determined irregularities, the Irregularities Management Network was established in January 2017 as a mechanism for exchange of information among competent bodies in relation to resolution of objections. Work of the Network involves persons managing irregularities in level 2 intermediate bodies and, if necessary, representatives of level 1 intermediate bodies, managing authorities and the ministry competent for public procurement policy. Four meetings of the Network were held in 2017.

MRDEUF, as the Managing Authority acts on complaints of applicants in the process of selection of operations and beneficiaries of grants in the course of implementation of operations. Out of the total of 1,050 received complaints, 717 have been resolved including 425 cases resolved in 2017 alone (more than a half of all resolved complaints). All remaining complaints shall be resolved in 2018. Reports on resolved complaints are prepared on all resolved complaints. To date, three reports were prepared on complaints lodged in the course of the selection of operations which contain statistical data on complaints lodged in relation to published calls, bodies whose conduct was referenced in the complaints, types of decisions rendered on the complaints, etc. The reports contain a cross-section of the most important decisions and opinions presented therein concerning handling of project applications and their evaluation. The above reports are submitted to all representative bodies in



order to harmonise conduct and share good practice. The above reports also contain recommendations for improvements in the proceedings. In addition to resolving the remaining complaints, at least one additional report on the resolved complaints shall be prepared in 2018.

### **Establishing a mechanism for technical assistance in the preparation of investment projects that have the potential to apply to EU funds and other EU instruments (ESIF, EFSI, CEF and other)**

Within the framework of coordination of Jaspers activities, and in cooperation with directly superior ministries, the MRDEUF has coordinated and participated in determining priorities and preparing projects within the framework of the OPCC and the Connecting Europe Facility (CEF). The Jaspers action plan was updated in October 2017 and contains 67 active tasks including 16 water management sector tasks, 37 transport sector tasks, five energy sector tasks and 9 smart development sector tasks. In addition to four large projects<sup>67</sup> which have received favourable opinions of the independent quality review (IQR) in 2017, an application was submitted for the Zagreb East Regional Water Supply System Project in January 2018. In February 2018, the Improvement of Water Utility Infrastructure in the Area of Rijeka Agglomeration Project is expected to be sent to IQR.

At the request of the MRDEUF, a European Investment Advisory Hub (EIAH) advisory assistance project was approved to improve the public sector investment project management framework and to encourage establishment of investment platforms and inclusion of private capital in implementation of projects of public interest. Establishment of the first investment platforms is in progress using the European Fund for Strategic Investments (EFSI).

## **6.2. Project Slavonia, Baranja and Srijem**

In 2016, the Project Slavonia, Baranja and Srijem was launched. It is intended to direct budgetary and European funds to contribute to development of small and medium enterprises, better transport connections, recovery of agricultural production, increased employment and demographic revitalisation.

The project shall provide EUR 2.5 billion (HRK 18.75 billion) from ESIFs exclusively for investments on the territory of five Slavonian counties. Funds for investment in enterprises, agriculture, education, healthcare, research and development, water supply and drainage, cultural and natural heritage, transport sector, inland waterways and energy are provided within the framework of the existing operational programmes and RDPs in the 2014–2020 financial period.

Through the existing operational programmes and within the framework of 2014–2020 European Territorial Cooperation programmes, 29.6% of funds, i.e. HRK 5.5 billion, has been contracted for the five Slavonian counties in the period from October 2016 to February 2018.

Building on adopted legislation in the field of agriculture (Unfair Trading Practices in Food Supply Chain Prohibition Act, Agricultural Land Act) and subordinate legislation (Dairy Package), the Ministry of Agriculture (MAGRI) continues to implement and amend regulations in the field of agriculture in order to create a sustainable food supply chain, reduce administrative obstacles and put available agricultural and forest land to use i.e. award the land to young people, domiciled population while particularly encouraging the livestock farming sector.

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<sup>67</sup> Road Connectivity of South Dalmatia; Krk Island Wastewater Collection, Drainage and Treatment Project; Modernisation and Electrification of the Zaprešić-Zabok Railway Line Project; and Waste Water Collection and Treatment System in the Varaždin Agglomeration.



The ULRSG Financing Act is a step in the right direction because it led to an increase in original income which was relinquished by the central Government in favour of the ULRSG. At the same time, the Settlement Fund ensures a more equitable distribution as a prerequisite for a uniform development of all parts of Croatia.

A Development Agreement between the MRDEUF and the counties for the Project Slavonia, Baranja and Srijem is in preparation. The objective is to align the development priorities at the national and county levels, determine strategic projects for regional development and determine funding for implementation of priorities and strategic projects of the Development Agreement. The emphasis is on the alignment of the education system and the needs of economy, as well as on internationalisation of business and preparation of strategic regional development projects which shall have a positive impact on the position in global value chains.

In February 2018, MRDEUF and cities signed agreements on implementation of the ITU mechanism within the framework of the OPCC. Two calls for proposals were published in December 2017, one in January, one in March, and two in April 2018. By the end of 2018, publication of further 43 calls for submission of project proposals is planned, with the total value of more than HRK 1.48 billion (EUR 194.994 million) for all 7 urban areas. Within the ITU mechanism, it is planned to publish another 8 calls for the urban area of Osijek and 14 calls for the urban area of Slavonski Brod.

Within the RDP, favourable loans with interest rates from 0.1% to 1.5% and guarantees for farmers will be financed, calls for proposals will be published with the value of HRK 3.75 billion including for the first time a call for proposals for plant production which is important to Slavonia.

The amount of low-value grants for wood processing and furniture production shall be doubled. Freshwater fisheries shall be encouraged through the Operational Programme for Maritime and Fisheries by publication of new calls for proposals for marketing aquaculture products, processing of aquaculture products and productive investment in aquaculture.

All potential initiatives are being considered for support of implementation of the Slavonia, Baranja and Srijem Project which might bring about positive change in the field of agriculture, education and innovation, social inclusion, information and communications technology, tourism, wood processing sector, direct foreign investments and infrastructure. Internationalisation and branding of Slavonia, promotion of the Slavonian lifestyle shall allow the development of an innovative, integrated and inclusive Slavonia.

### **6.3. Use of financial instruments**

Within the framework of the OPCC, 10 operations shall be performed using financial instruments representing a significant change in comparison to previous periods when this form of support was not used. Financial instruments are far simpler for the ultimate beneficiaries to use than significantly longer lasting grant award procedures, especially in implementation, in respect of applications related to public procurement and subsequent control of eligibility of expenses. On aggregate, since the beginning of implementation of the financial instruments until the end of 2017, there were seven financial instruments in implementation. The managing authority awarded more than HRK 3.5 billion (EUR 465 million) of programme contribution to bodies implementing the financial instruments, i.e. 93% of the total allocation of HRK 3.8 billion (EUR 500 million) for operations implemented through the financial instruments has been awarded. Progress in implementation of launched financial instruments is also apparent in an increase of the amount of certified expenditure according to the EC since in the second half of 2017, a total of HRK 875 million (EUR 115.625 million) has been certified out of the total of approximately HRK 890 million (EUR 116.875 million) paid through the



financial instruments. Overall, 650 entrepreneurs were supported, and investments supported by ESIF loans and guarantees shall contribute to creating approximately 1,600 new jobs which indicates, along with other programme indicators, that nearly 40% of the target value planned for 2023 has been achieved by now. In 2018, the remaining three financial instruments shall also be launched - ESIF Risk Capital Facility for innovative micro and small enterprises, and ESIF Loans for Energy Efficiency intended for the ULRSF for energy efficient public lighting as well as to the private sector and/or promotion of energy efficiency in manufacturing and tourism enterprises.

Within the Investment Plan for Europe, the European initiative for improvement of the investment and financial environment in the EU, EFSI, is available to project promoters in Croatia. It is a budgetary guarantee of the EU whereby the European Investment Bank (EIB) Group is provided protection against first loss and thus encourages investments. The fund was established in 2015 as part of the three-year plan to mobilise EUR 315 billion of public and private investments in the European economy. By providing high-risk financing for strategic projects in key areas such as infrastructure, energy efficiency and renewable energy sources, research and innovation, the fund managed by the EIB provides the opportunity of investing in bankable projects with a reduced investor risk.

Republic of Croatia is making progress in the use of EFSIs. By the end of 2017, the total funds approved within the framework of the EFSIs in Republic of Croatia stood at EUR 186 million. It is expected that, through EFSI support to those projects, a total of EUR 741 million of private and public investment will be encouraged. By now, five projects have been approved within the framework of the infrastructure and innovation component with the total value of EUR 120 million which should encourage investments worth approximately EUR 494 million in energy, tourism and other sectors. In the small and medium enterprises component, five agreements with financial intermediaries were approved. Contribution to these operations through the European Investment Fund (EIF) amounts to EUR 67 million and it is expected to mobilise more than EUR 251 million of total investment in small and medium enterprises. It is estimated that nearly 800 smaller enterprises and start-ups in Republic of Croatia shall benefit from EFSIs.

#### **6.4. Use of EU centralised instruments**

Financing within the framework of EU Programmes, CEF and other EU instruments and programmes directly managed by the EC are an addition to financing using ESIFs and EFSIs.

##### **Connecting Europe Facility (CEF)**

CEF is a key EU financing instrument promoting growth, jobs and competitiveness through target infrastructural investments at the European level. It supports development of highly efficient, sustainable and effective interconnected trans-European networks in the field of transport, energy and digital services. The funds available within the framework of CEF Transport are aimed at supporting construction of new and reconstruction and improvement of existing transport infrastructure.

There are two fundamental objectives pursued by implementation of CEF Transport: 1) completion by 2030 of the Core Network, structured around nine multimodal Core Network Corridors, and 2) completion by 2050 of the Comprehensive Network in order to facilitate accessibility to all European regions.



In the transport sector it focuses on removing bottlenecks or bridging missing links, ensuring sustainable and efficient transport systems in the long run, better integration and connecting various transport sectors and increasing interoperability.

By the end of 2017, the Republic of Croatia signed contracts in the value of EUR 424.5 million for projects within the framework of the CEF. Funds were obtained through three calls for proposals of the Innovation and Networks Executive Agency (INEA) in 2014, 2015, and 2016. That saw 93.05% of the allocation intended for Republic of Croatia in this period utilised.

The above funds are used to co-finance implementation of a total of 32 projects. That includes 13 projects concerning works, 13 study projects and 6 projects involving studies and works. Out of the total used allocation, the works projects account for 86% of the allocation i.e. EUR 365,530,481. In addition, out of the total number of projects, Croatian users are implementing 17 of them independently, and 15 projects are being implemented multinationally. The most significant project approved for financing is "Reconstruction of the existing track and construction of the second track on the section Križevci-Koprivnica-state border" with the total value of eligible project costs of EUR 283,936,727, out of which 85% is co-financed through the CEF. The aim of the project is the addition of a second track and the reconstruction of the existing track which shall allow train travel speed of 160 km/h along the section. The biggest Croatian user of the CEF instruments is HŽI with a total of 6 projects whose total co-financing value is EUR 306 million. The second biggest Croatian user of the CEF instruments is the Port Authority of Rijeka with a total of 6 projects whose total co-financing value is EUR 54 million. Rijeka Port Authority projects are aimed at development and modernisation of the largest maritime port in Republic of Croatia which is also designated as the main port in the Mediterranean Corridor in Croatia. Other projects of Croatian users are aimed at modernising navigable waterways, investments in road infrastructure and removal of bottlenecks, development of a network of electric vehicle charging points, cooperation in the field of air traffic control, ensuring sustainable and efficient traffic systems in the long run and advancement of integration and connecting different transport sectors through their mutual cooperation and support.

## **Union Programmes**

In the period of 2014–2020, Republic of Croatia participates in 16 Union Programmes. The MRDEUF is tasked with overall coordination of Croatia's participation in Union Programmes' activities in order to achieve unhindered and efficient utilisation of asserts and opportunities arising from them.

Competent state administration bodies are tasked with developing a national strategic approach to the use of Union Programmes, participation of appointed representatives of the Republic of Croatia in the work of programme committees, appointment of the National Contact Point for Union Programmes within its purview, establishment of the required institutional structure for Union Programmes, promotional activities to potential users at the national, regional and local levels and performance of activities needed to increase visibility of projects financed within the framework of Union Programmes. Improvements to the monitoring system are in progress and efforts are continuously made to intensify communication with the network of national points and competent persons with the aim of regular reporting and analysis of implementation, resolution of any difficulties and other issues.

### **6.5. Reform measures co-financed using EU funds**

The EU funds will also be used to support structural reforms, i.e. to achieve the objectives defined by the NRP, as shown in the table below.



Table 8: Economic policy measures co-financed by EU funds

| Title of measure  | Description of EU fund investment   | Qualitative effect — Description of projected impacts of the measure  |
|---|---|---|
| <b>Electronic business start-up</b>   | Development of a one-stop-shop electronic procedure which would integrate all business registries and procedures (court registry, NCEA-CBS, TA, CPII-CHIF and bank accounts) and its connection to the government information structure in e-Citizens system. | Business start-up within three days is made possible using only one electronic procedure.   |
| <b>Review of the salary determination system</b>  | Drafting proposals for general competencies for public administration employees and special competencies required for performing specific tasks.  | Determined key competencies of officials are implemented in procedures/business processes.  |
| <b>Establishing the model of functional and fiscal decentralisation</b>                                     | Development of a database on capacities of ULRSG.   | Optimal distribution of competence and tasks in provision of public services at the local level.  |
|   | Analysis of indicators for evaluation of capacities of ULRSG.   |   |
| <b>Streamlining of state information structure</b>  | Preparation and start of implementation of project activities (phase 1) - establishment of Shared Service Centres in 40 institutions.   | SSC established as a one-stop-shop strategic site for administration and coordination of development of state ICT with the aim of cutting the cost of the state ICT.  |
| <b>Improving the provision of electronic services and access to information for citizens and businesses</b> | Establishment of 15 services through the one-stop-shop administrative site.   | The one-stop-shop administrative site has been established as a physical and digital portal, facilitating access to public administration services, as the information and services of various public administration bodies will be available to users in one place.  |
|   | Preparation and start of implementation of establishment of the shared e-Business platform.   | The shared e-Business platform for electronic public services to business entities and other legal persons has been established in accordance with the concept and positive experience gained through the e-Citizens system.  |
|   | Preparation and start of implementation establishing the e-Fees system, i.e. introduction of card payment in state administration offices in counties in the first stage.   | A shared system has been established featuring appropriate services which may be used by all state administration bodies, citizens and business entities for cashless payment of administrative fees and charges in the course of provision and/or use of public services.  |
|   | Preparation and start of implementation of the project establishing the shared system with corresponding service for electronic signing and/or application of stamps to electronic documents.   | A shared system has been established with corresponding services which may be used by all public administration bodies, citizens and business entities for electronic signing and/or application of stamps to electronic documents as well as for their validation. That way, full functionality shall be ensured in the provision of public e-services from submission of electronic applications to public law bodies to issuing of electronic documents (acts) in various proceedings. |
| <b>Establishment of an integrated system for strategic planning and development management</b>              | Introduction of strategic planning tools, procedures and methods.   | Improved methodology for drafting strategic documents and mechanisms for involving the public concerned.  |
|   | Establishment of an IT system for strategic planning and development management.  | Integrated strategic and budget planning, which will facilitate the drafting of strategic documents (short, medium and long-term), since they should contain relevant objectives, performance indicators and the necessary sources of financing.  |



|  |   |   |
|--|---|---|
|  | Drafting of the National Development Strategy Croatia 2030  | Definition of national development priorities for a ten-year period is ensured, which is the basis for the drafting of other medium-term national strategies and the use of EU funds in the next financial perspective.   |
| <b>Introduction of the pilot-stage of the curricular reform in schools</b>   | Ensuring organisational prerequisites for implementation of the pilot-stage (professional training of teachers, drafting of manuals, provision of school equipment).  | The pilot-stage of the curricular reform has been introduced in schools.  |
|  | Development of an online interactive database with representations of the curriculum and a bank of tasks for introduction of hybrid evaluation.   | Higher level of digital literacy of schools.  |
| <b>Alignment of vocational training and needs of the labour market</b>   | Establishment of regional competency centres in priority areas of vocational training.  | Conditions are met for strengthening the quality of vocational schools, as well as output competencies required for labour market access in cooperation with other stakeholders in the vocational training system.  |
|  | Implementation of incentive measures providing scholarships to students of scarce trades and craft skills and incentive measures encouraging economic entities to provide traineeships.                       |   |
| <b>Increase of quality, relevance and appeal of adult education and lifelong learning programmes</b>   | Drafting the basic skills curriculum (digital, mathematical and reading literacy).  | Higher quality, relevance and appeal of adult education systems through application of the CROQF and contribution to an increased participation of adults in lifelong learning.   |
| <b>Promotion of quality and relevance of study programmes and prevalence of practical training</b>   | Concluding contracts within the framework of the public call for proposals "CROQF implementation at the level of higher education".   | Higher quality and relevance of study programmes, efficiency of higher education financing and student employability.   |
|  | Evaluation and entry of qualification standards in the CROQF Register.  |   |
|  | Conclusion of contracts on financing of projects approved in a public call for proposals for improvement of quality and prevalence of practical training in higher education.                                 |   |
| <b>Improving social security of families with children and ensuring quality care for children of early and pre-school age, and promoting a work-life balance</b> | Promotion of services entailing extended working hours of kindergartens, employment and education of pre-school institution employees, development of programmes as well as lease and furnishing of premises. | The physical environment in pre-school institutions/kindergartens shall be improved and high-quality available services shall be provided for children in the early and pre-school education system as well as promotion of a work-life balance.  |
| <b>Integration of social security benefits management</b>  | Gathering, processing and analysis of data on social security benefits paid by the ULRSG.   | Transparent system of social security benefits is ensured with available data on type and amount of benefits for each user, better targeting of benefits and programmes and/or creation of more effective social policies, with citizens allowed cost-effective and simple access to social welfare services. |
|  | Development of a software solution and establishment of exchange of data with the CHIF, CPII, CES and ULRSG.  |   |
| <b>Establishment of the National Classification of Occupations (NCO) register</b>  | Establishment of individual NCO occupation register/application.  | NCO structure elaborated down to the level of individual lists of occupations as a key prerequisite for relevant processing of information on trends of supply and demand of individual occupations in the labour market.   |

Pursuant to Regulation (EU) 2017/825 of the European Parliament and of the Council of 17 May 2017 on the establishment of the Structural Reform Support Programme for the period 2017 to 2020 and



amending Regulations (EU) No 1303/2013 and (EU) No 1305/2013<sup>68</sup>, the Republic of Croatia, to date, has had 41 projects approved from various fields implementing economic policy measures and thereby been awarded EUR 4,519,000. The above number includes 17 projects approved for 2018 with EUR 2,390,000 allocated. Implementation of the approved projects shall contribute to improving the quality of the budget preparation process; strengthening capacity for and processes of the tax administration; improving human resources management in public administration and monitoring of implementation of public administration reform; identifying and eliminating unnecessary restrictions in the field of regulated professions and assessment of overall regulatory framework which should give rise to recommendations for possible improvements; improving capacity for analytic assessment of suitability and sustainability of the pension system; implementing the curricular reform and improving the quality of teacher training in compliance with curricular reform requirements; developing the Croatian Bank for Reconstruction and Development (HBOR) strategy and improving supervision of financial reporting by issuers performed by the Croatian Financial Services Supervisory Agency (HANFA).

