



**GOVERNMENT OF THE REPUBLIC OF CROATIA**

A graphic design consisting of two red squares on the left and a large blue square on the right. The blue square contains the title text in white.

**National  
Reform  
Programme  
2019**

**APRIL, 2019**



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## List of Abbreviations

<b>APIS IT</b>	Information Systems and Information Technologies Support Agency Ltd
<b>CARNET</b>	Croatian Academic and Research Network
<b>CBS</b>	Central Bureau of Statistics
<b>CES</b>	Croatian Employment Service
<b>CHIF</b>	Croatian Health Insurance Fund
<b>CIPH</b>	Croatian Institute of Public Health
<b>CPII</b>	Croatian Pension Insurance Institute
<b>CROQF</b>	Croatian Qualifications Framework
<b>CSF</b>	Croatian Science Foundation
<b>CSOCP</b>	Central State Office for Central Public Procurement
<b>CSODDS</b>	Central State Office for the Development of a Digital Society
<b>EC</b>	European Commission
<b>EFRR</b>	European Regional Development Fund
<b>EPEEF</b>	Environmental Protection and Energy Efficiency Fund
<b>ESF</b>	European Social Fund
<b>ESIF</b>	European Structural and Investment Funds
<b>EU</b>	European Union
<b>FINA</b>	Financial Agency
<b>HAKOM</b>	Croatian Regulatory Authority for Network Industries
<b>HROTE</b>	Croatian Energy Market Operator Ltd
<b>MA</b>	Ministry of Agriculture
<b>MCPP</b>	Ministry of Construction and Physical Planning
<b>MDFYSP</b>	Ministry of Demographics, Family, Youth and Social Policy
<b>MEE</b>	Ministry of Environment and Energy
<b>MEEC</b>	Ministry of Economy, Entrepreneurship and Crafts
<b>MF</b>	Ministry of Finance
<b>MH</b>	Ministry of Health
<b>MLPS</b>	Ministry of Labour and Pension System
<b>MPA</b>	Ministry of Public Administration
<b>MRDEUF</b>	Ministry of Regional Development 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>NRP</b>	National Reform Programme
<b>OG</b>	Official Gazette
<b>OIV</b>	Digital Signals and Networks Ltd
<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>RC</b>	Republic of Croatia
<b>RDP</b>	Rural Development Programme 2014–2020
<b>RSC</b>	Restructuring and Sale Centre
<b>SAB</b>	State Administration Bodies
<b>SB</b>	State Budget
<b>SGA</b>	State Geodetic Administration
<b>ULRSG</b>	Units of Local and Regional Self-Government
<b>ULSG</b>	Units of Local Self-Government



## Foreword

The National Reform Programme (NRP) is a document defining the priorities and measures of the economic policy, as well as the measures for achieving the targets of the Europe 2020 strategy, to be conducted by the Republic of Croatia (RC) within the upcoming 12 to 18 months, adopted within the framework of the European Semester.

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 the EU level. Every EU Member State is obliged to participate in the European Semester, and the RC has been participating in the process since 2014.

This year's European Semester cycle began in November of 2018, 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 RC (along with 12 other EU Member States). The results of such in-depth analysis were published within the Country Report – Croatia of 27 February 2019. The Country Report for Croatia confirmed the progress in implementing structural reforms. It noted the progress in implementing all four specific recommendations of the Council of the European Union (EU) within the previous year and, more importantly, it established that the RC is no longer experiencing a macroeconomic imbalance dating from 2014. Therefore, there is no longer a preventive mechanism in place to rectify such an imbalance. Economic growth is founded on domestic demand and a particularly high personal consumption, and the uncertain conditions related to the restructuring process of Agrokor have now been mostly remedied. Furthermore, the public debt continued to decrease as a result of prudent fiscal policy and dynamic growth of gross domestic product (GDP). GDP is expected to increase by 2.5% for 2019, by 2.4% in 2020 and 2.3% in 2021 and 2022.

Even though convergence towards the EU average within a medium-term period of 3 years is expected, the prospects of the RC with regard to the necessary acceleration of economic growth, as well as a subsequent increase of GDP, depend on the dynamic of the implementation of structural reforms. A strategic approach to the implementation of structural reforms and resolving macroeconomic imbalances will be undertaken, along with complementary activities in the process of accession to the European Exchange Rate Mechanism II, the first formal step towards one of the Government's priorities: introducing a common European currency.

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

The process of drafting of the NRP was coordinated by the Inter-Agency Working Group for the European Semester in accordance with the Decision on coordination of activities within the European Union's Economic Governance Framework<sup>1</sup>, in cooperation with other key partners in the process of strategic planning. It was adopted by the Government by a Decision adopted at its session held on 18 April 2019. The implementation of measures and activities established by the NRP aims at ensuring a predictable and reliable business environment, creating the conditions for incentivising investments in the RC, ensuring the sustainability of public finances and implementing structural reforms which would enable further economic growth and a demographic renewal of the RC.

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<sup>1</sup> OG, nos. 13/17, 51/17, 97/17 and 50/18





# 1. Introduction

The RC has shown progress in important structural reforms, and the significant decrease of public debt during the last three years, by as much as 10 percentage points from 2015 to 2018, is of particular importance. At the beginning of this year, the third round of tax reform was initiated resulting in, among other things, the reduction of the value-added tax on certain products. This measure should increase disposable income, whereas the reduction of labour costs for employers might incentivise investment activity. The economy is growing steadily since recession ended in 2015 thanks to, among other things, strong growth of the tourism sector. Manufacturing and service activities, such as transport, also contribute significantly to GDP, and personal consumption is expected to stay strong due to the growth in employment and salaries, as well as to further tax relief. Investments should increase, owing to an increased absorption of EU funds, particularly investments in public infrastructure.

The recent announcement by the reputable rating agency Standard & Poor's (S&P) raised the rating of the RC, after almost seven years, to "BBB-/A+", i.e. to the level of investments with stable prospects. The aforementioned progress, along with the recent decisions of the European Commission (EC) regarding the RC's departure from excessive macroeconomic imbalance, is also a confirmation of the appropriateness of the measures being taken by the Government within the last two and a half years and serves as motivation to continue implementing structural reforms.

## Main objectives, reform priorities and measures of the economic policy

Focus and decisiveness in the implementation of necessary reforms still represents a clear direction towards reviving convergence and continuing the reduction of macroeconomic imbalances. The Government's policy is based on the "triangle" consisting of fiscal consolidation,

structural reforms and investments. **Continuing fiscal consolidation, a prerequisite of sound economic growth, implementing structural reforms in order to improve the public administration system, the judicial system, education, social welfare, healthcare and state property management, as well as increasing investments, are the foundations for growth and development of the RC.**

**The reform priorities have been established with regard to three objectives: strengthening the competitiveness of the economy, connecting education with the labour market, and sustainability of public finances. The specified objectives will be achieved by implementing 30 economic policy measures categorised into 10 reform priorities.**

### Objective 1 Strengthening the Competitiveness of the Economy

#### Reform priority 1

**Improving the business environment** is a prerequisite for improving the indicators of competitiveness of the Croatian economy according to relevant global methodologies. The regulatory reform for the purpose of improving the business environment by means of relieving the business sector in terms of administration and various non-tax payments will be continued. The liberalisation of the services market and digitisation of starting a business will facilitate access to the market for new entrepreneurs and market competition. Emphasis will be also put on improving the regulatory framework in order to incentivise investments by economically activating inactive state-owned property and investing in new technologies. Considering the importance of the transport system on the TEN-T network in the RC for the development of the Croatian economy, special attention will be dedicated to the development and integration of infrastructure intended for certain types of transport. Efforts will also be directed towards improving the results in the area of high-speed



and ultra-high-speed broadband network coverage in order to achieve the objectives of the European digital agenda. The water utility sector reform will enable efficient business activities of public water service suppliers, which reflect positively on the price of water services.

## Reform priority 2

**Increase in investments** is the key leverage for economic growth, therefore, improving the investment environment in the RC is a priority, as well as additionally harmonising it with the EU acquis by introducing new measures for incentivising investments in the RC. The existing programmes for investment incentivisation will be incorporated into new technologies and the capacities of the counties for attracting and incentivising investments will be improved in order to increase the number of investments and ensure equitable regional development. Strengthening the connections between analysis, conceptualisation and implementation of policies regarding productivity and competitiveness will provide an additional boost in this area.

## Reform priority 3

**Improvement of the management and disposition of state property** will continue through the activation of state property and the reduction of the state portfolio, as well as through ensuring more responsible management and more successful business operations of state-owned enterprises. The financial restructuring of state-owned road and railway system enterprises is of particular importance.

## Reform priority 4

**Improving public administration** presupposes more efficient human resources management, along with revising the salary setting system, as well as a more efficient performance of state administration activities which will be ensured through digitisation projects, introduction of quality control systems and further professionalisation. An integrated system of strategic planning and development management will be introduced as foundation

for channelling 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. For the purpose of strengthening the normative framework in the area of anti-corruption, there are plans for intensifying the activities of improving the accountability and integrity of public officials and improving the organisation of the system and the legislative framework in priority strategic horizontal and sectoral areas.

## Reform priority 5

**Improvement of the efficiency of the judicial system** will be continued through further development of electronic communication between courts and other participants of judicial proceedings. The efforts regarding the functional improvement of the system, acceleration and shortening the duration of judicial proceedings will be continued, as well as the activities of tracking the resolution of old unresolved court cases.

## Objective 2 Aligning education with labour market needs

### Reform priority 6

**Education and training in accordance with labour market needs** presupposes the reform of general and vocational education, lifelong learning and efficient and relevant higher education. The curricular reform will establish a harmonised and efficient education system. The establishment of the system of developing digitally advanced schools within the education process will enable the integration of modern learning and teaching methods. The development of vocational education and training is headed towards changes and adaptations focused on quality and efficiency, a greater connectedness with the labour market and more learning methods focused on work-based learning. 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.



## Objective 3 Sustainability of public finances

### Reform priority 7

**Strengthening the framework for public financial management and implementation of fiscal consolidation** includes strengthening fiscal responsibility, strengthening budgetary spending control and collection of revenue, as well as increasing the efficiency of the process of collecting data regarding the execution of financial plans of level-three state budget users. Emphasis will also be placed on the implementation of ex-post evaluation of effects of select programmes, activities or projects and the establishment of a more efficient system of financial and statistical planning and reporting by extra-budgetary users from the transport sector.

### Reform priority 8

**Stimulation of demographic renewal** will be continued through the implementation of a measure aimed at increasing social security of families with children. In more sparsely inhabited and rural areas of the RC, this process includes ensuring the availability of institutions and programmes of early childhood and preschool education in order to meet the needs of families with children and to create an incentivising environment for them to remain in the community. In order to incentivise employed parents to use parental leave and improve the material status of families with newborns, plans are underway to increase the limit amount of monetary allowance during parental leave.

### Reform priority 9

**Improving the social welfare system** presupposes a transparent social security benefits system with comprehensive records on social security benefits that citizens receive or can receive on a national or local level, which will serve as a foundation for better channelling of benefits and programmes, reducing regional disparities, as well as creating more efficient social policies. Further activities of developing e-services in the social welfare system will contribute to a greater

accessibility of its services, and a uniform approach to financing for all social service providers will enable equal availability of the services for all users.

### Reform priority 10

**Ensuring financial stability, sustainability and quality of the healthcare system** is planned to be achieved through the improvement of human resources management in the healthcare sector and the optimisation of other hospital healthcare system resources, the application of information and communications technologies for the purpose of ensuring efficient organisation, planning and control of healthcare costs, as well as increasing the availability and quality of healthcare services. Structural and organisational measures in the area of prevention, diagnostics and treatment of malignant diseases will also be initiated.



## Measures for achieving the targets of the Europe 2020 strategy

The objective of the Europe 2020 strategy is to ensure that the economic recovery of the EU following the economic and financial crisis is sustained through various reforms, in order to create strong foundations for growth and the creation of jobs by 2020. In pondering the structural weaknesses of the EU economy and economic and social issues, the strategy also considers the long-term challenges of globalisation, pressure on resources, and aging. The EU Member States are invited to translate the targets of the Europe 2020 strategy into national targets.

**Through this NRP, the RC has established 15 measures for achieving national targets of the Europe 2020 strategy, categorised into five areas: employment, research and development, climate change and energy sustainability, education and the reduction of poverty and social exclusion.**

In the area of **employment**, the inclusion and activation of unemployed persons into the labour market will be continued through active employment policy measures, with the aim of increasing the employment rate of men and women aged 20 – 64.

So as to improve the environment **for research and development**, especially with regard to increasing the level of combined public and private investments in this sector to 1.4% of GDP, 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 energy sustainability**, 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. Moreover, the transition to a circular economy is a great opportunity for further sustainable development and economic growth. In order to increase the share of renewable energy sources in gross total energy consumption to 20%, there are plans to promote the use of energy from renewable sources, as well as to incentivise energy efficiency.

In the area of **education**, in order to improve the level of education, particularly by reducing the school drop-out rate and increasing the share of the population aged 30–34 who have completed tertiary education to at least 35%, the implementation of the student grant programme for students of a lower socio-economic status continues.

For the purpose of **reducing the number of people at risk of poverty and social exclusion** by 150,000, the activities related to ensuring humanitarian aid in-kind and other support programmes for the most deprived will be continued. Moreover, the prerequisites for the development of the quality of foster care and providing support for foster families 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. There are plans for initiating activities related to the future implementation of the national pension.



## 2. Macroeconomic perspective<sup>2</sup>

During 2018, the positive economic trends continued, and the real growth of the gross domestic product (GDP) was 2.6%<sup>3</sup> and was primarily spurred by domestic demand.

**Economic growth and its convergence towards the increase of the potential GDP are expected to continue in the medium term.**

The projected real growth of GDP in the amount of 2.5% for 2019 is expected to slow slightly to 2.4% in 2020, and to 2.3% in 2021 and 2022. Economic growth will be based exclusively on domestic demand throughout the entire projected period, whereas the contribution of net foreign demand will be negative and gradually decrease towards the end of the period, while the contribution of the change in stock will be insignificant.

**Table 1** | Macroeconomic framework for the period of 2019 – 2022

	2018	Projection 2019	Projection 2020	Projection 2021	Projection 2022
<b>GDP – real growth (%)</b>	<b>2.6</b>	<b>2.5</b>	<b>2.4</b>	<b>2.3</b>	<b>2.3</b>
Household consumption	3.5	3.7	3.3	2.9	2.7
Government expenditure	2.9	2.7	1.9	1.9	2.0
Gross fixed capital formation	4.1	6.4	5.3	4.3	4.7
Export of goods and services	2.8	2.7	3.2	3.3	3.4
Import of goods and services	5.5	5.3	5.2	5.0	5.0
<b>Contributions to GDP growth (percentage points)</b>	<b>2.6</b>	<b>2.5</b>	<b>2.4</b>	<b>2.3</b>	<b>2.3</b>
Household consumption	2.0	2.1	1.9	1.7	1.6
Government expenditure	0.6	0.5	0.4	0.4	0.4
Gross fixed capital formation	0.8	1.3	1.1	0.9	1.0
Changes in inventories	0.5	-0.1	0.0	0.1	0.1
Export of goods and services	1.5	1.4	1.6	1.7	1.7
Import of goods and services	-2.7	-2.6	-2.6	-2.6	-2.6
<b>Consumer price index growth (%)</b>	<b>1.5</b>	<b>0.8</b>	<b>1.4</b>	<b>1.5</b>	<b>1.6</b>
<b>Employment growth (%)*</b>	<b>1.8</b>	<b>1.6</b>	<b>1.5</b>	<b>1.3</b>	<b>1.2</b>
<b>Unemployment rate, survey (%)</b>	<b>8.4</b>	<b>7.0</b>	<b>6.0</b>	<b>5.8</b>	<b>5.8</b>

\* National accounts definition

Source: CBS, MF

<sup>2</sup> The macroeconomic scenario is described in detail in the Convergence Programme of the Republic of Croatia 2019–2022.

<sup>3</sup> The data on gross domestic product for 2017 and 2018 are provisional.



**Personal consumption will be the main driver of growth of domestic demand, as well as the total economic growth** in the medium-term within the first two years, despite its slightly decelerating dynamic which reflects the movement of disposable household income. Furthermore, personal consumption will be positively affected by continuing favourable movements on the labour market, positive effects of the third round of the tax reform, high consumer mood index, low inflation and the continued increase of consumer credit in low interest rate conditions. In accordance with the projections of fiscal categories at the general government level, no significant contribution of government spending to economic growth is expected in the medium-term. In the upcoming medium-term period, **stronger growth of investment activities is expected**, generated in 2019 primarily through investments in the broader public sector<sup>4</sup>, while private investments will provide a stronger contribution to the growth of total investments in the following years. Investments are expected to have a positive effect on the increase of the usage of EU funds, as well as the improvement of the investment climate in the conditions of continued achievement of good business results in the entrepreneurial sector, positive trends in the economic mood index, maintaining favourable financing conditions and further tax and administrative relief for enterprises. In accordance with the downward correction of the growth projection of foreign demand, particularly in 2019, the increase of the export of goods and services is now expected to be significantly lower than in the years following the accession into the EU. Throughout the entire projected period, the export of goods will still be higher than the contribution of service export, which will be affected by an unfavourable base effect. The increase of the import of goods and services will consistently exceed export, therefore, the contribution of net foreign demand will be negative throughout the projected period.

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<sup>4</sup> The general government and majority state-owned enterprises, which, according to the ESA 2010 methodology, are not part of the general government.

Within the upcoming period, **favourable movements on the labour market are expected to continue**, along with moderate employment growth and a further unemployment rate decrease. Continued economic growth is expected to have a medium-term positive effect on the slight increase of the workforce. **Modest growth in labour productivity** is expected throughout the entire projected period, and will still be lower than the increase in benefits per employed person, which will lead to increased unit labour costs.

**Inflation will remain low** throughout the entire medium-term period. The predicted increase of consumer prices for 2019 is 0.8%, along with an expected reduction of food prices and a notable deceleration of increase in energy prices, whereas the increase of consumer prices notwithstanding food and energy will slightly accelerate. The application of a lower VAT rate on certain products will have a significant effect on decelerating inflation in 2019. In the upcoming years of the projected period, inflation is expected to slightly accelerate.

# 3. Progress in the Implementation of EU Council Recommendations

## Recommendation 1

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**a. Strengthen the fiscal framework, including strengthening the mandate and independence of the Fiscal Policy Committee. Introduce recurrent property tax.**

The new Fiscal Responsibility Act<sup>5</sup>, which entered into force on 1 January 2019, introduced the Directive of the Council of the EU 2011/85/EU from 8 November 2011 on requirements for budgetary frameworks of the Member States into the legal order of the RC. This makes **the fiscal rules fully compliant with the provisions of the Stability and Growth Pact, the independence of the Fiscal Policy Committee strengthened and its jurisdiction broadened**. Three fiscal rules were established by law: the structural balance rule, the expenditure rule and the public debt rule. According to the structural balance rule, the target value becomes the medium-term budgetary objective to be achieved according to the adaptation plan in compliance with the statutory regulations of the EU. Regarding sustainable expenditure movements, a rule is currently being introduced according to which the annual expenditure growth of the general budget may not exceed the reference potential growth rate of the GDP, which is determined according to the statutory regulations of the EU. Also, exceptions for certain expenditure categories are permitted. It has been defined that the share of public debt in GDP may not exceed the reference value of 60%, and if the share of public debt should exceed said value, the difference between the share of public debt in GDP and the reference value of 60% must be reduced by the dynamic in accordance with the statutory regulations of the EU. Temporary postponement of the application of fiscal rules will be permitted under extraordinary circumstances as defined by the

statutory regulations of the EU, under the condition that it does not jeopardise medium-term fiscal sustainability. The Fiscal Policy Committee is defined as a permanent, independent and autonomous authority, which strengthens its role as supervisor over the application of legislation, as well as the implementation of the fiscal policy. The appropriate procedures have been prescribed for cases in which the Committee or the Government should establish significant deviations from the fiscal rules. All of the above contributes to a stronger fiscal framework and long-term sustainability of public finances.

**The new Budget Act is being drafted which will serve to improve budgetary planning, upgrade financial statistics, the legislative framework of borrowing for units of local and regional self-government (ULRSG), the conditions and manner of concluding state-guaranteed loan and lease contracts, as well as expenditure control.** The Act will complement the content of the budget so that the justification becomes its integral part, both at the state and the ULRSG level. In relation to the macroeconomic and budgetary projections, it will improve fiscal planning which must be based on realistic macroeconomic and budgetary projections while using the latest available information. In this context, the content of the guidelines of economic and fiscal policy regarding the macroeconomic and fiscal framework is being elaborated. Furthermore, the importance of disclosing information on potential liabilities with significant budgetary implications is also defined, as well as the obligation to disclose 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. All of the above represents harmonisation with the Council Directive 2011/85/EU on requirements for

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<sup>5</sup> OG, no. 111/18



budgetary frameworks of the Member States. The regulations related to the submission of amendments during the debate on the proposal of the state budget and the ULRSB budget are being elaborated. Furthermore, the discipline for the contracting of financial resources for EU projects is being solidified, simultaneously enabling greater flexibility for those EU projects which are being successfully implemented. In that regard, the regulations related to the borrowing by ULRSB have been revised. The regulations related to the approval of state guarantees are also being supplemented. The obligation of drafting reports on the execution of the financial plan for state budget and ULRSB users will be introduced. The content of the annual and semi-annual report on the execution of the state budget (SB) and the ULRSB budget is to be harmonised with the new budgetary content. In most Member States, the budgetary and statistical coverage of the general budget system is not identical, and the most significant differences have been established in the coverage of extra-budgetary users. They can apply budgetary, but also entrepreneurial and non-profit accounting, depending on the legal form and the specificities of their business operations. When the extra-budgetary users apply entrepreneurial accounting or accounting of non-profit organisations for the purposes of financial reporting, business transactions must be expressed in accordance with the rules of budgetary accounting. The specific circumstances of accounting activities makes said process extremely complex and requires specific and comprehensive accounting expertise. Therefore, individual translation of business events was initiated, focusing on the events arising from the business activity of an individual extra-budgetary user in the accounting system which the particular user applies in the system of budgetary accounting. **Bridging tables were made for extra-budgetary users which, according to the rules of statistical methodology of the EU, can be categorised in the general state sector and which are not budget users, along with the Bridging Table Production Manual. These measures improve the quality of data in financial and statistical reports of the general**

**budget subject**, and the acquired know-how regarding the particularities of the business activities will have an effect on the drafting of financial plans of extra-budgetary users. This process encompasses the State Agency for Deposit Insurance and Bank Resolution, HŽ Infrastruktura d.o.o., HŽ Putnički prijevoz d.o.o., Hrvatske ceste d.o.o., Hrvatske autoceste d.o.o., Autocesta Rijeka-Zagreb d.d., Croatian Radiotelevision, the Fund for financing the decommissioning of the Krško Nuclear Power Plant and the disposal of NEK radioactive waste and spent nuclear fuel, the Fund for Croatian Veterans and Members of Their Families, Croatian Bank for Reconstruction and Development and Hrvatski operator tržišta energije d.o.o.

**The new State Audit Office Act was adopted which will contribute to the lawful, dedicated and purposeful use of budget resources and resources collected on the basis of public authority, as well as to an efficient and effective functioning of the internal control system.** The State Audit Office (SAO) will independently plan the resources necessary for its work, in accordance with the principle of financial independence as prescribed by the Lima and Mexico Declarations and the Ethical Code. Until 1 June of the current year at the latest, the SAO will draft a proposal of the financial plan for the following year and the projections for the next two years and deliver it to the committee of the Croatian Parliament for finances and the state budget, as well as to the Ministry of Finance (MF). After the MF receives said document, the Government will give its opinion on it upon the proposal by the MF and deliver it to the committee of the Croatian Parliament. The recent key development is that the committee of the Croatian Parliament for finances and the state budget approves the proposal of the financial plan for the following year and the projections for the next two years until the end of June of the current year and passes it on to the MF so that it could be incorporated into the SB proposal and delivered to the SAO. This manner of resource planning is in accordance with Principle 8 of the ISSAI 10 according to which the legislature bears the responsibility of ensuring that the head audit institution



possesses the appropriate resources to fulfil its mandate and is, on the other hand, justified by the fact that the SAO has special status with regard to the Constitution of the RC. Furthermore, the Act elaborates in greater detail the procedure following the completion of the audit, with special emphasis on the obligations of the auditee, especially monitoring the compliance with the plan of implementation of orders and recommendations. In this sense, the auditee, i.e. the subject to which the given order or recommendation refers to, is obliged to inform the SAO in writing on the execution of particular orders or recommendations within 30 days after the end of the planned execution period. At the same time, the SAO verifies the implementation of the orders and recommendations within the framework of the performance of audits. If it should verify during such procedures that certain orders and recommendations have not been implemented or that the auditee has not delivered the plan of implementation of orders and recommendations within the prescribed time period, the SAO will inform the competent state attorney's office which will, in turn, initiate infringement proceedings. According to the new legislative framework, the SAO will also be the competent authority for the audit of the Croatian National Bank. In its opinion, the European Central Bank established that the proposed arrangement is in accordance with the central bank's principle of independence, including its institutional independence.

It should be noted that **the amendments to the Local Taxes Act<sup>6</sup> from October 2017 abolished the introduction of real estate tax.** The ULRSB updated the real estate data in the municipal fee records. Activities related to updates of real estate data resulted in increased revenue from the existing fees: the municipal fee revenue at the state level increased by a total of 25% since 2013, whereas the holiday home tax revenue increased by 29%.