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<sup>68</sup> <https://bit.ly/2JqWeeX>



## 7. Institutional issues and the involvement of stakeholders

Given the importance of the European Semester as a mechanism for coordination of economic policies within the EU and the instrument for planning and monitoring of national structural reforms, the Government has adopted a Decision on coordination of activities within the EU Economic Governance Framework, which defined the institutional framework and procedures related to coordination of activities within the EU Economic Governance Framework - European Semester at the level of the Government. The Decision established an Inter-Agency Working Group for the European Semester, led by the Vice-President of the Government for Economy. Coordinators for the European Semester were also appointed at the level of state administration body officials, who are responsible for elaboration of measures and activities in accordance with the priorities and objectives set by the Working Group, coordination of implementation of measures, recommendations of the Council of the EU and measures to achieve the objectives of the Europe 2020 strategy and reporting on the progress in their implementation.

One of the important elements of the European Semester's cycle is social dialogue, i.e. inclusion of social partners in the process itself, with the aim of respecting and promoting consensus building over the main objectives and proposed measures. Therefore, during the European Semester's cycle, a series of meetings with social partners were held to discuss key reports within the European Semester and agree on ways of co-operation, as well as to include social partners in discussion on the proposed measures and achieve their active contribution in defining the best solutions.

At the meeting of the Economic and Social Council (ESC) of 21 December 2017, social partners were presented the Commission's alert mechanism report for 2018 as well as the annual growth survey for 2018. The social partners were also informed on the planned course of activities within the European Semester for 2018, and the way of involving social partners in the whole process was agreed through thematic meetings within the framework of development of the NRP.

In February and March 2018, five special thematic meetings were held between representatives of the ministries (responsible for the measure) and the social partners, where the proposed measures were discussed, namely: regarding the health service, labour market and pension system, social security benefits, public administration, and science and education. Proposed measures which were discussed at the meetings were previously submitted to the social partners, after which the social partners submitted their written observations regarding the proposed measures to which those responsible for the measures also responded in writing. As a result of the thematic meetings with the social partners, several proposed amendments were accepted.

After the publication of the Country Report Croatia, a session of the ESC was held on 26 March 2018, with discussion about the findings of the in-depth analysis conducted by the EC for the Republic of Croatia, which was published within the report.

At the ESC meeting held on 23 April 2018, the draft NRP, proposed by the Government for 2018, was discussed with the social partners.

It is important to emphasise that, at the stage of implementation of measures defined by the NRP, the social partners and the public concerned will also be involved in the course of development of specific legislation or subordinate legislation and be able to participate and influence the content of final solutions in accordance with the rules of procedure, which include consulting with the interested public.



After its adoption at the session of the Government, the NRP shall be presented to representatives of the Croatian Parliament.



## ANNEX 1: MAIN OBJECTIVES, REFORM AREAS AND ECONOMIC POLICIES

| Measure   | CSR | Objective   | Measure results indicators   |   |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure                   | Legal/administrative instruments of measure implementation | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|---|--|---|---|--|--|---|---|--------------------------------------|
|   |     |   | Results indicator  | Initial value   | Target value  |  |  |   |   |                                      |
| <b>1. STRENGTHENING ECONOMIC COMPETITIVENESS</b>  |     |   |  |   |   |  |  |   |   |                                      |
| <b>1.1. Improving the business environment</b>  |     |   |  |   |   |  |  |   |   |                                      |
| 1.1.1. Digital transformation of the economy  |     | 1) Reposition identified strategic activities of the Croatian economy in the global value chain towards development of added production value.<br>2) Start digital transformation.                          | 1) Level of maturity of Croatian industry<br>2) Points according to the DESI index   | 1) In 2015, maturity of Croatian industry was 2.15<br>2) According to maturity of the industry, in 2017 Republic of Croatia ranked 24th in the EU<br>3) In 2017, the DESI index for Republic of Croatia was 0.43 points | 1) Increase maturity of Croatian industry in 9 indicators to 2.70<br>2) Improve Croatia's ranking in terms of maturity of the industry by entering the top 20<br>3) Increase Croatia's DESI index to 0.49 points  | Expenditure:<br>2018: HRK 1 million (DP)   | Strategy for the Digital Transformation of the Economy     | 1.1.1.1. Adoption of the Strategy for the Digital Transformation of the Economy   | Dec 2018                                      | MEC                                  |
| 1.1.2. Administrative relief of entrepreneurs and the economy, and the analysis of non-tax payments | 5/b | 1) Reduce entrepreneurs' administrative burden by about 30% in areas measured by the SCM methodology<br>2) Reduce non-tax contributions burden by about 10% compared to total non-tax contributions in 2016 | 1) Reduced level of administrative burden of entrepreneurs by measuring regulations affecting entrepreneurs using the SCM methodology<br>2) Reduction of non-tax contributions | By April 2018: following the SCM measurements, more than 100 measures of administrative relief were implemented   | 1) Systematic SCM measurement of administrative burden on the economy was performed through at least 450 regulations in approximately 40 areas<br>2) Measures for administrative relief and reduction of non-tax contributions have been determined for implementation by the end of 2019 | Expenditure:<br>2018: HRK 1 million (DP)   | Action Plan for Relief of the Economy (for 2019)           | 1.1.2.1. Completion of SCM measurement, determination of additional measures for administrative and non-tax relief.                     | Sept 2018                                     | MEC                                  |
|   |     |   |  |   |   |  |  | 1.1.2.2. Proposed measures for administrative and non-tax relief and adoption of the Action plan for relief for the economy (for 2019). | Dec 2018                                      | MEC                                  |
| 1.1.3. Liberalisation of the services market  | 5/c | Incentivise medium-term increase of economic productivity by about 5% through a minimum of 100 additional measures of market liberalisation   | Reduction of the services market restrictiveness through interdepartmental measures removing obstacles to freedom of   | By April 2018: liberalisation of the services market has been implemented through more than 135 measures, while   | 1) Approximately 20% reduction of total restrictiveness of the services market through reduction of the score using the OECD PMR  | Expenditure:<br>Implementation of market liberalisation shall not require budget expenditure at the expense of | Action Plan for the Liberalisation of the Services Market  | 1.1.3.1. Completion of analysis of restrictiveness of the professional services market and measures for its liberalisation.             | Sept 2018                                     | MEC                                  |



| Measure                             | CSR | Objective  | Measure results indicators  |   |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure  | Legal/administrative instruments of measure implementation   | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|-------------------------------------|-----|--|---|---|--|---|--|--|---|--------------------------------------|
|                                     |     |  | Results indicator   | Initial value   | Target value   |   |  |  |   |                                      |
|                                     |     | for professional service by the end of 2019  | the internal services market  | approximately 20 measures are in the course of implementation   | methodology from 2.1 to at least 1.7 (approximately 20% above the 2013 EU average) and reduction of restrictiveness of professional services from 3.7 to at least 2.1<br>2) Implementation of at least 100 additional measures for the liberalisation of the services market in a range of sectors and about 24 professions with excessive obstacles to market competition as well as in the field of economy of cooperation | taxpayers.<br>Revenue:<br>Growth of budget revenue is expected due to an increased supply of entrepreneurial initiatives on the market.   |  | 1.1.3.2. Adoption of the Action Plan for Liberalisation of the Services Market (for 2019).   | Dec 2018                                      | MEC                                  |
| 1.1.4. Electronic business start-up | 5/b | 1) Reduce costs and facilitate business start-up.<br>2) Allow business start-up within three days using only one electronic procedure. | 1) Increase the number of companies established by electronic means<br>2) Reduce the number of procedures and days, i.e. administrative burden, for business start-up following introduction of fast electronic procedure for registration of establishment and integration of business registers and procedures in compliance with the “only once” principle | 1) 2016: 8,538 companies (d.o.o. and j.d.o.o) through HITRO.hr system<br>2017: 9,627 companies (d.o.o. and j.d.o.o) through HITRO.hr system<br>2) According to the 2018 Doing Business report, 8 business start-up procedures have been recorded<br>3) Measured SCM administrative cost for entrepreneurs who are opening a d.o.o. company is approx. | 1) This will be visible upon establishment of the system<br>2) Enable business start-up in three days through only one electronic procedure with background integration of all business registries and procedures<br>3) Administrative relief for entrepreneurs by more than 40%   | Expenditure:<br>Electronic business start-up will be a pilot-project within a thematically wider EU project of developing a one-stop-shop administrative site for which a total of HRK 113.84 million is planned (85% ESF, 15% SB). | 1) Government regulation on electronic business start-up<br>2) Conclusion on the Introduction of Electronic Procedures for Registration of Business Establishment and Obtaining Approval for Performing Service Activities | 1.1.4.1. Adoption of the Government regulation on electronic business start-up.  | June 2018                                     | MEC                                  |
|                                     |     |  |   |   |  |   |  | 1.1.4.2. Development of a one-stop-shop electronic procedure and its integration in the state information infrastructure in the e-Citizens system. | Oct 2018                                      | MEC                                  |
|                                     |     |  |   |   |  |   | Companies Act  | 1.1.4.3. Enactment of the Act on the Amendments to the Companies Act.  | Dec 2018                                      | MJ                                   |



| Measure   | CSR | Objective  | Measure results indicators   |   |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure  | Legal/administrative instruments of measure implementation  | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|--|--|---|--|---|---|---|---|--------------------------------------|
|   |     |  | Results indicator  | Initial value   | Target value   |   |   |   |   |                                      |
|   |     |  |  | HRK 3,680   |  |   | Court Registry Act  | 1.1.4.4. Enactment of the Act on the Amendments to the Court Registry Act.  | Dec 2018                                      | MJ                                   |
| 1.1.5. Unifying economic inspections                        |     | 1) Create an active approach of inspections controlling operations of economic entities through coordinated supervision of inspections overseeing operations of individual economic entities.<br>2) Reduce the level of repression of economic entities in cases of determined minor offences.   | 1) An increase of coordinated supervision of operation of individual economic entities and/or reduction of pressure placed on business caused by inspection supervision<br>2) Reduction of penalisation of minor offences for cases where irregularities were amended following the inspection | Entrepreneurs in trade, hospitality, tourism and other services are supervised by more than 10 inspection services without any efficient coordination of performance of planned supervision | 1) At least 30% increase of number of coordinated inspection supervisions of economic entities subject to supervision by different inspections, i.e. a reduction of the number of inspection supervisions<br>2) At least 20% reduction of processing for penalisation of minor offences that have been remedied by the economic entities upon performance of the supervision | Expenditure: Implementation shall not require additional budget expenditure.<br>Revenue: Reduction in processing of offences may cause a decline in budget revenue.   | Amendments to the Establishment and Purview of Ministries and Other Central State Administration Bodies Act                                   | 1.1.5.1. Enactment of the Amendments to the Establishment and Purview of Ministries and Other Central State Administration Bodies Act.                              | Sept 2018                                     | MPA                                  |
|   |     |  |  |   |  |   | State Inspectorate Act  | 1.1.5.2. Enactment of the State Inspectorate Act.   | Sept 2018                                     | MEC                                  |
|   |     |  |  |   |  |   | Amendments to special regulations concerning the scope of inspection activities that are transferred to the newly established inspection body | 1.1.5.3. Adoption of amendments to special regulations concerning the scope of inspection activities that are transferred to the newly established inspection body. | Dec 2018                                      | MEC                                  |
| 1.1.6. Further development of electronic public procurement | 5/b | 1) Enable 100% rate of submissions and issuing of e-Invoices in public procurement procedures, for the purpose of achieving a budgetary saving of 6% of total public procurement, i.e. about HRK 2.6 billion per year.<br>2) Increase the number of means of evidence used to measure capacity of economic entity in e-procurement through the eCertis system in order to facilitate participation of economic entities in | 1) Increase the volume of exchange of e-Invoices and savings in operation of economic entities and public administration<br>2) Number of means of evidence entered in eCertis  | 1) Volume of exchange of e-Invoices was approximately 10% in late 2017<br>2) No e-Certificates were issued to date<br>3) No means of evidence have been entered into eCertis                | 1) Allow 100% rate of receiving and issuing e-Invoices in public procurement procedures by July 2019.<br>2) All evidence requested by the Public Procurement Act have been entered into the eCertis system   | Expenditure: Expansion of the e-Invoices system is funded through the CEF programme. The first project was approved in the amount of EUR 251,328 and the second in the amount of EUR 264,201. State budget funds in the amount of HRK 469,020 are provided for maintenance of the central system for e- | Act on Electronic Invoicing in Public Procurement   | 1.1.6.1. Enactment of the Act on Electronic Invoicing in Public Procurement.  | Oct 2018                                      | MEC                                  |



| Measure  | CSR | Objective   | Measure results indicators  |  |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation  | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--|-----|---|---|--|---|--|---|--|---|--------------------------------------|
|  |     |   | Results indicator   | Initial value                                      | Target value  |  |   |  |   |                                      |
|  |     | public procurement procedures.  |   |  |   | Invoices in 2018.  |   |  |   |                                      |
| 1.1.7. Improving corporate governance                                      |     | 1) Encourage long-term participation of shareholders and strengthen transparency between companies and investors.<br>2) Introduce stricter criteria for supervisory board membership in larger companies. | 1) Easier exercising of shareholders' rights<br>2) Stricter membership criteria for large companies' supervisory boards |  |   |  | Companies Act   | 1.1.7.1. Alignment of rules and obligations concerning encouragement of long-term participation of shareholders.             | Dec 2018                                      | MJ                                   |
|  |     |   |   |  |   |  |   | 1.1.7.2. Prescribing stricter criteria for membership in supervisory board of large companies.                               | Dec 2018                                      | MJ                                   |
| 1.1.8. Improving the land registry and cadastre system                     | 5/b | Improve the land registry and cadastre system and thereby ensure alignment of land registry and cadastral data in order to reach EU average level of regulation of property rights by 2020.               | 1) Renewed land registries<br>2) Increased alignment of land registry and cadastral records                             | 227 open land registries (renewed and established) | Renewed land registries in 86 cadastral municipalities                      |  | Land Registry Act   | 1.1.8.1. Drafting a Detailed plan of cadastral surveys and the establishment and renewal of land registries.                 | June 2018                                     | MJ, SGA                              |
|  |     |   |   |  |   |  | Government conclusion on initiation of the procedure of individual reformation of land registries and cadastres into the Cadastral Database | 1.1.8.2. Initiation of the procedure of individual reformation of land registries and cadastres into the Cadastral Database. | Sept 2018                                     | MJ, SGA                              |
| 1.1.9. Establishing a methodology for future real estate value assessments | 1/c | Ensure a part of prerequisites for introducing mass appraisal of real estate.   | Developed methodology of mass appraisal of real estate  |  | The methodology of the mass appraisal of property values is in application. | Favourable fiscal effects through more efficient collection of revenue.                      |   | 1.1.9.1. Selection of methodology of mass appraisal of real estate.  | June 2018                                     | MCPP                                 |
|  |     |   |   |  |   |  |   | 1.1.9.2. Harmonisation and implementation of pricing blocks.   | July 2018                                     | MCPP                                 |



| Measure  | CSR | Objective   | Measure results indicators  |   |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure  | Legal/administrative instruments of measure implementation   | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--|-----|---|---|---|--|---|--|--|---|--------------------------------------|
|  |     |   | Results indicator   | Initial value   | Target value   |   |  |  |   |                                      |
|  |     |   |   |   |  |   |  | 1.1.9.3. eProperty - implementation of real estate classification and standardisation of real estate in eProperty.             | Aug 2018                                      | MCPP                                 |
|  |     |   |   |   |  |   |  | 1.1.9.4. Adoption of the Methodology of mass appraisal of real estate  | Dec 2018                                      | MCPP                                 |
| 1.1.10. Establishing a legal basis for the implementation of the water utility sector reform |     | 1) Consolidate public suppliers of water supply services and public sewerage services in Republic of Croatia in order to achieve cost-effective operation, improved capacity of public suppliers of water services to implement water utility infrastructure projects and manage the infrastructure efficiently, and to achieve uniformity of water service prices in a single service area.<br>2) Reduce the water utilisation fee for those water service suppliers which brought their losses to a technically acceptable level. | 1) Reduction of number of water service suppliers<br>2) Percentage of decrease of the water utilisation fee | 1) Currently, there are 173 public suppliers of water services<br>2) The amount of the collected water utilisation fee in 2017 amounts to HRK 735 million | 1) The number of public suppliers of water services is planned to be reduced from 173 to 35–40 by the beginning of 2022, i.e. within 11–24 months after the new Act has taken effect<br>2) The amount of the water utilisation fee following implementation of the programme designed to reduce losses shall depend on the accepted model of collection of the fee (it is estimated that the amount of the water utilisation fee shall be reduced by 20% to 30% for those public water supply providers who have entered the loss reduction programme and who have reduced their losses to a technically acceptable level) |   | Water Services Act and implementing regulations  | 1.1.10.1. Adoption of the new Water Services Act   | Dec 2018                                      | MEE                                  |
|  |     |   |   |   |  | It shall have a financial effect on the budget of the extra-budgetary user Hrvatske vode which shall be assessed upon selection of the final model of calculation of the water utilisation fee. | 1) Regulation on amendments to the Regulation on the amount of the water utilisation fee<br>2) Ordinance on amendments to the Ordinance on calculation and collection of the water utilisation fee | 1.1.10.2. Adoption of the Regulation on amendments to the Regulation on the amount of the water utilisation fee.               | June 2018                                     | MEE                                  |
|  |     |   |   |   |  |   |  | 1.1.10.3. Adoption of the Ordinance on amendments to the Ordinance on calculation and collection of the water utilisation fee. | July 2018                                     | MEE                                  |