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<sup>6</sup> OG, nos. 115/16 and 101/17

## Recommendation 2

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**a. Discourage early retirement, accelerate the transition to higher compulsory retirement age, and align pension provisions for specific user categories with the rules of the general pension scheme.**

The comprehensive pension reform, which amended **five retirement acts – the Pension Insurance Act, the Act on Pension Supplements for Pensions obtained according to the Pension Insurance Act, the Mandatory Pension Funds Act, the Voluntary Pension Funds Act and the Pension Insurance Companies Act, and brought about the adoption of the new Act on Pensionable Insurance with Increased Duration<sup>7</sup>, the pension systems has been adapted to the current demographic challenges, changes in the labour market and economic circumstances.** Encouraging longer employment is ensured by an accelerated equalisation of the retirement pension age for women and men, with the raising of the age limit being accelerated from 3 to 4 months' increase a year. This will equalise the retirement pension conditions for women and men to 65 years of age and 15 years of pensionable service from 1 January 2027, and afterwards, the age will be increased for women and men by 4 months a year, to reach the limit of 67 years of age by 2033. Later retirement is stimulated (the so-called "pension reward plan") by increasing the starting factor from 0.15% to 0.34% per month of later retirement (a maximum of 20.4% for 5 years) for the purpose of prolonging one's working life after having reached the prescribed retirement age, in order to achieve more appropriate pension levels. Moreover, the process of equalisation of the early retirement age for women and men is accelerated from 3 to 4 months' increase a year, which will establish the early retirement condition for women and men at 60 years of age and 35 years of pensionable service from 1 January 2027, and afterwards, the age will be increased for women and men by 4 months a

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<sup>7</sup> OG, no. 115/18 – for the abovementioned acts



year, to reach the limit of 62 years of age by 2033. At the same time, a linear reduction of the early retirement pension (so-called “penalisation”) by 0.3% for each month of earlier retirement, or 3.6% a year up to a maximum of 18% for up to 5 years of early retirement, has been introduced. Furthermore, it has been prescribed that the right to retirement pension for a long-term beneficiary can be obtained by reaching 60 years of age and 41 years of pensionable service with effective duration, whereas the age limit will be increased to 61 years of age from 1 January 2027.

In order to retain persons with reduced work capacity actively employed, who would remain work-capable for other jobs for which they would receive vocational rehabilitation training, the wage compensation during vocational rehabilitation was raised so that its lower limit amounts to the minimum gross wage. In addition, the lower age limit of eligibility for vocational rehabilitation was raised from 53 to 55 years of age.

For the purpose of including pensioners in the labour market more significantly, the scope of pension users eligible to work part-time and receive a full pension was expanded to include the users of retirement pension for long-term beneficiaries, early retirement users and users of retirement pensions on the grounds of the regulation prescribing the pension insurance rights of active military personnel, police officers and officials which can work part-time and receive a full pension, or work full-time and receive a pension reduced by 50%. In order to eliminate inequalities between current and future pensioners (generation of 1962 and younger), the persons insured within the mandatory pension pillars I and II may choose the system within which they will obtain their pension, i.e. the more beneficial pillar (solely pension pillar I with a pension supplement of 27%, with transfer of mandatory pension funds into the SB, or both pension pillars with a pension supplement of 27% for pensionable service performed until 31 December 2001, and a supplement of 20.25% for the share of pensionable service performed from 1 January 2002).

The institution of the so-called accelerated pensionable service has been adapted to 21st-century technologies. On the basis of an expert analysis, the increased pensionable service was abolished for jobs with no employed persons in the RC (43 job posts), the degree of pensionable service increase was reduced for jobs with facilitated working conditions due to the introduction of new technologies and general and specific occupational safety measures (22 jobs), and the number of occupations was increased by two. Said modifications will contribute to a longer working life of those categories of insured persons.

The system of mandatory and voluntary individual capitalised savings was upgraded for the purpose of increasing the pensions of pension fund members. The option of investing in pension funds has been liberalised which has, among other things, enabled investments in infrastructure projects in the RC, reduced fees / administrative costs, strengthened financial literacy of citizens on individual capitalised savings, etc. Moreover, the so-called IORP II Directive<sup>8</sup> was implemented into the system of voluntary capitalised pension savings, thus enhancing the monitoring and control of the regulatory agency.

***b. Conduct a reform of the education and training system for the purpose of improving its quality and relevance within the labour market for young people and adults.***

In August 2018, the Act on the Amendments to the Primary and Secondary Education Act was adopted.<sup>9</sup> The most important amendments integrated into this Act are related to the changes introduced by the curricular reform of primary and secondary school education, certain procedures related to the adoption of modifications of the School Network and programmes have been simplified, the adoption of the Ordinance on the organisation

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<sup>8</sup> 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

<sup>9</sup> OG, nos. 87/08, 86/09, 92/10, 105/10, 90/11, 5/12, 16/12, 86/12, 126/12, 94/13, 152/14, 07/17 and 68/18



and implementation of after-hour stay in primary schools was defined in order to determine the minimum standards for its implementation and so that the schools would use EU funds for the implementation of the projects as efficiently as possible, for the purpose of harmonising education programmes with the needs of the labour market and the economy. School employees will be able to conduct activities with relation to EU projects for which they receive remuneration, with corresponding employer contributions, as well as wages increased by 30%.

Within the process of implementation of the curriculum reform, **virtual classrooms have been formed** for all subjects undergoing experimental application, and classrooms for principals, professional associates and 1st-4th grade classes, common classrooms for subject-specific classes in primary and secondary schools, as well as for the practical introduction of the curricular reform. So far, 39,064 participants were included into the virtual classrooms and 934 workshops have been held, attended by 26,594 participants. The workshops are one of the activities used to prepare primary and secondary school teachers, external associates and principals for the introduction of the curricular reform into all schools. **Professional training for employees** in experimental schools is also underway. The experimental programme is being implemented in 74 schools (48 primary and 26 secondary schools), in the 1st and 5th grade of primary schools and the 7th grade for the subjects of Biology, Chemistry and Physics, and in secondary schools in the 1st grade of grammar schools in all subjects and in the 1st grade of four-year vocational schools in general subjects. The Ministry of Science and Education (MSE) issued the decisions on the adoption of **39 subject curricula and interdisciplinary subject curricula**. Furthermore, the procedure of drafting textbooks for the practical application of the curriculum has been initiated, which fulfilled the necessary prerequisites for the introduction of new curricula into all schools. The system of tracking of objectives, published in the Public Invitation for experimental schools during the entire process of

experimental implementation, has been established. The results are being published regularly and the plans for preparation of direct introduction are being revised accordingly. For the purpose of implementing the curricular reform, the level of equipment of all primary and secondary schools in the RC used for technology-aided learning has been investigated, especially the manner in which technology is being used for learning in schools included in the “School for Life” experimental programme. An analysis of the level of equipment of classrooms for holding digital classes has been conducted in all primary and secondary schools in the RC (regional schools are not as well-equipped). Nearly 70% of all classrooms are equipped with a projector, and 15% with smart boards or interactive screens. The goal is to equip every classroom with a projector, smart board or interactive screen, and that every primary/secondary school teacher has their own portable computer, in order to ensure the necessary conditions for the use of digital content in class. The above-mentioned process is supported by a project funded by the European Social Fund (ESF).

**The e-Schools pilot project encompassing 151 schools was completed**, and the preparation of a new e-Schools project is in its final stage and will include all schools.

In December 2018, the Act on Textbooks and Other Educational Materials For Primary and Secondary School<sup>10</sup> was adopted, and January 2019 saw the adoption of the Ordinance on textbooks standards and members of expert committees for the evaluation of textbooks and other educational materials<sup>11</sup>, a necessary prerequisite for the approval of textbooks in accordance with the new Act.

**The Act on Amendments to the Vocational Education Act<sup>12</sup>**, was adopted in March of 2018, **providing for the development and design of new vocational curricula** for acquiring vocational qualifications required by the labour market by more significantly

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<sup>10</sup> OG, no. 116/18

<sup>11</sup> OG, no. 9/19

<sup>12</sup> OG, nos. 30/09, 24/10, 22/13 and 25/18



including learning methods focusing on work-based learning, **the establishment of a better quality assurance system and design of a system that will enable lifelong learning and mobility, and the establishment of regional competence centres**, in accordance with the objectives of the Strategy for education, science and technology<sup>13</sup>. **The National Curriculum for Vocational Education was adopted**<sup>14</sup> in July 2018, establishing the purpose, values, objectives, contents, learning and teaching processes, organisation and methods of evaluating student achievements, competencies and qualifications in the vocational education system of the RC. In accordance with the National Curriculum for Vocational Education, **the Croatian dual education model was also drafted**, used as the foundation for preparing the “Dual Education” experimental programme, with document packages guaranteeing the acquisition of competencies required in the labour market. The dual education model, in cooperation with the representatives of micro, small, medium and large economic operators, was used to draft the standards for occupations, qualifications and vocational curricula for the acquisition of professional qualifications for beauticians, salespersons, chimney sweeps and glaziers. In September of 2018, **the implementation of the “Dual Education” experimental programme was initiated in 11 vocational education institutions** (156 students), planned to last for two school years: 2018/2019 and 2019/2020. It should be noted that the dual education model is being implemented for occupations of the education levels 4.1 and 4.2 according to the Croatian Qualifications Framework (CROQF) for which employers demonstrated interest, due to the targeted implementation for those occupations that contribute to economic development. Within the framework of the “Modernisation of the vocational education and training programme” project, conducted within the framework of the Swiss-Croatian cooperation programme, three vocational curricula, for the acquisition of qualifications for chimney

sweeps, glaziers and beauticians, were modernised so as to comply with labour market needs. What is more, the drafting of vocational curricula for the acquisition of professional qualifications for intermedia photographers, hairdressers and house painters/decorators was completed in April 2019, and public invitations to schools for experimental implementation were subsequently published. Additionally, five workshops have been organised within the framework of the project, for the purpose of professional training of vocational school teachers and professional mentors.

In the process of establishing regional competence centres for vocational education, on the basis of the regulations of the Vocational Education Act, **the document “Network of regional competence centres in vocational education” was drafted and adopted** and the procedure for nominating regional competence centres, according to the document’s parameters and criteria, was conducted for priority (sub)sectors of vocational education and training. A total of **25 regional competence centres were appointed**, and dedicated financial support will be obtained from EU funds for the purposes of reconstruction, refurbishment, upgrades and adaptations of the appointed competence centres, procurement of specialised equipment, development of general and specialised human resources, development and modernisation of various types of programmes to be conducted at centre level, as well as other activities oriented towards work organisation and the development of the centres. The first tender for the support to the establishment of regional competence centres was published in November 2018 within the framework of the implementation of the Operational Programme “Competitiveness and Cohesion 2014–2020” (OPCC).

During 2018, within the implementation process of Cycle IV of the Implementation of the European Agenda for Adult Learning, research was conducted which focused on digital competencies of the participants of professional training programmes in the RC and **the drafting of the Curriculum for the**

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<sup>13</sup> OG, no. 124/14

<sup>14</sup> OG, no. 62/18



**acquisition of basic digital reading and mathematical skills for adults was initiated** and the activities of the project financed by the Erasmus+ fund were conducted. **Primary adult education and professional training for simple occupations was financed** from the SB, and the same activity will be continued in 2019. Furthermore, the Council for the Implementation of New Opportunities for Adults was founded for the purpose of establishing the cooperation of key stakeholders in the process of implementing the previously mentioned Curriculum.

The key instrument in the reform for the improvement of quality and relevance of education and study programmes is the CROQF. Its framework includes the drafting of qualification standards as common criteria of the quality of education and study programme and occupation standards, as a means of adjusting them to labour market needs. **The legislative and institutional framework for evaluation and entry of qualification standards in the CROQF Register has been developed in full.** Sectoral committees, expert and advisory bodies have been established for the purpose of evaluating the proposal of qualification and occupation standards. Within the framework of the projects of the ESF and the Instrument for Pre-Accession Assistance (IPA), some 200 occupation standard proposals were made and some 200 qualification standard proposals, entered into the CROQF Registry. Following a favourable opinion by competent sectoral councils, 8 occupation standards were entered into the Registry as a foundation for the entry of qualification standards adapted to labour market needs.

Based on the results of the analysis of the representation of professional traineeships in higher education developed by the Institute of Economics in Zagreb, a Call for Proposals titled “Development, Upgrading and Implementation of Traineeships in Higher Education” was published in November 2018 and the project will be financed within the Operative Programme “Efficient Human Resources 2014–2020” (OPEHR). Regarding the introduction of programme agreements into the higher education system, in 2018 the Government

adopted the **Decision on programme financing of public institutions of higher education in the RC for the school years 2018/2019, 2019/2020, 2020/2021 and 2021/2022.**<sup>15</sup> This Decision ensures basic financing of higher education, i.e. classes and science, for institutions which conclude programme agreements with the MSE, but also **additional result-based financing**, depending on how successfully they fulfil the set and agreed indicators. Negotiations for the conclusion of programme agreements with all public institutions of higher education are currently underway.

### **C. Consolidate social welfare benefits and increase their poverty reduction potential.**

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. In order to conduct the measures of the Action Plan, several projects were implemented for the purpose of ensuring the prerequisites for the creation of an efficient social policy and the establishment of a comprehensible and transparent system of social welfare benefits, as well as a better distribution of available funds, which would reduce regional social inequalities.

Within the “Local-level standardisation of social security benefits by means of the ESSPROS<sup>16</sup> methodology” project, **data on social security benefits paid by ULRSG was collected, processed and analysed.** The project was implemented for the purpose of **standardising data on social security benefits on the local level** by applying the ESSPROS methodology in order to ensure transparent data tracking and a simple and efficient data comparison for all paid benefits at the state and local level. A programme solution for data entry was created, an analysis of local-level social security benefits was conducted and recommendations for the sustainability and continuity of the data collection and validation process were proposed. **The first stage of the**

<sup>15</sup> OG, no. 87/18

<sup>16</sup> European System of Integrated Social Protection Statistics (ESSPROS)



**Project of Improvement of the Exchange of Data on Social Security Benefits was also conducted** and included the collection and analysis of data on information systems and databases used by state and local authorities for social security benefit-related purposes. The collected and analysed data was presented and recommendations were made on the potential manner of data exchange at the state and local levels. In order to improve the cooperation between the employment offices and social welfare centres, so far there has been data exchange with the Croatian Employment Service (CES) on the total amount of paid unemployment benefits within the last three months and the date of last payment for each welfare user, according to personal identification numbers. The activities of further data exchange will continue throughout 2019.

The new **Ordinance on content and method of record-keeping and documentation as well as method and time limits for submission of ULRSG reports** was adopted in order to ensure a foundation for the collection and processing of social welfare payments, as well as a better quality and comprehensiveness of data collection and statistical tracking and future electronic data exchange among competent authorities. **The procedure of drafting the new Social Welfare Act which aims to improve the scope of the exercise of rights, the purpose, availability and quality of social services, the quality of life for vulnerable groups and families, especially disabled persons, to improve the organisation of the social welfare system**, was also initiated in order to reduce the risk of poverty and social exclusion.

### **Recommendation 3**

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**a. Reduce territorial fragmentation of public administration, simplify the functional distribution of authority and increase the capacities for the drafting and implementation of public policies.**

The reform of the local and regional self-government is part of the comprehensive public administration reform. In order to propose specific measures, it is necessary to determine beforehand the existing capacities

of the ULRSG, as well as reassess and analyse the existing scope and competence of the ULRSG, the quality and rationality of the performance of existing activities, and the possibilities and requirements for taking on new activities. For the purpose of improving the efficiency of the public administration system by optimising the system of local and regional self-government, **the project “Optimisation of the system of local and regional self-government” was initiated in December 2018 (HRK 20.07 million) which will be used to develop mechanisms and tools for the optimisation of the system of local and regional self-government, create an IT system which will support the efficiency of the local and regional self-government as well as improve competencies of public servants related to the process of increasing the efficiency of local and regional self-government.**

**The systematic legislative and institutional reform of the strategic planning and management system is being implemented** with the purpose of increasing the quality of the formulation of public policies and purposeful use of investments from EU funds, with the intention of stimulating social progress and focused regional development. The reform includes the adoption of the Strategic Planning and Development Management System Act<sup>17</sup> and a series of by-laws which will enhance the coordination and implementation of public policies and reduce the excessive number of fragmented and mutually inconsistent strategic planning acts. **An information communication platform was established for the purpose of transparency and data collection, tracking and reporting on the implementation of public policies. The drafting of the National Development Strategy by 2030 was initiated**, which will direct the use of EU funds from the next financial period.

In February 2019, **the Whistleblower Protection Act<sup>18</sup>** was adopted **which joined all legal standards for the protection of**

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

<sup>18</sup> OG, no. 17/19

**whistleblowers into a single special law (lex specialis).** The purpose of the Act is to form a system which enables 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. The term “whistleblower” has been clearly defined, and it no longer refers only to persons employed under contract as defined by the Labour Act<sup>19</sup>. The protection is now afforded to a wider range of persons, such as volunteers, students, etc. It also defines the irregularities on the basis of which a whistleblower may make a denouncement and it no longer limits the protection to instances of corruption, but also irregularities concerning infringements of the law and other regulations, as well as unconscionable management of public goods, public resources and EU resources which represent a threat to public interest. Furthermore, it not only affords protection to whistleblowers within public authorities, but also within private enterprises. It prescribes the following ways of reporting irregularities: internal (with the employer), external (with the competent authority) or, in certain cases, public disclosure. The Ombudsman is appointed as the external authority responsible for the protection of whistleblowers. Court protection is afforded to whistleblowers who report irregularities within a subjective time limit of three years from the day they became aware of the infringement, or an objective time limit of five years from the day of the infringement against the whistleblower. Whistleblowers are exempt from paying court fees. There is also an option for the court to apply temporary measures within eight days from receiving the report in order to protect the whistleblowers from retaliation or from being put into a disadvantageous position with relation to others. Moreover, sanctions for employers in breach of the rights of whistleblowers and for persons misusing their right to whistleblowing are to be put into place.

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<sup>19</sup> OG, nos. 93/14 and 127/17

**b. In consultation with social partners, introduce harmonised salary-setting frameworks across the public administration and public services.**

**The proposal of the new Civil Service Salaries Act is in its final stages,** but the final normative solution to determining jobs and the method of salary calculation for police officers has not yet been determined. Considering the specific conditions of the job and the developments of the migrant crisis, as well as the planned entry of the RC into the Schengen Area, it has been decided that the Act will provide for police officers in a specific manner, therefore, a new proposal is being drafted with this in mind in cooperation with the Ministry of the Interior. This makes it necessary to draft a new cost simulation for the purpose of assessing the fiscal sustainability and acceptability of additional resources for the transfer of all officers into the new system. Certain corrections related to the transfer of salaries of current officers will be performed simultaneously with the calculation of salaries, as well as a reward system for top officers.

#### **Recommendation 4**

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**a. Improve corporate management of state-owned enterprises and accelerate the sale of state-owned enterprises and unproductive assets.**

In 2018, **the shares and stocks of enterprises** from the Restructuring and Sale Centre (RSC) portfolio were **sold for HRK 446.1 million.**

In the part relating to the reduction of the state portfolio and activation of unused state property in terms of real estate, in 2018, **the revenue from non-financial assets amounted to HRK 217 million.** There were 649 contracts concluded, with 405 being contracts with compensation, of a total value of HRK 330 million. In the previously mentioned period, the publication of public tenders / invitation to purchase and/or lease land, apartments and business premises was intensified.

In August 2018, **the obligation of developing methodologically standardised medium-term**

**operating plans for all companies of strategic and special interest and companies with majority state ownership was introduced.** The adoption of the Decision on the monitoring of plans and reports on state-owned business activities of enterprises and legal entities comprising state property<sup>20</sup> ensured the prerequisites for quality monitoring of business activities and better corporate management of state-owned enterprises. **The Instructions for drafting and delivery of plans and reports on business activities of state-owned enterprises and legal entities comprising state property** were also drafted and published, stating that legal entities of special state interest, as well as legal persons as defined by the Decision on establishing a list of report subjects according to the MF and RSC<sup>21</sup>, should deliver a quarterly financial report, an annual plan, an annual report, a medium-term plan and, if necessary, other documents as prescribed by special regulation. The Instructions define the drafting methodology and minimum delivery results within the planning and reporting process, as well as the main responsibilities of key participants in the process of drafting and delivery of plans and reports. The Instructions take into account the current planning and reporting practice, the standard (good) practice of similar and comparable societies and reporting systems, as well as recommendations and specific principles of the Organisation for Economic Cooperation and Development (OECD) and the World Bank.

**In order to accelerate and operationalise the general procedure of managing and using state assets, as well as to activate it, a new regulatory framework has been adopted** which includes the following: The Act on State Property Management<sup>22</sup>; the Act on Lease and Sale of Business Premises<sup>23</sup>; the Act on the Central State Assets Register<sup>24</sup>; the Regulation on procedures preceding the conclusion of legal transactions regarding state-owned real estate for the purpose of establishing construction

rights and rights of easement; the Regulation on procedures preceding the conclusion of legal transactions regarding state-owned real estate for the purpose of sale, dissolution of co-ownership, exchange, lease and on procedures related to the acquisition of real estate and other rights in rem in favour of the RC; the Regulation on method of disposal of stocks and shares, the Regulation on procedures preceding the conclusion of legal transactions regarding state-owned real estate for the purpose of granting the right to use real estate to state administration bodies (SAB) or other bodies of SB beneficiaries and other persons; and the Regulation on donation of property owned by the RC<sup>25</sup>.

**b. Significantly reduce the burden of parafiscal levies and complex administrative and legislative regulations on enterprises.**

**The Action Plan for Administrative Relief of the Economy of 2018** was adopted in March of 2018, containing a total of 142 relief measures pertaining to 14 legislative areas. The implementation of all measures of the Action Plan will **reduce administrative costs by HRK 625 million, decreasing the administrative burden by 12.27%**. 108 measures have already been implemented, with the achieved financial relief being 95% of the planned total relief amount, i.e. the reduction of administrative costs and fees was HRK 597 million. The planned measures are being implemented on schedule.

Within the process of implementing the Action Plan, **certain fees not representing an administrative burden, but parafiscal levies, were abolished and reduced** under the competence of the State Office for Metrology (SOM), the Central Bureau of Statistics (CBS), Ministry of Agriculture (MA) and the State Geodetic Administration (SGA). The measures reducing the frequency and number of persons liable to pay the tourist membership fee under the Ministry of Tourism, providing a significant relief estimated at HRK 19 million, will be conducted after the new Act on Tourist Board Membership Fees has entered into force (1 January 2020).

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<sup>20</sup> OG, no. 71/18

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

<sup>22</sup> OG, no. 52/18

<sup>23</sup> OG, no. 112/18

<sup>24</sup> OG, no. 112/18

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<sup>25</sup> OG, no. 95/18 – for the abovementioned regulations



In January 2019, the **Action Plan for Administrative Relief of the Economy of 2019** was adopted, containing a total of **314** measures providing an estimated relief of **HRK 626.74 million**, i.e. an economic burden reduced by **15.57%**. During the procedure of measuring and preparing the Action plan, the

competent authorities have already implemented relief by means of 25 measures, representing an estimated HRK 2.39 million in savings.

In relation to the previous report period (NRP 2018), a review of the additional implemented measures is provided below.

**Table 2** | Implemented administrative relief measures for the economy in 2018

Area	Implemented administrative relief based on the SCM <sup>26</sup> methodology
<b>Taxes</b>	<ul style="list-style-type: none"> <li>- Abolished mandatory record-keeping on paid income from employment (DNR Form).</li> <li>- Abolished mandatory record-keeping on monthly payments of income from employment, contributions and taxes (DP Form).</li> <li>- Enabled electronic submission (online tax service form) of reports on self-employment remunerations received which are subject to flat-rate tax (PO-SD Form).</li> <li>- Enabled submission of the annual tax return for income from employment (DOH Form) via the online tax service platform.</li> <li>- Abolished mandatory record-keeping on paid interim profit and the option of stating the total amount of loans and/or bank loans.</li> <li>- Abolished mandatory record-keeping and delivery of reports on paid voluntary pension insurance premiums exempt from income tax (DMO Form).</li> <li>- Abolished mandatory entry of specific information upon creation and submission of the annual corporation tax return (PD Form).</li> <li>- Prolonged time limit for delivery of the Lottery Log from 8 days to 3 months, reducing the frequency of the submission of reports.</li> <li>- Enabled submission of the tax statement for establishing self-employment joint income (DOH-Z Form) via the online tax service platform.</li> </ul>
<b>Excises and special taxes</b>	<ul style="list-style-type: none"> <li>- Abolished mandatory submission of report on the status and transport of tobacco (raw material).</li> <li>- Abolished mandatory submission of report on the submission of monthly reports on the quantities and refining of crude oil.</li> <li>- Abolished mandatory delivery of a copy of the court/trade registry certification, of the Customs Office permit regarding the status of authorised forwarding agents, of lists of employees with proof of qualifications, of the Customs Office report on settled obligations, of the permit for use of joint guarantee and bank guarantees for the purpose of obtaining the permit for performance of authorised forwarding agent activities at border crossings.</li> </ul>
<b>Tourism and hospitality industry</b>	<ul style="list-style-type: none"> <li>- Abolished mandatory permit for the provision of travel agency services; the travel agency is only obliged to deliver a notification on the beginning of service provision to the Ministry of Tourism.</li> <li>- Abolished mandatory delivery of the contract on travel representation by travel agencies for the purpose of entering into the Register of contracts on travel representation.</li> <li>- Abolished mandatory permit for the provision of tourism services on farms and the provision of tourism services in special tourism forms.</li> <li>- Abolished mandatory tour escort examination.</li> <li>- Professional examination for branch managers has been modified so as to be taken before the examination board of the Ministry of Tourism, without the obligation of attending a seminar.</li> </ul>
<b>Geodesy</b>	<ul style="list-style-type: none"> <li>- Introduced online procedure for issuing statements of consent for the performance of professional geodetic activities (development of an application solution).</li> <li>- Abolished mandatory delivery of information from the Register of geodetic activities in the form of an annual report.</li> <li>- Enabled attachment of digital data to digital studies of title deed transcripts, of cadastre plan copies and land registry certificates.</li> <li>- Abolished certain conditions (for geodetic equipment and space) for the performance of professional geodetic activities.</li> </ul>

<sup>26</sup> Standard Cost Model (SCM)



	<ul style="list-style-type: none"> <li>- Facilitated conditions for data entry into the directory of certified geodesy engineers.</li> <li>- Introduced online procedure for applying to the professional examination for the performance of professional geodetic activities and issuing the certificate on passed professional examination.</li> </ul>
<b>Movement and residence of foreign nationals</b>	<ul style="list-style-type: none"> <li>- Within the occupation of seasonal worker in tourism and the hospitality industry (includes seasonal chefs, waiters, cleaners and maids and valets), foreign nationals do not need to present proof of graduation, and the delivery of proof of health insurance has been abolished under the condition that the person filed a request for a residence and work permit on the basis of an employment contract with an employer in the RC.</li> <li>- The delivery of proof of health insurance has been abolished, under the condition that the person filed a request for a residence and work permit on the basis of an employment contract with an employer in the RC, or if the purpose of obtaining said permit is seasonal employment, employment outside the annual quota and on the basis of the EU Blue Card.</li> <li>- The issuing of the residence and labour permit for employment outside the annual quota has been simplified for third-country citizens self-employed in an enterprise where they hold at least 51% of equity interest or sole proprietorship of which they are the sole owner.</li> </ul>
<b>Official statistics</b>	<ul style="list-style-type: none"> <li>- The online form for collecting data for the Annual survey on employment and wages (RAD-1G) was introduced.</li> <li>- Fees for entry/modification/erasure/transcript of the Notification on classification according to the National Classification of Economic Activities (NCEA) 2007 and the Eurocertificate (Notification on classification in English) have been abolished.</li> <li>- The scope of businesses in the Annual survey on employment and wages (RAD-1G) was reduced and it has been made possible to obtain the data from administrative sources.</li> </ul>
<b>Organisation of the judicial system</b>	<ul style="list-style-type: none"> <li>- The option of electronic submission of proof of payment of court fees by means of electronic communication with commercial courts was introduced.</li> <li>- Court fees for electronically submitting the proposal for entry into the land registry were reduced by 50%, as well as for all submissions and decisions submitted in electronic form according to special regulations by means of an IT system used by the court.</li> </ul>
<b>Aquaculture</b>	<ul style="list-style-type: none"> <li>- Abolished mandatory delivery of documentation which can be obtained from the available registries of competent authorities for the purpose of requesting preference for aquaculture.</li> <li>- Abolished mandatory payment of the aquaculture examination fee.</li> <li>- Abolished mandatory delivery of documentation for the purpose of requesting preference for maritime farming, which can be obtained from the available registries of competent authorities.</li> <li>- Abolished mandatory payment of the maritime farming examination fee.</li> </ul>
<b>Private security and private investigators</b>	<ul style="list-style-type: none"> <li>- Enabled submission of the request for the permit to perform activities of private investigation via the online administration platform (e-Citizen).</li> <li>- Enabled submission of the request to take the professional examination in private investigation via the online administration platform (e-Citizen).</li> <li>- Abolished mandatory delivery of the permit for the performance of private security activities, delivery of the certificate on the compliance of a bulletproof vehicle for transporting money and the certificate on the compliance of a reinforced safe for transporting money.</li> <li>- Abolished mandatory delivery of the permit issued by the competent police department for the performance of private security activities in public spaces.</li> <li>- Abolished mandatory delivery of information on the appointed responsible person.</li> <li>- Abolished mandatory delivery of trade registry extracts and security clearance questionnaires.</li> <li>- Enabled delivery of the necessary documentation for most procedures regarding private security and private investigation by electronic means, as well as digital keeping, filing and storing of records.</li> </ul>
<b>Precious metals</b>	<ul style="list-style-type: none"> <li>- Enabled submission of the request for issuing the Certificate on the manufacturer's mark by e-mail.</li> <li>- Abolished mandatory delivery of the matrix or print of the manufacturer's mark for storage in the SOM.</li> <li>- Reduced fee for the submission of the request for regular and extraordinary attestation of water meters, measuring systems on storage tanks and electricity meters.</li> <li>- The frequency of the submission of the request for regular and extraordinary attestation of breathalysers reduced from twice to once a year.</li> </ul>
<b>Security of monetary institutions</b>	<ul style="list-style-type: none"> <li>- Enabled digital record-keeping of the daily verification of technical security conditions.</li> <li>- Abolished delivery of court registry extracts upon registering a business activity.</li> <li>- Enabled digital filing in branch offices.</li> <li>- Enabled digital registering of changes affecting the fulfilment of technical and other conditions.</li> </ul>



**Table 3** | Implemented measures of facilitation of entrepreneurial business activities in 2018 and the first trimester of 2019

Area	Implemented measures of facilitation of entrepreneurial business activities on the basis of the Doing Business methodology
<b>Ownership registration</b>	<ul style="list-style-type: none"> <li>- Through the JIS "One Stop Shop" system, notaries public, attorneys at law and citizens via the online administration platform (e-Citizens) can now obtain land certificates with the power of official documents.</li> <li>- Enabled online obtainment of authentic land certificates without the need to visit the land registry department of the municipal court.</li> <li>- Enabled online submission of the proposal for registration into the land registry by notaries public and attorneys at law as authorised users.</li> <li>- The comprehensive reform of land registries and cadastre is continued and includes the simplification, acceleration and continuation of the process of digitising administrative procedures.</li> <li>- General power of attorney for the process of drawing up personal documents (as basis for registration into the land registry) may not be older than 1 year from the moment the document was drawn up.</li> <li>- A clear definition of regular and special land registry procedures and the corresponding scope of action by land registry clerks, legal secretaries and judges is being introduced.</li> <li>- Land registry procedures will be legally designated as emergency procedures.</li> <li>- The statutory time-limit for the issuing of decisions in regular land registry procedures will be determined.</li> <li>- The erasure of old mortgage claims, previously requiring a special depreciation procedure, will be simplified so that mortgages registered prior to 1 September 1980 are erased ex officio (the previous cut-off date was 25 December 1958).</li> <li>- The time limit of 3 years is being introduced for the establishment of land registries in cadastre municipalities with submitted documentation logs or land records. The cadastre municipalities without a land registry have a 5-year time limit to establish/start a registry.</li> <li>- In relation to the procedure of establishing, restoring and supplementing land registries, should the court find it necessary, land registry procedures will be conducted on the basis of existing cadastral records. The time limit within which the competent cadastre authority must deliver the relevant cadastral records is also defined.</li> <li>- Persons authorised to access IT systems used by the court, i.e. with the rights to access and search electronic data of the land registry, are more clearly defined.</li> <li>- Mandatory scanning of input document will be prescribed when the technical conditions are met and the electronic documentation collection is being introduced, which will lead to the full electronic access to land registries, i.e. electronic files.</li> <li>- The scanning of the remaining manually updated land registries is planned, so that the central archive of land registries of all municipal courts could be established in a single place.</li> <li>- Digital geodetic surveys are being introduced.</li> <li>- Mandatory delivery of the original or certified copy of land registry extracts is abolished.</li> </ul>
<b>Tax payment</b>	<ul style="list-style-type: none"> <li>- E-payment of taxes and contributions was introduced (online tax service), which contributes to the reduction of the number of hours spent on tax payment.</li> <li>- Administrative simplification of fulfilling a series of tax-related obligations was introduced, and certain forms have been abolished.</li> <li>- After two instead of three progressive income tax rates have been introduced, and the marginal rate has been reduced from 40 to 36% (with the non-taxable income increased to HRK 3,800), the annual base for marginal income tax of 36% was raised to HRK 360,000.</li> <li>- Contributions for mandatory unemployment insurance of 1.7% and health protection at work of 0.5% have been abolished, and modifications to wage contributions reduced employers' labour costs by 0.7 percentage points.</li> <li>- During two rounds of tax reforms, the real estate transfer tax was reduced from 5% to 3%.</li> <li>- Payment for CCE membership within the first year of establishing a company has been abolished.</li> <li>- The forest fee was reduced and completely abolished for small-scale entrepreneurs with revenue of up to HRK 3 million.</li> </ul>
<b>Obtaining a construction permit</b>	<ul style="list-style-type: none"> <li>- The number of procedures for obtaining of a construction permit was reduced from 22 to 10-14, which falls within the EU average according to the Doing Business methodology.</li> <li>- The cost of obtaining of a construction permit was reduced from 10.9 to 3.7% of the investment value, which falls within the EU average according to the Doing Business methodology. The reduction of said cost relates to the reduction of the water supply fee and the transfer of utility fee payments after the usage permit has been obtained.</li> </ul>



- Electronic linking of public authorities through the *One Stop Shop* system has been introduced by legislature due to the reduction of separate administrative steps for the obtainment of a construction permit.
- The obtainment of a construction permit has been accelerated by shortening the statutory time limit for relevant authorities to 15 days, after which the administration will be considered as non-responsive, or provide a positive reply.
- Mandatory application of revenue stamps and copying documentation in several copies is abolished.
- Users and investors can track the progress of the procedure at any time.
- Online confirmation of the main project and other projects has been introduced, and their content and drafting costs have been reduced.
- The number of confirmations of the main project for the purpose of issuing a construction permit has been reduced.
- The investors are no longer obliged to fulfil special conditions and grid connection conditions in order to obtain a construction permit.
- The issuing of construction permits has been facilitated in cases where no urban development plan has been adopted.
- Issuing of location permits has been facilitated for phase and sectional construction and in cases where no urban development plan has been adopted, and the number of obligations of the applicants will be reduced.
- Registering a building for which a construction and/or usage permit has been issued in the IT system for spatial planning has been enabled.
- There is no longer a limit date of validity for location permits if a parcel survey has been entered in the cadastre.
- The e-Archive of issued construction permits and acts has been introduced.
- Investors are no longer obliged to fulfil special conditions and grid connection conditions in order to obtain a location permit.

### **C. Improve market competition in the area of business services and regulated professions.**

**The liberalisation of the services market was completed by the end of April 2019 through 200 measures taken to remove obstacles to the freedom of providing services on the internal market in a number of sectors and professions.**

The list of all implemented measures can be found on the website of the Ministry of Economy, Entrepreneurship and Crafts<sup>27</sup> (MEC) which incentivises the implementation of concrete measures in this segment of the regulatory reform across different sectors. Out of the abovementioned measures, some 70 measures have been implemented through legislature during 2018. At the same time, the preparation of additional measures for reducing the degree of regulation of at least 15 main professional services (by applying the OECD methodology of product market regulation – PMR)<sup>28</sup> was initiated, and will be

conducted during 2019 and 2020 through two Action Plans for the liberalisation of the services market.

Moreover, **the online platform of the Single Point of Contact for services (psc.hr)**, one of the tools of the Internal Market Centre of the EU (cut.hr), continues to provide entrepreneurs with **over 200 sets of published information on the (electronic) initiation of business establishment, achieving freedom to provide services and the conditions to conduct service activities and professions.**

**New e-services have been developed enabling the faster and easier obtaining of permits for conducting many service activities and professions**, such as commerce, real estate brokerage, private education, environmental protection, surveying, protection of intellectual property and private investigation, whereas the development of e-services in tourism, the construction industry and other activities is still in progress. In the process of obtaining permits for conducting service activities and professions for at least 90 service activities and professions, a minor part of the documentation can be submitted by electronic means (e-mail).

<sup>27</sup> <https://bit.ly/2OjsPq6>

<sup>28</sup> OECD Product Market Regulation methodology (PMR)



The abovementioned measures implement the Conclusion of the Government on the introduction of electronic procedures for the registration of business establishment and obtaining approval for performing service activities and contribute to the liberalisation of the services market.

At the same time, various business services have not been regulated by means of permits (business consultancy, marketing, public relations, media, design, IT, accounting and other services), therefore they do not require the fulfilment of any particular conditions. It should be noted that the statutory obligation of licencing for accountants was abolished at the end of 2018.

**Table 4** | Measures of liberalisation of the services market implemented in 2018

Area	Implemented liberalisation of the services market
<b>Taxi service</b>	<ul style="list-style-type: none"> <li>- Free and equal market conditions for existing and new business models have been enabled.</li> <li>- The number of conditions for obtaining a licence has been reduced, and the obligation of attending a three-year course for professional drivers has been abolished.</li> <li>- It will not be possible to regulate additional conditions through ordinances.</li> <li>- The licence is easier to obtain: within 15 days from submitting the request. If the licence 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.</li> <li>- The content of the examination has been simplified.</li> <li>- The examination price has been reduced.</li> <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 be 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 is obliged to keep only a copy of the licence in the vehicle, instead of the original.</li> <li>- The right of ULSG to limit the number of licences has been abolished.</li> <li>- The licence no longer depends on the taxi driver's establishment and place of residence, and can be obtained in any ULSG.</li> <li>- Prices are freely determinable in accordance with the market.</li> <li>- It is possible to charge for rides by an e-application, not just by taximeter, which holds importance for digital platforms within the cooperative economy.</li> <li>- The obligation of notifying the passenger(s) on the price per kilometre via taximeter, or the maximum price via the e-application was introduced.</li> <li>- Taxi drivers can have any legal form.</li> <li>- Taxi drivers of other EU Member States may establish freely in the RC.</li> <li>- Foreign taxi drivers (of non-EU countries) may provide services if regulated by international agreement.</li> </ul>
<b>Tourism</b>	<ul style="list-style-type: none"> <li>- The regulation of the occupation of tour escort, i.e. mandatory examination, 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 of issuing certificates on the fulfilment of minimum technical requirements for travel agencies has been abolished, and the only document to be delivered is the notification on the beginning of service provision.</li> <li>- The administrative procedure of issuing certificates on the fulfilment of minimum technical requirements for family-owned rural tourism farms has been abolished.</li> <li>- The administrative procedure of issuing certificates on the fulfilment of minimum technical requirements in health tourism has been abolished.</li> <li>- The administrative procedure of issuing certificates on the fulfilment of minimum technical requirements for lease of parasols, sunloungers and windsurfing boards has been abolished.</li> <li>- The administrative procedure of issuing certificates on the fulfilment of minimum technical requirements for special forms of tourism services has been abolished.</li> <li>- The scope of service providers was expanded to medical, conference and business tourism.</li> </ul>

	<ul style="list-style-type: none"> <li>- Service provision in medical tourism, besides special hospitals and rehabilitation centres, was also made possible for the private healthcare sector.</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>- The system e-Visitor for tourist check-in and checkout has been introduced.</li> </ul>
<b>Attorneys-at-law</b>	<ul style="list-style-type: none"> <li>- The degree of regulating the marketing activities of attorneys has been reduced to a more moderate level in order to liberalise communication. There is no longer the need for a long-lasting procedure of obtaining authorisation from the Chamber for attorneys to publish a website nor to change their online information. The content of the website is no longer prescribed. Client information may be published on the website solely with their consent. Attorneys may advertise, but must abide by ethical principles of true and objective informing of the general public, especially in relation to client protection. Attorneys may unilaterally publish information on their services on social networks.</li> </ul>
<b>Accounting</b>	<ul style="list-style-type: none"> <li>- Obtaining accounting licences, as planned in legislature, has been abolished.</li> </ul>
<b>Auditing</b>	<ul style="list-style-type: none"> <li>- Independent (non-chamber) public monitoring of auditing services has been introduced.</li> <li>- The chamber fee was reduced by 30%.</li> <li>- The chamber membership fee was reduced by 30%.</li> <li>- The chamber audit examination price was reduced by 30%.</li> <li>- Competitive prices and competition among organisers of professional training for audit examination has been enabled, which creates the conditions for lower prices.</li> </ul>
<b>Architects</b>	<ul style="list-style-type: none"> <li>- The number of exclusive rights of architects has been reduced further, i.e. they no longer have the exclusive right to provide landscape-related services.</li> <li>- Previous testing of building parts according to accreditation has been abolished.</li> </ul>
<b>Recruitment agency services</b>	<ul style="list-style-type: none"> <li>- Mandatory issuing of permits for conducting job recruitment services has been abolished.</li> </ul>
<b>Healthcare</b>	<ul style="list-style-type: none"> <li>- The system of private healthcare offices in primary healthcare is being incentivised.</li> <li>- Private practice without concession, as well as the duration of private practice permits, has been defined.</li> <li>- Private healthcare workers may provide healthcare services even in a dislocated space or area, as well as in a special vehicle.</li> <li>- Specialised consultancy services in healthcare have been introduced.</li> <li>- Obstacles for the development of private health tourism have been removed.</li> <li>- Healthcare services in health tourism may be provided by healthcare institutions, companies performing healthcare activities and private healthcare workers. Said subjects will also be able to provide hospitality services.</li> </ul>
<b>Psychotherapy</b>	<ul style="list-style-type: none"> <li>- Private psychotherapists (outside the healthcare system) from other states of the European Economic Area are guaranteed the freedom of establishment, as well as the freedom of occasional and temporary cross-border service provision, without the need to register establishment.</li> <li>- The request for the certificate of permission can be submitted electronically via the Single Point of Contact.</li> <li>- The request for the certificate of permission is free of charge.</li> <li>- The duration of the certificate of permission is no longer limited.</li> <li>- Natural and legal persons can have any legal form.</li> <li>- The number of offices is not limited.</li> <li>- Prices are freely determinable in accordance with the market conditions.</li> <li>- The freedom to provide counselling services is maintained, whereas the persons authorised to represent as psychotherapists will need to possess the relevant professional title.</li> </ul>
<b>Environmental protection</b>	<ul style="list-style-type: none"> <li>- The conditions for obtaining consent have been simplified and reduced.</li> <li>- Renewal of the consent for the performance of professional environmental protection activities does not need to be performed every three, but five years.</li> <li>- The conditions for the working space of the manager of professional environmental protection activities have been abolished.</li> <li>- Mandatory participation and payment of professional council costs upon obtaining consent for the policy of preventing large-scale incidents in a protected area has been abolished.</li> </ul>
<b>Libraries</b>	<ul style="list-style-type: none"> <li>- The limitation of the ownership form for founding libraries has been abolished, allowing private libraries as well as public libraries to be founded.</li> <li>- Both natural and legal persons may found libraries.</li> <li>- The founding of religion-oriented and digital libraries has been prescribed.</li> </ul>
<b>Educational rehabilitation activities</b>	<ul style="list-style-type: none"> <li>- Minimum service prices are no longer regulated.</li> </ul>



**d. reduce the duration of judicial proceedings and upgrade the application of electronic communication at courts.**

In July 2018, a package of laws was adopted that will reinforce judicial independence, reorganise the network of judicial bodies and improve the efficiency of the judicial system. The following acts were adopted: the Amendments to the Courts Act<sup>29</sup> and the State Judiciary Council Act<sup>30</sup>, as well as the new Act on Areas and Seats of Courts, the Act on Areas and Seats of State Attorney's Offices, Act on State Attorney's Office and the State Attorney's Council Act<sup>31</sup>.

**In relation to the resolution of cases unresolved for over 10 years**, for the purpose of reducing the number of such cases **at municipal and commercial courts**, the presidents of the courts deliver plans on resolving old cases to the Ministry of Justice (MJ), as well as monthly reports on case resolutions. On the basis of the collected data, a database of old cases with relevant data has been created (presiding judge, activities undertaken, reasons for lack of resolution, planned time limits for case resolution and reasons for the inability to resolve a case within the planned period). The database serves as the basis for semi-annual and annual reports on the number of resolved old cases and for analysis of the reasons for the lengthiness of procedures. Since the project was initiated (May 2017), the number of cases unresolved for more than 10 years was reduced significantly, by 16% at municipal courts at the end of 2017 compared to year end 2016, and by 23% at commercial courts within the same period. At the end of 2018, compared to year end 2017, **the number of cases decreased further, by 23% at municipal courts and 13% at commercial courts.**

The e-Communication system has been implemented at all commercial courts and electronic communication has been established with attorneys and notaries public. Electronic communication enables attorneys to submit electronic documentation to the court on behalf of their parties, with mandatory usage of an advanced or qualified electronic signature. Upon submitting the documentation, the system calculates the fee, provides the user with payment information and automatically tracks the payment of the fee into the SB through payment information received by the Electronic Filing System from the Financial Agency (FINA). Electronic communication also enables commercial courts to deliver judicial documents to the parties' legal representatives via a secure electronic inbox. Moreover, the users will receive an e-mail informing them of the receipt of a judicial document in their secure inbox. Upon receiving and opening the documents, the users will need to confirm the receipt in the secure inbox, which will be registered in the eFile as the date of receipt of the document. During 2018, all attorney associations and notaries public have been familiarised with the functioning of electronic communication with commercial courts in accordance with the Ordinance on electronic communication in proceedings before commercial courts. Until 1 February 2019, attorneys and notaries public electronically exchanged 912 petitions and documents with commercial courts.

For the purpose of additionally incentivising e-Communication, the **new Court Fees Act**<sup>32</sup> was adopted, regulating the manner of charging court fees in judicial proceedings for actions undertaken by the court on request of the party, and **a reduction of 50% of the prescribed fee was determined for documents submitted and received by electronic means.**

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<sup>29</sup> OG, nos. 28/13, 33/15, 82/15, 82/16 and 67/18

<sup>30</sup> OG, nos. 116/10, 57/11, 130/11, 13/13, 28/13, 82/15 and 67/18

<sup>31</sup> OG, no. 67/18 – for the abovementioned acts

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<sup>32</sup> OG, no. 118/18



In the second stage, lasting until September 2019, electronic communication is planned to encompass other participants in judicial proceedings (insolvency administrators, expert witnesses, court interpreters and state attorney's offices), as well as municipal courts and connect with the national system for fee payments. Incentivising electronic communication will result in the administrative relief of courts, which will, in turn, accelerate judicial proceedings and ensure better collection of court fees.

For the purpose of further developing information and communication technologies in the judicial system, **an integrated system of case management (eFile) was introduced to the Civil Department of the Supreme Court of the RC.** The process of upgrading IT systems in courts has been initiated, which will include the introduction of the e-Delivery System.

**The first stage of implementation of the speech-to-text conversion system at courts and state attorney's offices has been completed, relieving administrative personnel** of creating logs and instead providing them with texts for final editing only.

Furthermore, **judicial and state attorney business processes during hearings are being upgraded**, as well as the processes of drafting rulings and reporting on investigative actions by accelerating and simplifying hearings and improving the accuracy of the materials. In December 2018, 800 sets were installed for certain previously trained users. To date, user experience with the speech-to-text conversion system has been positive and the procurement of new sets is being planned, according to the requests of the users.



## 4. Main objectives, reform priorities and measures of the economic policy

### 4.1. Strengthening economic competitiveness

#### 4.1.1. Improving the business environment

##### Administrative and non-tax relief

Since 2017, regulatory reform has been underway with the aim of improving the business environment through the administrative relief of the business sector. So far, the measurement of the administrative burden has been carried out using the SCM methodology for the analysis of regulations from more than 70 areas with impact on the economy. During the implementation it was noted that there are administrative problems stemming from the synergies of more regulations, so a **comprehensive analysis and simplification of regulations in a particular area and administrative procedures continues**, as a large number of complaints by the business community have focused on the ambiguities and problems in their implementation. Therefore, the data on the liabilities collected in the SCM measurement will be utilised to develop optimal administrative procedures, i.e. a simple business process overview in the form of a guide for procedures that represent the highest administrative burden on the business community. Apart from process optimisation, the prerequisites for the introduction of electronic procedures will be determined so that optimised procedures could be fully digitised.

During the current analysis of the cost of regulations, administrative fees have been identified as a significant element of administrative cost, which is why in 2019, **an analysis and an index of all regulations that entail an obligation to charge administrative fees will be conducted**.

In all independent analyses that monitor the burden to the Croatian economy, various charges and fees that fall into the category of non-tax payments are mentioned as a significant burden. Given that the current dynamics of decreasing non-tax payments should be speeded up, **an audit of the record of all payments will be carried out in the form of a register of non-tax payments**, as well as an analysis of the revenues and activities funded by these revenues. Measures for the removal, reduction, or changes to the charging and financing methods for each individual area of non-tax payments will also be proposed.

**The aim is to relieve the business sector from financial and administrative burdens arising from the liability to calculate and settle various non-tax payments.**

**Preparing the measures to be adopted through the new action plan for administrative and non-tax relief** will be conducted according to good practice of inter-departmental cooperation and cooperation with the business sector.

##### Liberalisation of the services market

According to PMR methodology, in 2013, the Croatian sector of professional services was at least by a third more regulated than the EU average with a score of 3.70. On the other hand, for example, the retail sector is below the EU average in terms of regulation. Compared to the 2013 PMR report, by April 2019, the level of regulation of architects and engineers has already been reduced through deregulation of prices, marketing, business start-up, and numerous exclusive rights. Certain obstacles to auditors and tax consultants have also been removed, and the regulation of the accounting profession has been prevented with mandatory licencing and



the professional chamber. On the other hand, the regulation of attorneys stayed pretty much the same, with the exception of marketing facilitation. Compared to 2013, in addition to these professions, the PMR report for 2018 will also include real estate agents, who are less regulated in the RC, as well as notaries, who are highly regulated. According to the EU restrictiveness indicator by the EC, the RC regulates professions approximately 10% more compared to the EU average. The regulation of lawyers, engineers, architects, and accountants is tracked in this instance. Given that deregulation of professions was conducted in the meantime, and is still ongoing, it can be estimated that the regulation of major market professions in the RC is steadily decreasing towards the average of the EU's internal market. The MEEC continues to encourage the lifting of regulations and barriers to market competition in the area of services, which is in line with the EU's internal market strategy, the Treaty on the Functioning of the EU, and the EU Services Directive.

**The aim of the continued liberalisation of the services market by using the OECD PMR methodology is to continue to boost competition in the services market by reducing the overall level of regulation of major professional services and preventing the adoption of new unjustified regulation in the services market, in order to open up space for increased productivity and innovation of the economy, reduce the prices of professional services, and stimulate the (self-)employment of new entrepreneurs.**

Following the 200 measures taken to remove obstacles to the freedom of starting businesses and providing services on the internal market in a number of sectors and professions, there is now a plan to cumulatively **implement at least 250 measures of services market liberalisation** by the end of 2020. At the same time, **the introduction of new sectoral regulation and barriers to the services market will be forestalled.**

Following the conducted analysis on the regulation of 50 major professional services, professions were selected for which, at the

proposal by the MEEC, interdepartmental measures for implementation during 2019 and 2020 have been defined. It is projected that **the first Action Plan for the Liberalisation of the Services Market will be adopted by the end of June 2019, and the second Action Plan for the Liberalisation of the Services Market by January 2020.**

### Electronic business start-up

According to the Doing Business World Bank report for 2019, eight procedures for starting a business or establishing a company (d.o.o.) are required in the RC. While the number of days depends on a particular case due to the existing non-standardised procedure, 22 days are required for the entire business start-up process according to the report. This result reduces the level of freedom to conduct business according to the methodologies of economic freedom measurement (Heritage Foundation and Fraser Institute), and is also one of the factors of low competitiveness of the Croatian economy (according to the World Economic Forum).

In order to facilitate the business start-up process, **the development of a unique information system for business start-up (START) has been initiated. Starting companies electronically (online) will be possible** without the physical certification by a notary for standard articles of incorporation, with the background linking of registers in some steps (court registry, statistics, tax administration, CPII-CHIF, and banks).