| Measure  | CSR | Objective  | Measure results indicators   |  |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure   | Legal/administrative instruments of measure implementation       | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--|-----|--|--|--|--|--|--|--|---|--------------------------------------|
|  |     |  | Results indicator  | Initial value  | Target value   |  |  |  |   |                                      |
| 1.1.11. Further liberalisation of transport, especially road transport of passengers | 5/c | 1) Perform reform in the following areas: acquiring competencies for drivers of land motor vehicles; regular passenger road transport; taxi passenger transport; micro-transport and integrated passenger land transport; distributing licences for international cargo transport; providing terminal services at main bus stations; penalisation system for offences in road transport.<br>2) Resolve the problem of availability of public transport in sparsely populated areas for which there is no interest of transport undertakings. | 1) Easier acquisition of required knowledge and skills without long-lasting and expensive retraining and reduction of costs for candidates<br>2) Strengthening of the ULSGs' role and providing the minimum standards of availability and quality of public road transport<br>3) Increasing quality and reducing prices of transport, increasing the number of users and number of taxi drivers as well as reducing licencing and operating costs<br>4) Resolving the problem of poor transport connections of rural and sparsely populated areas while reducing transport costs<br>5) Easier availability of licences and reduced cost of issuing and distribution/decentralisation of services<br>6) Reduction of costs of station services for transport undertakings |  |  | Expenditure:<br>No additional budgetary expenditure shall be required in addition to existing ones. Costs of maintenance and upgrading of the National Register of Road Transport Undertakings in 2018 are planned in the amount of HRK 1.4 million.<br>Revenue:<br>The budgetary revenue is expected to grow due to an increase of licenced transport undertakings and an increase of the number of transport permits. The revenue from issuing of permits and licences in 2018 is planned in the amount of HRK 2.77 million. | Road Transport Act   | 1.1.11.1. Enactment of the Road Transport Act                      | June 2018                                     | MSTI                                 |
| 1.1.12. Increasing the competitiveness of the port sector                            |     | 1) Redefine the role of the port authority and concession system in ports open for public  | 1) An information technology system which shall reduce the time ships spend in the   | 2) The customs procedure is not uniform and it may be lengthy, making transport more | 1) A uniform information technology system has been established in the ports | The measure shall impact the government budget favourably since  | 1) Maritime Domain and Seaports Act<br>2) Port Authority Tariffs | 1.1.12.1. Redefining the port authorities pursuant to the new Act. | Apr 2019                                      | MSTI                                 |



| Measure   | CSR | Objective   | Measure results indicators  |  |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure   | Legal/administrative instruments of measure implementation   | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|---|---|--|--|--|--|---|---|--------------------------------------|
|   |     |   | Results indicator   | Initial value  | Target value   |  |  |   |   |                                      |
|   |     | transport.<br>2) Reduce the costs of ships in ports.<br>3) Remove administrative barriers.<br>4) Establish a uniform and efficient information technology system in all ports of special (international) significance to the Republic of Croatia.<br>5) Strengthen representative networks. | port through better planning of arrival of individual ships and time required to perform port operations<br>2) Unified customs procedure allowing faster flow of goods through the port thereby reducing the costs incurred by importers and exporters while the goods are waiting in the port<br>3) Promote Croatian ports through representative networks and make them globally recognisable<br>4) Port authorities are responsible for routing and traffic of cargo and passengers with the basic objective of economic growth of the ports they manage | expensive  | 2) Unified and swift customs procedure and provided customs warehouse in the ports<br>3) Recognisability of Croatian ports in the served inland and overseas areas | implementation of the overall project shall create a framework for a more efficient system which shall contribute to competitiveness of transport services/activities and thereby influence the direction of development of Republic of Croatia either directly through a reduction of future expenditure of state budget funds for the port system or through a more efficient transport service - thereby creating a less expensive form of transport and more competitive transport routes running through Croatia. |  | 1.1.12.2. Creation of a uniform information technology system<br>1.1.12.3. Unification of customs procedure in the ports.<br>1.1.12.4. Incentivising and strengthening representative networks. | Apr 2019<br>Apr 2019<br>Apr 2019              | MSTI<br>MSTI<br>MSTI                 |
| 1.1.13. Activating the potential of the maritime domain |     | Expedite the procedure of determining maritime domain boundaries, procedure of registration   | 1) Number of determined maritime domain boundaries<br>2) Number of  | 1) 650 decisions on maritime domain boundaries/port areas and 530 regulations of | 1) Boundaries of the maritime domain/port areas in economically most interesting areas   | Revenue:<br>Expediting the process of determining the  | Maritime Domain and Seaports Act and subordinate legislation | 1.1.13.1. Enactment of the new Maritime Domain and Seaports Act.  | Mar 2019                                      | MSTI                                 |



| Measure  | CSR | Objective  | Measure results indicators   |  |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure   | Legal/administrative instruments of measure implementation  | Activities   | Deadline for the implementation of activities | Implementing authority of activities   |
|--|-----|--|--|--|---|--|---|--|---|--|
|  |     |  | Results indicator  | Initial value  | Target value  |  |   |  |   |  |
|  |     | of maritime domain and procedure of obtaining a concession on maritime domain with protection of nature and the environment. | determined boundaries recorded in the land registry<br>3) Investments in less attractive and/or more remote sites encouraged through lower initial concession fees | the Government of the Republic of Croatia on determined boundaries<br>2) Initial amounts for individual concessions are prescribed in the Regulation on procedure of award of maritime domain concession | have been determined<br>2) Rapid registration of determined maritime domain in the land registry<br>3) Publicly available maritime domain GIS<br>4) Increased number of the concessions | maritime domain boundary and its registration in the land registry will facilitate a faster award of concessions concerning the shore, reduce the illegal use of the maritime domain and increase state budget revenue from concession fees and consequent economic development of the area where the concession was awarded through growth of jobs and services provided. |   | 1.1.13.2. Adoption of subordinate legislation pursuant to the new Maritime Domain and Seaports Act.                  | Dec 2019                                      | MSTI                                   |
|  |     |  |  |  |   |  |   | 1.1.13.3. Development of maritime domain and seaport management information technology system (maritime domain GIS). | Dec 2018                                      | MSTI                                   |
|  |     |  |  |  |   |  |   | 1.1.13.4. Development of a maritime domain zoning study.   | Dec 2019                                      | MSTI                                   |
| 1.1.14. Increasing transport competitiveness in inland waterways     |     | Increase competitiveness of seaports along inland waterways by increasing the number of interested concessionaires.          | Increasing the number of concessionaires in inland waterway ports  | 3  | 4   | State budget funds used for co-financing shall be reduced and increased revenue generated in the port areas (concessions and port fees) shall be rerouted to further modernisation and technical maintenance of inland waterways ports.  | 1) Inland Waterways Navigation and Ports Act<br>2) Transport Development Strategy of the Republic of Croatia for the period 2017–2030 | 1.1.14.1. Conducting an analysis of use of economic zones in port areas.   | Dec 2019                                      | MSTI, PAs of Osijek and Slavonski Brod |
|  |     |  |  |  |   |  |   | 1.1.14.2. Organising a roundtable with representatives of the ULSGs and entrepreneurs in the vicinity of ports.      | Dec 2019                                      | MSTI, PAs of Osijek and Slavonski Brod |
| <b>1.2. Improving the management and disposition of state assets</b> |     |  |  |  |   |  |   |  |   |  |
| 1.2.1. Ensuring the prerequisites for better corporate               | 5/a | 1) Strengthen efficiency of operation and supervision of operation   | 1) Revenue per employee<br>2) Number of  | 1) 2016: HRK 768,000<br>2) 0   | 1) HRK 800,000<br>2) 5<br>3) Achieving all results  |  | Decision of the Government regarding the  | 1.2.1.1. Introducing the obligation of developing  | June 2018                                     | MSP                                    |



| Measure   | CSR | Objective   | Measure results indicators  |   |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation  | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|---|---|---|---|--|---|---|---|--------------------------------------|
|   |     |   | Results indicator   | Initial value   | Target value  |  |   |   |   |                                      |
| management of state-owned companies                             |     | of state-owned companies.<br>2) Ensure further development and strengthening of competitive advantages and position of Croatia Airlines d.d. in the air transport market through a high-quality strategic partnership.  | workshops held<br>3) Expanding the transport network and increasing market share of Croatia Airlines d.d. and recapitalisation with the aim of supporting future development of Croatia Airlines d.d.   |   | while maintaining a specific share of ownership   |  | introduction of medium-term planning obligation   | methodologically standardised medium-term operating plans for all companies of strategic and special interest and companies with majority state ownership.                          |   |                                      |
|   |     |   |   |   |   |  | Decision of the Government regarding rules of conduct for representatives of the Republic of Croatia in supervisory and audit boards in state-owned enterprises | 1.2.1.2. Organising multi-day workshops for members of supervisory and audit boards of all companies of strategic and special interest and companies with majority state ownership. | Apr 2019                                      | MSP, MEC                             |
|   |     |   |   |   |   |  | Government decision   | 1.2.1.3. Rendering acts on commencement of the process of finding a strategic partner for Croatia Airlines d.d.   | 2018/19                                       | MSTI                                 |
| 1.2.2. Activating state assets and reducing the state portfolio | 5/a | 1) Reduce the state assets portfolio managed by the MSP and the RSC.<br>2) Increase the number of investment projects featuring activation of inactive state assets.<br>3) Increase level of capital equipment used by entrepreneurs and employment in areas receiving support. | 1) Value of completed sales of non-strategic companies<br>2) Increase in number or investment projects targeting the inactive state assets<br>3) Number of concluded contracts on use and concession for land for tourism at campsites<br>4) Increase in number of concluded deeds of gift<br>5) Increase in number of contracts on lease and | 1) 2017: Sales from the RSC portfolio have been completed in the amount of HRK 315.917 million<br>2) 2017: There were no investment projects targeting inactive state assets<br>3) 0<br>4) 2017: Number of concluded deeds of gift was 46.<br>5) 2017: Number of contracts on lease and | 1) 2018: HRK 932.09 million<br>2) Implement at least 5 investment projects per year including activation of inactive state assets by 2020.<br>3) 25<br>4) 50<br>5) 50<br>6) 2018: HRK 98.76 million | HRK 932.09 million   | Regulation on method of disposal of stocks and shares   | 1.2.2.1. Adoption of the Regulation on method of disposal of stocks and shares.   | June 2018                                     | MSP, RSC                             |
|   |     |   |   |   |   | No additional budgetary funds need be provided for activation of state assets                | 1) Government decision regarding disposal of real estate<br>2) Regulation on investment incentives  | 1.2.2.2. Preparation and monitoring of implementation of projects concerning activation of state assets.  | Apr 2019                                      | MSP                                  |
|   |     |   |   |   |   |  | 1.2.2.3. Adoption of the Regulation on investment incentives (pursuant to the Investment Incentives   | June 2018   | MEC   |                                      |



| Measure   | CSR | Objective  | Measure results indicators  |  |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation  | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|--|---|--|--|--|---|--|---|--------------------------------------|
|   |     |  | Results indicator   | Initial value  | Target value   |  |   |  |   |                                      |
|   |     |  | sales of business premises<br>6) Value of concluded contracts                             | sales of business premises was 2.<br>6) 2017: Value of the concluded contracts was HRK 69 million. |  |  |   | Act).  |   |                                      |
|   |     |  |   |  |  |  | Act on the Amendments to the Act on Tourist and Other Construction Land Not Evaluated in the Transformation and Privatisation Process | 1.2.2.4. Enactment of the Act on the Amendments to the Act on Tourist and Other Construction Land Not Evaluated in the Transformation and Privatisation Process. | Dec 2018                                      | MSP                                  |
|   |     |  |   |  |  |  | Regulation on gifts of real estate owned by the Republic of Croatia   | 1.2.2.5. Adoption of the Regulation on gifts of real estate owned by the Republic of Croatia.  | June 2018                                     | MSP                                  |
|   |     |  |   |  |  | Expenditure:<br>HRK 3.7 million<br>Revenue:<br>HRK 98.76 million                             | Act on the Amendments to the Act on Lease and Sale of Business Premises   | 1.2.2.6. Enactment of the Act on the Amendments to the Act on Lease and Sale of Business Premises.   | Dec 2018                                      | MSP                                  |
|   |     |  |   |  |  |  | Regulation on disposition of properties owned by the Republic of Croatia  | 1.2.2.7. Adoption of the Regulation on disposition of properties owned by the Republic of Croatia.   | Apr 2019                                      | MSP                                  |
|   |     |  |   |  |  |  |   | 1.2.2.8. Reduction of the state assets portfolio and activation of unused state assets.  | Apr 2019                                      | MSP                                  |
| 1.2.3. Establishing a comprehensive state assets register | 5/a | Transform the Central Register of State Assets from an administrative system to a management | 1) Electronic connection of the state assets register and the basic and public registries | 1) Completion of the 1st project stage - completion of the application solution for                | 1) Electronic connection with joint information system of the Land Registry and Cadastre | Further development of multi-year and medium-term data and software                          | 1) State Assets Management Act<br>2) Central Register of State Assets Act   | 1.2.3.1. Enactment of the Central Register of State Assets Act.  | Oct 2018                                      | CSODDS, MSP                          |



| Measure  | CSR | Objective  | Measure results indicators  |  |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure  | Legal/administrative instruments of measure implementation   | Activities   | Deadline for the implementation of activities | Implementing authority of activities                       |
|--|-----|--|---|--|---|---|--|--|---|--|
|  |     |  | Results indicator   | Initial value  | Target value  |   |  |  |   |  |
|  |     | system allowing high-quality and clear decision-making on types of management of state assets.                                   | 2) Online access to the state assets register system<br>3) Reclassification of occurring forms of state assets in accordance with international standards and budget regulations<br>4) Standardised and methodologically developed data and software model of updated and authentic physical, legal and economic-financial properties/attributes of occurring forms of state assets | occurring forms of real estate (ISUDIO I)<br>2) Completion of the application solution for occurring forms of financial assets (stocks, shares and securities - ISUDIO II) | (JIS) through a web service<br>2) Linking of ISUDIO II with the Court Register, SKDD and Zagreb Stock Exchange and putting the system into operation<br>3) State assets management IT system application is developed (occurring forms of movable assets - ISUDIO IV) | upgrade of the existing Register of State Assets and/or further development of the state assets management IT system shall require approximately HRK 1.2 million. | 3) Regulation on the organisation, procedure of maintaining and the contents of the Central Register of State Assets | 1.2.3.2. Electronic connection with joint information system of the Land Registry and Cadastre (JIS) through a web service.  | Nov 2018                                      | CSODDS, MSP, SGA, MJ                                       |
|  |     |  |   |  |   |   |  | 1.2.3.3. Linking of ISUDIO II with the Court Register, SKDD and Zagreb Stock Exchange and putting the system into operation. | Dec 2018                                      | CSODDS, MSP  |
|  |     |  |   |  |   |   |  | 1.2.3.4. Linking ISUDIO to the Register of Cultural Goods and other public registers (ISUDIO III phase).                     | Feb 2019                                      | CSODDS, MSP, MC, institutions maintaining public registers |
|  |     |  |   |  |   |   |  | 1.2.3.5. Defining and structuring data models for occurring forms of movable assets (ISUDIO IV).                             | Nov 2018                                      | CSODDS   |
|  |     |  |   |  |   |   |  | 1.2.3.6. Development of state assets management IT system application (occurring forms of movable assets - ISUDIO IV).       | June 2019                                     | CSODDS   |
| 1.2.4. Business and financial restructuring of state-owned road sector enterprises | 5/a | Achieve appropriate and more cost-effective maintenance and management of assets, streamline the number of employees and achieve | 1) Reduction of the operating costs to operating revenue ratio<br>2) Refinance credit liabilities - factor of annual capacity to repay  |  |   | The measure has a favourable effect on the state budget since it results in a reduction of cost of interest against   | 1) Government Decision on acceptance of operational and financial restructuring of the                               | 1.2.4.1. Performance of institutional strengthening in relation to planning and supervision by the MSTI.                     | Dec 2019                                      | MSTI   |



| Measure   | CSR | Objective   | Measure results indicators  |  |              | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure   | Legal/administrative instruments of measure implementation  | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|---|---|--|--------------|--|---|--|---|--------------------------------------|
|   |     |   | Results indicator   | Initial value  | Target value |  |   |  |   |                                      |
|   |     | financial stability of undertakings.  | debt<br>3) Reduction of number of employees per km of road  |  |              | credit borrowing of companies related to loans provided with a state guarantee as well as streamlining and/or reduction of cost of their operation.  | road sector of 16 March 2017.<br>2) Loan agreement concluded between the Republic of Croatia and the IBRD (IBRD 8749-HR) of 8 May 2017. | 1.2.4.2. Development/redefining of key performance indicators with the aim of achieving transparent organisation of management.                                    | Dec 2019                                      | MSTI                                 |
|   |     |   |   |  |              |  |   | 1.2.4.3. Development of analyses for the purpose of improved management of state-owned road management companies and systems within the scope of their competence. | Dec 2019                                      | MSTI, MF, road sector companies      |
| 1.2.5. Business and financial restructuring of state-owned railway system enterprises | 5/a | 1) Ensure sustainable development of the Croatian railway sector in Europe - primarily through streamlining operating costs and redirecting the achieved savings into reconstruction and maintenance of railway infrastructure.<br>2) Ensure sustainable operation of HŽ Cargo and increase its cargo transport market share. | 1) Adoption of the Sectoral Policy Letter and thereby resuming the commenced process of streamlining of operation of state-owned companies in the railway system<br>2) Concluding a contract with a financial advisor who shall assist in the search for a strategic partner who should analyse the market and help HŽ Cargo to find a strategic partner who shall facilitate stabilisation of its operation and further prospects of the company | 2) Procedure of conclusion of the financial advisor contract |              | The measure shall impact the SB favourably since it shall create a framework for a more efficient system which shall contribute to competitiveness of transport services/activities and thereby influence the direction of development of Croatia either directly through a reduction of future expenditure of government budget funds for the railway or through a more | Sectoral Policy Letter  | 1.2.5.1. Adoption of the Sectoral Policy Letter.   | Dec 2018                                      | MSTI                                 |



| Measure  | CSR | Objective  | Measure results indicators   |   |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure   | Legal/administrative instruments of measure implementation   | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--|-----|--|--|---|--|--|--|--|---|--------------------------------------|
|  |     |  | Results indicator  | Initial value   | Target value   |  |  |  |   |                                      |
|  |     |  |  |   |  | efficient transport service - thereby creating a less expensive form of transport and more competitive transport routes running through Republic of Croatia (greater VAT revenue and other budget revenue).  |  |  |   |                                      |
|  |     |  |  |   |  | Depending on the structure of entry of the strategic partner into HŽ Cargo.  |  | 1.2.5.2. Preparation for finding a strategic partner for HŽ Cargo.   | Dec 2018                                      | MSTI                                 |
| <b>1.3. Improving public administration</b>      |     |  |  |   |  |  |  |  |   |                                      |
| 1.3.1. Review of the salary determination system | 4/b | 1) Strengthen efficiency, expertise and motivation of state officials and employees to provide efficient and high-quality service to Croatian citizens and entrepreneurs.<br>2) Ensure a transparent structure of jobs within one legislative act by classification of jobs in pay grades in accordance with the standard classification criteria.<br>3) Ensure correlation of officials' and employees' work results with salary.<br>4) Determine general and special competencies for performance of individual types of jobs. | 1) Uniform salaries in state service in compliance with the principle of equal pay for equal work and/or work of equal value<br>2) Classification of state administration jobs and new assessment model<br>3) Implementation of key competencies in job conditions | 1) 0<br>2a) Number of positions in state administration: 64 general positions, 476 special positions, and separate determination of work positions of police officers as well as customs and tax authority officials<br>2b) Automated general increase of salary by 0.5% per year without possibility of individualised pay rises<br>3) Competencies are based on professional qualifications and pensionable service | 1) Uniform salaries 2a and 2b)<br>Standardisation of positions in the state administration and correlation of work results with salary<br>3) Standardisation of key general and special competencies | Expenditure:<br>Since the legislative act is still being drafted, it is not possible to express its fiscal effects at this time. It is estimated that implementation of the act shall not require SB funds in the first year. In the second year of implementation, it shall be necessary to plan funds for payment of one-off reward in the amount of 0.1% of the aggregate salaries for regular work. In the third | Government Officials' and Employees' Salaries Act  | 1.3.1.1. Enactment of the Government Officials' and Employees' Salaries Act.   | Sept 2018                                     | MLPS                                 |
|  |     |  |  |   |  |  | Regulation on classification of positions in state administration                                      | 1.3.1.2. Adoption of the Regulation on classification of positions in state administration.                                      | Nov 2018                                      | MPA                                  |
|  |     |  |  |   |  |  | Regulation on criteria and procedure of assessment and rewarding of government officials and employees | 1.3.1.3. Adoption of the Regulation on criteria and procedure of assessment and rewarding of government officials and employees. | Nov 2018                                      | MPA                                  |



| Measure  | CSR | Objective  | Measure results indicators   |  |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure   | Legal/administrative instruments of measure implementation   | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|--|-----|--|--|--|---|--|--|---|---|--------------------------------------|
|  |     |  | Results indicator  | Initial value  | Target value  |  |  |   |   |                                      |
|  |     |  |  |  |   | <p>year of implementation, it will be necessary to plan additional funds for promotion of officials and employees assessed as exceptional - payment of one-off rewards for exceptional results in the amount of 0.1% of aggregate salaries for regular work.</p> <p>Expenditure: HRK 13.1 million (85% ESF, 15% SB).</p> |  |   |   |                                      |
|  |     |  |  |  |   |  | <p>1) 2015–2020 Public Administration Development Strategy with the 2017–2020 Action Plan for implementation of the Public Administration Development Strategy</p> <p>2) 2017–2019 Strategic Plan of the MPA</p> | 1.3.1.4. Drafting proposals for general competencies for public administration employees and special competencies required for performing specific tasks. | Apr 2019                                      | MPA                                  |
| 1.3.2. Streamlining and standardised regulation of the organisation and job performance in public administration | 4/a | Establish a normative framework regulating the state administration system in a logically consistent and comprehensive manner. | Optimised management and organisational framework of the state administration system | Based on the analysis of the state administration system, jobs performed by bodies and financial costs of business, a hierarchical and functional disproportion and inconsistency has been detected in performing activities of state administration | Increased efficiency of the state administration system | Expenditure: Statutory changes and reduction of expenditures will bring annual savings in the SB.  | <p>1) Regulations on the organisation and scope of work of SABS</p> <p>2) 2015–2020 Public Administration Development Strategy with the 2017–2020 Action Plan for implementation of the Public</p>               | 1.3.2.1. Enactment of the State Administration System Act.  | Apr 2019                                      | MPA                                  |



| Measure   | CSR | Objective   | Measure results indicators  |   |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure                                 | Legal/administrative instruments of measure implementation                                      | Activities  | Deadline for the implementation of activities | Implementing authority of activities  |
|---|-----|---|---|---|---|--|---|---|---|---|
|   |     |   | Results indicator   | Initial value   | Target value  |  |   |   |   |   |
|   |     |   |   |   |   |  | Administration Development Strategy   |   |   |   |
| 1.3.3. Streamlining the system of legal entities with public authority of the agency type | 4/a | Reduction in number of independent agencies by 20%. | Reduced number of legal entities with public authority of the agency type | Large number of legal persons of the agency type (more than 50) | The number of agencies is expected to be reduced by 20% | Expenditure: Reduced number of legal entities with public authority of the agency type shall bring annual savings to the SB. | Conclusion of the Government on streamlining of the number of legal entities of the agency type | 1.3.3.1. Merger and abolition of agencies - phase 1   | May 2018                                      | The MPA and other central SABS whose purview includes tasks performed by the agencies |
|   |     |   |   |   |   |  | Conclusion of the Government on fulfilment of reform priority 1.                                | 1.3.3.2. Amendment of the normative framework – legislation regulating establishment and purview of the agencies. | Dec 2018                                      | The MPA and other central SABS whose purview includes tasks performed by the agencies |
|   |     |   |   |   |   |  | Conclusion of the Government on streamlining of the number of legal entities of the agency type | 1.3.3.3. Further reduction of the number of legal entities of the agency type - phase 2                           | Apr 2019                                      | The MPA and other central SABS whose purview includes tasks performed by the agencies |
|   |     |   |   |   |   |  | Public Agencies Act   | 1.3.3.4. Enactment of the Public Agencies Act.  | Apr 2019                                      | MPA   |



| Measure   | CSR | Objective  | Measure results indicators   |               |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation   | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|--|--|---------------|--|--|--|--|---|--------------------------------------|
|   |     |  | Results indicator  | Initial value | Target value   |  |  |  |   |                                      |
| 1.3.4. Establishing the model of functional and fiscal decentralisation             | 4/a | Improve the functional distribution of authority and the efficiency of ULRSG, taking into consideration the equal provision of service to citizens.  | 1) Set of data for assessment and monitoring of ULRSG's capacities<br>2) An analysis of indicators for evaluation of capacities of ULRSG was performed |               |  | Expenditure: HRK 20 million (85% ESF, 15% SB)  | 1) 2015–2020 Public Administration Development Strategy with the 2017–2020 Action Plan for implementation of the Public Administration Development Strategy<br>2) e-Croatia 2020 Strategy with the Action Plan for implementation of the e-Croatia 2020 Strategy<br>3) 2016–2018 Strategic Plan of the MPA | 1.3.4.1. Development of a database on capacities of ULRSG.   | Dec 2018                                      | MPA                                  |
|   |     |  |  |               |  |  |  | 1.3.4.2. Analysis of indicators for evaluation of capacities of ULRSG.   | Apr 2019                                      | MPA                                  |
| 1.3.5. Streamlining of state information structure                                  |     | Commence the project of establishment of the Shared Service Centre (SSC) as a single strategic place for managing and coordinating the development of state ICT and streamlining of the state ICT expenditure. | Contract on grant award to the Project of establishment of SSCs and establishment of the SSCs in 40 institutions                                       |               | SSC established in 40 institutions                       | Expenditure: HRK 370.6 million (85% ERDF, 15% SB)  | 1) National Information Infrastructure Act<br>2) Regulation on the organisational and technical standards for connecting to the national information infrastructure  | 1.3.5.1. Preparation and start of implementation of project activities (phase 1) - establishment of Shared Service Centres in 40 institutions. | Dec 2018                                      | MPA                                  |
| 1.3.6. Improving the provision of electronic services and access to information for | 4/b | 1) Facilitate access to public administration services by establishment of one-stop-shop administrative sites as   | 1) Performance of an analysis of information, legal and physical infrastructure to establish a one-stop-   |               | 1) Results of the analysis<br>2) 15 administrative sites | Expenditure: HRK 113.84 million (85% ESF, 15% SB). Initially the cost shall rise because the |  | 1.3.6.1. Analysis of information, legal and physical infrastructure to establish a single administrative spot.                                 | June 2018                                     | MPA                                  |



| Measure                 | CSR | Objective  | Measure results indicators  |               |                     | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure   | Legal/administrative instruments of measure implementation | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|-------------------------|-----|--|---|---------------|---------------------|--|--|--|---|--------------------------------------|
|                         |     |  | Results indicator   | Initial value | Target value        |  |  |  |   |                                      |
| citizens and businesses |     | physical and digital portals, as the information and services of various public administration bodies will be available to users in one place.   | shop administrative site<br>2) Establishment of 15 services through the one-stop-shop administrative site |               |                     | state administration shall establish the one-stop-shop administrative sites and as they take over the work, the organisation of the state administration will be transformed and the cost shall decline. |  | 1.3.6.2. Establishment of 15 services through the one-stop-shop administrative site.   | Apr 2019                                      | MPA                                  |
|                         | 5/b | 2) Establish shared e-Business platform for electronic public services to business entities and other legal persons in accordance with the concept and positive experience gained through the e-Citizens system.   | 3) Signed Grant Agreement for e-Business Project  |               | 3) Signed Agreement | Expenditure: HRK 45.5 million (85% ESF, 15% SB)  |  | 1.3.6.3. Preparation and start of implementation of establishment of the shared e-Business platform.   | Dec 2018                                      | MPA                                  |
|                         |     | 3) Establish a shared system featuring appropriate services which may be used by all state administration bodies, citizens and business entities for cashless payment of administrative fees and charges in the course of provision and/or use of public services. | 4) Signed Grant Agreement for establishment of the e-Fees system project                                  |               | 4) Signed Agreement | Expenditure: HRK 45.7 million (85% ESF, 15% SB)  |  | 1.3.6.4. Preparation and start of implementation establishing the e-Fees system, i.e. introduction of card payment in state administration offices in counties in the first stage. | Dec 2018                                      | MPA                                  |



| Measure | CSR | Objective   | Measure results indicators  |               |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation   | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|---------|-----|---|---|---------------|--|--|--|--|---|--------------------------------------|
|         |     |   | Results indicator   | Initial value | Target value   |  |  |  |   |                                      |
|         |     | 4) Establish a shared system with corresponding services which may be used by all state administration bodies, citizens and business entities to electronically sign or stamp documents as well as to validate them and thereby provide full functionality in provision of public e-services from electronic submission of applications to public sector bodies to issuing of electronic documents (acts) in various proceedings. | 5) Signed Grant Agreement for e-Signature, m-Signature and e-Stamp Projects   |               | 5) Signed Agreement  | Expenditure: HRK 12 million (85% ESF, 15% SB)  |  | 1.3.6.5. Preparation and start of implementation of the project establishing the shared system with corresponding service for electronic signing and/or application of stamps to electronic documents. | Dec 2018                                      | MPA                                  |
|         |     | 5) Define payment criteria in order to allow information users to verify calculation of costs as criteria and method of calculation are published.  | 6) Total annual revenue of the state authority body generated from the fee to cover the costs of reuse of the information   |               | 6) Total revenue of the state authority body using its information as the basis for commercial activities beyond the scope of its public affairs does not exceed the costs related to collecting, creating, reproducing and providing information, including reasonable return on investment |  |  | 1.3.6.6. Adoption of the Regulation on costs of reuse of information.  | June 2018                                     | MPA                                  |
|         |     | 6) Facilitate recognition of NIAS as the national eID scheme for purposes of electronic identification in other EU Member States in order to allow Croatian citizens, in accordance with Regulation (EU) No.  | 7) Performed expert review of the Republic of Croatia eID NIAS scheme through the Cooperation Network<br>8) Recognised Republic of Croatia eID NIAS scheme in other Member States for |               | 7 and 8) NIAS recognised as the national eID scheme of the Republic of Croatia as electronic identification in other EU Member States  |  | Act on implementation of Regulation (EU) No. 910/2014 of the European Parliament and of the Council on electronic identification and | 1.3.6.7. Implementation of the eIDAS notification process of the Republic of Croatia eID NIAS scheme through the Cooperation Network and linking the   | Sept 2018                                     | MPA                                  |



| Measure | CSR | Objective  | Measure results indicators   |  |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation  | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|---------|-----|--|--|--|--|--|---|---|---|--------------------------------------|
|         |     |  | Results indicator  | Initial value  | Target value   |  |   |   |   |                                      |
|         |     | 910/2014 to log in to and use online cross-border service.   | access of Croatian citizens to cross-border online services  |  |  |  | trust services for electronic transactions in the internal market   | national Republic of Croatia eIDAS node with other such nodes in other EU Member States.  |   |                                      |
|         | 5/b | 7) Reduce real-estate investor administrative burdens.<br>8) Provide relief from inefficient procedures to participants in construction undertakings and public administration.<br>9) Increase transparency of procedures in the field of spatial planning and construction. | 9) Number of new e-services from the field of spatial planning and construction<br>10) Establishment of a register of spatial plans<br>11) Developed national spatial development plan<br>12) Better results of OECD market regulation indicators (simplification of rules and procedures section) | 9) Three existing e-services (modules) in the field of spatial planning and construction | 9) Improvement of the three existing e-services in the field of spatial planning and construction<br>10) Register of spatial development plans<br>11) Sustainable development plan<br>12) Methodology of mass appraisal of real estate | Expenditure: Expected investment for all e-modules in 2018 is HRK 20 million (net of VAT).   | 1) e-Croatia 2020 strategy<br>2) Action plan for implementation of the e-Croatia 2020 strategy<br>3) Construction Act<br>4) Physical Planning Act<br>5) Directive 2007/2/EC of the European Parliament and of the Council of 14 March 2007 establishing an Infrastructure for Spatial Information in the European Community (INSPIRE)<br>6) Real Estate Appraisal Act<br>7) Regulation on real estate appraisal methods<br>8) Regulation on real estate market information system | 1.3.6.8. e-Permit - expansion of the spatial planning information system for e-Conference.<br>1.3.6.9. e-Register of spatial plans - establishment of a module for a transitional period until the full establishment of the new generation spatial planning system.<br>1.3.6.10. e-Plans - establishment of a module for loading and publication of new generation spatial plans.<br>1.3.6.11. Development of the National Spatial Development Plan - phase 1 (Publication of the decision on development of the national spatial development plan).<br>1.3.6.12. e-Archive - digitisation of the archive of issued construction permits and acts. | Dec 2018                                      | MCPP                                 |
|         |     |  |  |  |  |  |   | 1.3.6.9. e-Register of spatial plans - establishment of a module for a transitional period until the full establishment of the new generation spatial planning system.  | June 2019                                     | MCPP                                 |
|         |     |  |  |  |  |  |   | 1.3.6.10. e-Plans - establishment of a module for loading and publication of new generation spatial plans.  | Mar 2019                                      | MCPP                                 |
|         |     |  |  |  |  |  |   | 1.3.6.11. Development of the National Spatial Development Plan - phase 1 (Publication of the decision on development of the national spatial development plan).   | July 2018                                     | MCPP                                 |
|         |     |  |  |  |  |  |   | 1.3.6.12. e-Archive - digitisation of the archive of issued construction permits and acts.  | Dec 2018                                      | MCPP                                 |