**The goal is to enable business start-up through only one electronic process, while information on easier start-up will be provided by the Point of Single Contact for Services (psc.hr).**

A Regulation has already been adopted which provides for the electronic start-up of business operations<sup>33</sup>, in other words, which sets the legal framework for business start-up through the START system, as well as the Decision on establishing the manner, conditions, and

<sup>33</sup> OG, no. 71/18



deadlines for the regular operation of the START system.<sup>34</sup> **The process of amendments to the Companies Act<sup>35</sup> and the Court Register Act is currently in progress<sup>36</sup>, which will enable the electronic registration of companies.** Furthermore, court officials will be empowered to undertake almost all actions in register cases, while **doing business will be made even easier for entrepreneurs by simplifying certain rules and/or adding exemptions from certain liabilities.** Also, in addition to making it easier to start a company, the plan is to **simplify the rules and reduce the liabilities of entrepreneurs when they leave the market** (with liquidation without bankruptcy), reducing the cost of proceedings and providing further relief to the judicial system, which is also important for improving the position according to the Doing Business methodology.

### Sustainable corporate governance

The proposed amendments to the Companies Act are envisaged to align the existing legislative framework with the rules and obligations that EU Member States derive from Directive 2017/828 of the European Parliament and of the Council of 17 May 2017 on amending Directive 2007/36/EC to ensure **incentivising long-term shareholder participation**<sup>37</sup>. The said Directive lays down the requirements relating to the exercise of certain shareholder rights with regard to shares with voting rights in relation to the general assemblies of companies established in an EU Member State and with shares in the regulated market situated or conducting business in an EU Member State. It also determines special requirements for incentivising shareholder participation, especially in the long-term. These special requirements are applied in relation to determining shareholder identity, transferring information, facilitating the exercise of shareholder rights, transparency of

institutional investors, asset managers, and proxy advisors, directors' remuneration, and transactions with related parties.

The proposed amendments are designed to further protect minority investors in terms of enhanced transparency of transactions with related parties, as well as to review transaction approval procedures with related parties, request the publication of information on management remuneration on an individual basis, request the disclosure of information on basic employment and director functions of board members in other enterprises, and enable 5% shareholders the option to add items to the agenda in general meetings. There are also plans to **introduce stricter criteria for supervisory board membership in larger companies.**

**The aim is to strengthen the corporate governance model and transparency related to strategy and policy implementation that can help improve the financial and non-financial results of companies.**

### Improving the TEN-T network in the RC

The main problem of the transport system on the TEN-T network in the RC is the uneven development and non-integration of infrastructure intended for certain types of transport. Further development of the road network needs to be aligned with priorities that will be based on justified safety, ecological, and economic indicators. It needs to be directed towards achieving a high standard of regular maintenance and improving road safety, ensuring the compliance of the main road network with the existing transport standards, as well as completing the already planned necessary motorway and expressway network. The shortcomings of the existing railway infrastructure are related to inadequate railway line capacities, insufficiently developed and uneven technical parameters, outdated rolling stock, significant network speed limitations, outdated railway signalling and electronic communication systems, and poor connections with ports of inland waterways and seaports.

<sup>34</sup> OG, no. 103/18

<sup>35</sup> OG, nos. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, and 110/15

<sup>36</sup>OG, nos. 1/95, 57/96, 1/98, 30/99, 45/99, 54/05, 40/07, 91/10, 90/11, 148/13, 93/14, and 110/15

<sup>37</sup> <https://bit.ly/2XcOrZ1>



**The aim is to ensure the implementation of projects to improve the road sector and increase the use and importance of the railway sector, contributing to the development of the entire TEN-T network in the RC.**

In the road sector, **infrastructure will be upgraded and links that are missing on the road section of the TEN-T network** at the national and international level will be built, with the aim of shortening the time spent on the covered sections. Also, **by implementing the project of upgrading and modernising railway infrastructure, preconditions will be provided for the environmentally sustainable rail sector to assume a greater share of passenger and freight traffic on the TEN-T network** compared to the currently dominant road sector. Project activities to be financed include removing level crossings, modernising devices for signalling and safety, and telecommunication, constructing noise protection walls, constructing bridges and unfinished sections, connecting the disconnected territory of the RC, implementing environmental protection measures and improving road safety, building a second railway track, reconstructing railway stations and stops, the electrification of the railway lines, etc.

### **Broadband infrastructure development**

As confirmed by The Digital Economy and Society Index – DESI 2018, the Croatian broadband market is characterised by low coverage by fast and ultra-fast broadband as well as high prices compared to the EU average. The RC will focus on improving its weaknesses in the area of connectivity in order to achieve the Digital Agenda goals for Europe, primarily the overall coverage of the entire population with a fast broadband network of at least 30 Mbps.

**The goal of developing next-generation broadband infrastructure is to increase national coverage by the next-generation broadband network by 2023, primarily by achieving next-generation backhaul coverage of at least 350 central residential areas in**

**ULSG, in the white and grey areas of next-generation networks, and securing connections to all target public institutions in the white and grey areas of next-generation networks.**

The project **“Building the national next-generation backhaul broadband infrastructure and connecting target users within public administration bodies with next-generation electronic communication infrastructure” will be prepared**, enabling the construction of a backhaul intended for lease to all operators of electronic communication networks and services on the market. Ultimately, end users will benefit from the fast and ultra-fast broadband network as well as all the services they provide. This also implies that affordable and high quality broadband high-speed connections will be provided in target areas, which will also reduce regional differences between rural/suburban and densely populated city areas of the RC, allowing a uniform development of all regions of the RC by assisting measures against rural areas depopulation. Target groups within public institutions will be national, regional and local government offices and affiliates, including educational, health, cultural, tourist, and judicial institutions.

### **Establishing a normative framework for water utility sector reform**

The water utility sector in the RC is extremely 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. **Therefore, the largest investments from the cohesion policy funds are planned for investment in the further development of the public sewerage system and the reduction of losses from the public water supply system, as well as achieving the health safety of water for human consumption.** 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, which includes the consolidation of public suppliers of water supply services and public



waste water management services. This will be ensured by establishing a legal basis for the implementation of the water utility sector reform, in other words, by adopting the Water Services Act.

**The objective is to promote sustainable water management, achieve business efficiency and improve the capacity of public water supply providers to implement water infrastructure development projects, efficient infrastructure management, equalisation of water utility costs in one service area and ultimately lower water utility costs.**

In order to reduce water losses in public water supply systems, the Rulebook on the amount of compensation for water use will be amended, which will prescribe the models for the calculation of the water use compensation in public water supply, as well as the corresponding ordinance. By applying the correction coefficients for the calculation of this compensation, public suppliers who will reduce the losses to an acceptable level will pay a reduced fee for water use.

#### 4.1.2. Investment growth

##### Stimulating investments and productivity

**Given that investments are key to the growth and sustainable development of each country, the goal is to facilitate the business of the investors at the outset of their business operations, during their business operations, and in expanding the existing business through further investment.**

A transparent, predictable, and effective regulatory and administrative framework for investment and continuous development of tools and services will be provided with the aim of helping investors navigate through different investment regulations and procedures.

On the premise that the RC has a very low preparedness index of industrial enterprises for Industry 4.0 and that a small share of such enterprises use top global methodologies, concepts and tools for the improvement of production and increasing competitiveness in

the European and global market, a **Plan for the digital transformation of the economy will be implemented.**

Amendments to the Investment Promotion Act will ensure legal security and undisturbed implementation of the legislative framework for encouraging investments through the specification of a **targeted investment measure through the economic activation of inactive assets owned by the RC**, which will facilitate its implementation and use.

**Strengthening the content, enhancing visibility, and maintaining a single digital point of contact for investors** will contribute to the promotion of the RC as an attractive investment destination and make it easier for investors to obtain the necessary information on investment conditions in the RC in one place.

**An integrated Programme for stimulating investments in new technologies** will be developed to highlight the benefits the RC offers investors in this area. Specifically, there are a number of incentives that can make it easier for a potential investor to invest in new technologies, from the incentives provided by the Investment Promotion Act, to guarantees and preferential loans. Nevertheless, it has been shown that entrepreneurs are not sufficiently familiar with the available benefits offered by the RC. The integrated programme could facilitate their use.

**Enhancing the capacity of counties to attract and stimulate investments** in order to increase the number of investments and ensure balanced regional development is planned through workshops and the transfer of knowledge, experience and good practice, and support to investors. Likewise, support will be provided to develop local investment support programmes and provide information on available funding instruments for investors.

**An independent body will be formed for the purpose of analysis, design and implementation of policies in the area of productivity and competitiveness**, which is in line with the Council Recommendation of 20



September 2016 on the establishment of National Committees for Productivity (2016/C 349/01) in the euro area member states. Member states outside the euro area are also encouraged to establish or form similar bodies. In connection with the aforementioned, the RC will set up a **Productivity Committee**, which will have autonomy of action in relation to any public authority body responsible for designing and implementing policies in the area of productivity and competitiveness. The composition of the Committee will be unbiased, meaning that it should not reflect exclusively or predominantly the views of certain groups of stakeholders. The Productivity Committee will be in contact with the productivity committees of other member states, with the aim of exchanging views and best practices, also taking into account the wider dimension of the euro area and the Union.

#### 4.1.3. Improving the management and disposition of state property

##### Activation and better management of state property

**In order to ensure more responsible management and more successful operation of state-owned companies, activities will continue to improve the management of state assets, i.e. management of companies by boards of directors and supervisory boards. For unused state-owned property generating high costs, measures for their activation will be undertaken in order for them to serve as a tool of economic development.**

Given the need to strengthen business efficiency and business supervision in state-owned companies, **it will be compulsory to organise and attend training sessions for representatives of the RC in supervisory and audit committees** in order to acquire the necessary knowledge on the monitoring and supervision of state-owned companies, the Corporate Governance Code, the Planning and Restructuring Frameworks, and the OECD Guidelines on Corporate Governance of State-Owned Enterprises.

Through a detailed analysis of the role of the state in the management of companies as well as through the principles applied in business, **the criteria for defining legal entities of special interest for the RC** will be determined. This is important because the state as the owner needs to have a clear ownership policy that defines, among other things, the reasons for the ownership, the role of the state in the management of the company and the principles applied in business.

In legal entities in majority state ownership, **a function of monitoring compliance with legal regulation will be introduced**, which will contribute to overcoming the risk of (non)compliance, as well as the risk of significant financial loss or corruptive risks that the company may suffer due to non-compliance with regulations, standards and codes, and internal acts.

Following the adopted Act on State Property Management and the Regulation on the manner of disposal of shares and holdings, both of which simplified the conditions for the sale of shares and holdings, primarily pertaining to legal entities not of special interest, ongoing activities related to identification, preparation, and sale of shares and holdings will continue, with the goal of effectively **reducing the portfolio of state property** managed by the Ministry of State Property (MSP) and the RSC.

For further improvement of the normative framework, **further amendments to the Act on State Property Management and the adoption of the Act on Unassessed Construction Plots** are projected. These will allow for the creation of clearer legal prerequisites for the settlement of property rights relations between the RC and the companies whose parts of real estate were entered into the social capital (in the transformation process) and into the underlying capital of these companies in the privatisation process. Setting the criteria and the procedure for the regulation of co-ownership relations between the RC and the companies will enable entrepreneurial activity in accordance with market requirements, which will have a positive impact on SB revenues.



Further **activation and reduction of the real estate portfolio is planned** for the purpose of putting them into the function of economic development, as well as **the preparation and monitoring of the implementation of investment projects for the activation of unused state property** through the establishment of rights of construction, easement rights, donations, leases, and granting the rights of use.

### **Restructuring and building a sustainable transport sector**

**With the aim of building an efficient and long-term sustainable road sector, the business and financial restructuring of state-owned road companies will be carried out, as well as the restructuring of the railway sector with the aim of increasing its efficiency and competitiveness. Investment in safety, ecological sustainability, efficiency, and competitiveness of all other aspects of transport will also be encouraged.**

In recent years, state-owned road companies have faced significant difficulties primarily related to their inability to pay back their loans in the sense of high debt interest rates and short repayment periods. Under these conditions, apart from low liquidity, financial stability was also influenced by relatively high operating costs. In order to improve the business conditions of state-owned road companies, the project “Modernisation and restructuring of the road sector” (MARS) was initiated and financed by a World Bank loan (implemented since November 2017). Through the project, funds have been obtained for the purpose of financing six main areas: road classification and elaborating maintenance standards, road asset management system, streamlining business activities and business functions in motorways, tolls, operative and business streamlining of Croatian Roads (CR), and road safety measures. For the needs of operational and financial restructuring of state-owned road companies, **planning and monitoring activities will be enhanced and key performance indicators redefined** for the purpose of developing more transparent management organisation. **A strategy to**

**increase the business efficiency of state-owned road companies and the systems within the scope of their competence will also be developed.** As part of the operational restructuring of the state-managed road sector, the technical maintenance framework related to maintenance and toll collection 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). Consultation analysis is expected to be delivered and plans are in place for the implementation of recommendations aimed at reducing operating costs. Work will also be carried out on further streamlining the business operations of the companies and improving road safety measures. The purpose of the financial restructuring of state-owned road companies to be implemented through this measure is extending the repayment period and reducing the interest rate of the remaining debt of the companies. With the implementation of the financial restructuring, achieving complete financial stability of the road companies is expected, at the same time maintaining the current liquidity and the uninterrupted repayment of the annual credit obligations.

The development of the railway sector is considered to be extremely important for economic and social growth as well as for the international connection of the RC and for the achievement of strategic goals and positioning of the RC in the network of European corridors. The general state of the railway system is not in line with the current transport requirements. In order to increase the competitiveness of the railway system, it is necessary, inter alia, to create conditions for the sustainable operation of railway sector companies, to modernise business, to improve business processes and to carry out the restructuring of the companies. In March 2019, the new Railway Act was adopted<sup>38</sup>, and **there are also plans for the adoption of the Railway System Development Strategy, the National Railway Infrastructure Development Plan, and**

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<sup>38</sup> OG, no. 32/19



**the National Plan for Developing Rail Transport Services, , as well as the Act on Safety and Interoperability of the Railway System, the multi-year Contract for the Use of Railway Infrastructure, and the projects “Asset Management” and “Hiring an Independent Financial Consultant for the restructuring of HŽ Cargo.”**

It has been established that further development and strengthening of the competitive advantages and position of Croatia Airlines Ltd in the air transport market can only be ensured through a quality strategic partnership. The indicator of such a partnership is the expansion of the transport network and the increase in the market share of Croatia Airlines Ltd as well as recapitalisation for the purpose of supporting the future development of Croatia Airlines Ltd. In connection with the above, on February 21 2019, the Government issued a Decision on initiating the process of seeking a strategic partner and establishing the Committee for the implementation of the procedure and proposing the selection of the strategic partner of Croatia Airlines Ltd. The Committee will consider possible further steps to ensure the provision of a quality strategic partner with significant civil aviation experience, which would, inter alia, ensure the expansion of the transport network and increase market share, bearing in mind the importance of regular and year-round connections in both domestic and international air traffic and the need to support the further development of tourism potential of the RC and to participate in fleet renewal and recapitalisation for the purpose of supporting the future development of Croatia Airlines Ltd. At the proposal of the Committee, the Government will make a Decision on the choice of a strategic partner.

Pursuant to the applicable legal regulations, the initial amounts of the concession fee for the maritime domain at the time of calling for public bidding are always the same. In this way, there is no differentiation between the maritime domain located on an attractive tourist or transport area and the maritime domain which is not. The consequence of this approach is the insufficient valorisation of the

maritime domain. Namely, at attractive locations, a greater number of good offers are received, while it is evident that at less attractive locations and locations that have a shorter tourist season, the investment is not economically justified even if the initial amount is offered. Furthermore, it is not possible to stimulate entrepreneurs to carry out certain activities such as shipbuilding or industrial manufacturing outside of an inhabited or tourist area by modifying the concession fee amount. The aim is to **activate the potential of the maritime domain through better formulation of the initial concession fee amount** during the award procedure for maritime domain concessions. An analysis of all social, transport, economic, tourist and other impacts relevant for carrying out individual activities at a specific maritime domain location will be produced. Such an analysis will be the basis for the establishment of zones of the maritime domain and for setting the initial concession fee amounts at the time of announcing the public bidding process for each location and activity. **By adopting the new Maritime Domain and Seaports Act and by developing a study for outlining maritime domain zones,** better revenues from concession fees in more economically attractive areas will be provided, alongside incentives for investments in less developed areas, employment of the local population, and population retention on the islands and in smaller communities, which will **ensure the optimal valorisation of the maritime domain, as well as better management.**

Taking into account the inadequate representation of river transport in the RC on the one hand, and the environmental friendliness and cost-effectiveness of this type of transport on the other, priority objectives and measures for their realisation have been set with the aim of developing and improving river transport in the RC. Sustainable exploitation of gravel and sand from the waterway belt on inland waterways can significantly increase the efficiency of waterway maintenance and reduce the need for budgeting for this purpose. For that purpose, a model of sustainable river-flow deposits management (river gravel and sand) will be established in



order to achieve a satisfactory navigability standard at the level of the established conditions of international waterways. The methodology for calculating **the inundation (transport) of the river sediment in the river basin for the purpose of technical maintenance of waterways will be defined**, and monitoring and projections of river sediment inundation and the need for future repair will be established. Systematic analysis in establishing sustainable gravel and sand management and exploitation is a fundamental activity in the regulation and implementation of mitigation measures and a monitoring programme of the environmental network in which almost all inland waterways are located. In addition, **the new Act on Inland Navigation and Ports for Inland Waterways** will contribute to increased safety and efficiency of inland navigation, which will ultimately enhance the competitiveness of inland waterway transport.

#### 4.1.4. Improving public administration

##### Review of the salary determination system

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.

**The aim is to establish a more stimulating, objective, and just system of rewards and promotions.**

To this end, a new Regulation 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 single system consisting of pay grades which will define the initial coefficients for each job. The introduction of the pay grade system eliminates the 0.5% bonus for each completed year of service, and the future performance assessment system will be based on the determination of targeted results for a particular job.

**The proposal of the new the Civil Service Salaries Act** and the Regulation which will govern the application of this Act are already in a high state of completion. Since this law is horizontally linked to changes to the Civil Servants Act, they must be adopted together and, which is why preparation activities and deadlines for both normative proposals are harmonised in that regard.

##### Integration of strategic planning and development management

Poor coordination and insufficient public policy formulation and implementation capacities have a negative impact on the socio-economic development of the RC as well as the exploitation of the full potential of EU funds.

**The aim is to increase the efficiency of public management by introducing an integrated system of strategic planning and management development, which includes long-term, mid-term and short-term strategic planning as the basis for budget allocation, monitoring of achieved results, and systematic valuation of impacts in the implementation of strategies, plans, programmes, projects, and activities.**

The new EU financial period will be planned and implemented using a new system of strategic planning and development management, with emphasis on development needs in the field and readiness for implementation. A **National Development Strategy until 2030** will be adopted, defining the developmental directions and strategic goals of the RC by 2030, as well as the framework for its implementation. **All public projects under preparation will be recorded in the Central Electronic Register of Development Projects** in order to facilitate investment planning. **The development and implementation of analytical tools, processes, and methods for strategic planning will be completed, and the functionality of the information and communication platform for managing development will be adapted** by introducing new software solutions. At the same time, the network of strategic planning coordinators established at the beginning of 2019, as well as systematic training will



contribute towards strengthening public administration capacity for policy development and implementation.

### Improving the standardised framework for the fight against corruption

**In order to strengthen the normative framework in the area of anti-corruption, and based on the current strategic document of the Anti-Corruption Strategy for the 2015–2020 period<sup>39</sup> and the Action Plan for the 2019–2020 period, there are plans for intensifying the activities of increasing the accountability and integrity of public officials and improving the organisation of the system and the legislative framework in priority strategic horizontal and sectoral areas.**

In this regard, the planned **online Anti-Corruption Handbook for State Officials** aims to strengthen the capacities of public office holders in the area of functioning of the elements of the preventive anti-corruption mechanism, as well as to encourage further improvement of existing anti-corruption standards with a view to ensuring integrity, accountability and transparency in policy-making.

In order to provide the prerequisites for the full use of the online **application for submitting, processing and verifying reports on the property of judicial officials**, and based on the Act on the National Judicial Council<sup>40</sup> and the Act on the State Attorney Council,<sup>41</sup> **the Rules on the content of the form of the report on the property of judges and the manner in which it is filed, and the Rules on the content of the form of the report on the property of the state attorney and the deputy state attorney and the manner in which it is filed** shall be adopted. The aforementioned Acts set the legal bases for computerisation and greater transparency in the process of collecting and processing property declarations. In the context of strengthening

the transparency of the judiciary, it is important to point out that these regulations institute public access to property declarations of judicial officials. These activities are prerequisites for setting up a system of automatic property declaration authentication by integrating with the information systems of other competent authorities with the aim of achieving greater credibility of the regime of filing and collecting property declarations, and all on account of providing a better understanding of possible conflicts of interest and professional challenges, strengthening public oversight over the work of judicial officials, and raising citizens' trust in the justice system.

**The Judicial Academy Act** will also be adopted with a view to further enhancing its role in increasing the professionalism and responsibility of judicial officials and functionaries. The Act will, among other things, also ensure the strengthening of anti-corruption preventive mechanisms in the work of the Judicial Academy in terms of preventing potential conflicts of interest in performing the functions of members of various bodies of the Academy.

### Decentralisation and streamlining

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.

**The goal is streamlining and standardised regulation of the organisation and job performance in public administration.**

Within the project "Optimisation of Units of Local and Regional Self-Government", for the purpose of building effective, efficient and cost-effective local and regional self-government, **the existing capacities of URLSG will be determined** among other things in order to obtain a clear picture of their ability to provide public services. Based on the data on URLSG that will be consolidated in the database on URLSG capacities, **an analysis of indicators will be conducted to evaluate their**

<sup>39</sup> OG, no. 26/15

<sup>40</sup> OG, nos. 116/10, 57/11, 130/11, 13/13, 28/13, 82/15, and 67/18

<sup>41</sup> OG, no. 67/18



**administrative and financial capacity to provide quality and efficient service** from the legally prescribed scope, as well as their capacity to tackle new work and to perform decentralised work under the competence of the central state administration.

Due to the need to improve the state administration systems, **a new normative framework will be developed to remove the observed inconsistency in the performance of state administration** caused by functional and hierarchical inconsistencies and to enable more efficient performance of state administration and further professionalisation, resulting in increased efficiency of state administration. Additionally, in order to reduce the number of state officials, **the new State Officials Act will be passed.**

### Computerisation of public administration

One of the issues which reflects negatively on the level of usage of online public e-services in the RC, as well as communication with public government bodies via online applications, is the inadequate and inefficiently managed Information and Communication Technology (ICT) infrastructure of public administration. Therefore, in accordance with the National Information Infrastructure Act<sup>42</sup> and the Regulation on organisational and technical standards for connecting to the national information infrastructure<sup>43</sup>, the establishment **of a Shared Service Centre was started**, which will enable a rational and cost-effective development of an interoperable ICT system within the state administration based on a “state cloud” concept. The project “Establishing a Shared Service Centre” (HRK 362 million) was proclaimed a strategic project by the Government, with extensive tender documentation prepared (15 groups of subjects of public procurement) and ongoing administrative procedures prior to the signing of the Grant Agreement. The public procurement procedure commenced on 11 February 2019. By the end of April 2020, through the project of establishing a Shared

Service Centre (Phase II), **50 institutions will be included in the Shared Service Centre**, with the end objective of establishing a single strategic site for managing and coordinating the development of a state ICT, crucial for the streamlining of state ICT expenditure.

With the aim of taking further efforts to support and implement the initiated reforms in public administration, and to clarify, streamline, and modernise work processes, the implementation of the project “Establishment of a single administrative centre” (HRK 122 million) continues. **The 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. After the establishment of 15 digitised services through single administrative locations (Phase II), a total of 20 services will be established. The third phase of the Project, planned to run from the second half of 2020 to June 2021, will result in a total of at least 30 services, of which at least 50% will be complex services.

There is intensive work on the **e-Business project** (HRK 50.98 million), which will enable single access to electronic business services, downloading documents on a computer (e.g. from the Tax Administration, health insurance and pension system). The entire platform, along with the Business User Mailbox, will be available to users in mid-2019. Power of attorney and representation will be supported through **e-Authorisation**, which will be an upgrade to the National Identification and Authentication System (NIAS) within the scope of e-Business. This will give the option to older family members within the e-Citizens system who do not use digital technologies to give a member of their family power of attorney to use the services provided by the e-Citizens system in their stead.

Work is also currently in progress on the **e-Fees system** (HRK 50.6 million), which will serve users by mid-2019 and will allow electronic payments of administrative fees and charges, and in the subsequent phases also the payment of other types of fees (court, notary,

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<sup>42</sup> OG, no. 92/14

<sup>43</sup> OG, no. 60/17

tourist) and card payment of administrative fees and charges in all state administration offices in counties.

The implementation of the **e/m-Signature and e/m-Stamp projects** (HRK 22.4 million), which will also facilitate public administration, has been started. This platform will be set up as a set of electronic signing and stamping services to be used by the public administration, or incorporated into their e-services that will be available through the e-Citizens and e-Business systems.

The RC has a relatively small amount of open data, as a large portion of the public sector bodies which collect data that is suitable for reuse still do not publish the collected data, especially in a machine readable format. In practice, many bodies, especially smaller local units, do not have an adequate website or the capacity to regularly update the site and publish documents in the appropriate formats. Considering the fact that the opening up of public sector data is in the public interest, as it contributes to strengthening the accountability, efficiency and transparency of public administration through the technological **upgrading of the Open Data Portal**, to accommodate a larger number of data disclosure bodies, a greater amount of quality and valuable data will be available for free use.

Given that citizens and entrepreneurs often encounter fragmented sources of information on legislative regulations and procedures, along with procedures that are often not electronically accessible or accessible to cross-border users, now it will be easy to access high-quality information on national regulations and obligations, efficient cross-border electronic procedures, and effective support services for tackling administrative problems. The RC will establish technical and organisational requirements for **the development of the national component of the European Single Digital Gateway**<sup>44</sup>, which will ensure

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<sup>44</sup> Pursuant to the Regulation of the European Parliament and of the Council on the establishment of a single digital gateway as a source of information, procedures, support services and

defragmentation of information in one place and the synergy of existing support services, as well as shared minimum quality standards for providing public services, and support for further digitisation.

The RC has the requirement and obligation to improve communication between public administration and citizens, in terms of reducing the length of procedures and issuing documentation in the field of construction. In that regard, plans and investments are being made in **developing e-services in the field of physical planning and construction**. E-services will provide relief from inefficient procedures to participants in construction undertakings and public administration. **Digitisation of business processes through new application solutions integrated into the Physical Planning Information System (PPIS)** will be implemented. The PPIS will be connected to the e-Citizens system and SGA data, which is important for spatial status management.

Furthermore, it is necessary to increase transparency in the field of physical planning and construction and to improve the efficiency and accountability of public administration work in this area. **ePlans** is the most complex application of the PPIS project in which the spatial layers and the corresponding provisions of spatial plans will be entered, whether they are already in effect or in development. The basic functionality of ePlans has been established: loading, displaying and controlling spatial layers, bulk and individual attribution updating, metadata entry forms for the process of drawing up and making plans, procedures in accordance with the Physical Planning Act<sup>45</sup>, verification and publication of plans on the PPIS geoportal, as well as archiving of spatial plans, etc. The Spatial Themes Catalogue, or the "electronic version" of the Ordinance on physical planning is an integral part of the module. The system recognises the types of plans and levels of planning as prescribed by legislation and procedural steps by stages of preparation and

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remedies and amending Regulation (EU) No 1024/2012

<sup>45</sup> OG, nos. 153/13, 65/17, and 114/18



adoption. The next phases of development will include additional functionalities for printing official spatial plan charts, generating plan decisions and plan provisions, automated control of data import according to predefined rules, and reports of errors to be corrected, creating reports, etc. When the system is established, additional activities will involve the education of all subjects in the process of drawing up and making plans (professional designers, contractors, etc.).

Until ePlans is fully implemented, the current practice of collecting, reviewing and preparing for publishing of selected raster maps of valid spatial plans will continue. These spatial plans are currently prepared and submitted by the institutes for spatial planning of counties and the City of Zagreb. All spatial plans of areas with special characteristics, spatial plans of counties, and the continually updated spatial planning of cities and municipalities are published in this way. Given the complexity of preparing and publishing the "old generation" plans, **drawing up the eRegister of spatial plans is in progress** as a transient solution for uploading "old generation" plans that will allow the publication of all the charts of the existing plans.

**eInspection** is a system that connects users, construction inspectors in the regional offices and construction inspection sub-divisions in the counties and the City of Zagreb and the central service at the Ministry of Construction and Physical Planning (MCPPI). The eInspection system will also be available for mobile devices, although with reduced functionality. The system will enable and make it easier for construction inspectors to prepare, manage, and resolve inspection cases, in addition to providing insight into the status of inspection procedures for all parties and users of the system (**automatic notification of citizens on the status of inspection procedures**), and enabling systematic planning and conduct of inspection surveys, i.e. procedures, as well as executing inspection notices. The system will be connected to other systems of the MCPPI and the state institutions that have information that is of interest for construction inspection in order to provide access to all necessary

information to inspectors while performing their official duties. Part of the data on the inspection procedures conducted by the construction inspection from the eInspection module will be available via the PPIS geoportal. This module is expected to be fully functional by mid-2019.

**The end objective of the above-mentioned activities 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.**

### Quality management

**The aim is to increase the efficiency and quality of public administration in order to provide customers with a simpler and higher-quality service.**

In this regard, **the implementation of quality management standards in the provision of public administration services** stands out as one of the most important measures. In order to develop a quality management system, the RC will use the Common Assessment Framework.

As part of the project "Introduction of a quality management system into public administration of the RC" (HRK 40.5 million), mechanisms and tools will be developed for the introduction of a quality management system, as well as an IT system to support the quality management system, and competencies of public administration employees for quality management will be simultaneously developed.

Raising the quality of public services requires, among other things, effective human resource management. **Setting standards and reviewing the system of taking the state qualifying exam** will provide more objective, more appropriate and more preferable ways of assessing knowledge through standardised written testing. The current state qualifying exam does not specify the areas of examination, the



proportion of test assignments divided up by content/area of examination, nor the level of knowledge required for passing the exam, which is why the risk of examination and grading inconsistency is high. By drawing up the specifications of the exams of individual state exam subjects and the test assignments and test versions based on learning outcomes, the examination will be conducted in a standardised and objective manner, under the same conditions for all candidates.

After the Act on Amendments to the Civil Servants Act enters into force, an ordinance **will be adopted to regulate the conducting of the state exam in writing.** The above change will allow, among other things, the option of taking state exams electronically and at the regional level. This will increase the transparency, consistency and optimisation of testing procedures, in addition to facilitating the statistical processing and analysis of data for permanent updating and adaptation of the curriculum and test materials for exams.

In order to increase the quality of work, **the process of annual planning and reporting in the public administration bodies will be improved** and a clearer link between strategic, annual and budget planning in the public administration bodies will be achieved to the level of goals and job description of officials.

#### 4.1.5. Improving the efficiency of the judicial system

##### Modernisation and automation of the judiciary

**With a view to further strengthening the legal certainty and efficiency of the judicial system, work will continue on improving the functioning of the system, speeding up and shortening the length of court proceedings.**

The developed **eCommunication module will be extended to include all municipal courts and other participants in court proceedings**, including permanent court expert witnesses, permanent court interpreters, bankruptcy trustees and other official persons, as well as authorised public and state bodies lawfully participating in court proceedings (e.g. FINA or

the State Attorney's Office). The functionality of electronic signing of documents will be built in – the option of digitally signing documents sent to courts when sending, the electronic signing of e-delivery notes upon receipt of court documents, and the storage of the signed e-delivery note in the eFile. This will lead to faster, simpler and safer communication between courts and all participants in court proceedings, automating business processes, facilitating access to all court trial participants, and the system will be available 24 hours a day. This will ultimately lead to faster handling of cases and reducing costs.

**The implementation of the eDelivery service** will enable the dispatching of signed documents from the municipal, commercial, and county courts, as well as the High Commercial Court and the Supreme Court of the RC to the postal service provider, who will print the documents, put them into envelopes, and dispatch them to the parties. By digitising the work process of dispatching judicial post from the court, the workload of the administrative court staff will be reduced, cutting administrative court costs and increasing the productivity of dispatching operations.

There are currently about 20,000 notices on court bulletin boards at the same time (discounting notices from bankruptcy bulletin boards), with approximately 2,000 notices being posted and removed every day. There are approximately 120,000 visits and data review instances on the eBulletin Board system each month. **The upgraded eBulletin Board** will allow users to subscribe to updates on published notices. Furthermore, browsers will be improved, the eBulletin Board system maintenance streamlined, the eBulletin Board security increased, outside attack prevention provided, and placing and removing notices automated, with manual entry retained only for individual/isolated cases.

Activities aimed at **monitoring the “old unresolved court cases”** will continue over the next period as well. The implementation of these activities will ensure the settlement of cases that have spent over ten years before the



municipal, county and commercial courts and the High Commercial Court of the RC. The settlement of old cases will be monitored by accessing the established database of old cases and by inspecting whether court action plans are being met based on the monthly reports by the Presidents of the Courts. Monitoring of the dynamics of solving old cases is also ensured through the implementation of the judicial inspection supervision and the holding of joint meetings with judges and court presidents. The reasons for the length of court proceedings will be analysed in order to take measures aimed at reducing the length of court proceedings (amendments to the regulations in case the existence of objective circumstances leading to the impossibility of completing certain types of cases is discovered, not depending on the activities of a judge). Special attention will be given to monitoring case resolution per submitted requests for protection of the right to trial within a reasonable time.

The process of **amending the Civil Procedure Act** is underway, including amendments to the revision rules and the introduction of a new institute for disputes that have been initiated in greater numbers or are expected to be initiated in the short term (pilot-judgment procedure). By introducing the pilot-judgment procedure, proceedings will be expedited in all those proceedings in which the merits of the legal issue are the same, and which have been initiated in greater numbers or their initiation is expected in the short term. Secondly, the decision reached by the Supreme Court of the RC on this legal issue (the question must be important for the uniform application of the law) guarantees the uniform application of the law and equality of all in its application, that is, in this way, law is developed through judicial practice, which is also a constitutional task of the Supreme Court of the RC.



## 4.2. Aligning education with labour market needs

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

#### General and vocational education reform

The elementary and secondary education system in the RC up to the mid-2000s was characterised by the exclusive focus on the content prescribed by the curricula and programmes. Since the beginning of the last decade, the education policy has been gradually attempting to design and implement certain changes with the aim of modernising the system as a shift from focusing on content towards focusing on educational outcomes and from exclusive content transfer to competency development.

**The goal of the comprehensive curricular reform is to establish a harmonised and effective system of education through comprehensive content and structural overhaul.**

Reform is necessary in order to provide students with a more useful and meaningful education, in line with their developmental age and interests and closer to everyday life; education that will prepare them for the challenges of modern life, employment, and further education; to enable parents to be more involved in their children's education and school life, with clearly stated expectations, more objective evaluation and grading, and more meaningful and more frequent feedback on the achievements of their children; ensuring that teachers, lecturers, and other educational professionals become empowered in their roles, with strengthened professionalism, greater work autonomy, more creative work, and the reduction of administrative obligations, leading to more motivated students and reduced external pressures.

Implementing the pilot phase of the curricular reform is the first step towards achieving the goal of implementing the comprehensive curricular reform. In the school year 2018/2019, the pilot phase of the curricular

reform is underway in 48 primary and 26 secondary schools from all counties in the RC. The experimental programme is conducted in the 1st and 5th grades of primary school and in the 7th grade for the subjects of Biology, Chemistry and Physics. In secondary schools, the programme is conducted in the 1st grade of grammar school in all subjects and in the first grade of four-year vocational schools in general subjects. The aim of the experimental programme is to test the applicability of new curricula and the forms of work methods and new teaching materials in view of increasing students' competencies in solving problems and increasing student satisfaction at school and motivating their teachers and lecturers. In September 2019, **the continued implementation of the pilot phase of the curricular reform in primary and secondary schools from all counties** in the RC is planned in the 2nd and 6th grade of elementary schools and in the 8th grade for the subjects of Biology, Chemistry and Physics. In secondary schools, it will be implemented in the 2nd grade of grammar schools in all subjects and in the 2nd grade of four-year vocational schools in general subjects. **Also, starting with the school year 2019/2020, the curricular reform will be introduced first in the 1st and 5th grade of primary schools, in the 7th grade for the subjects of Biology, Chemistry and Physics, and in secondary schools in the 1st grade of grammar schools in all subjects and in the 1st grade of four-year vocational schools in general subjects.**

**With the establishment of a system of digitally mature schools, contemporary learning and teaching methods will be integrated into the educational process.**

The e-Schools project aims to achieve a **complete digital school transformation** with the overall goal of contributing to the readiness of students for the labour market or further education by encouraging schools to develop digital maturity. The project involves all schools in the RC, thus ensuring that the digital divide is bridged. The project will



provide schools with e-services and e-content, as well as ICT equipment and education of teachers (and other school staff) who will use all of this in the most effective way possible. The e-School project took into account the results of the research and evaluation carried out through the pilot project, thus ensuring that the e-Schools activities in the second phase of the programme are conceptualised in a way that will have the best possible effect on the work of schools and the greatest efficiency in terms of how financial and human resources are utilised.

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 with the suitable qualifications and skills. By consulting the employability trends of persons who have recently completed vocational education and training programmes, there is a noticeable slowdown in positive trends indicating the need for further modernisation of the system and stronger alignment with the needs of the economy.<sup>46</sup>

Vocational education needs to be strongly geared to the needs of the economic sector in order to provide students with better preparation for the workplace challenges that await them in the labour market, in other words, they need to acquire the necessary knowledge and skills, as well as the independence and responsibility required by the economy. Since employers insist on practical skills, this will allow the students to get better preparation for future work with their employer, while the employer can count on quality employees with a much smaller investment.

**The aim of the vocational education reform is to create conditions for strengthening the quality of vocational schools by completing the process of establishing regional competence centres, as well as output**

<sup>46</sup> In the period between 2015 and 2016 in the RC there was an increase in the employability of persons who had recently completed vocational education and training from 45.7% in 2015 to 70.3% in 2016. However, data for 2017 indicates a significant decline in employment rates from 70.3% in 2016 to 59.4% in 2017.

**competencies required for labour market access in cooperation with other stakeholders in the vocational education system.**

**In connection with the process of establishing regional centres of competence**, in the short term **there are plans to ensure the conditions for their full functionality** by completing the tendering procedures co-financed by EU funds (ERDF and ESF) in a timely manner. In the long run, the plan is to further expand the network of regional centres of competence to other priority sectors as well, based on the evaluation of the work of the centres nominated so far<sup>47</sup>, using the same or similar procedural steps that have been applied in the designation process of the already designated regional competence centres (analysing the potential of vocational education institutions to transform into regional centres and the application of parameters and criteria of the Network of Regional Centres of Competence related to the number and distribution of centres), and all on the basis of economic justification (economic interest, intensity of economic activity of particular sectors) and taking into account the development plans at the regional level.

Given the scope of the work of the centres and taking into account the fact that in their work they will work closely with key labour market actors and institutions of higher education and science, they are expected to make a significant contribution to the provision of a qualified workforce and human resources for the implementation of the strategic goals of regional development of the RC.

As part of the process of modernising vocational education in the RC and **developing new vocational curricula according to the needs of the labour market through established standards of occupations and qualification standards**, in accordance with the Croatian Qualifications Framework (CROQF), which will be based on the curricular approach

<sup>47</sup> In July 2018, the first 25 regional competence centres were designated in the following sectors/subsectors: Tourism and Hospitality, Mechanical Engineering, Electrical Engineering and Computing, Agriculture and Healthcare.



and learning outcomes, the implementation of the project for the development and implementation of sectoral curricula is underway (worth HRK 233 million, run by the Agency for Vocational Education and Training and Adult Education). The project will lead to streamlining the number of curricula, enabling pupils easier access to the labour market, better horizontal mobility, professional development, but also the option of continuing education. Emphasis will be put on the application of learning through work in different volumes, in accordance with the National Curriculum for Vocational Education. Through the project, significant support will be provided to schools for the implementation of a new approach and model, which will place great emphasis on the flexibility and autonomy of schools, including the development of manuals and auxiliary teaching resources.

Likewise, the Strategy for Education, Science and Technology confirmed the strategic orientation of vocational education in the RC towards work-based learning. A key element for successful improvement of the implementation of this model is **the continuous education and training of mentors at the company of the employer** who are in charge of students during their stay in economic entities and institutions.

### Lifelong learning

Although on the one hand there is a large number of people with secondary school and higher education qualifications without jobs, employers have problems in finding a qualified workforce with work experience. The above suggests that there is a large disparity between supply and demand in the labour market, that educational institutions in their programmes do not adequately meet the labour market needs, and long-term unemployment also contributes to the loss of acquired knowledge and skills.

In the educational structure, the share of unemployed persons with a completed higher (CROQF level 6) and high degree of education (CROQF level 7, 8.1, 8.2) in 2018 makes up 23,706 persons or 17.9%. Dynamic

technological development, globalisation, and demographic changes affect many social aspects, including the job market. This is reflected in the increasing demand for skilled workers in certain key sectors (such as information technology, mechanical engineering, automotive industry, graphic engineering, etc.) in Europe as well as in the RC. The development of technology changes jobs, and hence employment conditions are rapidly changing.

Today's global labour market analyses provide clear predictions of progressive development of new occupations in the IT sector and STEM<sup>48</sup> areas, with a linear rise in needs for new qualifications over the next two decades. Digitisation and digital technology have already transformed many jobs and posts. Digitisation management and related technological changes rely heavily on effective education and training systems. At the moment, the share of lifelong learning participation is low at 2.4%. It can be used to ensure that both the employed and the unemployed improve their knowledge and skills in line with changes in the labour market.

The Adult Education Act<sup>49</sup> has regulated the system of adult education in the RC, but not the issue of the quality of the system. Considering the fact that the Strategy for Education, Science and Technology, the Croatian Qualifications Framework Act<sup>50</sup>, and the Vocational Education Act<sup>51</sup> have been passed in the meantime, it is necessary to align the applicable legal provisions with the normative framework and raise the quality of adult education.

In the RC there is a significant share of citizens without completed elementary education (62,092 persons older than 15 according to the Population Census of 2011) and those only with completed elementary education (773,489). Additionally, 283,867 citizens have not completed their elementary education in

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<sup>48</sup> Science, Technology, Engineering and Mathematics – STEM

<sup>49</sup> OG, no. 17/07

<sup>50</sup> OG, nos. 22/13, 41/16, and 64/18

<sup>51</sup> OG, nos. 30/09, 24/10, 22/13 and 25/18



its entirety. Taken as a whole, there is a large number of citizens without qualifications, with lower qualifications or generally with a low level of education. There is no comprehensive curriculum in the RC which would help lower educated persons who have completed elementary education, but do not possess basic skills, to acquire those very same skills. At the same time, the adult education curriculum<sup>52</sup> content and methodology is outdated and is not based on the acquisition of key competencies for lifelong learning.

**The new Adult Education Act** will cover areas that are not covered or are only partially covered by the existing legal solution: ensuring the quality of adult education programmes, ensuring a quality system of institutions in adult education, professional development of andragogical workers, monitoring adult education systems, recognition of informally and unofficially acquired knowledge.

**Curriculum development for the development of basic digital, literacy, and maths skills of adults** will enable the lower educated persons to upgrade their competency potential to adapt to the dynamic labour market and to actively participate in society.

A taskforce will also be formed to develop a **new Curriculum for Elementary Adult Education**. By creating the Curriculum for Elementary Adult Education, content will be adapted to adult learners. It will also be summarised based on the assessment of the required core competencies and the time needed for their acquisition so that the participants receive the skills and knowledge needed to enter the labour market, but also to continue their education. By developing these curricula, the quality and relevance of adult education programmes will be improved, **increasing the number of adult participants with completed elementary education and training for simple jobs in occupations**, as well as boosting the number of adults who have gained basic digital, reading, and mathematical skills.

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

In order to maintain the employability of workers, apart from technical skills, it is crucial to develop the so-called soft skills such as creativity, the ability to solve problems quickly, as well as the skills of collaboration and communication. The required skills must be promoted through an innovative approach to workplace training and lifelong learning, which will enable workers to upgrade their skills and prevent the loss of existing skills. Therefore, **lifelong learning for all citizens will be encouraged** (both employed and unemployed), with the option of upskilling in workplaces and occupations where changes occur at high speeds.

**Promoting lifelong learning needs to have an effect on a greater number of citizens becoming involved in adult education programmes in order to contribute to the development of a national economy based on knowledge.**

#### **Efficient and relevant higher education**

**The lack of coherence of the study programmes in the RC with the needs of the economy and society, as well as their high number, point to the necessity of streamlining and continuation of work on the improvement of the quality and relevance of the study programmes, with the application of the CROQF tools. The improvement of the quality and representation of professional traineeships as part of the study programme will also enable students to acquire practical skills, increasing their employability.**

Considering that the establishment of a quality system based on qualification standards is a multiannual reform process, projects co-financed by the IPA and ESF have been conducted over the past couple of years, 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. In 2019, the implementation of 26 new ESF-funded projects will be initiated, geared towards developing new standards in higher education.

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**. A Bill was drafted in 2018, proposing an improvement of procedures of external assessment of study programmes which should be compliant with the qualification standards of the CROQF Register.

**The quality and representation of professional traineeships in study programmes will be improved**, seeing as the quality of professional traineeships 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 of the representation of professional traineeship in higher education developed by the Institute of Economics in Zagreb, a Call for Proposals titled "Development, Upgrading and Implementation of Traineeships in Higher Education" was published in November 2018, with the deadline for submitting project proposals by 29 March 2019. Funds (HRK 100 million) will be available to institutions of higher education for the implementation of activities related to the development of professional traineeship models through the development of learning outcomes and procedures for evaluating acquired learning outcomes, improving mentoring and professional traineeship systems, implementing professional traineeships, etc.



## 4.3. Sustainability of public finances

### 4.3.1. Improving the fiscal framework and fiscal discipline

**Long-term sustainability of public finances is key to macroeconomic stability and economic growth. Fiscal policy will be pursued in order to balance the budget and reduce the share of public debt in the gross domestic product.**

Following the new Fiscal Responsibility Act, a new Regulation on the composition and delivery of the Fiscal Responsibility Statement and the report on the application of fiscal rules will be adopted. The Regulation will prescribe the layout and contents of the Fiscal Responsibility Statement, as well as the procedure and time limits for its drafting and submitting, the manner and timing of reporting to the Ministry of Finance on the observed irregularities in checking the content of the statement, and the form and content of the report on the application of fiscal rules. The report on the application of fiscal rules will be submitted with all key budget documents, i.e. with the convergence programme, with the State Budget proposal and the financial plans of extra-budgetary users, with the proposed amendments of the SB and financial plans of extra-budgetary users, and with the proposal of the annual report on the execution of the SB. The report will contain a brief description of macroeconomic trends, as well as a description of the methodology and the calculation of fiscal rules. This will enable the Fiscal Policy Committee as well as the general public to gain insight into the management of fiscal policy in the context of alignment with fiscal rules, which strengthens fiscal transparency at the same time.

Heads have the obligation of self-assessment and the self-assessment of the systems they manage, as well as their continuous improvement. Heads of all levels of state and local government shall have the obligation to compile and submit a Fiscal Responsibility Statement each year for the previous budgetary year for the period in which they

have held office, confirming the legitimate, appropriate, and sanctioned use of the funds, as well as the efficient and effective functioning of the financial management and control system within the scope of the funds determined by the budget. Since 2015, this obligation has also been introduced for the heads of companies and other legal entities owned or founded by the RC and/or one or more ULRS. The Statement procedure is designed to identify weaknesses and irregularities in the system by the user him/herself. The head gives the Statement on the basis of a previously completed Questionnaire on fiscal responsibility, available information on the work of the agency/body, internal and external audit results, and own assessment. All phases of the budget process are covered by the Questionnaire. Through questions from the Questionnaire, the minimum requirements for good financial management are tested per process, in order to assess whether and to what extent there is compliance with the legal framework prescribed. The system thus established facilitates the recognition of the detected weaknesses and irregularities in a timely manner, making it easier for them to be remedied in the future according to the plan of eliminating weaknesses and irregularities (compiled by the responsible party). While the new Regulation is being adopted, the process of giving the Statement, including the Questionnaire, will be defined, which will cover more complex issues as well, encouraging responsible parties to make more efficient use of funds and to improve the financial management and control system.

According to the provisions of the Budget Act,<sup>53</sup> extra-budgetary users, companies and other legal entities in which the state or ULRS exercise decisive influence on management and which, according to the EU statistical methodology rules (ESA 2010), are classified into the general budget sector, but which are

<sup>53</sup> OG, nos. 87/08, 136/12, and 15/15



not budget users, are considered extra-budgetary users. Among the most significant in terms of impact on the fiscal balance of the general budget, i.e. on public debt are the companies in the transport sector: Hrvatske autoceste d.o.o., Autocesta Rijeka-Zagreb d.d., HŽ Infrastruktura d.o.o., and HŽ Putnički prijevoz d.o.o. For that reason, in the first phase, the plan is to ensure uniformity and consistency of the planning and reporting process for executing the financial plans of the above-mentioned users with the existing procedure applicable to extra-budgetary users. This also includes **requiring the approval of the Croatian Parliament for financial plans and reports on the execution of financial plans of extra-budgetary users in the transport sector.**

In this context, their data will be reported in accordance with the rules of budgetary accounting. Taking the above into account, the Croatian Parliament is expected to approve for the first time the financial plans of extra-budgetary users in the transport sector with the adoption of the 2020 SB and the projections for 2021 and 2022.

For the purpose of continuous improvement of the budget planning system and better control of the use of resources from public sources, an ex-post evaluation of the effects of selected programmes, activities, or projects has been introduced. Emphasis is placed on controlling their effectiveness and justification. This specifically means that special attention is paid to the justification of their implementation, cost-effectiveness (which includes cost-benefit analysis), optimisation, and sustainability outcomes. The overall effects of the programmes, activities, or projects are also examined, including their potential positive and negative aspects, or the risks and the reasons that led to them. When selecting programmes, activities, and projects subject to ex-post evaluation, several parameters are taken into account, in particular their fiscal value, the long-term time frame needed to implement them, and high potential risks. In 2019, **an ex-post evaluation of the effects of selected activities in the healthcare, water management and environmental protection sectors will be conducted.**

Within the healthcare system, the ex-post evaluation will include the activities of prescription medicines and especially expensive medications due to the significant funds allocated to them. In 2017 specifically, the total amount spent on prescription medicines and especially expensive medications amounted to HRK 4.5 billion or 18.8% of total expenditures of the CHIF. In addition to being disproportionately represented in the overall execution of the CHIF financial plan, the cost of prescription medicines and especially expensive medications has seen a continuous and significant year-on-year growth. For example, in 2017, the total execution of these activities was 8% higher compared to 2016.

Likewise, due to significant fiscal expenditures with a marked growth trend, an ex-post evaluation of the activities of regular maintenance and restoration of watercourses, water structures, and water resources, as well as management activities with special categories of waste will be carried out in the areas of water management and environmental protection. The use of such and similar tools will contribute to more efficient use of public resources and cost rationalisation, identifying potential risks, and opening up space for better implementation of a particular programme, activity and project.

Provisions of the Budget Act stipulate that dedicated revenues and receipts and own revenues of budget users are an integral part of the SB and are paid to the SB. The annual acts on SB execution provide for the exemption from payment of these revenues and receipts for certain budget users where no technical requirements for their monitoring have been created. These revenues and receipts as well as expenditures and disbursements financed by these revenues and receipts are realised and executed through commercial bank accounts of the budget users, which is why they were not previously recorded in the reports on the execution of the SB.

The 2015 State Budget Execution Act stipulates for the first time, with the abovementioned provision on exemption, the obligation to plan



revenues and receipts, as well as expenditures and disbursements, from own and dedicated sources and to display their performance monthly in the State Treasury system. Consequently, as of January 2015, the competent ministries of the budget users who are exempt from paying revenues and receipts to the SB, report i.e. manually record their own and dedicated revenues and receipts within their purview to the State Treasury information system. However, the ministries must first collect, verify, and consolidate data for all users within their purview and only then enter the collected information into the said system. For some ministries, the number of such users can be significant, and there is no easy way to automatically check the quality of the data collected. Likewise, only when data is entered into the State Treasury information system can the systematic verification of the data be carried out. Therefore, such a process is not entirely effective and results in delays in the reports on the execution of financial plans of SB budget users.