| Measure  | CSR | Objective   | Measure results indicators   |   |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation                          | Activities   | Deadline for the implementation of activities | Implementing authority of activities |   |           |        |
|--|-----|---|--|---|--|--|---|--|---|--------------------------------------|---|-----------|--------|
|  |     |   | Results indicator  | Initial value   | Target value   |  |   |  |   |                                      |   |           |        |
|  |     |   |  |   |  |  |   | 1.3.6.13. e-Inspection - linking of all Inspection Affairs Directorate officials through applications.   | Dec 2018                                      | MCPP                                 |   |           |        |
|  |     |   |  |   |  |  |   | 1.3.6.14. Automatic notification of citizens on status of inspection proceedings.  | Dec 2018                                      | MCPP                                 |   |           |        |
|  |     | 10) Define a policy on open data which shall allow defining of an action plan for publication of data and the body competent for coordination.<br>11) Improve dynamics of publication of open data.   | 13) Adopted policy and action plan   |   | 13) The adopted policy and action plan are implemented   |  |   | 1.3.6.15. Adoption of the open data policy.  | June 2018                                     | CSODDS                               |   |           |        |
| 1.3.7. Introduction of an integrated system of strategic planning and development management |     | Introduce an integrated system of strategic planning and development management comprising long-term, medium-term and short-term strategic planning as a basis for channeling budgetary resources, monitoring achieved results and systematic assessment of the implementation of strategies, plans, programmes, activities and projects for the purpose of increasing the quality of formulating and implementing public policies. | 1) Number of tools, procedures and methods for strategic planning successfully developed/introduced in practice<br>2) Number of users of the IT system for strategic planning and development management 6 months after introduction<br>3) Percentage of citizens of the Republic of Croatia who participated in the development of the National Development Strategy Croatia 2030 | 1) 1<br>2) 0<br>3) Estimated level of participation of citizens of the Republic of Croatia in Croatia 2030 project in 2017: 1,100 | 1) Expected number of tools, procedures and methods for strategic planning successfully developed/introduced in practice, aggregate until the end of 2018: 6<br>2) Expected number of users of the IT system for strategic planning and development management 6 months after introduction: 656<br>3) Expected level of participation of citizens of the Republic of Croatia in Croatia 2030 project until adoption: 0.2% of population of Croatia | Expenditure: HRK 5 million (EAFRD)   | Strategic Planning and Development Management System Act of the Republic of Croatia | 1.3.7.1. Establishment of procedures and methodology for strategic planning, monitoring of achieved results and systematic evaluation (subordinate legislation - regulations, ordinances, guidelines and library of indicators). | Dec 2018                                      | MRDEUF                               |   |           |        |
|  |     |   |  |   |  | Expenditure: HRK 16.25 million (EAFRD)   |   |  |   |                                      | 1.3.7.2. Establishment of an IT system for strategic planning and development management. | Jan 2019  | MRDEUF |
|  |     |   |  |   |  | Expenditure: HRK 27.1 million (EAFRD)  |   |  |   |                                      | 1.3.7.3. Drafting of the National Development Strategy Croatia 2030                       | June 2019 | MRDEUF |

| Measure   | CSR | Objective   | Measure results indicators  |               |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation           | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|---|---|---------------|---|--|--|--|---|--------------------------------------|
|   |     |   | Results indicator   | Initial value | Target value  |  |  |  |   |                                      |
| 1.3.8. Improving the standardised framework of the fight against corruption |     | 1) Enhance elements of preventive anti-corruption mechanism, i.e. the elements of corruption risk management in the state administration, ULRSG, public sector bodies, companies in which the state and ULRSG have ownership interests, private and non-profit sector and an institutional framework for monitoring the implementation and evaluation of impacts of activities from national documents related to anti-corruption.<br>2) Improve protection of whistleblowers and raise the level of transparency and integrity in society and encourage reporting of corruptive practices. | Reinforced elements of preventive anti-corruption mechanism and/or corruption risk management elements  |               |   |  | 2015–2020 Anti-Corruption Strategy                                   | 1.3.8.1. Adoption of the Action Plan for 2019 and 2020 with the Anti-Corruption Strategy for the period from 2015 to 2020. | Dec 2018                                      | MJ                                   |
|   |     |   |   |               |   |  | 2015–2020 Anti-Corruption Strategy and Action Plan for 2017 and 2018 | 1.3.8.2. Enactment of the Whistleblower Protection Act.  | Dec 2018                                      | MJ                                   |
| <b>1.4. Improving the efficiency of the judicial system</b>                 |     |   |   |               |   |  |  |  |   |                                      |
| 1.4.1. Digitisation of the judicial system                                  | 5/d | Facilitate electronic communication between participants in proceedings and expedite course of proceedings before commercial courts.  | 1) Electronic communication between commercial courts and other participants in the proceedings (attorneys, public notaries and state attorneys)<br>2) Purchase of the system for converting speech to text |               | 1a) Established electronic communication between commercial courts and other participants in the proceedings (attorneys, public notaries and state attorneys) by the end of 2018<br>1b) Reduced court fee costs through the e-communications system | Expenditure 2018: HRK 1.19 million   | Court Fees Act   | 1.4.1.1. Enactment of the Court Fees Act.  | Dec 2018                                      | MJ                                   |
|   |     |   |   |               |   |  | Civil Procedure Act  | 1.4.1.2. Establishment of e-communications at commercial courts.   | Dec 2018                                      | MJ                                   |
|   |     |   |   |               |   | Expenditure: 2018: HRK 27 million  |  | 1.4.1.3. Purchase of the system for converting speech to text.   | Dec 2018                                      | MJ                                   |



| Measure   | CSR | Objective  | Measure results indicators  |   |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure  | Legal/administrative instruments of measure implementation | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|--|---|---|--|---|--|---|---|--------------------------------------|
|   |     |  | Results indicator   | Initial value   | Target value   |   |  |   |   |                                      |
|   |     |  |   |   | 2) Setting up the system for converting speech to text   |   |  |   |   |                                      |
| 1.4.2. Reorganisation of court networks   | 5/d | Equalise judges' workload, shorten duration of court proceedings and reduce the number of cases pending before municipal courts, facilitate citizens' access to courts and ensure easier management of the courts. | Reduction of the total number of courts   | 46 municipal and minor offences courts  | 34 municipal courts  | Expenditure: Upgrading of the IT systems shall be financed from the state budget in the amount of HRK 1.15 million and from EU funds in the amount of HRK 1.10 million. | Courts Act   | 1.4.2.1. Enactment of the Amendments to the Courts Act.   | July 2018                                     | MJ                                   |
|   |     |  |   |   |  |   | Act on Areas and Seats of Courts                           | 1.4.2.2. Enactment of the Act on Areas and Seats of Courts.   | July 2018                                     | MJ                                   |
| 1.4.3. Resolving cases older than 10 years before municipal and commercial courts | 5/d | Expedite court proceedings and contribute to creation of a more favourable investment environment.   | Reduction of the number of cases older than 10 years pending before municipal and commercial courts | June 2017: 9,643 cases older than 10 years pending before municipal and commercial courts | 2018: Reduction of the number of cases older than 10 years pending before municipal and commercial courts by 20% |   | 2013–2018 Strategy of Development of the Judiciary         | 1.4.3.1. Implementation of the Action Plan for reduction of the number of cases older than 10 years pending before municipal and commercial courts. | Dec 2020                                      | MJ                                   |
| <b>2. ALIGNING EDUCATION WITH LABOUR MARKET NEEDS</b>                             |     |  |   |   |  |   |  |   |   |                                      |
| <b>2.1. Education in accordance with labour market needs</b>                      |     |  |   |   |  |   |  |   |   |                                      |
| 2.1.1. Establishment of the National Classification of Occupations (NCO) register | 3/a | Develop and establish the NCO as the key national cataloguing system for classification and aggregation of information on jobs and occupations.  | Created NCO register with a corresponding application allowing reviewing and appending of the list  |   | 1 register/application   | Expenditure: 2018: HRK 200,000 (ESF)  | Conclusion of the Government                               | 2.1.1.1. Establishment of individual NCO occupation register/application.   | Dec 2018                                      | MLPS                                 |



| Measure   | CSR | Objective  | Measure results indicators   |               |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation               | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|--|--|---------------|---|--|--|--|---|--------------------------------------|
|   |     |  | Results indicator  | Initial value | Target value  |  |  |  |   |                                      |
| 2.1.2. Ensuring CROQF tools essential for the alignment of education with the labour market | 3/a | Apply the CROQF as an instrument for alignment of the supply and demand on the labour market and/or develop a mechanism for determining actual needs of the labour market and support to development of relevant education programmes. | 1) CROQF tools necessary for the development of occupation standards in compliance with the labour market needs are adopted<br>2) A labour market analytic platform is established   |               | 1) 2 (Guidelines for the development of occupation standards and Standard questionnaire)<br>2) 1 platform | Expenditure:<br>2018: HRK 199,000 (SB)   | CROQF Act  | 2.1.2.1. Review of the Guidelines for the development of occupation standards  | Dec 2018                                      | MLPS                                 |
|   |     |  |  |               |   | Expenditure:<br>2018: HRK 100,000 (SB)   | CROQF Act  | 2.1.2.2. Establishment of a labour market analytical platform, i.e. a web portal presenting labour market trends (employment, unemployment, number of pupils and students in education programmes by occupation and region). | Dec 2018                                      | MLPS                                 |
| 2.1.3. Alignment of vocational training and needs of the labour market                      | 3/a | Create conditions for strengthening the quality of vocational schools, as well as output competencies required for labour market access in cooperation with other stakeholders in the vocational training system.                      | 1) Number of competency centres<br>2) Number of occupation standards<br>3) Number of qualification standards<br>4) Number of awarded grants for pupil scholarships and to incentivise economic entities towards traineeships | 4) 1,556      | 1) 20<br>2) 5<br>3) 5<br>4) 2,200   | Expenditure:<br>HRK 157,500 (SB)   | Act on the Amendments to the Vocational Education Act                    | 2.1.3.1. Development of the national competency centres network  | May 2018                                      | MSE                                  |
|   |     |  |  |               |   | Expenditure:<br>1) HRK 563.29 million (ERDF)<br>2) approx. HRK 235 million (ESF)             |  | 2.1.3.2. Establishment of regional competency centres in priority areas of vocational training.  | Apr 2019                                      | MSE                                  |
|   |     |  |  |               |   |  | 2016–2020 Vocational Education and Training System Development Programme | 2.1.3.3. Drafting of Guidelines for streamlining/optimisation of the network of vocational schools.  | Apr 2019                                      | MSE                                  |
|   |     |  |  |               |   |  |  | 2.1.3.4. Development   | June 2018                                     | MSE                                  |



| Measure  | CSR | Objective  | Measure results indicators   |               |                   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--|-----|--|--|---------------|-------------------|--|--|--|---|--------------------------------------|
|  |     |  | Results indicator  | Initial value | Target value      |  |  |  |   |                                      |
|  |     |  |  |               |                   |  |  | of profile of the sector of personal, protection and other services.   |   |                                      |
|  |     |  |  |               |                   |  | Amendments to the Crafts Act                               | 2.1.3.5. Enactment of Amendments to the Crafts Act and adjustment of the existing subordinate legislation related to performance of traineeship.   | Dec 2018                                      | MEC                                  |
|  |     |  |  |               |                   |  |  | 2.1.3.6. Adoption of the programme of acquisition of the basic knowledge on pupil teaching.  | Dec 2018                                      | MEC                                  |
|  |     |  |  |               |                   | Expenditure: HRK 23 million (SB); HRK 3.45 million (EU funds)                                | 1) New Skills Agenda for Europe<br>2) OPEHR                | 2.1.3.7. Implementation of incentive measures providing scholarships to students of scarce trades and craft skills and incentive measures encouraging economic entities to provide traineeships. | Dec 2018                                      | MEC                                  |
| 2.1.4. Increase of quality, relevance and appeal of adult education and lifelong learning programmes | 3/a | Increase quality, relevance and appeal of adult education systems through application of the CROQF and indirectly contribute to an increased participation of adults in lifelong learning. | 1) Enacted Adult Education Act and number of developed curricula and programmes<br>2) Increase in number of people included in literacy programmes | 2) 10,541     | 1) 4<br>2) 11,100 |  | Strategy for Education, Science and Technology             | 2.1.4.1. Enactment of the Adult Education Act.   | Dec 2018                                      | MSE                                  |
|  |     |  |  |               |                   | Expenditure: Erasmus+ (EUR 158,000 from EU funds, EUR 44,000 from the SB)                    |  | 2.1.4.2. Drafting the basic skills curriculum (digital, mathematical and reading literacy).  | Apr 2019                                      | MSE                                  |
|  |     |  |  |               |                   | Expenditure: HRK 4.26 million (SB)   |  | 2.1.4.3. Performance of elementary education of adults and training for  | Apr 2019                                      | MSE                                  |



| Measure  | CSR | Objective  | Measure results indicators   |               |                | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--|-----|--|--|---------------|----------------|--|--|--|---|--------------------------------------|
|  |     |  | Results indicator  | Initial value | Target value   |  |  |  |   |                                      |
|  |     |  |  |               |                |  |  | simpler jobs.  |   |                                      |
| 2.1.5. Promotion of quality and relevance of study programmes and prevalence of practical training | 3/a | Increase quality and relevance of study programmes and contribute to increased rate of employment of graduated students. | 1) Number of qualification standards in the CROQF Register<br>2) Number of projects contracted under the public call for improvement of quality and prevalence of practical training in higher education |               | 1) 50<br>2) 30 | Expenditure:<br>HRK 100 million (ESF)  |  | 2.1.5.1. Concluding contracts within the framework of the public call for proposals "CROQF implementation at the level of higher education".   | July 2018                                     | MSE                                  |
|  |     |  |  |               |                |  |  | 2.1.5.2. Evaluation and entry of qualification standards in the CROQF Register.  | Apr 2019                                      | MSE                                  |
|  |     |  |  |               |                |  |  | 2.1.5.3. Enactment of the Act on Quality Assurance in Science and Higher Education.  | Apr 2019                                      | MSE                                  |
|  |     |  |  |               |                |  |  | 2.1.5.4. Conclusion of contracts on financing of projects approved in a public call for proposals for improvement of quality and prevalence of practical training in higher education. | Jan 2019                                      | MSE                                  |
| 2.1.6. Improving the efficiency of higher education financing                                      | 3/a | Increase the efficiency of higher education financing.   | Proportion of concluded comprehensive programme agreements in compliance with the new conceptual design  | 0             | 100%           |  | Strategy for Education, Science and Technology             | 2.1.6.1. Development of guidelines for improvement of programme financing of higher education and scientific research.   | June 2018                                     | MSE                                  |
|  |     |  |  |               |                |  |  | 2.1.6.2. Adoption of the Government Decision on multi-year financing of higher education.  | Aug 2018                                      | MSE                                  |



| Measure   | CSR | Objective  | Measure results indicators  |               |              | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure            | Legal/administrative instruments of measure implementation   | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|--|---|---------------|--------------|---|--|---|---|--------------------------------------|
|   |     |  | Results indicator   | Initial value | Target value |   |  |   |   |                                      |
|   |     |  |   |               |              |   |  | 2.1.6.3. Conclusion of programme agreements with public institutions of higher education.   | Nov 2018                                      | MSE                                  |
| <b>2.2. Implementation of the curricular reform</b>                               |     |  |   |               |              |   |  |   |   |                                      |
| 2.2.1. Preparation and implementation of the pilot stage of the curricular reform | 3/b | Introduce the pilot-stage of the curricular reform in schools. | Number of schools participating in the pilot stage of the curricular reform | 0             | 72           | Expenditure: HRK 149.26 million (ESF)   | 1) Primary and Secondary Education Act<br>2) Vocational Education Act<br>3) Strategy for Education, Science and Technology | 2.2.1.1. Ensuring organisational prerequisites for implementation of the pilot-stage (professional training of teachers, drafting of manuals, provision of school equipment). | Sept 2018                                     | MSE                                  |
|   |     |  |   |               |              |   |  | 2.2.1.2. Development of an online interactive database with representations of the curriculum and a bank of tasks for introduction of hybrid evaluation.                      | Apr 2019                                      | MSE, NCEEE                           |
| 2.2.2. Establishing a system of development of digitally mature schools           | 3/b | Increase the level of digital literacy of schools.             | Number of schools participating in the e-Schools project                    | 0             | 151          | Expenditure:<br>1) HRK 193.69 million (ERDF)<br>2) HRK 67.14 million (ESF)<br>3) HRK 46.03 million (SB) | Strategy for Education, Science and Technology   | 2.2.2.1. Equipping schools, education of teachers, development of digital educational content for STEM area subjects.   | Sept 2018                                     | MSE, CARNet                          |



| Measure  | CSR | Objective  | Measure results indicators  |               |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|--|-----|--|---|---------------|--|--|--|---|---|--------------------------------------|
|  |     |  | Results indicator   | Initial value | Target value   |  |  |   |   |                                      |
| <b>3. SUSTAINABILITY OF PUBLIC FINANCES</b>  |     |  |   |               |  |  |  |   |   |                                      |
| <b>3.1. Strengthening the framework for public financial management and implementation of fiscal consolidation</b> |     |  |   |               |  |  |  |   |   |                                      |
| 3.1.1. Improving the fiscal framework  | 1/b | 1) Monitor implementation of fiscal rules concerning the structural balance rule, expenditure rule, public debt rule, and the rule on amount of deficit in state budget projections and contribute to overall sustainability of public finances through compliance with the fiscal rules.<br>2) Strengthen the role of the Fiscal Policy Committee as the supervisor of application of the Fiscal Responsibility Act as well as implementation of the state's overall fiscal policy. | 1) Full alignment of numerical fiscal rules with provisions of the Stability and Growth Pact 2) Independence of the Fiscal Policy Committee |               | 1) Efficient application of numerical fiscal rules<br>2) The Fiscal Policy Committee as a permanent and independent state body | Expenditure: HRK 1.5 million for operation of the Fiscal Policy Committee                    | Fiscal Responsibility Act                                  | 3.1.1.1. Enactment of the Fiscal Responsibility Act.    | July 2018                                     | MF                                   |
| 3.1.2. Improving budgetary planning,   | 1/b | 1) Ensure objective macroeconomic and fiscal projections,  | 1) More efficient budgetary planning on the basis of real   |               |  |  | Amendments to the Budget Act                               | 3.1.2.1. Enactment of the Amendments to the Budget Act. | Oct 2018                                      | MF                                   |



| Measure   | CSR | Objective  | Measure results indicators  |   |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|--|---|---|---|--|--|---|---|--------------------------------------|
|   |     |  | Results indicator   | Initial value   | Target value  |  |  |   |   |                                      |
| controlling spending and upgrading fiscal statistics                              |     | improve budgetary planning and strengthen control of execution of expenditure.<br>2) Establish a more efficient system of financial and statistical reporting for the purpose of improving, monitoring of operations of individual extra-budgetary users pertaining to the general government sector according to the ESA 2010 methodology, and their fiscal statistics. | macroeconomic and fiscal projections<br>2) More efficient financial and statistical reporting system                              |   |   |  |  | 3.1.2.2. Creation of bridging tables for conversion of records of business events according to the rules of entrepreneurial accounting in the budgetary accounting for certain extra-budgetary users. | Dec 2018                                      | MF                                   |
| 3.1.3. Ensuring stricter implementation of the recommendations of the state audit |     | Ensure lawful, application-specific, and purposeful use of budgetary funds as well as efficient and effective functioning of the financial management and control system.  | Reduction of number of unimplemented recommendations in relation to the year preceding the initial year of application of the Act | From the 2017 State Audit Office Work Report: Reviews of implementation of orders and recommendations encompassed 419 entities who were given, in earlier audits, in total 2,764 orders and recommendations, and determined that 879 or 31.8% of the orders and recommendations were not implemented. | 2018: a reduction of the number of unimplemented orders and recommendations by five percentage points or 26.8% is expected<br>2019: a reduction of the number of unimplemented orders and recommendations by seven percentage points or 24.8% is expected |  | State Audit Office Act                                     | 3.1.3.1. Enactment of the new State Audit Office Act.   | Oct 2018                                      | MF                                   |



| Measure  | CSR | Objective  | Measure results indicators  |   |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation                             | Activities   | Deadline for the implementation of activities | Implementing authority of activities |  |          |        |
|--|-----|--|---|---|--|--|--|--|---|--------------------------------------|--|----------|--------|
|  |     |  | Results indicator   | Initial value   | Target value   |  |  |  |   |                                      |  |          |        |
| <b>3.2. Stimulation of demographic renewal</b>   |     |  |   |   |  |  |  |  |   |                                      |  |          |        |
| 3.2.1. Improving social security of families with children and ensuring quality care for children of early and pre-school age, and promoting a work-life balance |     | 1) Facilitate an increase of the income threshold as a prerequisite for exercising the right to childcare allowance from 50% to 70% of the budgetary base in order to expand the scope of beneficiaries of childcare allowance and pro-family supplement provided for the third and the fourth child.<br>2) Improve the physical environment of pre-school institutions/kindergartens and provide high-quality available services for children in the early and pre-school education system as well as promotion of balance of professional and family life. | 1) Increase of number of childcare allowance beneficiaries<br>2) Number of newly built, expanded and furnished kindergartens<br>3) Number of kindergartens which have introduced improved services/extended kindergarten working hours (afternoon work, work in shifts, extended stays) | 1) Approximately 150,000 childcare allowance beneficiaries (153,258 beneficiaries in 2017 according to the CPII data)<br>2) 0<br>3) 0 | 1) Increase of the number of childcare allowance beneficiaries by up to 50% (it is not possible to accurately specify the number of beneficiaries)<br>2) 2018: 20<br>3) 2020: 50 | Financial assets should be provided in MLPS's items.   | 1) Government programme for the 2016–2020 term<br>2) MDFYSP's 2017–2019 Strategic Plan | 3.2.1.1. Enactment of the Amendments to the Childcare Allowance Act. | Sept 2018                                     | MDFYSP, MLPS, CPII                   |  |          |        |
|  |     |  |   |   |  | Expenditure: HRK 67.50 million (SB)  |  |  |   |                                      | 3.2.1.2. Creating infrastructure and improving the physical environment of pre-school institutions/kindergartens | Dec 2018 | MDFYSP |
|  |     |  |   |   |  | Expenditure: HRK 300 million (EU funds)  |  |  |   |                                      |  |          |        |
| <b>3.3. Improving the efficiency of the social security benefits system</b>  |     |  |   |   |  |  |  |  |   |                                      |  |          |        |
| 3.3.1. Alignment and improving the legislative framework of the social security benefits system  | 2/b | Improve the legislative framework regulating social welfare with the aim of better inclusion, adequacy and exercise of rights for the purpose of reduction of the risk of poverty and social exclusion.  | Better inclusion of beneficiaries   |   |  |  | 2018–2020 action plan for improvement of social security benefits system               | 3.3.1.1. Enactment of the Social Welfare Act.                        | Dec 2019                                      | MDFYSP                               |  |          |        |



| Measure   | CSR | Objective  | Measure results indicators  |  |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation               | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|--|---|--|--|--|--|---|---|--------------------------------------|
|   |     |  | Results indicator   | Initial value  | Target value   |  |  |   |   |                                      |
| 3.3.2. Integration of social security benefits management     | 2/b | <p>1) Ensure a transparent system of social security benefits with accessible information on the type and amount of benefits for each beneficiary.</p> <p>2) Provide guidelines for better targeting of benefits and programmes and/or creation of more efficient social welfare policies through monitoring and analysis.</p> | 1) Number of beneficiaries linked to the system for monitoring of social security benefits from the purview of the ULRSG 6 months after introduction    | 1) 0<br>2) At the local level: 2,678<br>At the state level: 15<br>3) 1 | 1) Number of beneficiaries linked to the system for monitoring of social security benefits from the purview of the ULRSG 6 months after introduction: approximately 577  | Expenditure: HRK 324,000 (SB), EUR 60,000 (EU funds)   | 2018–2020 action plan for improvement of social security benefits system | 3.3.2.1. Gathering, processing and analysis of data on social security benefits paid by the ULRSG.  | June 2018                                     | MDFYSP                               |
|   |     |  | 2) Number of data exchange agreements concluded with competent bodies for the purpose of exchange of beneficiaries' data                                |  | 2) Number of data exchange agreements concluded with competent bodies: 580 (577 ULRSG+CES+CHIF+CPII)   | Expenditure: HRK 1,100,000 (SB), EUR 220,000 (EU funds)                                      |  | 3.3.2.2. Development of a software solution and establishment of exchange of data with the CHIF, CPII, CES and ULRSG.   | Apr 2019                                      | MDFYSP, CHIF, CPII, CES, and ULRSG   |
|   |     |  | 3) New Ordinance on content and method of record-keeping and documentation as well as method and time-limits for submission of ULRSG reports is adopted |  | 3) 1   |  |  | 3.3.2.3. Drafting of the new Ordinance on content and method of record-keeping and documentation as well as method and time-limits for submission of ULRSG reports. | Dec 2018                                      | MDFYSP                               |
| 3.3.3. Provision of e-services from the social welfare system |     | Allow citizens a cost-effective and simple access to social welfare services   | Number of e-services from the social welfare system available to citizens   | 1  | 2019: Another four e-services will be established (submitting request for maternal and parental benefits, submitting requests for childcare allowance, submitting requests for personal disability benefits and submitting requests for assistance and care allowance) | Expenditure: HRK 200,000 (SB)  | 2018–2020 action plan for improvement of social security benefits system | 3.3.3.1. Facilitating the provision of services from the social welfare protection system through e-Citizens system.  | Dec 2019                                      | MDFYSP, CHIF, CPII                   |



| Measure  | CSR | Objective  | Measure results indicators   |  |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure  | Legal/administrative instruments of measure implementation        | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--|-----|--|--|--|--|---|---|--|---|--------------------------------------|
|  |     |  | Results indicator  | Initial value  | Target value   |   |   |  |   |                                      |
| <b>3.4. Ensuring the sustainability of the pension system and the adequacy of pensions</b> |     |  |  |  |  |   |   |  |   |                                      |
| 3.4.1. Encouraging a longer working life   | 2/a | Achieve sustainability of the pension system and appropriateness of pensions by longer working life and subsequent retirement and allow some categories of pensioners to generate additional income in old age along with the pension. | 1) Reduced number of pension beneficiaries<br>2) Increased average pensionable service and average age of pension beneficiaries in 2018                        | 2017: Total number of old-age pension beneficiaries is 497,971; total number of old-age pension beneficiaries for long-time insured is 19,514; total number of early-age retirement beneficiaries is 186,072 | After an expected initial mild increase in the number of pension beneficiaries complying with conditions in accordance with the currently applicable law, a gradual decrease in the number of new beneficiaries and the total number of pension beneficiaries is expected due to application of more stringent conditions in the medium term (from 2025) | Expenditure:<br>A reduction of public expenditure for pensions is expected - from 10.5% of GDP in 2017 to 10.3% in the following period.  | Amendments to the Pension Insurance Act                           | 3.4.1.1. Enactment of the Amendments to the Pension Insurance Act.                           | Dec 2018                                      | MLPS, CPII                           |
| 3.4.2. Improving the pensionable service system with extended duration                     | 2/a | Reduce the number of insured persons who have obtained the right to a pension with application of the institute of pensionable service with extended duration.   | Reduced number of pension beneficiaries who have obtained their right under the Act on Pensionable Service with Extended Duration in 2018 and subsequent years | 2017: Total number of insured persons is about 25,200  | A reduction in the number of insured persons is expected depending on the ultimate legislative solution  | Expenditure:<br>State budget expenditure for pensions of specific categories of pension beneficiaries would be gradually reduced.<br>Revenue:<br>Payment of contributions to the state budget by certain categories of insured persons, and thereby budget revenue, would be reduced. | Amendments to the Act on Extended Duration of Pensionable Service | 3.4.2.1. Enactment of the Amendments to the Act on Extended Duration of Pensionable Service. | Dec 2018                                      | MLPS, CPII                           |
| 3.4.3. Improvements to the capitalised pension system                                      |     | 1) Ensure security of pensions and better protection of members and beneficiaries of the   | 1) Increased number of members of open and closed pension funds<br>2) Increase in number of  | 1) At the moment, there are 8 open voluntary pension funds including 285,775 members and   | 1) An increase in the number of members of open and closed pension funds is expected   |   | Amendments to the Voluntary Pension Funds Act                     | 3.4.3.1. Enactment of the Amendments to the Voluntary Pension Funds Act.                     | Dec 2018                                      | MRMS, HANFA, REGOS                   |



| Measure | CSR | Objective   | Measure results indicators                                |  |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|---------|-----|---|---|--|--|--|--|--|---|--------------------------------------|
|         |     |   | Results indicator   | Initial value  | Target value   |  |  |  |   |                                      |
|         |     | pension system through new management requirements, better assessment of own risks according to the Regulation on activities and supervision of institutions for professional pension insurance, new requirements for use of a depositary and increased authority of the supervising body.<br>2) Facilitate better assessment of capital investment risks, strengthen the authority of the supervising body, allow greater dispersiveness of investments by pension insurance companies through the regulatory framework. | pension beneficiaries from the capitalised pension system | 19 closed voluntary pension funds which include 30,409 members<br>2) Approximately 11,500 pension beneficiaries from voluntary pension funds | 2) From 2019, depending on the legislative solution, an increase in pension beneficiaries from voluntary and mandatory pension funds is expected |  | Amendments to the Pension Insurance Companies Act          | 3.4.3.2. Enactment of the Amendments to the Pension Insurance Companies Act. | Dec 2018                                      | MRMS, HANFA, REGOS                   |

### 3.5. Ensuring financial stability, sustainability and quality of the healthcare system

|  |  |   |  |  |  |   |  |   |           |          |
|--|--|---|--|--|--|---|--|---|-----------|----------|
| 3.5.1. Functional merging of hospitals – centres of excellence |  | 1) Raise quality of healthcare, optimise hospital healthcare system resources, ensure financial stability of the healthcare system and equip outpatient clinics.<br>2) Increase quality of healthcare services in the long term through the functional merger of hospitals. | 1) Greater availability of healthcare services<br>2) Reduction of duplication of appointment scheduling and duplication of procedures<br>3) Reduction of waiting lists<br>4) Better patient treatment outcomes due to concentration of | 1) 2015–2016 National Plan for the Development of Clinical Hospitals, Clinics and General Hospitals<br>2) Current network of public healthcare service<br>3) 6 concluded agreements on functional integration of hospitals | 1) Functional merger of 5 additional hospitals (also through conclusion of agreements)<br>2) Establishment of excellence centres in individual hospitals at the regional and national level<br>3) More efficient management of human resources, stimulation of | It shall be performed using the regular funds received by hospital institutions from the CHII pursuant to a contract. | 1) National Hospital Development Plan<br>2) Agreements on functional hospital integration<br>3) Healthcare Act | 3.5.1.1. Development of the National Hospital Development Plan (with functional integration parameters included). | June 2018 | MH, CHIF |
|  |  |   |  |  |  |   |  | 3.5.1.2. Enactment of legislation and subordinate legislation for determination of criteria for establishment of  | Dec 2018  | MH, CHIF |



| Measure  | CSR | Objective  | Measure results indicators  |               |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation  | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--|-----|--|---|---------------|---|--|---|--|---|--------------------------------------|
|  |     |  | Results indicator   | Initial value | Target value  |  |   |  |   |                                      |
|  |     | 3) Form centres of excellence in individual hospitals which shall result in better patient treatment outcomes.<br>4) Stimulate physicians with the aim of retaining them in Croatia.   | experts and medical equipment in one place<br>5) Reduction of drain of young physicians |               | physicians which will contribute to greater work satisfaction |  |   | excellence centres.  |   |                                      |
|  |     |  |   |               |   |  |   | 3.5.1.3. Legal regulation of performance of functional integration of hospitals (conclusion of agreements on functional integration of hospitals also defining activities performed by hospitals). | Dec 2018                                      | MH, CHIF                             |
|  |     |  |   |               |   |  |   | 3.5.1.4. Enactment of the new Healthcare Act, regulation of rewards for employees for above-average work results in healthcare by means of a regulation.   | Dec 2018                                      | MH, CHIF                             |
| 3.5.2. Unified procurement of medications, consumables, implants and medical equipment |     | 1) Achieve savings on an annual level which should be invested in improving services and treatment of patients.<br>2) Ensure an increase of efficiency, better data, reduction of duplication of work, central control and ability to better manage the healthcare system. | Saving in implementation of unified shared public procurement by additional 2.8%        | 7.20%         | 10.00%  | Expenditure: Achievement of savings on an annual level of about HRK 100 million.             | Decision on performance of unified public procurement of medications, consumables, implants and medical equipment | 3.5.2.1. Performance of procedures of unified public procurement of medications, consumables, implants and medical equipment.  | Dec 2018                                      | MH                                   |



| Measure   | CSR | Objective   | Measure results indicators  |  |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation   | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|---|---|--|---|--|--|---|---|--------------------------------------|
|   |     |   | Results indicator   | Initial value  | Target value  |  |  |   |   |                                      |
| 3.5.3. Introduction of a central management system for managing the organisational structure of the healthcare system |     | Reduce waiting lists, ensure monitoring and planning of the object of the contract which shall result in streamlining utilisation of hospital capacity and increased efficiency.  | 1) Reduction of waiting lists and control of contracted and performed procedures<br>2) Number of institutions included in the central management system | 0  | 1) 70% of contracted institutions providing services<br>2) 83 | There shall be no financial effects in 2018.   | Contract concluded between the CHIF and healthcare providers | 3.5.3.1. Connecting all hospitals to a central calendar where the MH and the CHIF have the ability to inspect and manage waiting lists pursuant to the object of the contract (quantity of exams, diagnostics). | Jan 2019                                      | MH, CHIF                             |
|   |     |   |   |  |   |  |  | 3.5.3.2. Inclusion of institutions in the central management system.  | Dec 2018                                      | MH                                   |
| 3.5.4. Introduction of clinical (diagnostic - therapeutic) guidelines   |     | Improve quality and efficiency of the healthcare system in Republic of Croatia through devising, creation, and application of clinical (diagnostic and therapeutic) guidelines for specific fields of medicine whose application shall streamline costs of the healthcare system, reduce the number of unindicated diagnostic examinations, and consequently reduce waiting lists and increase legal certainty of hospitals and patients. | Number of created guidelines  | There are no recommending national clinical guidelines           | 9 guidelines  | Preparation of a Summary of operation is in progress and it shall define the project budget. |  | 3.5.4.1. Creation of clinical guidelines (algorithms - block diagrams) in accordance with international methodology examples.   | Dec 2021                                      | MH, CHIF                             |
| 3.5.5. Introduction of a new system to determine prices   |     | 1) Regulate the medication market and define prices of all  | 1) Inclusion of new medications in the CHIF list of medications and   | 1a) Financial amount of cost of medication in 2017: prescription | 1) Retention of expenditure for medications within the        |  | Amendments to the Medications Act                            | 3.5.5.1. Enactment of the Amendments to the Medications Act.  | June 2018                                     | MH, CHIF, HALMED                     |