**Implementing an appropriate IT solution is designed to increase the efficiency of collecting, verifying, consolidating and entering data on revenue and receipts, as well as expenditures and disbursements of budget users excluded from the payment of their own and dedicated revenues and receipts to the SB.** Thereby, the formal verification at the time of entry and the entry of the data itself will be carried out through an IT solution in the institutions that are the source of the data, which will lighten the burden on the competent ministries. On the other hand, the competent ministries will have the benefit of a faster and simpler implementation of control and consolidation of the data collected, as well as their automated transfer to the State Treasury information system, which will contribute to comprehensive and timely reporting. By the end of 2019, **the IT solution will be applied to an MSE pilot project.** The MSE was selected due to its complex organisational structure and the large number of users. The inclusion of all other SB users excluded from the payment of their own and dedicated revenues and receipts to the SB is planned by the end of 2020.

At the same time, better procurement planning and possible cost reduction through the consolidation of certain public procurement procedures continues to be encouraged. Following a measure from 2016 related to the development of a unified public procurement system through the expansion of the number of institutions and procurement categories for which the central public procurement procedure is being implemented through the Central State Bureau for Central Public Procurement, public procurement procedures have been carried out and framework agreements concluded in the categories of natural gas and fuel supply for all public contracting entities that are budget users of the state budget and that have expressed the need for the procurement. In 2017, public procurement procedures in procurement categories of mobile network electronic communications services and equipment for the use of these services, as well as electricity and postal services included all public contracting entities which are State Budget users (except SB users in the division of the Ministry of Health, CPIL, and CES). Given the positive effects of increasing the number of users of central public procurement in the above-mentioned procurement categories, primarily the savings achieved by increasing the public procurement volume and relieving the administrative load of central public procurement users, **the development of unified procurement will continue by increasing the number of users in the procurement category of compulsory automobile liability insurance and guaranteed asset protection insurance.**

### 4.3.2. Stimulation of demographic renewal

#### Increasing social security of families with children

The RC is faced with very unfavourable demographic trends, which are undoubtedly a long-term threat to the continued general development of the RC, in addition to changes in the age structure of the population which is reflected in the continuous decline in the number of newborns and the decline in the



representation of the younger population in the total population compared to the growing number of older people, especially those outside the working age. The RC suffers from a negative birth rate, a negative net migration balance, and a decline in the total population, and is included in the EU Member States which demonstrate a simultaneous birth rate decrease and a negative migration balance.

Government policy is aimed at fulfilling, among other things, the following specific objectives: stimulating the increase of the birth rate by ensuring the minimum and raising the existing standard of living; housing for families on favourable terms; empowering the family unit and protecting family values; including young people as partners rather than objects of policy; halting emigration, affirmation of Croatian emigrants, and protecting Croats living outside of the RC.

For the purpose of demographic renewal, especially for less-populated and rural areas of the RC that lack or have insufficiently developed institutional support for infants and pre-school children, plans have been developed for measures and/or services designed to raise the social security level of families with children. The primary responsibility for the establishment, organisation, and financing of early and pre-school education programmes falls under the jurisdiction of local and/or regional self-government units. As a consequence, there are pronounced regional differences in the availability of preschool institutions/kindergartens as well as in the economic cost, quality, and adaptation to the needs of parents. Due to regional inequalities in funding, there is a clear **need for securing financial support, i.e. co-financing pre-school education in demographically threatened and underdeveloped units of local self-government/municipalities in assisted areas of the RC (from groups 1-4 on the development index).**

**On the state level, the aim is to ensure a more equal distribution and availability of early and pre-school education institutions and programmes, as well as to increase the institutional care coverage of preschool age children, with the aim of approaching one of the Barcelona objectives according to the Europe 2020 strategy. The objectives stipulate that by 2020, 95% of children aged 4 years and up to the school-starting age should be included in preschool programmes.**

The government has also defined population policy measures as the basis of economic, regional, rural, and total development and strongly advocates their implementation. Amendments to the Maternity and Parental Benefits Act of 2017 have increased the material rights of beneficiaries of subsidies to increase the standards of living of employed and self-employed parents, low-income parents, and unemployed parents. These statutory amendments have increased the maximum amount of remuneration payable to working parents during parental leave (the other six months) from the previous limit of HRK 2,660.80 to HRK 3,991.20. Despite this increase, the parental benefits are still inadequate for the category of employed and self-employed parents with higher incomes because they deviate from their real wage level, which results in the loss of part of their income by taking parental leave after using the first half of the parental leave (first six months). In the forthcoming period, it is important to continue the implementation of measures to encourage the use of parental leave by working parents, especially given that insufficient remuneration levels are among the causes of weaker response to maternal and paternal parental leave.

**In order to improve the material status of families with newborns, the limit amount of monetary compensation during parental leave under the Maternity and Parental Benefits Act will increase.**

To that end, **amendments to the Maternity and Parental Benefits Act will be introduced**, instituting further changes to the limit amount of monetary compensation in order to raise the current limit of HRK 3,991.20.



### 4.3.3. Improvements to the social welfare system

#### Integration of social security benefits

Given that social security benefits in the RC are provided for the beneficiaries from the funds of the SB and the budget funds of ULRSG through the Project "Aligning social security benefits at the local level with the ESSPROS methodology", data on all social security benefits and social welfare payment sums allocated by ULRSG were compiled and consolidated in one place, enabling their analysis. During the year 2019, the second phase of the Project will be carried out to **ensure the continuity of reporting on social security benefits provided by ULRSG on an annual basis and the transparency of monitoring**, i.e. the creation of new policies for a more equitable distribution of resources and poverty reduction.

In order to fully implement the integrated and transparent system at the national and local level, besides the data on the types and amounts of social security benefits, **it is necessary to facilitate the exchange of data on social security benefits** on both levels for each individual user. In line with the results and recommendations of the project "Improving the exchange of data on social security benefits", activities will continue to be implemented in 2019. Namely, the social welfare system will conclude agreements with the CHIF for the purpose of exchanging data on the amounts and the beneficiaries of the right to maternity and parental benefits, as well as with the CPII for the purpose of exchanging data on the amounts and beneficiaries of child benefits. Throughout 2020, activities will be conducted in relation to the exchange of data on social security benefits provided by ULRSG, as well as their amount for each beneficiary.

In addition to this, citizens will be provided with access to the social protection system through the development of e-services, in other words, **new services within the scope of the e-Citizens service will be established**. Citizens will have the option of submitting e-requests for maternity and parental benefits,

child benefits, personal disability benefits, and allowances for assistance and care from the social welfare system. By implementing this activity, greater access to social welfare system services will be ensured. Citizens will benefit from reduced time and costs associated with applying for recognition of rights from the social welfare system, while the competent SABs will benefit from reduced administrative pressure on the system and time savings, with less time necessary to issue a certificate and receive a request.

The risk of poverty and social exclusion is still high, especially for certain groups of citizens: children, the elderly, and people with disabilities. According to the latest official CBS data, the poverty risk rate increased by 0.5 percentage points compared to 2016. In 2017, it was at 20% (19.5% in 2016), meaning that nearly every fourth citizen, or 1.085 million in total, was at risk of poverty or lived in conditions of severe scarcity or in households with low work intensity. According to the "Persons at risk of poverty or social exclusion" indicator, the same was reduced from 29.9% in 2013 to 26.4% in 2017.

Users of the Guaranteed Minimum Benefit (GMB) made up about 15% of the total number of persons at risk of relative poverty. 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 and practice demonstrate the need for improving the scope of the Guaranteed Minimum Benefit 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 appropriate social security benefit system is to improve the legislative framework governing the area of social security benefits. Based on available analyses and research, proposals of implementation bodies and beneficiaries, as well as social partners, **a new Social Welfare Act will be developed**. Legal changes are aimed at **improving the system of social security benefits and services and organising the social welfare system**.

**The goal is to reform the social welfare system to reduce poverty and protect the most vulnerable groups of society by providing the necessary resources and services to those most in need.**

### Improving social services

Social care services in the RC are provided by service providers founded by the RC (state homes), service providers founded by counties, and other service providers founded by other legal or natural persons. They provide different social services prescribed by the Social Welfare Act for different user groups. The existing way of defining the prices of social services is unbalanced and non-standardised, and there is no clear detailed structure of expenditures incurred by service providers (material expenditures and labour costs). The contracted prices of services provided by service providers whose founder is not the RC are considerably lower than the actual costs that the SB allocates to beneficiaries of social welfare institutions founded by the RC. It is therefore difficult to determine whether each expense is justified and realistic in relation to regulations regulating the area of activity of social welfare, and whether the currently contracted price of services with service providers whose founder is not the RC is sufficient to provide adequate quality of service to users. The existing regulatory framework (in terms of spatial conditions, equipment, the minimum number of workers, and the application of quality standards) applies equally to all providers of social services, irrespective of the founder.

**The aim is to establish equal status of beneficiaries of social services irrespective of the type and status of service providers, equal access to all providers of social services, and obtaining prices that reflect the quality of the service provided.**

In order to establish a balanced approach towards all providers of social services, developing a regulatory framework is currently planned for **adjusting the methodology for calculating the price of social services**. The methodology will be used by all providers in the social welfare system regardless of their legal status and/or the founder.

The high proportion of the elderly (65 and over) in the general population (19.10% according to 2015 estimates)<sup>54</sup> suggests that policy makers are obliged to find ways to cope with this fact. It should be noted that "traditional" forms of care for the elderly are not equally available in all parts of the RC.

**The aim is to provide adequate institutional and non-institutional care for elderly citizens. A new approach to care for the elderly implies the use of innovative services that will target new social risks in a balanced manner across the country.**

It is necessary to establish realistic indicators of elderly care in the field, with an emphasis on the elderly who are cared for in an informal way. The research will cover several segments of life, such as the functional ability of the elderly person, their family circumstances, and material living conditions. Along with the above, existing service providers for the elderly will be mapped by counties, and an overview of the prices of services for the elderly in different types of service providers will be outlined. Based on the collected data, **an analysis will be developed on the basis of which a recommendation on justification for the new rights in the social welfare system will be provided**. These would appropriately address the problem of care for the elderly in the whole country.

<sup>54</sup> Source: CBS



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

##### Improving human resource management in healthcare

Strategic planning of human resources in healthcare is one of the major challenges for many countries and their ministries of health. The RC recognises doctors and other health workers as a strategic force for maintain high levels of healthcare and as potential for economic development. Inadequate management of human resources in healthcare results in the lack of physicians of certain specialisations, i.e. the unequal and insufficient fulfilment of the Public Healthcare Service Network in primary healthcare. Inadequate planning of needs for healthcare workers, especially doctors, as well as other healthcare workers and associates, makes it impossible to reduce the waiting list for specialist examinations and points to the need to establish multi-year planning of needs for particular specialisations. The solutions related to the ability to stimulate healthcare workers with above-average performance are insufficiently defined. Furthermore, there is no work-efficiency monitoring and no reward system based on performance, which in part contributes to doctors moving abroad.

**The aim is to establish a single monitoring, assessment, and planning system of human resources in healthcare at all levels of healthcare in line with the real needs of the population for healthcare, as well as to introduce a system of rewarding healthcare workers for above-average performance as one of the measures to stimulate the stay of healthcare workers in the RC.**

The new Healthcare Act<sup>55</sup> ensures that healthcare workers who carry out medical activities by providing healthcare in the process of diagnosis and treatment or by participating in an area of healthcare by performing diagnostic or therapeutic procedures can achieve

stimulation – a supplement for above-average work performance according to quantitative and qualitative indicators of performance results. **Measures for the determination of above-average work performance and the method of payment of above-average work performance pay supplements** will be regulated by means of regulation, and representatives of the profession, social partners, other relevant stakeholders in the healthcare system, and other interested parties will be involved in the process.

The Healthcare Act also provides the basis for **the adoption of the National Plan for Specialist Training of Healthcare Workers Over a Five-Year Period**, which will be based on the need for healthcare development at the primary, secondary, and tertiary levels, as well as the healthcare system's need for appropriate specialisations of healthcare workers, their number, distribution, and age structure.

##### Digital transformation of the healthcare system

**The use of ICT solutions in healthcare and medicine primarily seeks to improve citizens' health and the productivity and efficiency in providing healthcare, as well as to increase the social and economic value of healthcare through their use.**

In order to ensure systematic, effective, and prudent use of ICT to ensure effective organisation, planning, coordination, supervision, and control over costs in healthcare as well as increased availability and quality of health services, the Croatian healthcare system needs a strategic plan with clear guidelines for the further development of e-Health, which also includes the digital transformation of the healthcare system. A new **Strategic e-Health development plan for the 2020–2025 period** will be launched, as well as the related **2020–2021 Implementation plan**, which will rely on experiences of experts of the EU eHealth Network during the development process, as well as the experiences of experts from the World Health Organization (WHO) and experts from Estonia, as a member state with very positive experiences in mid-term and long-

<sup>55</sup> OG, no. 100/18



term development planning and the systematic implementation of e-Health measures. Workshops will also be held with stakeholders in the health sector, i.e. with the representatives of healthcare institutions, during which data and information necessary for the effective operation of the central e-Health body will be collected and systematised, which will be set up within the Ministry of Health.

Significant funds to improve the healthcare system and improve the provision of healthcare services to patients are provided in the programme documents for the use of EU funds. There are plans for the **informatisation of the system of professional and cost-effective management of medicines**, as well as health guidelines with integration into other systems, **improvement and upgrades to the system for payment and measurement of the efficiency of the hospital system**, and integrating the applications used by healthcare providers, healthcare and other institutions, and the building of the integrated CHIF information system. The most demanding project for funding from EU funds is **the establishment of interoperable IT systems in public hospitals of the RC**. There is an intensive effort to implement IT solutions with the aim of **establishing a single waiting list at the national level**, which will consolidate all individual healthcare information, meaning that the same patient will no longer have an appointment at the same time for the same procedure in multiple locations. At the moment, this issue creates an added illusion of even longer waiting lists. The goal of the Project "e-Appointment – priority appointment booking for patients" is to ensure priority treatment of patients (diagnostics and treatment) for diagnoses and conditions for which there is no option of postponement and waiting on regular waiting lists. While not emergency states, they should fall under the category of conditions and illnesses that need to be processed and treated as soon as possible. Also, in order to increase the availability of healthcare services, **a new model for booking and managing a transparent central appointment calendar will be introduced for booking all healthcare services**.

## Functional integration of hospitals

The healthcare system is faced with challenges that require a more intensive adaptation of the healthcare system to the real needs of the population.

**The aim is to streamline the hospital healthcare system in order to optimise healthcare and reduce overspending. Croatian hospitals need to be adapted to modern trends in medicine by strengthening the control over healthcare and financial efficiency, all in order to make the hospital system sustainable in the long run.**

The National plan for the development of clinical hospital centres, clinical hospitals, clinics and general hospitals in the RC for the period 2018–2020<sup>56</sup> defines, among other things, the activities related to the implementation of the principles of functional hospital integration. It implies collaboration and **integration of hospitals through restructuring** in order to achieve better quality of healthcare services, improved treatment outcomes, higher satisfaction of users and healthcare providers, as well as streamlining system costs.

The functional integration of hospitals began in 2015 and continued in 2017 and 2018 (seven contractual agreements on functional integration of hospitals). In the forthcoming period, the process will continue according to criteria for the further implementation of the functional integration of hospitals, vertically and horizontally within the same county or across multiple counties. The criteria for the integration will be determined on the basis of the record of the existing conditions, taking into account the average bed occupancy rates, the average length of stay in the hospital, the minimum number of beds in the organisational units, the treatment modality, the population number gravitating towards the hospital, the regional and local specifics, the infrastructural characteristics of individual hospitals, the projects which are currently being or will soon be implemented, and the necessity to preserve

<sup>56</sup> <https://bit.ly/2TnppHG>



the quality and availability of hospital healthcare.

The implementation of the above is expected to improve the quality of healthcare, with greater access to hospital healthcare services and more rational use of all hospital healthcare resources (staff, equipment, space). The optimal concentration of hospital services and the use of existing capacities will reduce instances of duplication of diagnostic and therapeutic interventions on small geographic distances and shorten the waiting lists for certain healthcare services.

### Improving primary healthcare

An analysis of the current state of affairs in the organisation of primary healthcare indicates insufficient employment in the Public Healthcare Service Network and the unevenly distributed availability of healthcare services, especially in rural areas. On weekends and holidays, the Integrated Emergency Departments suffer from an excessive workload due to the influx of acute, but non-emergency patients because there is no coherence when it comes to urgent patient care at the horizontal level by transferring them to primary healthcare centres. There is also no such coherence on the vertical level with transfer to other hospitals, even though both have been shown to be necessary considering the availability of medical staff and the need to increase the efficiency of emergency medical care.

**The aim is to raise the level of availability, efficiency, and quality of primary healthcare through the functional integration of emergency medicine and the establishment of special on-call periods on weekends and holidays for family medicine, paediatrics, and dental medicine.**

The new Healthcare Act introduces a **functional integration model for emergency medical services at all levels of healthcare**. In accordance with the decision of the founders, these services will be organised on the basis of a contract on functional integration that will be concluded by the Institute of Emergency

Medicine of the unit of regional self-government, a hospital with an integrated emergency department, and a primary healthcare centre. **Special on-call periods in the field of family medicine, paediatrics, and dental medicine** will also be introduced by the new Act with the aim of providing services for acute conditions and relieving pressure on integrated emergency departments in hospitals. The required number of locations, as well as the schedule of special on-call periods at the healthcare centres, will be determined by the bodies responsible for healthcare of the unit of regional self-government. The staff of primary healthcare centres will be involved in these special on-call periods, including private practices in primary healthcare which are currently in concession.

### Improving healthcare in the field of oncology

Cancer is the leading public health problem of the developed world. The World Health Organization predicts that the number of cancer patients will increase from 18 million in 2018 to 29.5 million in 2040, while the number of deaths will increase from 9.5 million to 16.4 million a year, which is why preparing healthcare systems is more important than ever. According to the latest official data by the Croatian Cancer Registry of the Croatian Institute of Public Health, 22,503 cases of malignant disease have been recorded in 2015, and mortality figures show that in 2017, 13,638 people died of malignant diseases.

**The aim is to improve the epidemiological situation associated with malignant diseases through primary, secondary, and tertiary prevention measures.**

At the primary level, the activities of promoting healthy lifestyles and preventing harmful habits will continue. At the level of secondary prevention, **work will be undertaken to step up the efforts of including as many people as possible in prevention programmes for malignant diseases**, to facilitate the activities of the National Early Cervical Cancer Screening Programme, and to introduce the National Lung Cancer Prevention Programme. In order



to improve the overall healthcare system, **activities on the development of the National Cancer Plan have been launched.** The Plan will propose solutions for the implementation of specific structural, organisational, and financial measures.

### **Further development of unified public procurement in healthcare**

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 healthcare institutions founded by the RC shall jointly conduct procurement procedures for medicines, consumables, components, and medical equipment, 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 25 subjects of procurement deemed significant for achieving 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. It is deemed that a greater number of experts for a specific subject of procurement will be gathered and cooperation stimulated by making the MH the client. The process involves experts/employees of the largest healthcare institutions in the RC who perform the greatest number of healthcare procedures and are also the greatest consumers of the products obtained through joint procurement. The established expert committee has the task of developing higher-quality and more consistent technical specifications of the list of items for procurement, and the technical specifications and the inventory of procurement items, as well as the experience gained through the procurement procedure shall be the basis for the creation of standards for medical products used in all healthcare institutions involved in joint procurement.

**The goal is to increase the number of contracts concluded on the basis of framework agreements, to include as many health institutions as possible into a unified public procurement model, and to expand the number of public procurement categories. The aforementioned ensures better control through a single central place for joint public procurement management, as well as financial stability of the healthcare system, i.e. the reduction of expenditures and achieving annual savings.**



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

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

**Table 5** Progress towards national Europe 2020 strategy targets.

Indicators	EU target	RC target	Achieved values in the RC							
			2008	2012	2013	2014	2015	2016	2017	2018
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	63.6	66.3**
R&D investments, share of GDP, %	3	1.4	0.88	0.75	0.81	0.78	0.84	0.86	0.86	
Reduction of greenhouse gas emissions compared to 1990, %	20 (30)	max increase of 11% in relation to 2005 for sectors outside of the ETS system	95.1	80.69	76.97	74.30	75.77	76.19	*	
Increasing the 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	8.9	
Final energy consumption, MTOE	/	7.0 (6.96)	7.4	6.7	6.6	6.2	6.6	6.6	6.9	
Early school drop-out, %	10	4	4.4	5.1	4.5	2.8	2.8	2.8	3.1	3.1
Percentage of population with tertiary education aged 30–34, %	40	35	18.5	23.1	25.6	32.1	30.8	29.3	28.7	32.5
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	26.4	

\* Data not available.

\*\* 3rd quarter of 2018.

\*\*\* 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 the population aged 20–64 increased from 65.6% in the third quarter of 2017 to 66.3% in the same quarter of 2018. The unemployment rate decreased from 9.0% to 7.3% for the same period.

**Table 6** | Implementation of active employment policy measures in 2018

Measure	Newly included up to 31 December 2018	Total number of beneficiaries during 2018
Employment subsidies	7,121	12,748
Subsidies for acquiring first work experience (internship)	2,048	2,048
Training subsidies	375	469
Self-employment subsidies	6,485	10,036
Education of unemployed persons	5,180	8,474
Training in the workplace	492	635
Vocational training without commencing employment	5,885	16,621
Training for acquiring relevant work experience 30+	126	126
Community service	5,420	11,118
Subsidies for the preservation of jobs	0	1
Permanent seasonal worker	3,803	5,769
<b>TOTAL</b>	<b>36,935</b>	<b>68,045</b>

Source: CES

At the beginning of 2018, **the measures of active employment policy were redefined** to make additional adjustments in line with the needs of the labour market. The aim was to focus the measures on permanent employment in the private sector and stimulate entrepreneurial potential. In particular, the **employment and internship subsidies and self-employment subsidies stand out in that regard**. The internship subsidies were introduced in 2018 and are aimed at encouraging youth employment in the private sector. The internship subsidy funds 50% and up of the internship salary in the private sector with no upper limit, and 100% of the internship salary in the public sector

(healthcare, education, social welfare, and culture). At the same time, the subsidy in the case of self-employment measures increased from HRK 35,000 to HRK 55,000, or up to HRK 70,000 if the same was combined with professional workplace training. In cases of joint application, the amount goes up to HRK 270,000.

One of the goals of the active employment policy measures is to activate the domestic workforce. To that end, the campaign "Get a Job in Croatia" has been launched, promoting active employment policy measures and the opportunities that these measures provide through positive examples of beneficiaries. The intention is to make these measures readily available to all unemployed persons to stimulate their employment and make them become active in the labour market.

During 2018, **more than 68,000 unemployed people used the active employment policy measures, of which 36,935 were new beneficiaries..** Measures have shown exceptionally good results in the area of employment promotion and entrepreneurship development. Compared with 2016, the number of beneficiaries of professional workplace training without a work contract decreased by 61% in 2018, while the number of beneficiaries of self-employment subsidies increased by 178%.

**The aim of active employment policy measures is to further encourage employment and self-employment of unemployed people.**

At the end of December 2018, the Administrative Board of the CES adopted new conditions and criteria for the implementation of the measures for 2019. Individual measures have been additionally financially strengthened. The self-employment subsidy measure stands out in particular in that regard, with a subsidy which now amounts to HRK 50,000 or HRK 70,000 for certain professions, and in the case of joint application, this amount increases to HRK 275,000. The self-employment subsidy can also be used by



beneficiaries who have previously used the subsidy and are still solvent and conduct business regularly for the purpose of business expansion. Furthermore, special focus has been placed on Croatian returning migrants and immigrants, who have been identified as a target group with facilitated access to most active employment policy measures (self-employment subsidies, training subsidies, unemployment education measures, and workplace training). With the aim of supporting the processing industry and the preservation of jobs, a **new Subsidy for the preservation of jobs in the textile, clothing, footwear, leather and woodworking sector** was introduced, giving the employer a subsidy of up to 50% of the minimum wage, plus the compulsory social security contributions.

## 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 2017 was 0.86% while Croatia's aim is to reach 1.4% by 2020, taking into account the economic and fiscal opportunities and additional sources of funding from the ESIF. According to the EC report on the European Innovation Scoreboard 2018, due to a lack of technologically relevant companies and the low proportion of business sector investment in research and development, Croatia only ranks 26th (out of 28 EU member states) on the scale of the effects of national innovation systems, meaning that Croatia is a moderate innovator. Key obstacles to Croatia's better positioning in the field of innovation lie in the absence of a systematic and effective investment policy, as well as the complexity and fragmentation of the innovation system.

In November 2018, when the National Innovation Council was established and started operations, the Croatian innovation system was awarded with an umbrella authority responsible for coordinating the Smart Specialisation Strategy of the RC for the period from 2016 to 2020. Along with the operations of the Innovation Council in the Industry Sector and the thematic innovation councils established in line with the thematic priority areas of the strategy, and in accordance with the triple helix model of innovation, this created the prerequisites for overcoming the fragmentation of the innovation value chain and the gap between the scientific and the business sector, as well as for the continuous implementation of the entrepreneurial discovery process, and the efficient functioning of the system.



**The new Act on State Aid for Research and Development Projects<sup>57</sup> and the Ordinance on state aid for research and development projects<sup>58</sup> created the prerequisites for increasing private sector investment in research and development** (ultimately increasing total investment in research and development in the RC by 1.4% of GDP by 2020) and increasing the number of entrepreneurs investing in research and development, as well as encouraging businesses to cooperate with research organisations, and disseminating knowledge in research and development projects. The type of support provided for by the Act is **a tax break for research and development projects belonging to the categories of basic research, industrial research, experimental development, or feasibility studies for research and development projects.** The aid is realised as a right to a further reduced profit tax and income tax base for justified costs.

Tax breaks range from EUR 50,000 (calculated in HRK) for feasibility studies to EUR 300,000 (calculated in HRK) for basic 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 basic 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.