| Measure   | CSR | Objective   | Measure results indicators   |  |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation   | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|---|--|--|---|--|--|--|---|--------------------------------------|
|   |     |   | Results indicator  | Initial value  | Target value  |  |  |  |   |                                      |
| of medicines and harmonisation of prices of orthopaedic devices |     | prescription medicines taking into account algorithms and recommendations of professional societies to optimise treatment, especially in the segment of especially expensive medications - medications for rare illnesses and oncological therapies with the aim of maintenance of sustainability of the healthcare system. 2) Streamline expenses for medical products (orthopaedic aids) and include new, more efficient medical products (orthopaedic aids). | replacement of the less effective therapy options with more optimal ones offering a greater percentage of healing, lower mortality rate and better quality of living<br>2) Streamlining the costs for orthopaedic aids | medications - HRK 3.09 billion and especially expensive medications HRK 1.009 billion<br>1b) Number of new medication molecules on the list: 38, including 20 new molecules of especially expensive medications on the list<br>2) Expenditure for aids paid by the CHIF in 2017: HRK 945.4 million | confines allowing sustainability of the healthcare system, i.e. facilitation of optimal therapy options for as many patients as possible<br>2) Number of newly included new generation aids in the CHIF list within the confines of the existing financial capacity |  | 1) Regulation on determination of the maximum price of medication on the Croatian market<br>2) Regulation on inclusion and referring of prices on the CHIF list  | 3.5.5.2. Adoption of the Regulation on determination of the maximum price of medications on the Croatian market and the Regulation on inclusion and referring of medications prices on the CHIF list.                          | Dec 2018                                      | MH, CHIF, HALMED                     |
|   |     |   |  |  |   |  | Regulation on inclusion and referring of prices on the CHIF list   | 3.5.5.3. Establishment of criteria for inclusion of new medications in the List of especially expensive medications and definition of criteria for removal of medications from the list.                                       | Dec 2018                                      | CHIF, MH                             |
|   |     |   |  |  |   |  | Regulation on measures for inclusion of medical products (orthopaedic aids) in the CHIF list of aids and determination of prices of orthopaedic aids included in the CHIF list and corresponding internal CHIF documents | 3.5.5.4. Adoption of a new Regulation on measures for inclusion of medical products (orthopaedic aids) in the CHIF list of aids as well as criteria for determination of prices of orthopaedic aids included in the CHIF list. | Sept 2018                                     | MH, CHIF                             |
| 3.5.6. Development of health tourism                            |     | 1) Develop health tourism in entire Republic of Croatia considering uniform regional distribution of special hospitals and health resorts.  | Increase capacity through development of infrastructure  | 9 special hospitals and health resorts   | 18 special hospitals and health resorts   | Expenditure: 2018: HRK 1.5 million   | 1) Action plan for development of health tourism<br>2) Healthcare Act  | 3.5.6.1. Award of funds for project documentation to all special hospitals and health resorts on the basis of a public call for proposals.   | Dec 2018                                      | MH                                   |



| Measure                             | CSR | Objective   | Measure results indicators   |  |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure                                 | Legal/administrative instruments of measure implementation   | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|-------------------------------------|-----|---|--|--|---|--|--|--|---|--------------------------------------|
|                                     |     |   | Results indicator  | Initial value  | Target value  |  |  |  |   |                                      |
|                                     |     | 2) Achieve increased quality of healthcare services in the long term, and thereby also an increased utilisation of capacity by means of refurbishment of special hospitals and health resorts.  |  |  |   |  |  | 3.5.6.2. Legal regulation of health tourism.   | June 2018                                     | MH                                   |
| 3.5.7. Improving primary healthcare |     | 1) Strengthen PHC, increase quality and availability of healthcare services at the primary level of healthcare while providing more diagnostic and therapy procedures.<br>2) Increase knowledge and skills of general/family medicine, expand competencies of nurses.<br>3) Reduce unnecessary burden of unified emergency hospital admission to the level of specialist council and hospital healthcare.<br>4) Equalise status of contractual selected physicians. | 1) Creation of legal basis for obligation of participation of selected physicians on standby duty and uniforming of status of selected PHC physicians.<br>2) Number of medical doctors pursuing specialisation in the PHC financed using EU funds<br>3) Number of performed trainings of PHC workers | 1) The existing legislative regulation, CHIF acts and contracts on implementation of healthcare protection from the mandatory healthcare insurance<br>2) 0<br>3) 1 | 1) New normative regulation of the field of PHC<br>2) 186<br>3) 3 | Expenditure:<br>Reduction of the PHC referrals to the secondary level of healthcare by 15% shall result in smaller expenses. | Healthcare Act   | 3.5.7.1. Enactment of the Healthcare Act.  | June 2018                                     | MH, CHIF                             |
|                                     |     |   |  |  |   |  | Decision on Amendments to the Decision on the bases for conclusion of contracts on performance of healthcare protection from the scope of mandatory healthcare insurance | 3.5.7.2. Adoption of the Decision on Amendments to the Decision on the bases for conclusion of contracts on performance of healthcare protection from the scope of mandatory healthcare insurance. | Dec 2018                                      | MH, CHIF                             |
|                                     |     |   |  |  |   |  | Contracts on performance of healthcare protection from mandatory healthcare insurance at the level of primary healthcare protection                                      | 3.5.7.3. Conclusion of Contracts on performance of healthcare protection from mandatory healthcare insurance at the level of primary healthcare protection for the following period.               | Dec 2018                                      | MH, CHIF                             |
|                                     |     |   |  |  |   |  | Grant Agreements   | 3.5.7.4. Financing the specialist training of medical doctors in the PHC from EU funds.  | Dec 2018                                      | MH                                   |
|                                     |     |   |  |  |   |  |  | 3.5.7.5. Financing of additional professional training of PHC medical  | Dec 2018                                      | MH                                   |



| Measure   | CSR | Objective   | Measure results indicators  |                           |                             | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation                     | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|---|-----|---|---|---------------------------|-----------------------------|--|--|--|---|--------------------------------------|
|   |     |   | Results indicator   | Initial value             | Target value                |  |  |  |   |                                      |
|   |     |   |   |                           |                             |  |  | doctors, emergency medicine workers and nurses using EU funds.   |   |                                      |
| 3.5.8. Transformation of the healthcare system through use of telemedicine services               |     | 1) Increase availability and quality of healthcare services, better distribute the burden of healthcare workers (reduce number of standby duties), patients (reduce the number of days lost to travel to the place of examination), reduce the cost of travel (CHIF - compensation of travel costs).<br>2) Provide more available, timely and better-quality healthcare and reduce the burden on the healthcare system through sharing of resources through the telemedicine system (reduction of number of standby/on-call duties).<br>3) Streamline use of diagnostic facilities. | 1) Increase the number of telemedicine services at the annual level<br>2) Increase the number of hospitals using telemedicine services for determination of patient blood group<br>3) Increase the number of healthcare institutions using telemedicine services for transfer of medical documentation/images in cases of transport of patients | 1) 30,000<br>2) 1<br>3) 0 | 1) 37,000<br>2) 10<br>3) 15 | Expenditure:<br>Assessment of the total reduction of expenditure by HRK 18 million.          |  | 3.5.8.1. Development and adoption of an incentivising price list of telemedicine service and its acceptance by the CHIF. | Oct 2018                                      | CHIF, MH, CITM                       |
|   |     |   |   |                           |                             |  |  | 3.5.8.2. Connecting hospitals with the CITM through telemedicine centres network.  | Dec 2018                                      | CITM, MH                             |
|   |     |   |   |                           |                             |  |  | 3.5.8.3. Establishment of sharing of medical documentation using the telemedicine system.                                | Dec 2018                                      | CITM, hospitals, MH                  |
| 3.5.9. Efficient organisation and networking of transfusion activities in the Republic of Croatia |     | Streamline consumption of blood preparations through improvement of diagnostic facilities, human resources and time frame.  | Increase of the number of healthcare institutions which have integrated HISes and e-Delphyn   | 4                         | 9                           |  |  | 3.5.9.1. Integration of national transfusion programme (e-Delphyn) with hospital information systems (HIS).              | Dec 2018                                      | MH, hospitals, CITM                  |
| 3.5.10. Improving the management of non-medical activities  |     | Increase the quality of non-healthcare activities and optimise costs through an increase of productivity and  | Reduction of costs of non-healthcare activities in 14 selected hospitals  | HRK 303 million           | 2018: 5% decrease           | Expenditure:<br>Reduction of costs by HRK 16 million in 2018.                                | Decision of the hospital administrative council on adoption of the action plan | 3.5.10.1. Adoption and start of implementation of action plans for implementation of                                     | Dec 2018                                      | MH and 14 healthcare institutions    |



| Measure | CSR | Objective   | Measure results indicators |               |              | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation  | Activities | Deadline for the implementation of activities | Implementing authority of activities |
|---------|-----|-------------|----------------------------|---------------|--------------|--|---|------------|---|--------------------------------------|
|         |     |             | Results indicator          | Initial value | Target value |  |   |            |   |                                      |
|         |     | efficiency. |                            |               |              |  | proposed changes and better management of non-healthcare activities by hospitals.                             |            |   |                                      |
|         |     |             |                            |               |              | Ordinance on healthcare quality standards and method of their application                    | 3.5.10.2. Adoption of standards and guidelines for better management of quality of non-healthcare activities. | June 2018  | MH  |                                      |



## ANNEX 2: MEASURES FOR ACHIEVING THE OBJECTIVES OF THE EUROPE 2020 STRATEGY

| National objective   | Measure   | Measure results indicators  |  |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure  | Legal/administrative instruments of measure implementation  | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--|---|---|--|--|---|---|--|---|--------------------------------------|
|  |   | Results indicator   | Initial value  | Target value   |   |   |  |   |                                      |
| <b>1. EMPLOYMENT</b>   |   |   |  |  |   |   |  |   |                                      |
| 1.1. To increase the employment rate to 65.2% for men and women aged 20–64, especially through greater participation of youth, older workers and persons with lower education. | 1.1.1. Implementation of active employment policy measures                                  | Increased number of persons included in active employment policy measures   | 2017: Total number of persons included in the active employment policy measures was 33,037:<br>1) Employment grants - 5,140<br>2) Self-employment grants - 3,452<br>3) Traineeship grants - 0<br>4) Education measures - 3,707 | 2018: in total, inclusion of 49,647 persons is expected:<br>1) Employment grants - 8,076<br>2) Self-employment grants - 4,712<br>3) Traineeship grants - 9,196<br>4) Education measures - 11,053 | 2018: HRK 1.60 billion:<br>1) Employment grants - HRK 346.51 million<br>2) Self-employment grants - HRK 160.71 million<br>3) Traineeship - presented aggregated in the employment grants<br>4) Education measures - HRK 92.67 million (SB), HRK 123.07 million (EU funds) | 1) 2018–2020 Guidelines for development and implementation of active employment policy<br>2) Conditions and method of use of funds for the implementation of Active Employment Policy Measures from the jurisdiction of CES in 2018 | 1.1.1.1. Inclusion of unemployed persons in the labour market through the employment support measure.            | Dec 2018                                      | MLPS, CES                            |
|  |   |   |  |  |   |   | 1.1.1.2. Inclusion of unemployed persons in the labour market through the self-employment support measure.       | Dec 2018                                      | MLPS, CES                            |
|  |   |   |  |  |   |   | 1.1.1.3. Inclusion of unemployed persons through the traineeship measure.  | Dec 2018                                      | MLPS, CES                            |
|  |   |   |  |  |   |   | 1.1.1.4. Inclusion of unemployed persons with insufficient or inadequate qualifications in education measures.   | Dec 2018                                      | MLPS, CES                            |
| <b>2. RESEARCH AND DEVELOPMENT</b>   |   |   |  |  |   |   |  |   |                                      |
| 2.1. Improve the research and development environment, particularly with the goal of raising the level of combined   | 2.1.1. Strengthening the national innovation system and innovation potential of the economy | 1) Number of entrepreneurs who are approved incentives through tax breaks for investments in research and development<br>2) Number of | 1) Value of projects for which the tax break was obtained: HRK 616.7 million for 139 beneficiaries (MSE, 2014)<br>2) Number of projects in cooperation with scientific and research  | 1) At least 50% increase in the number of projects of cooperation with scientific and research institutions<br>2) 7% increase in number of projects encouraging                                  | Expenditure:<br>1) HRK 1.5 billion in 2018–2020 (ESIF) for incentives for private investment in research and development and HRK 53 million (SB) for verification of the innovative research and  | 1) Decision on establishment of the National Innovation Council<br>2) Act on the State Aid for Research and Development Projects<br>3) Ordinance on criteria for obtaining of state aid   | 2.1.1.1. Adoption of the Act on the State Aid for Research and Development Projects.                             | June 2018                                     | MEC                                  |
|  |   |   |  |  |   |   | 2.1.1.2. Adoption of the Ordinance on criteria for obtaining of state aid for research and development projects. | July 2018                                     | MEC                                  |



| National objective   | Measure   | Measure results indicators  |   |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure  | Legal/administrative instruments of measure implementation  | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--|---|---|---|---|---|---|--|---|--------------------------------------|
|  |   | Results indicator   | Initial value                                     | Target value  |   |   |  |   |                                      |
| public and private investments in the R&D sector by 1.4% of GDP. |   | projects of cooperation with scientific and research institutions<br>3) Increase of total expenditure for science and research as proportion of GDP | institutions: 0 (not monitored)<br>3) 2016: 0.84% | investment in research and development<br>3) 2019: 1% | development concept.<br>2) In 2018: HRK 2 million (SB) for evaluation of support applications.<br>Revenue:<br>1) A positive effect on budget income is expected due to increased productivity and income from new products and services on the market generated from state aid.<br>2) Since incentives also pertain to tax relief in relation to the income base, a decrease of company profit tax revenue is also possible.<br>3) Contribution to medium-term growth of total budget revenue may be expected due to increased exports, investments and employment. | for research and development projects   | 2.1.1.3. Innovation vouchers.  | May 2018                                      | MEC                                  |
|  |   |   |   |   |   |   | 2.1.1.4. Innovations of newly established SMEs - phase 2   | June 2018                                     | MEC                                  |
|  |   |   |   |   |   |   | 2.1.1.5. Grant scheme integrator.  | Sept 2018                                     | MEC                                  |
|  |   |   |   |   |   |   | 2.1.1.6. Verification of the innovative concept for the private sector.  | Sept 2018                                     | MEC                                  |
|  |   |   |   |   |   |   | 2.1.1.7. Innovations in the fields of smart specialisation (S3).   | Dec 2018                                      | MEC                                  |
|  |   |   |   |   |   |   | 2.1.1.8. RDI call for proposals, phase 2   | Dec 2018                                      | MEC                                  |
|  |   |   |   |   |   |   | 2.1.1.9. Enactment of the Scientific Activity and Higher Education Act.  | Apr 2019                                      | MSE                                  |
|  | 2.1.2. Strengthening human resources in science | 1) Number of applications of international scientific - research projects in which scientific organisations from Republic of Croatia                | 1) 2016: 1991<br>2) 330                           | 1) 2018: 2,500<br>2) 2018: 480                        | Expenditure:<br>1) 2018: HRK 7.37 million (SB)<br>2) 2020: HRK 14.4 million (SB)  | 1) 2018–2020 Strategic Plan of the MSE<br>2) 2017–2020 Action plan for mobility of researchers<br>3) Decision on encouraging applications for | 2.1.2.1. Financing of activities with the objective of encouraging applications for international competitive projects within the framework of | Dec 2018                                      | MSE                                  |



| National objective | Measure   | Measure results indicators   |               |                      | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure  | Legal/administrative instruments of measure implementation   | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|--------------------|---|--|---------------|----------------------|---|--|---|---|--------------------------------------|
|                    |   | Results indicator  | Initial value | Target value         |   |  |   |   |                                      |
|                    |   | are taking part (Horizon 2020)<br>2) Number of young scientists employed in the science system in 2018 through the “Young researchers’ career development project – training of doctoral students”   |               |                      |   | international competitive projects within the framework of the Horizon 2020 Framework Programme for Research and Innovation  | the Horizon 2020 Framework Programme for Research and Innovation  |   |                                      |
|                    |   |  |               |                      | Expenditure:<br>Total value of EUR 10.60 million for the entire period of duration of the project (85% ESF, 15% SB).  | 1) Strategy for Education, Science and Technology<br>2) 2017–2020 Action plan for mobility of researchers<br>3) 2014–2018 Strategic plan of the Croatian Science Foundation<br>4) Grant Agreement of 21 December 2017, OPEHR | 2.1.2.2. Employment of young scientists through the “Young researchers’ career development project – training of doctoral students” within the OPEHR.         | Jan 2019                                      | MSE, CSF                             |
|                    | 2.1.3. Strengthening of the national research infrastructure with public access | 1) Number of commenced projects for establishment of an information system for recording, monitoring and encouraging transparent use and connecting capital equipment in the Croatian science system<br>2) European Space Agency membership of the Republic of Croatia<br>3) Full CERN membership of the Republic of Croatia | 0             | 1) 1<br>2) 1<br>3) 1 | There are no effects on the SB as the scientific research equipment record database has already been established in the Šestar database and this measure encourages harmonisation of procurement of equipment at the national level.<br><br>There are no effects on the SB as no membership fee payments or further investments are expected in the first 5 years of membership in the European Space Agency. | 1) 2016–2018 Plan of development of research infrastructure in the Republic of Croatia<br>2) Minister’s instruction on recording and updating records on scientific research equipment in the Šestar database                | 2.1.3.1. Recording use of research infrastructure in the Republic of Croatia.   | Sept 2018                                     | MSE                                  |
|                    |   |  |               |                      |   | Decision on commencement of the procedure for conclusion of an Agreement between the Republic of Croatia and the European Space Agency on space co-operation for peaceful  | 2.1.3.2. Signing and ratification of the Agreement between the Republic of Croatia and the European Space Agency on space co-operation for peaceful purposes. | June 2018                                     | MSE                                  |