**Benefits for businesses from the aid for research and development projects include facilitated business operations during the process of developing ideas into a new product, service, or process, and in the long run, creating the prerequisites for a more successful business, increasing their competitiveness on the global market and increasing exports.**

<sup>57</sup> OG, no. 64/18

<sup>58</sup> OG, no. 9/19

**The Proof of Concept (PoC) programme** that will be implemented by the MEEC in cooperation with HAMAG BICRO will support innovation at the earliest stage of the research to provide pre-commercial capital for technical and commercial verification of the innovative concept. The Proof of Concept is needed to provide evidence that a new process or technology is achievable and potentially commercially viable. By implementing a PoC project, the answer can be found to the question whether the idea or proposed solution can be made and whether it will function as such. For companies looking for investors, a Proof of Concept gives potential investors the assurance that the prototype or process of further development is technically feasible, thus helping the company attract clients and investors. This enables the implementation of comprehensive commercial and technical verification and validation of results of research with commercial potential with the aim of reducing technical and commercial risks, identifying the most appropriate strategy for commercialisation, and copyright protection for the invention.

### **Strengthening human resources in science**

In terms of its former participation in the Horizon 2020 EU Framework Programme for Research and Innovation, The RC is among the less successful EU Member States in terms of the 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, **funding for a series of activities of Croatian scientists and science organisations, as well as companies, associations, and foundations in the field of science has begun through a permanently open call for proposals by awarding mini-grants in 2018. In 2018, a total of 68 grants (HRK 5.8 million) were approved.**



In 2018, the Croatian Science Foundation was awarded HRK 81 million over a period of 5.5 years for the 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 this way, by the end of 2018, **employment contracts with 160 doctoral candidates were concluded** for a four-year period, **with the recruitment of around 15 more candidates still in prospect**, after which the implementation of this activity can be considered completed. **In 2018, a recruitment notice (SB funds) was issued for 175 doctoral candidates who will be recruited in 2019**, and the Croatian Science Foundation (HSF) will also conduct a **new recruitment procedure for young scientists** through the “Young researchers' career development project – training of doctoral students” (SB funds). **Based on this project, there are plans to recruit approximately 200 doctoral candidates in institutions in the system of science and higher education.**

**The aim is to stimulate the strengthening of a stable programme for funding career development of doctoral candidates who wish to participate in scientific research and focus their career on top-level science, either in competitive research or in the business sector. The other aim is to stimulate the strengthening of mentoring capacities in Croatian scientific organisations through the transfer, adoption, and application of new knowledge.**

In 2019, a total of EUR 10.8 million (HRK 81 million) will be allocated directly from the ESF funds to the Croatian Science Foundation for the implementation of the **“Programme for the development of the careers of young scientists – postdoctoral researchers”**, which **will enable the employment of 154 additional young researchers – postdoctoral researchers** with the aim of encouraging the development of their early research career after acquiring the academic title of a doctor of science.

### **Strengthening the national research infrastructure and the science and technology system through connecting with the economy**

In accordance with the adopted **“Research infrastructure development plan in the RC 2016–2018”**, in January 2018, the Instructions on recording and updating records on scientific research equipment in the Šestar database was issued. Through future public calls for financing repairs, maintenance, and upgrades of the scientific research equipment registered in the Šestar database, continuous work will continue to ensure the efficient use of financial resources for the procurement of new and maintenance of existing equipment. In this way, **a total of 16 applications (HRK 1.65 million) were funded in 2018.**

In February 2018, **the RC and the European Space Agency (ESA) signed the Agreement on Space Cooperation for Peaceful Purposes**, which was ratified in July 2018, thus establishing a legal framework for cooperation in the field of research and use of outer space for peaceful purposes, as well as conditions for implementing projects of common interest. By signing and ratifying the said Agreement, Croatia’s path to full ESA membership was opened, facilitating exchange of scientists and experts and the exchange of information and contacts between interested industries, allowing for the 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 2019, **the first ESA call to Croatian scientists and companies is expected** with the aim of implementing educational and research and development projects in the field of space and space technologies. The implementation of this call will help identify areas and technologies in which Croatian scientists and companies have the highest capacity and can contribute to the development of new technologies and services in the space industry. This will also be **the first step towards signing the Plan for European Cooperating States (PECS) with the ESA.**



The RC and CERN signed an associate membership agreement in February 2019, making Croatian scientists part of approximately 8,000 scientists from 580 science and research institutions that use CERN's capabilities for their research. This also provides conditions for strengthening the excellence of science in the RC, as well as full access to Croatian companies to all of CERN's public tenders.

**The aim is to increase the capacity for the transfer of knowledge and technology, and to provide opportunities for additional education for graduate and doctoral students in the field of natural and technical sciences.**

The Research infrastructure development plan in the RC 2016–2018 was adopted in 2016. as a strategic document identifying the scientific and research potential of the RC with the aim of stimulating the synergy of different sources of funding and ensuring the sustainability of investment in research infrastructure, fostering links between different institutions in planning and implementing infrastructure projects, contributing to the development of conditions for attracting top scientists from abroad, and encouraging the cooperation between the scientific community and the economy when it comes to addressing social challenges and increasing competitiveness on the global market. Considering the fact that the adopted European Strategy Forum on Research Infrastructures (ESFRI) Roadmap 2018 includes new ESFRI projects, and one of them in partnership with the RC, in 2019, **a new Research infrastructure development plan in the RC 2019–2021** will be adopted reflecting changes in the existing infrastructure. The new plan will also provide a suitable basis for long-term infrastructure investment planning and thus support the realisation of goals set by key strategic documents in the field of research, development, and innovation.

**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.**

**The new Scientific Activity and Higher Education Act** will align 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 in overall investment in research and development. Amendments to the legislative framework will influence an increase in 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 in 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.

In order to standardise the criteria for the establishment and further development of the Technology Transfer Office during 2019, plans are in place for the adoption of a **national Ordinance on the operation of the Technology Transfer Office**. The national Ordinance should prescribe the criteria that scientific organisations must meet when establishing technology transfer units in one place, but it should also contribute to the development of unique and continuous measures for the sustainable growth and development of the Technology Transfer Office. **The Act on Amendments to the Croatian Science Foundation Act will be adopted**, which will address the planned changes that will lead to greater functionality and increase the transparency of the CSF's operation as the most important body in the RC providing support for scientific, higher education, and technology programmes and projects, in addition to fostering international co-operation through investing in ideas, people, collaboration, and scientific excellence.

With the aim of adapting the scientific system to European and global standards and achieving its international competitiveness over the coming period, **there will be improvements to the quality management and funding system of public scientific**



institutes through the improvement of the model of institutional funding of scientific activity, in other words, through the establishment of programme funding that will link funding with programme objectives and strategic management. In this regard, **the signing of programme agreements with 25 public scientific institutes** will ensure their core funding, as well as additional funding based on results, and funding based on specific institutional goals. It will also foster the strengthening of their financial and management autonomy and the responsibility for the implementation of a research mission and a socially responsible role, while at the same time achieving a higher level of scientific excellence.

### 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

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. (17.4 Mt CO<sub>2</sub>eq). For 2016, Croatia was allowed a quota of 20,188,161 tCO<sub>2</sub>-eq while actual emissions in 2016 in the sector outside the trading system were 16,006,813 tCO<sub>2</sub>-eq. After the EC's revision, it will be seen what the real emissions are for 2017, and in 2020 the actual emissions will be known for 2018.

Regarding the promotion of energy efficiency and renewable energy sources in order to reduce greenhouse gas emissions, it should be noted that the **Strategy of Energy Development of the RC by 2030 with an Outlook to 2050 is currently being developed.** The process of developing the Strategy was started in 2018, and it is anticipated that the document will be adopted by the end of 2019. The Strategy will focus on supply-chain security and energy independence, integration into the EU single market, geopolitical aspects of the development of the RC, energy efficiency, alignment with EU directives, reduction of greenhouse gas emissions (decarbonisation), and sustainability of energy development. The Strategy will recognise the changes brought by the major energy sector transition from carbon to low carbon.

The decarbonisation dimension, which includes the reduction of greenhouse gas emissions and their elimination, was elaborated in the **Draft of the Low Carbon Development Strategy of the RC for the Period up to 2030 with an Outlook to 2050.** The Draft of the Strategy was completed in early 2017, but the process of adopting the Strategy is awaiting



harmonisation with the new Strategy of Energy Development of the RC. The Low Carbon Strategy applies to the sectors of energy, transport, industry, general consumption, agriculture, waste management and land use, use conversion, and forestry. The adoption of the Low Carbon Strategy is planned by the end of 2019.

One of the goals within the scope of decarbonisation is to adapt to climate change, which is elaborated by the **Climate Change Adjustment Strategy for the RC for the period up to 2040 with an outlook to 2070**. The draft of the Adjustment Strategy was completed by the end of 2017, and in 2018, a Strategic Study of the Environmental Impact of the Adjustment Strategy was prepared. A public hearing involving all interested parties is now forthcoming. The Adjustment Strategy is a fundamental – umbrella document, in the sense that it establishes a framework for the implementation of all climate change adjustment measures at the level of the RC, with emphasis placed on ten vulnerable sectors: hydrology and water resources; agriculture; forestry; energy; spatial planning and management of the coastal area; fishing; tourism; biodiversity; risk management and health. Adoption of the Strategy is planned by the end of 2019.

**The Integrated national energy and climate plan for the period from 2021 to 2030**, whose first draft was drawn up and delivered to the EC at the end of 2018, must be completed by the end of 2019. All Member States are obliged to draw up this document in accordance with Regulation (EU) 2018/1999. The aim is to present measures to support the activities related to the Paris Agreement and the reduction of greenhouse gas emissions in the energy and climate sectors. Accordingly, it is an implementation document that will present a series of measures aimed at achieving the goals set by the new energy and low carbon development strategies of the RC.

**The aim of all the above is to reduce the vulnerability of social and natural systems to the negative effects of climate change, i.e. to strengthen their resistance to changes and the ability to recover from the effects of these changes. Furthermore, to integrate the adjustment process into existing and new policies, programmes, plans and other strategic activities carried out at the national and local levels of governance; to implement and promote scientific research in all vulnerable sectors in order to significantly reduce the degree of uncertainty associated with the effects of climate change; and to raise awareness of the importance of climate change and the inevitability of the adjustment process.**

### Transition to a circular economy

**For the purpose of transitioning to a circular economy, a series of activities are being carried out 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.**

The Waste management plan of the RC for the period 2017–2022<sup>59</sup> describes specific waste management objectives and measures and activities for the implementation of set objectives.

One of the highlighted measures is **the introduction of a landfill tax**, which will efficiently encourage the diversion of waste from landfills in favour of separation at the point of creation and increased recycling, and thereby also the achievement of the assumed obligations and the shift from a linear to a circular economy. Furthermore, the RC 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.

<sup>59</sup> OG, no. 3/17



## Promoting energy conservation and the use of energy from renewable sources

**The RC 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 the RC in 2016 is 29%.<sup>60</sup>**

With the new package of legislative and regulatory measures adopted in 2018 and planned for 2019, the RC will enter the next phase of promoting renewable energy sources in order to accelerate the transition of the energy sector. Support will apply to renewable energy technologies for heating and cooling, especially in industrial processes and agriculture. Plans are also in place to reinforce the use of competitive renewable sources through the establishment of clear and transparent procedures for the use of state-owned land plots, whereas for projects in rural and isolated areas, and especially the islands, the possibility of connecting renewable energy installations to the grid within the framework of the "Clean Energy for EU islands" initiative will be taken into account.

An increased use of energy from renewable sources is an important part of the package of measures for the reduction of greenhouse gas emissions and compliance 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 (policy elements encompass increased use of heating and cooling from renewable sources and the use of renewable energy in the transport sector). In that respect, **the 2020 National Renewable Energy Action Plan is being implemented.** In 2018, the first phase of **amendments to the existing legislation were implemented**, which will allow a more cost-effective method for achieving the objective, create frameworks for further implementation of renewable energy sources, strengthen sustainability criteria through new technologies, introduce market

principles, increase the share of heating and cooling from RES, and contribute to decarbonisation and energy diversification in transport. Moving the use of renewable sources closer to the site of production has been made possible, in other words, conditions have been put in place for energy production for own consumption. With that, steps have been taken towards the decentralisation of electricity production in a sustainable and administratively effective way.

**This is also a step closer to production from renewable sources with reduced costs for consumers and taxpayers. In 2019, implementing regulations will be adopted in order to realise new potential for using renewable energy sources in electricity and heat production in a sustainable, clear, transparent, and competitive way, especially as a support to the sustainable use of resources from agriculture and forestry.**

In 2017, 123 new MW renewable energy production facilities entered the production system and 14.4% more renewable energy stimulated by feed-in tariffs was generated. By the end of 2017, a total of 766 MW was in the system of preferential producers from renewable sources, and a total of 2,277,320,588 kWh was produced.

In 2018, a total of 24 new installations entered the incentive system, or a total of 63,436.80 kW of additional electric power. **The system of stimulating electricity production currently has 830 MW of installed capacity.**

In 2018, **amendments were introduced to the Act on Biofuels for Transport<sup>61</sup>** and additional efforts were made to enforce the obligation to place biofuels on the market. Pursuant to the Act, liable parties who failed to put biofuel on the market in 2017 paid penalties amounting to HRK 114.84 million to the Environmental Protection and Energy Efficiency Fund (EPEEF), and the funds raised in this way will be used to promote the use of renewable energy sources in transportation.

<sup>60</sup> The new official statistical data will be released in June 2019 for 2017.

<sup>61</sup> OG, no. 94/18



**Table 7** | Data on renewable energy consumption 2013 – 2017

	2013	2014	2015	2016	2017
<b>Sectoral and total shares and actual energy consumption from RES (%):</b>					
<b>RES – heating and cooling</b>	37.2	36.2	38.54	37.58	36.5
<b>RES – electricity</b>	42.2	45.3	45.45	46.71	46.42
<b>RES – transport</b>	2.2	2.1	3.58	1.26	1.18
<b>Share of RES in direct energy consumption (ktoe):</b>					
Gross direct consumption of RES for heating and cooling	1237.0	1094.3	1251.2	1219.4	1211.8
Gross direct consumption of RES for electricity	645	677.2	704.5	728.8	747.8
Gross direct consumption of RES in transport	81.6	77.9	69.0	24.5	24.8

Source: Progress Report on renewable energy consumption and promotion in the 2013–2016 period and preliminary data for 2017

In 2018, **amendments to the Act on Renewable Energy Sources and High-efficiency Cogeneration were adopted**<sup>62</sup>. Over the next three years, the amendments aim to gradually abolish the obligation of suppliers to purchase electricity produced from renewable energy sources that are in the system of funding by feed-in tariffs and purchased by the Croatian Energy Market Operator (HROTE Ltd). In 2019, according to the Regulation on the share of preferential producers in the net electricity delivered, which electricity suppliers are required to take over from the electricity market operator<sup>63</sup>, 30% of the electricity produced by the HROTE incentive system will be sold on the electricity market. In this way, the transformation of the incentivised electricity production system from mandatory purchase by the supplier to market purchase through the Croatian Energy Exchange (CROPEX) is ensured.

The introduction of an energy efficiency obligation system is a requirement for EU Member States according to the Energy Efficiency Directive 2012/27/EU.<sup>64</sup> The requirement was set before EU Member States to ensure reaching the target of reducing energy consumption in direct consumption by 20% by 2020. The RC has transposed the

requirements of the Directive with Article 13 of the Energy Efficiency Act<sup>65</sup>. It has been shown that the way in which the obligation was transposed does not meet the set goals and that changes are needed to make the energy efficiency obligation system effective and contribute to reducing energy consumption in direct consumption, thus also reducing the impact of energy consumption on the environment (i.e. greenhouse gas emissions). In accordance with the amendments to the Energy Efficiency Act, **the prerequisites for creating a system of energy efficiency obligation schemes have been implemented. Implementing acts will be adopted which will set clear mechanisms for reporting, monitoring and verifying the fulfilment of obligations of the liable parties from the system of energy efficiency obligation schemes.**

**Planned reduction of energy consumption in direct consumption by the end of 2020 which will be achieved through the system of obligations is 10.633 PJ. As an additional incentive to implementing energy efficiency measures, the Act on Renewable Energy Sources and High-efficiency Cogeneration envisages the use of renewable energy for own production, i.e. self-supply, and a category of customer-producers has been introduced for households as well as for economic entities. This created the prerequisites for the introduction of smart**

<sup>62</sup> OG, no. 111/18

<sup>63</sup> OG, no. 116/18

<sup>64</sup> Directives 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC

<sup>65</sup> OG. nos. 127/14 and 116/18



**solutions, dispersed production, microgrids, and smart management, and consumers become an active part of the electric energy system.**

Alternative energy policy measures implemented by the public sector are continually being implemented, so energy efficiency expressed by the energy efficiency index in 2017 increased by 0.6 index points for all final energy purchasers together, thus continuing a positive trend. According to preliminary results for 2017, **the CO2 emissions from mobile and fixed energy sources amounted to 16.1 million tonnes, which is 20% lower than the baseline 1990 emission level.**

In order to effectively implement the provisions of Directive 2012/27/EU on energy efficiency in the area relating to the planning of production capacities, delivery, and measurement of thermal energy for end users and customers, **the process of amending the Thermal Energy Market Act has been started<sup>66</sup>**, as well as the implementing regulations whose mechanisms should be applied in the new heating season.

### **Encouraging Energy Efficiency of Residential and Public Buildings**

Pursuant to Directive 2012/27/EU on energy efficiency, the RC has the obligation to reduce CO2 emissions by at least 40% by 2030, i.e. a binding target of 30% for energy efficiency has been set.

**The contribution to reducing global greenhouse gas emissions is planned through improving energy efficiency of buildings, with the aim of shifting the construction sector to a low-carbon level by the middle of the century.**

If the need for thermal energy in the household sector is reduced, the consumption of fossil fuels and direct emission of pollutants into the air will also be reduced. Public sector buildings are required to manage energy and

water consumption in an energy efficient way. Annual energy consumption in buildings and CO2 emissions are recorded in the Energy Management Information System (EMIS). The provisions of the Construction Act<sup>67</sup> stipulate the obligation to produce an Energy Certificate as a document illustrating the energy properties of the building.

**The National Energy Certificate Information System (IEC) Has Been Adopted** 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. The programme is designed to improve e-services for citizens. Values from the Programme are retrieved into IEC, which receives and calculates the energy properties of the building and the required energy for heating and cooling buildings according to the applicable standards, and issues and stores energy certificates. Creating energy certificates can now be done exclusively through the IEC. **The system is used by authorised energy certifiers (1,700 users) The aim is to make it possible for citizens to use the system as well (220,000 users) by the end of December 2020.** Citizens would use e-Citizen to access energy certificates of the properties for which they had ordered them.

<sup>66</sup> OG, nos. 80/13, 14/14, 102/14, 95/15, and 76/18

<sup>67</sup> OG, nos. 127/14 and 116/18

## 5.4. Education

### Reducing the early school leaving rate

**Early school drop-out has always been at a low level in the RC – the percentage of early school leaving in the RC was 5.1% in 2012, 4.5% in 2013, 2.8% in 2014, 2015, and 2016, and 3.1% in 2017 and 2018 (the Europe 2020 Strategy sets the target at 10%).**

This is related to the way the education system is established and the 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.

### Increased share of the population aged 30 to 34 who have completed tertiary education

**In order to increase the number of highly educated persons in the RC from the current 25.6% to the target 35% by 2020, it is necessary to ensure access to and completion of higher education.**

The project "Awarding scholarships to students of a lower socio-economic status" is being implemented with the aim of increasing the availability of higher education, enhancing the social dimension of higher education, and increasing completion in higher education through **the securing of state scholarships for students of a lower socio-economic status..** The project has led to an **annual increase in the number of direct aid to students of a lower socio-economic status from 5,400 to 10,000 scholarships.**

The procedure of awarding state scholarships **in STEM fields** is being implemented within the framework of the project "Awarding scholarships to students in priority STEM fields". The aim of **awarding 3,400 scholarships a year** is to direct the students towards study programmes that have the greatest prospects of generating economic growth in the RC, and to encourage structural adjustment of education and qualifications with labour market needs and employment of graduates, with respect to the dominance of study programmes in the field of social sciences and the humanities with a ratio of 60:40. By awarding annual state STEM scholarships, the student retention rate will be increased in study programmes in STEM fields, i.e. the completion rate of STEM field studies.

There are plans to **increase the capacity of student accommodation** and to provide **1,154 new beds** by the end of 2019, provided and paid from ERDF funds (HRK 123 million). So far, 8 projects have been carried out to reconstruct the existing accommodation and construct new accommodation capacities. Seven projects are still under implementation. **Current capacity is 11,570 beds.**



## 5.5. Reduction of poverty and social exclusion

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

Due to the noted high rate risk of poverty and material deprivation in Croatia, which requires additional measures to help the most vulnerable, **through the Fund for European Aid to the Most Deprived – FEAD, 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) are being implemented, which is an added value to existing national programmes.

During the year 2018, three application procedures for FEAD grants were conducted. **There were 35 projects funded through the tender “Ensuring School Meals for Children at Risk of Poverty for School Year 2017/2018”** (HRK 26.4 million). Project activities were conducted in 467 schools **and school meals were secured for 26,887 schoolchildren**. Furthermore, the activities **of 19 projects** were carried out (HRK 76.8 million). The projects were contracted through the tender “Amelioration of poverty through assistance to the most deprived persons through distribution of food and/or basic material aid – phase II.”. These projects are planned to include **89,347 persons through assistance through the distribution of food and 93,875 persons through the distribution of basic material aid**.

At the beginning of July 2018, **the tender “Ensuring School Meals for Children at Risk of Poverty for School Year 2018/2019” was announced. 31 projects** (HRK 31.9 million) were contracted. Activities funded through this Call **will ensure school meals for 32,085 children** at risk of poverty in 416 primary schools. This project covers primary schools in counties whose national development index does not exceed 105%. During 2019, **the Call**

**for “Ensuring School Meals for Children at Risk of Poverty for School Year 2019/2020”** (HRK 25 million) will be announced, as well as **the Call for “Reducing Poverty by Providing Help to the Most Deprived by Provision of Food and/or Basic Material Aid – Phase III”** (HRK 45 million), ensuring the continuation of school meal/food distribution activities for children, families, and single people living in poverty or at risk of poverty.

**All contracted projects are aimed at alleviating the most serious forms of child poverty and poverty of other socially vulnerable persons by providing non-financial assistance.**

### Development of quality foster care and services of accommodation in foster families

**The new Foster Care Act<sup>68</sup>** introduces a number of improvements that are primarily aimed at the equal accessibility of social accommodation services in foster families. The Act **provides for the possibility of performing foster care as a profession**. Every year, the Ministry of Demographics, Family, Youth and Social Policy (MDFYSP) will have to determine the required number of foster parents for performing foster care as a profession for each ULRSZ and the City of Zagreb, which will certainly contribute to the better regional distribution of the service. In addition to performing standard foster care as an occupation, for the first time, unemployed foster parents will also be provided with compulsory social security charges. For the first time, specialised foster care for children is provided as an occupation for the purpose of accommodating children with the most debilitating difficulties and the need for the highest level of support. **The Decision on the amount of compensation for the work of traditional foster care parents and the decision on the amount of cost-of-living**

<sup>68</sup> OG, no. 115/18



**allowance for the needs of beneficiaries were adopted** in January 2019, and both include provisions for an **increase in remuneration for the work of traditional foster parents, while the cost-of-living allowance for the needs of the beneficiaries was increased for certain categories of children, especially children up to the age of 3**. The **drafting of by-laws is currently underway**, some of which are a precondition for the implementation of certain improvements introduced by the Act.

For the purpose of enhancing the quality of the service provided, the Act foresees for the first time specific obligations of homes and centres for providing services within the community (providing expert assistance and support, conducting education, informing the public, organising and implementing support groups, conducting consultations, organising mobile teams, and participating in preparation for a child to return to his/her family). To implement the aforementioned and to stimulate the development of foster care, certain preconditions need to be created by **strengthening the capacities of social welfare centres, social welfare homes, and centres for providing services within the community**. This is also one of the specific goals of the Plan for deinstitutionalisation, transformation and institutionalisation prevention 2018–2020. In accordance with the above, **non-normative measures will be implemented involving the organisation and implementation of targeted and thematic consultations, regional meetings with social welfare centres, social welfare homes, centres for providing services within the community, and foster parents, for the purpose of professional support**. Based on the cooperation agreement between UNICEF and the MDFYSP with cooperation of the Croatian Association of Social Workers, **support will be provided to foster families and the promotion campaign for child foster care**.

**The aim is to standardise the process of assessment, licencing, education, and support to foster families.**

## **Deinstitutionalisation and transformation of social welfare homes**

**In implementing the deinstitutionalisation and transformation process, the goal is to increase the number of beneficiaries leaving institutions, as well as to ensure community support services to improve the quality of life and community inclusion of the beneficiaries.**

In 2018, the **Plan for deinstitutionalisation, transformation and prevention of institutionalisation 2018–2020 was drafted**, encompassing all providers of social services founded by the RC, as well as providers of social services of other founders, in order to ensure the transition from institutional care to care in the family environment and the community.

So far, **the following tenders have been announced** 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 I – HRK 71.4 million), **“Improvement of infrastructure for the provision of social services in the community to disabled persons in support of the deinstitutionalisation process”** (phase I – HRK 107.2 million), and **“Improvement of infrastructure of the social welfare centre in support of the deinstitutionalisation process”** (phase I – HRK 73.1 million). Based on these tenders, **19 projects have been negotiated to provide infrastructure and equipment for the deinstitutionalisation process** (10 projects by social welfare centres and 9 by social care homes – 4 for people with disabilities and 5 for children and youth), (HRK 107.7 million). **Announcement of a new Call** (HRK 523.7 million) **which will extend the circle of potential users and target groups** is planned in the first half of 2019.