| National objective  | Measure   | Measure results indicators   |   |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure         | Legal/administrative instruments of measure implementation   | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|---|---|--|---|---|--|--|---|---|--------------------------------------|
|   |   | Results indicator  | Initial value   | Target value  |  |  |   |   |                                      |
|   |   |  |   |   |  | purposes of 2 November 2017  |   |   |                                      |
|   |   |  |   |   | Expenditure: HRK 7.37 million (SB) annually in 2018 and HRK 22.1 million (SB) annually in 2018–2020. | 1) 2016–2018 Plan of development of research infrastructure in the Republic of Croatia<br>2) Agreement on accession of the Republic of Croatia to CERN | 2.1.3.3. Signing of the Agreement on accession of the Republic of Croatia to CERN.  | Dec 2018                                      | MSE                                  |
| <b>3. CLIMATE CHANGE AND ENERGY SUSTAINABILITY</b>  |   |  |   |   |  |  |   |   |                                      |
| 3.1. Reduce greenhouse gas emissions in comparison to 1990 levels and/or limit emissions from the sector outside the trading system by up to + 11% in relation to 2005 emissions. | 3.1.1. Limitation of emission of greenhouse gases by the national annual quota for sectors outside the Emissions Trading System | Lower emissions of greenhouse gasses expressed in tonnes of carbon dioxide equivalent than the national annual quota | The level of greenhouse gases in sectors outside the Emissions Trading System in 2005 is 17.4 Mt CO <sub>2</sub> eq | The restriction of growth of greenhouse gas emissions from the sector outside the trading system by up to 11% in relation to the 2005 level | Measures are financed using funds generated from auctions within the trading system.                 | Air Protection Act   | 3.1.1.1. Control of compliance with obligations through annual monitoring of emissions of greenhouse gasses               | Apr 2019                                      | MEE                                  |
|   | 3.1.2. Transition to a circular economy   | Reduction of disposal of solid municipal waste   | 80%   | 2035: 25%   |  | Introduction of a waste disposal fee   | 3.1.2.1. Adoption of the Regulation on the manner and conditions for determining the status of waste landfill compliance. | Dec 2019                                      | MEE, EPEEF, COA                      |



| National objective  | Measure  | Measure results indicators   |                                    |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure  | Legal/administrative instruments of measure implementation   | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|---|--|--|------------------------------------|--|---|--|---|---|--------------------------------------|
|   |  | Results indicator  | Initial value                      | Target value   |   |  |   |   |                                      |
| 3.2. Increase the share of renewable energy sources in gross total energy consumption to 20%. | 3.2.1. Promotion of use of energy from renewable sources                 | Sectoral and total shares and actual energy consumption from RES and lower emission of greenhouse gasses | 2011: 25.4%                        | RES, according to EUROSTAT, account for 29% for the Republic of Croatia in 2016 and thereby the objective is met | 1) The measure of encouraging the production of electrical power from RES is financed using funds obtained through fees paid by users. They are collected by HROTE in its special transit account and using the collected fees, once a month, it pays preferential producers for the produced electrical power from RES in accordance with concluded contracts. 2) For the measure concerning use of biofuels in transport, the entities required to market biofuels pay a fee for failure to market biofuels to the EPEEF's account. | 1) Renewable Energy Sources and High-Efficiency Cogeneration Act<br>2) Amendments to the Transport Biofuels Act    | 3.2.1.1. Enactment of amendments to the legislative acts and subordinate legislation related to RES and biofuels.           | Dec 2018                                      | MEE, HROTE                           |
| 3.3. Increase energy efficiency by 20%.   | 3.3.1. Introduction of energy efficiency obligation schemes              | Level of energy savings through energy efficiency measures   |                                    | Savings in direct consumption of energy  |   | 1) Amendments to the Energy Efficiency Act<br>2) Ordinance on energy efficiency obligation schemes                 | 3.3.1.1. Enactment of the Amendments to the Energy Efficiency Act.  | Aug 2019                                      | MEE                                  |
|   |  |  |                                    |  |   |  | 3.3.1.2. Adoption of the Ordinance on energy efficiency obligation schemes.   | Oct 2019                                      | MEE                                  |
|   | 3.3.2. Encouraging energy efficiency of residential and public buildings | 1) Number of households with improved energy consumption classification<br>2) Reduction of               | 1) 0<br>2) 3,224,609<br>3) 185,535 | 1) 4,000<br>2) 5,000,000<br>3) 205,500   | The activity shall result in lower costs of heating/cooling incurred by the owners/users of residential and public  | 1) Programme of energy retrofitting of apartment buildings<br>2) Programme of energy retrofitting of family houses | 3.3.2.1. Implementation of existing programmes of energy retrofitting of residential and public buildings using ESIF funds. | Dec 2018                                      | MCPP                                 |



| National objective  | Measure  | Measure results indicators  |               |              | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation  | Activities  | Deadline for the implementation of activities  | Implementing authority of activities  |          |
|---|--|---|---------------|--------------|--|---|---|--|---|----------|
|   |  | Results indicator   | Initial value | Target value |  |   |   |  |   |          |
|   |  | annual consumption of primary energy in public buildings [kWh/year]<br>3) Number of energy certificates |               |              | buildings.   | 3) Programme of energy retrofitting of public sector buildings<br>4) OPCC   | 3.3.2.2. Amendments to the Programme of energy retrofitting of apartment buildings. | June 2018  | MCPP  |          |
|   |  |   |               |              |  |   |   | 3.3.2.3. Amendments to the Programme of energy retrofitting of family houses.                          | Dec 2018  | MCPP     |
|   |  |   |               |              |  |   |   | 1) Energy Performance of Buildings Directive (EPBD)<br>2) Construction Act<br>3) Energy Efficiency Act | 3.3.2.4. Adoption of the National Energy Certificate Information System (IEC) | Dec 2020 |
| <b>4. EDUCATION</b>   |  |   |               |              |  |   |   |  |   |          |
| 4.1. Improve the level of education, particularly by reducing the school drop-out rate and increasing the share of population aged 30–34 who have completed tertiary education to at least 35%. | 4.1.1. Implementation of the scholarship programme for students of a lower socio-economic status | Increasing the share of population aged 30–34 who completed tertiary education                          | 25.09%        | 35%          | Expenditure: HRK 108 million (ESF)   | Ordinance on conditions and method of exercising the right to state scholarship on the basis of socio-economic status   | 4.1.1.1. Award of scholarships for students with lower socio-economic status.       | Oct 2018   | MSE   |          |
|   |  |   |               |              | Expenditure: HRK 36.72 million (ESF)   | Amendments to the Ordinance on conditions and method of exercising the right of full-time students to state scholarship in fields of STEM sciences  | 4.1.1.2. Introduction of scholarships for STEM areas                                | Oct 2018   | MSE   |          |
|   |  |   |               |              | Expenditure: HRK 217.85 million (ERDF); HRK 38.45 million (SB)                               | 1) Partnership Agreement between the Republic of Croatia and the European Commission on use of ESIFs for growth and jobs in 2014–2020<br>2) OPCC<br>3) Strategy for Education, Science and Technology | 4.1.1.3. Providing student accommodation capacities.                                | Dec 2018   | MSE   |          |

| National objective  | Measure   | Measure results indicators   |               |                              | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure                                     | Legal/administrative instruments of measure implementation  | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|---|---|--|---------------|------------------------------|--|---|--|---|--------------------------------------|
|   |   | Results indicator  | Initial value | Target value                 |  |   |  |   |                                      |
| <b>5. REDUCTION OF POVERTY AND SOCIAL EXCLUSION</b>   |   |  |               |                              |  |   |  |   |                                      |
| 5.1. Promote social inclusion, in particular through the reduction of poverty, in order to reduce the number of persons at risk of poverty and social exclusion by 150,000. | 5.1.1. Providing humanitarian aid in kind and other support programmes to the most deprived             | Number of persons who received assistance in kind financed through FEAD projects   |               | 80,000                       | Total value of the projects amounts to HRK 74 million, out of which HRK 56.43 million have been provided (85% EU funds, 15% SB). | 1) Government decision on confirmation of the Operational programme for food and/or basic material assistance in 2014–2020<br>2) Decision on bodies in the System of management, implementation and control of use of the FEAD within the framework of the Operational programme for food and/or basic material assistance in 2014–2020 | 5.1.1.1. Implementation of the “Ensuring school meals for children at the risk of poverty” project.  | Dec 2018                                      | MDFYSP                               |
|   |   |  |               |                              |  |   | 5.1.1.2. Implementation of the “Amelioration of poverty through assistance to the most endangered persons through distribution of food and/or basic material aid” project.             | Dec 2018                                      | MDFYSP                               |
|   | 5.1.2. Establishment of a coordinated support system for groups at risk of poverty and social exclusion | 1) Developed IT system for monitoring and evaluation of social programmes compatible with the existing MDFYSP database<br>2) New poverty monitoring indicators are established<br>3) New social programmes and evaluation methodology<br>4) Professional support and | 0             | 1) 1<br>2) 1<br>3) 2<br>4) 1 | Total value of the project is EUR 1.1 million (95% transitional instrument, 5% SB).  | Twinning agreement on implementation of “Strengthening the Institutional Capacities of the Social Welfare System to Improve the Opportunities/Routing of the Social Welfare Programme and Reducing Poverty” project   | 5.1.2.1. Development of a software solution and development of a social programme monitoring and evaluation IT system.   | Sept 2018                                     | MDFYSP                               |
|   |   |  |               |                              |  |   | 5.1.2.2. Development and dissemination of the final version of a checklist for early identification of families and children at risk of poverty through analysis of formed indicators. | Sept 2018                                     | MDFYSP                               |



| National objective | Measure   | Measure results indicators                                       |  |                         | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure   | Legal/administrative instruments of measure implementation | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--------------------|---|--|--|-------------------------|--|--|--|---|--------------------------------------|
|                    |   | Results indicator  | Initial value  | Target value            |  |  |  |   |                                      |
|                    |   | monitoring of application of child poverty monitoring indicators |  |                         |  |  | 5.1.2.3. Development of two social programmes in two pilot-counties for which the need specific programmes to reduce the risk of child poverty was determined. | Sept 2018                                     | MDFYSP                               |
|                    |   |  |  |                         |  |  | 5.1.2.4. Continuous professional support to social welfare centres in the application of indicators and quarterly monitoring and analysis of collected data.   | Dec 2018                                      | MDFYSP                               |
|                    | 5.1.3. Development of quality foster care and development of services of accommodation in foster families | Increased number of foster families                              | 1) 3,049 foster families: 1,492 foster families for children and youths and 1,557 foster families for adults and elderly persons<br>2) 2,342 users are placed in foster families for children and youths and 4,459 users in foster families for adults and elderly persons | 5% more foster families | 1) For reimbursements for accommodation in foster families: for 2018, funds have been provided in the amount of HRK 183 million (the same amount is available for 2019 and 2020).<br>2) For personal reimbursements for foster carers: for 2018, funds have been provided in the amount of HRK 45.55 million (the same amount is available for 2019 and 2020). | Foster Care Act  | 5.1.3.1. Enactment of the new Foster Care Act.   | Sept 2018                                     | MDFYSP                               |



| National objective   | Measure   | Measure results indicators  |                 |                  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure   | Legal/administrative instruments of measure implementation   | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|--|---|---|-----------------|------------------|--|--|---|---|--------------------------------------|
|  |   | Results indicator   | Initial value   | Target value     |  |  |   |   |                                      |
|  |   |   |                 |                  | The project implementation funds are provided by UNICEF.   | Cooperation agreement between UNICEF and the MDFYSP with cooperation of the Croatian Association of Social Workers   | 5.1.3.2. Implementation of the project aimed at standardisation of the process of assessment, licencing, education of and support to foster families and organisation of a child foster care promotion campaign.  | Dec 2020                                      | MDFYSP                               |
|  | 5.1.4. Intensifying the process of deinstitutionalisation and transformation of social welfare homes                          | Number of transformed social welfare institutions   | 10              | 12               | 1) HRK 198 million is provided within the OPEHR (85% EU funds, 15% SB).<br>2) HRK 251.84 million is provided within the OPCC (85% EU funds, 15% SB). | Decision of the Government of the Republic of Croatia to confirm the OPEHR   | 5.1.4.1. Creation of individual plans of social welfare institutions.   | Dec 2018                                      | MDFYSP                               |
| 5.1.4.2. Development of project proposals in support of the process and transformation.                                  |   |   |                 |                  |  |  | Dec 2018  | MDFYSP  |                                      |
| 5.1.4.3. Providing infrastructure and staff for the purpose of performance of transformation and deinstitutionalisation. |   |   |                 |                  |  |  | Dec 2018  | MDFYSP  |                                      |
|  | 5.1.5. Financing of long-term projects and programmes with the aim of developing and expanding the network of social services | 1) Number of agreements concluded with service providers<br>2) Number of agreements concluded with associations | 1) 28<br>2) 133 | 1) 128<br>2) 161 | Total value of the project amounts to HRK 110.15 million, out of which HRK 67.60 million have been provided (85% EU funds, 15% SB).                  | 1) Act on Establishment of an Institutional Framework for Implementation of ESIF in the Republic of Croatia in the Financial Period 2014–2020<br>2) Regulation on bodies in the ESF, ERDF and Cohesion Fund management and control systems | 5.1.5.1. Implementation of projects aimed at expanding social services in the community by social service providers (social welfare institutions, associations, religious communities, foundations, ULRS, international organisations and national minorities' councils). | Dec 2018                                      | MDFYSP                               |



| National objective | Measure  | Measure results indicators  |   |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure  | Legal/administrative instruments of measure implementation  | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--------------------|--|---|---|---|---|---|--|---|--------------------------------------|
|                    |  | Results indicator   | Initial value   | Target value  |   |   |  |   |                                      |
|                    |  |   |   |   | Total value of the call for proposals amounts to HRK 100.68 million for 3 years of implementation (HRK 33.56 million per year). Funds are provided from a part of revenue generated by games of chance. | 1) 2016–2018 Strategic Plan of the MDFYSP<br>2) Act on Ratification of the Convention on the Rights of Persons with Disabilities and the Optional Protocol to the Convention on the Rights of Persons with Disabilities<br>3) National Strategy for the Equalisation of Opportunities for Persons with Disabilities<br>4) 2014–2020 National Strategy for the Rights of the Children<br>5) Strategy for Combating Poverty and Social Exclusion in the Republic of Croatia (2014–2020) | 5.1.5.2. Implementation of the “The development and expansion of the network of social services provided by NGOs” project                              | Dec 2018                                      | MDFYSP                               |
|                    | 5.1.6. Co-funding the cost of education for students of lower socio-economic status and students with disabilities | 1) Number of pupils and students of lower socio-economic status and students with disabilities who are provided with co-funding of the costs of education | 1) 13,144 beneficiaries   | 1) 14,000 beneficiaries   | Expenditure: 2018: HRK 15.72 million  | Social Welfare Act  | 5.1.6.1. Adoption of decisions related to co-funding the cost of education for students of lower socio-economic status and students with disabilities. | in school/academic years of 2017/18, 2018/19  | MSE                                  |
|                    |  | 2) Number of hired teaching assistants for pupils with disabilities in primary and secondary  | 2a) 307 hired teaching assistants for pupils with disabilities in primary and secondary schools | 2a) 310 hired teaching assistants for pupils with disabilities in primary and secondary schools | Expenditure: 2018: HRK 10.52 million  | 1) Primary and Secondary Education Act<br>2) Decision on financing of 18 August 2017 and  | 5.1.6.2. Adoption of the decision on the financial plan for distribution of lottery funds to associations’ projects.                                   | through 4 years                               | MSE                                  |



| National objective | Measure | Measure results indicators  |  |   | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation   | Activities   | Deadline for the implementation of activities | Implementing authority of activities |
|--------------------|---------|---|--|---|--|--|--|---|--------------------------------------|
|                    |         | Results indicator   | Initial value  | Target value  |  |  |  |   |                                      |
|                    |         | schools   | 2b) 2,244 hired teaching assistants for pupils with disabilities in primary and secondary schools through ESF projects in school year 2016/17  | 2b) 2,648 hired teaching assistants for pupils with disabilities in primary and secondary schools through ESF projects (this year's call for proposals was announced for the period of 4 school years therefore teaching assistants shall be hired in the same or greater number until school year 2020/21) | Expenditure: 2018: HRK 54.36 million   | agreements concluded with signatories of grant agreements (with primary and secondary school founders) on 1 September 2017 | 5.1.6.3. Providing teaching assistants for work with pupils with disabilities in primary and secondary schools.  | through 4 years                               | MSE                                  |
|                    |         | 3) Number of pupils with disabilities who have been provided with funds for the costs of customised transport, meals and special teaching aids in primary schools | 3a) 3,062 primary school pupils with disabilities have been provided with co-financing of the costs of customised transport<br>3b) 1,378 pupils with disabilities have been provided with co-financing of the cost of meals, and special teaching means and aids | 3a) 3,100 primary school pupils with disabilities have been provided with co-financing of the costs of customised transport<br>3b) 3,351 pupils with disabilities have been provided with co-financing of the cost of meals, and special teaching means and aids  | Expenditure: 2018: HRK 23.82 million   | Primary and Secondary Education Act  | 5.1.6.4. Adoption of the Decision on criteria for financing of increased costs of transport and special teaching means and aids as well as co-financing of meals of primary school pupils with disabilities. | in school year 2017/18                        | MSE                                  |



| National objective | Measure | Measure results indicators   |  |  | Fiscal effect of the measure — Total and annual change of Government revenue and expenditure | Legal/administrative instruments of measure implementation | Activities  | Deadline for the implementation of activities | Implementing authority of activities |
|--------------------|---------|--|--|--|--|--|---|---|--------------------------------------|
|                    |         | Results indicator  | Initial value  | Target value   |  |  |   |   |                                      |
|                    |         | 4) Number of pupils with disabilities who have been provided with funds for the costs of customised transport and special teaching aids in secondary schools | 4a) 190 secondary school pupils with disabilities have been provided with co-financing of the costs of customised transport<br>4b) 598 pupils with disabilities have been provided with co-financing of the costs of special teaching means and aids | 4a) 200 secondary school pupils with disabilities have been provided with co-financing of the costs of customised transport<br>4b) 600 pupils with disabilities have been provided with co-financing of the costs of special teaching means and aids | Expenditure:<br>2018: HRK 4.16 million   |  | 5.1.6.5. Adoption of the Decision on criteria for financing of increased costs of transport and special teaching means and aids for education of pupils with disabilities in secondary school programmes. | in school year 2017/18                        | MSE                                  |