**Based on the announced tenders for ESF funded grants – “Support for the process of deinstitutionalisation and prevention of institutionalisation of children and youth”** (HRK 63 million) and **“Support to the further process of deinstitutionalisation and transformation of social welfare homes for**



persons with disabilities” (HRK 135 million), **three contracts of support for the process of deinstitutionalisation and prevention of institutionalisation of persons with disabilities and children with developmental difficulties are being implemented** (HRK 33.12 million), as well as **four contracts of support for the process of deinstitutionalisation and prevention of institutionalisation of children and youth** (HRK 23.4 million). Contractual agreements for three projects (HRK 27 million) will be signed in April 2019. Announcement of a new call to be targeted at a wider circle of users and encompassing a larger number of target groups is planned in the first half of 2019. So far, **12 Individual plans for the transformation and deinstitutionalisation of social welfare homes founded by the RC have been adopted and 26 project proposals have been concluded** within the framework of ERDF and ESF tenders **for the purpose of improving the infrastructure and development of non-institutional services** (16 social welfare homes and 10 centres for social welfare). In 2019, **13 more Individual plans** for the transformation and deinstitutionalisation of social welfare homes founded by the RC are set to be adopted.

### Development and expansion of the social services network

In January 2018, a call for proposals for award of ESF funds (HRK 110.15 million) was announced in order to expand the community social service network.

**The aim is to improve social inclusion and promote a work-life balance by providing support to the development of effective and inclusive social services.**

Projects shall be funded **with the aim of expanding social services in the community by different social service providers** (social welfare institutions, associations, religious communities, foundations, ULRSG, international organisations and national minorities’ councils) ensuring wider availability of social services in the community while curbing poverty and supporting inclusion of vulnerable groups. Evaluation of the project is

in progress and contracting is scheduled to be implemented in 2019.

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

**Co-funding the cost of education for students of lower socio-economic status and students with disabilities includes allowances prescribed by the Social Welfare Act (regular tuition fees, student housing costs for accommodation in students’ homes, and transportation costs).**

Based on the Primary and Secondary School Education Act<sup>69</sup>, by implementing the Decision on criteria for financing increased costs of transportation and special teaching means and aids and co-financing meals for pupils with disabilities in primary education programmes for the school year 2018/2019, and the Decision on criteria for financing increased costs of transportation and special teaching means and aids for pupils with disabilities in secondary education programmes for 2018/2019, funds have been provided for a customised form of transport for students with disabilities who are educated on the basis of a solution to an appropriate programme and the form of education and the cost of escorting when needed.

During the school year 2017/2018, **costs of customised transportation for 3,062 primary and 190 secondary school students with disabilities were co-financed, as well as the cost of food and special teaching resources for 1,378 primary and 598 secondary school students.**

For the school year 2017/2018, ESF funds and projects of founders of educational institutions **provided jobs for 2,648 teaching assistants and professional communication intermediaries**, while funds from games of chance **provided positions for 307 teaching assistants in primary and secondary schools**

<sup>69</sup> OG, nos. 87/08, 86/09, 92/10, 105/10, 90/11, 5/12, 16/12, 86/12, 94/13, 152/14, 7/17, and 68/18



**through projects of associations. In 2018, the Ordinance on teaching assistants and professional communication intermediaries was adopted.**<sup>70</sup>

Since 2014, the MSE has been co-financing the procurement of textbooks and accompanying supplementary teaching materials for primary and secondary school pupils in the RC who are entitled to free textbooks as members of households that are beneficiaries of the guaranteed minimum benefit and beneficiaries of upkeep assistance. Since, according to the new **Act on Textbooks and Other Educational Materials for Primary and Secondary Schools**,<sup>71</sup> the funds for the procurement of textbooks for primary school students are provided by the SB, **all primary school students in the RC, including the beneficiaries of the guaranteed minimum benefit, will get free textbooks for the school year 2019/2020.** In accordance with the available financial resources, the Government may decide, for each school year, on financing or co-financing the procurement of textbooks for secondary school students and to decide on financing or co-financing the procurement of other educational materials.

According to a Government Decision **for the school year 2019/2020, provisions will be made for the financing of the procurement of textbooks for the needs of secondary school students who are members of households that are beneficiaries of the guaranteed minimum benefit** in accordance with the regulation governing the area of social welfare. For the school year 2018/2019, benefits for approximately 2,000 secondary school students who are beneficiaries of the guaranteed minimum benefit (HRK 1.43 million) were paid. In the school year 2019/2020, it would be necessary to finance or co-finance the procurement of textbooks for up to 2,000 secondary school students (the number has been falling steadily over the last four years), and the total amount will depend on the amount of benefits (financing or co-

financing, only textbooks or other educational materials as well). Funds for this purpose have been provided by the SB for 2019. (HRK 15.72 million). The right to financing or co-financing for the school year 2019/2020 should be realised by 31 January 2020.

### Introduction of the national pension

Provisions of the Social welfare strategy for the elderly in the RC for 2017–2020 provide for the introduction of the national pension by the end of 2020.

**The national pension is intended for older persons who are not entitled to a pension on the basis of their previous work and paid pension contributions, i.e. for persons who do not have a minimum of 15 years of pensionable service for entitlement to an old-age pension and are older than 65 and have no other source of income.**

The legal framework for the national (social) pension is also contained in Convention No. 102 of the International Labour Organization on the lowest level of social security which provides for the possibility of adjusting old-age social security payments for all residents of a particular country. It should be noted that in Croatia, the subsystem of compulsory pension insurance for generational solidarity provides the right to the lowest pension as the bottom level of pension insurance rights on the basis of contributions from the salaries of the insured persons, applying the principle of solidarity. Namely, the minimum pension is paid if the pension based on salary and length of service is smaller than the minimum pension, and its level depends on the length of pensionable service.

When introducing the national pension, the beneficiaries of the new rights will be differentiated from the recipients of the guaranteed minimum benefit from the social welfare system and the minimum pension beneficiaries. **In addition to the general conditions, criteria will be established to determine how the benefit in question relates to the guaranteed minimum benefit from the social welfare system and the minimum**

<sup>70</sup> OG, no. 102/18

<sup>71</sup> NN, no. 116/18



**pension, as well as the criteria for means and/or income testing, the amount of the national pension, and coverage for the purpose of securing funds in the state budget.**

Once the task group has completed the described task, the name of this new institution will be considered. Given that this is an extremely complex task, due to fiscal and administrative challenges and the question of the effectiveness of this measure, while also looking at economic opportunities, the establishment of a legislative framework for the introduction of the national pension is envisaged by the end of 2020.



## 6. Use of European Structural and Investment Funds

In the financial period of 2014–2020, the RC has a total of EUR 10.727 billion at its disposal from the European Structural and Investment Funds (ESIF). Of these amounts, EUR 8.448 billion will be allocated to the objectives of cohesion policy, EUR 2.026 billion to agricultural and rural development, and EUR 252.6 million to the development of fisheries.

The ESIF investment strategy is focused on strengthening the competitiveness of the economy, increasing employment, knowledge-based growth, poverty reduction, strengthening social inclusion, reducing regional inequalities, and ensuring quality living conditions in line with the Europe 2020 strategy.

### 6.1. Progress in increasing the efficiency of ESIF fund use

Until 31 January 2019, projects worth EUR 6.75 billion, or 62.94% of allocated funds were contracted. The best percentage of contracted funds was achieved by the Operational Programme “Efficient Human Resources” (OPEHR) (65.68%), while the worst percentage of contracted funds was achieved by the Operational Programme for Maritime Affairs and Fisheries (OPMAF) (46.48%).

Contracted projects have so far paid funds worth a total of EUR 2.07 billion, or 19.34% of the funds allocated. The Rural Development Programme records the best percentage of paid funds (31.52%), while the worst percentage of paid funds is recorded by the Operational Programme “Competitiveness and Cohesion” (15.14%).

A total of EUR 1.85 billion has been certified, or 17.25% of the allocated funds. The RDP records the best percentage of certified funds (30.41%), while the worst percentage of certified funds is recorded by the OPCC (13.39%).

The positive absorption growth since the beginning of 2016 continued at the beginning of the sixth year of the seven-year financial period, which indicates the progress made in the use of ESIFs.

Based on the monitoring of the treatment of competent authorities within the financial periods 2007–2013 and 2014–2020, the possibility of simplifying certain procedures has been established to ensure greater efficiency

and effectiveness of the bodies involved in the procedure, as well as the overall management and control system, which would also positively impact the applicants, grant awarding procedures and their users.

Implemented simplifications relate to several key aspects aimed at reducing the administrative burden on the body in the management and control system and on the user, i.e. reducing the duration of the grant award procedure from the moment of submission of the project proposal to the conclusion of the grant agreement, while ensuring compliance with the fundamental principles on which the granting process is based. Thus, in relation to the phases of the grant award procedure, the whole process is conceived in five phases, instead of the previous seven. The five phases may be further reduced, and all phases can be combined except the financing Decision, which must be autonomous.

For the purpose of simplifying and adapting business processes, which were considered as feasible and necessary in practice, methodological innovations have been introduced with regard to procurement selection for *ex ante* verification. In this regard, the procurement value is taken into account, depending on the requirements and specifics of a particular project.

Regarding the *ex-post* verification of the procurement procedure, as well as communication between the competent



authorities in terms of the request for payment and the delivery of the decision on irregularities, **procedures have been introduced to guarantee a reduction of administrative burden and a higher level of communication quality between the competent authorities** (primarily in terms of shortening the processing time).

**The process of dealing with irregularities** in the financial period 2014–2020 has also been simplified, taking into account all the requirements of Article 122 of the Regulation (EU) No 1303/2013.<sup>72</sup> The simplified procedure involves handling in cases of action or omission of the user. Of course, it is always taken into account that this is not the kind of action that has or could have a financial impact on the EU budget. The latter refers to situations where the costs claimed by the beneficiary are approved due to inadvertence of the competent authority, and should not have been, but have not yet been verified.

Regarding persons who are not obliged by the Public Procurement Act<sup>73</sup>, the thresholds below which no publication of a notice of procurement is required were introduced (goods and services HRK 500,000, works HRK 1 million). This way, it is ensured that, in respect of the procurement publishing obligation, the above-mentioned thresholds apply to all users, whereby achieving the minimum level of competition proclaimed by the EU should be ensured through research of the relevant market.

The Managing Authority for the OPCC, in accordance with the applicable EU law, **has established a way of applying simplified financing options** for which no additional methodology is required. The same applies in cases of:

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<sup>72</sup> Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006

<sup>73</sup> OG, no. 120/16

- Fixed rates for the calculation of indirect costs up to a maximum of 15% of eligible direct costs of staff: indirect costs (usually overheads and/or office costs, accounting costs and the like) calculated in this way during the implementation, which are not justified by any accompanying documents.
- Standard proportions for staff costs calculated by dividing the latest documented annual gross payroll costs by 1,720 hours; the cost of staff calculated in this way is explained one-time when proposing project costs, and only the time spent on the direct implementation of the project by the staff is checked during the implementation.

Simplified financing options imply allowing for payments that are not based on actual costs but on pre-determined unit costs/rates/amounts, thus reducing the administrative burden and demanding financial reporting, since it is not necessary to provide accompanying documentation for these transactions.

In the area of reducing the complexity of the management and control system of the OPCC, **Amendments to the Regulation on bodies in the management and control system of the European Social Fund, European Regional Development Fund and Cohesion Fund were adopted**<sup>74</sup>, in relation to the objective “Investment for Growth and Jobs”, **which reduces the number of intermediate bodies in the system from 13 to 9.**

Within the framework of the introduction of e-project applications and e-reporting, the user portal is being updated. In the coming period **the completion of the process of introducing functionality and full operation of the Management Information System (MIS)** is expected.

**For determining criteria (performance indicators) at the level of specific goals, existing methods and system for defining goals and their monitoring will be used.** For the OPCC, the Annual Plan of Obligations has

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<sup>74</sup> OG, nos. 15/17 and 18/17 – correction



been set up, which contains an appropriate framework for monitoring the success of contracting, monitoring and validating. For the OPEHR, the Contracting, Payment and Validation Plan, which is currently being drafted, will be used.

As part of the activation of financial instruments, **new instruments will be launched for SMEs also in the field of energy efficiency.**

Over the past period **activities were continuously undertaken regarding the strengthening of the co-operation between the applicants/beneficiaries and the bodies providing support**, as well as systematic training programmes aimed at strengthening the administrative capacity at the national and regional level, and strengthening the collaboration and co-operation between the central and local levels in EU projects. **New training programmes are being prepared**, which will include training covering the areas of the OPEHR, the Rural Development Programme, and horizontal education. **The media campaign in the area of information on EU funds** will intensify in order to provide as much information as possible on the possibilities of funding through the ESIFs.

During 2018, within the framework of the implementation of the OPEHR, after intensive negotiations, the EC has approved **the adoption of delegated acts regulating the areas of ESF funding under simplified control rules** (simplified financing options), i.e. the use of simplified project controls that alleviate the administrative burden on the beneficiaries, reduce the volume of paperwork, and speed up the procedure. The same is already applied in the segment of active employment policy measures for four standard scales of unit costs, as well as the education segment (teaching assistants), while additional methodologies for defining standard scales of unit costs are currently under development. In addition to the simplified pricing options through the standard scales of unit costs modality, within the framework of the OPEHR, 40% of the fixed rate is currently implemented concerning direct staff costs in accordance with Article

68.b of Regulation (EU) 1303/2013 and Regulation (EU, Euratom) 2018/1046.<sup>75</sup>

During 2018, an ex-ante evaluation of the use of financial instruments within the RDP was completed, and at the same time, **appropriate changes were made to the RDP for the purpose of introducing interventions for financial instruments, with a programme contribution of EUR 70.5 million.** Implementation tasks have been entrusted to HAMAG-BICRO for Micro Rural Development Loans, Small Rural Development Loans and Individual Rural Development Guarantees, and to the Croatian Bank for Reconstruction and Development (HBOR) for Investment Loans for Rural Development. Funding Agreements between the Managing Authority (Ministry of Agriculture), the Paying Agency for Agriculture, Fisheries and Rural Development, and HAMAG-BICRO i.e. the Croatian Bank for Reconstruction and Development were signed on 18 April 2018, enabling the implementation of selected types of RDP operations through financial instruments. Financial instruments for rural development are implemented through:

- Measure 4 – Investments in physical assets, types of operations 4.1.1, 4.1.2, 4.1.3, 4.2.1, 4.2.2.
- Measure 6 – Supporting farm and business development, type of operation 6.4.1.
- Measure 8 – Investments in forest area development and improvement of the viability of forests, types of operations 8.6.1., 8.6.2.

Since September 2018, accepting applications for Micro and Small Rural Development Loans has begun, and by the end of 2018, **18 Small and one Micro Rural Development Loan were approved** with a total amount of HRK 6.4 million.

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<sup>75</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012

The activities of launching the use of Individual Rural Development Guarantees in 2018 included the announcement of a public call for expressions of interest for the selection of banks and leasing companies to implement the guarantee programme. Based on the call, **16 business banks and leasing companies were selected and the option of issuing Individual Rural Development Guarantees on credit or leasing** of selected credit institutions was allowed.

The activities of launching the use of Investment Loans for Rural Development in 2018 included starting a public procurement process for contracting financial intermediaries (business banks), based on which **the Croatian Bank for Reconstruction and Development selected three business banks with which negotiations were initiated.** In mid-2019, **Investment Loans for Rural Development will become available to potential end-beneficiaries**, offering the option of favourable financing for larger/longer-term investments in primary agricultural production, processing, and forestry.

## 6.2. Contribution to EU initiatives and the implementation of reforms

The RC will use the allocated EU funds for the contribution to major EU initiatives, as shown in the Table below.

**Table 8** | EU initiatives supported by EU funds for the RC

EU initiatives	Croatian strategies supported by EU funds
<b>Digital Agenda for Europe (DAE)</b>	DAE aims to provide maximum use of possibilities that digital technology offers to the economy and EU citizens. In this regard, Croatian investment priorities in using EU funds associated with the use of Information and Communication Technologies (ICT) are: increasing of national coverage of next-generation broadband network (NGA); improving ways of managing ICT infrastructure – unified strategic management and coordination of the development of IT infrastructure in state ownership, integration of IT infrastructure at the level of the entire public sector, standardisation of business processes, reducing and streamlining IT infrastructure expenditures; and addressing the issue of low access to e-services.
<b>Innovation Union</b>	The objective of the Innovation Union is to create jobs and growth through research and innovation. In this regard, the Croatian investment priority in using EU funds associated with innovation is to create and improve a research system open to innovation that will achieve performance excellence and attract the best talent in accordance with the needs of the economy. This will be achieved through organisational reform-driven infrastructure investments; human resource development in the field of research, development and innovation; and support of research activities designed to further stimulate the transfer of knowledge and skills that can effectively contribute to social development and economic growth. EU funds will also be used to support the development of new products and services resulting from research, development and innovation activities in the business sector, which will directly raise investment in R&D and encourage additional private sector investment in R&D. Based on the Smart Specialisation Strategy the aim is to direct public and private investment, as well as EU funding, to those areas where the RC has the greatest opportunities for economic growth.
<b>Youth on the Move</b>	The objective of the Youth on the Move initiative is mobility for the purpose of learning and training, employment, volunteering and youth exchanges. Croatia has received EU funds to increase employment and allow the faster integration of young people into the labour market, especially those who are not in employment, education or training.
<b>A resource-efficient Europe</b>	The resource-efficient Europe initiative supports the shift towards a resource-efficient economy with low carbon emissions in order to achieve sustainable development. In this context, operations supported by EU funds will contribute to the efficient and sustainable use of energy and reduction of greenhouse gas emissions. Measures relating to energy efficiency and renewable energy in infrastructure, the manufacturing industry, the service sector, and improving public energy infrastructure, i.e. heating and public lighting sector, will directly contribute to achieving energy climate objectives (20-20-20) contained in the Europe 2020 strategy. Through the improvement of the system for monitoring and assessing the impact of



	climate change, improvement of the management system for the protection against disasters and major accidents, and investment in reducing priority risks primarily associated with floods, EU funds will contribute to the objectives of the Europe 2020 strategy concerning the adjustment of natural and economic systems to climate change and reducing the risk of natural and technological disasters and accidents. Support from EU funds will also finance the sustainable use of cultural and natural heritage related to local development, assisting in the establishment of areas of the Natura 2000 network, and the protection, preservation, and re-establishment of biodiversity, as well as addressing specific environmental issues associated with air quality and the restoration and reuse of former industrial areas.
<b>Agenda for New Skills and Jobs</b>	Priorities for the use of EU funds in line with the Agenda for New Skills and Jobs include increasing the skill level of the general population, providing solutions for the challenge of reconciling the supply and demand of skills on the labour market, improving the results of vocational education and training, and increasing participation in the education system.
<b>European Platform Against Poverty</b>	Croatia's objective is to reduce the risk of poverty and social exclusion rate by 150,000 by 2020. In order to support social inclusion and the right of people to live in the community, EU funds are invested in the process of deinstitutionalisation and expansion of the network of community services. Projects are also supported that contribute to a higher level of employability and create better conditions for the employment rate of disadvantaged groups, as well as greater availability of social services.

**Table 9** | The utilisation of centralised EU instruments in the RC

Instrument	Results of the RC
<b>Investment plan for Europe</b>	By the end of 2018, the total operations approved within the framework of the European Fund for Strategic Investments (EFSI) in the RC stood at EUR 204 million. Given the multiplier effect they have on the economy, it is expected that the total multilayer effect of these operations in the RC will reach the amount of one billion euros.
<b>Connecting Europe Facility</b>	Total utilisation of the Connecting Europe Facility (CEF) by the end of 2018 stood at EUR 586 million.
<b>Union Programmes</b>	Union Programmes represent an integrated set of activities that the EU adopts in order to promote cooperation between Member States in various areas related to EU common policies. Their aim is to improve cooperation between EU Member States and their citizens in various sectors: culture, science, education, transport, energy, environment protection, health, justice, fiscal and customs policy, etc. The RC participates in all 16 EU programmes. Available resources resulting from Croatia's participation in EU Programmes in the financial period 2014–2020 amount to EUR 103.78 billion. For the period 2014–2017, the total utilisation of Union Programmes amounts to EUR 153.91 million. For 2018, the utilisation analysis is ongoing.

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 10** | Reform measures supported by EU funds

Title of the measure	Description of EU fund investment	Qualitative effect — description of projected impacts of the measure
<b>Integration of social security benefits at the national and local level</b>	Education and support to employees in ULRSG for the purpose of timely and valid entry of data on the social benefits of ULRSG in the ESSPROS methodology in the application	Ensured standardisation of the process, i.e. continuity of annual reporting (in ESSPROS methodology) on social benefits provided by ULRSG.
<b>Providing humanitarian aid in kind and other support programmes to the most deprived</b>	Ensuring school meals for children at risk of poverty	Decreased number of persons at risk of poverty and social exclusion.
	Assistance to the most deprived persons through the distribution of food and/or basic material aid	

<b>Deinstitutionalisation and transformation of social welfare institutions</b>	Drafting of individual plans of social welfare homes	Increased the number of transformed social welfare institutions.
	Development of project proposals in support of the process of deinstitutionalisation and transformation	
	Providing infrastructure and staff for the purpose of performance of transformation and deinstitutionalisation	
<b>Development and expansion of the social services network</b>	Development and expansion of the social services network by social service providers	Expanding the social services network in the community provided by social welfare institutions, associations, religious communities, foundations, ULRSG, international organisations and national minorities' councils.
	The development and expansion of the network of social services provided by NGOs	
<b>Modernisation and automation of the judiciary</b>	Expansion of eCommunication at the courts	Facilitating access to courts and easier court management.
	Establish a modernised eBulletin Board service	Upgraded browsers and simplified eBulletin Board structure and enhanced eBulletin Board security.
<b>Decentralisation and streamlining</b>	Analysis of indicators for capacity evaluation of ULRSG and classification of units into categories	Increased efficiency of ULRSG
<b>Integration of strategic planning and development management</b>	Improving the tools and methodologies for drafting, implementing and monitoring strategic planning acts and mechanisms for engaging the public concerned.	Improving the tools and methodologies for drafting, implementation and monitoring of strategic planning acts and mechanisms for involving the public concerned, and training for senior officers, implementation of prescribed guidelines and higher quality in drafting and implementation of strategic planning documents.
	Development and implementation of an IT platform for strategic planning, implementation monitoring, and communication.	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 a main document that will define the national development priorities	By developing the National Development Strategy until 2030, the defining of national development priorities for a ten-year period is ensured, which is the basis for the drafting of other medium-term plans and programmes and the use of EU funds in the next financial perspective.
<b>Computerisation of public administration</b>	Establishment of the Shared Services Centre to full functionality.	The following has been provided to all public administration bodies: sharing of services, hardware, licences and software based on "cloud" computing paradigms; ability to use reliable storage for own computer and communication equipment in the Shared Services Centre; and availability of advisory services through the Shared Services Centre, as an aid in the development and implementation of new technological solutions.
	Establishment of single administrative sites	Facilitated access to public administration services, as the information and services of various public administration bodies will be available to users in one place.
	Establishment of the e-Business system.	The development of a greater number of e-services for business users and other legal entities has been enabled, as well as integration with the system of authorisation to use e-services, and thus the easier delegation of work in the business environment. Common functions provide standardised solutions and easier use of different e-services.
	Establishment of a system with services for electronic signing and/or stamping	A shared system with corresponding services has been established 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



		the provision of public e-services from electronic submission of applications to public sector bodies to issuing electronic documents (acts) in various proceedings.
	Upgrading the Open Data Portal	The ability to accept a larger number of data disclosure bodies.
<b>Quality management</b>	Introduction of quality management systems in the public administration of the RC	The efficiency and quality of public administration has been increased by providing customers with a simpler and higher-quality service, as well as lower cost and administrative burden for users of public administration services.
	Revision of the state qualifying exam	Standardised written testing provides a more objective, more appropriate, and valid assessment and grading of knowledge.
	Improving the annual planning and reporting process in public administration bodies	A link between strategic, annual and budget planning in the public administration bodies has been achieved to the level of goals and job description of public servants.
<b>General and vocational education reform</b>	Implementation of curricula based on learning outcomes and the development of digital competencies of educators and systems of digitally mature schools	Teacher/educator training for new curricula based on learning outcomes and prerequisites for new curricula with a special emphasis on providing schools with IT equipment and the establishment of a system of digitally mature schools is ensured.
	Completion of the development of the national competency centres network	Modernised vocational education and training in line with labour market needs.
<b>Lifelong learning</b>	Supporting the education of adult learners by including them in educational priority programmes and improving literacy	Increased number of participants in lifelong adult learning.
	Implementation of the EU Agenda for Adult Learning – curriculum development for the development of basic digital, literacy, and maths skills of adults	A curriculum was developed for acquiring the skills of lower educated people in line with the Council's Recommendation on New Forms of Training - New Opportunities for Adults.
<b>Efficient and Relevant Higher Education</b>	CROQF establishment and management as support to the work of Sector Councils and other stakeholders in the process of CROQF implementation	Institutional prerequisites have been provided to align study and educational programmes with labour market needs.
	Development and improvement of the learning model through work and implementation of an improved model of professional practice in higher education	Greater representation of traineeships in higher education.
	Establishment of a central system of records and a system for monitoring and evaluation of programme contracts	A central system of records and effective and developmentally stimulating system of financing higher education institutions have been established, which will ensure the achievement of strategic higher education objectives.
<b>Strengthening human resources in science</b>	Employment of young postdoctoral researchers in institutions in the science and higher education system	Young researchers postdoctoral researchers are given the option of acquiring the necessary experience and knowledge required for the development of their scientific careers, while their mentors develop and strengthen mentoring capacities.
<b>Implementation of the scholarship programme for students of a lower socio-economic status</b>	Award of scholarships for students of a lower socio-economic status.	Access to higher education for students of a lower socio-economic status has been ensured, as well as a higher rate of completion in higher education for students of a lower socio-economic status.
	Awarding scholarships to students in priority STEM fields	Increased availability and improved social dimension of higher education and increased degree of completion in higher education have been achieved by focusing on study programmes that have the greatest prospects of generating economic growth in the RC.



	Providing student accommodation capacities	Support for public higher education institutions to expand and improve their accommodation capacities for students, with emphasis on disadvantaged students, through the reconstruction and modernisation of existing and the construction of new accommodation capacities.
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It should be noted that, within the Plan of cooperation and support for the Structural Reform Programme 2017–2020<sup>76</sup> (from August 2017 and amendments from March 2017 and 2018), the EC approved the financing of 50 projects (EUR 9.185 million), of which 18 projects were approved for funding in 2019 (EUR 4.935 million) and their implementation will help: strengthen the powers of supervisory boards and audit committees in state-owned enterprises; improve the quality of preparatory processes for drawing up the state budget as a continuation of last year's project; identifying obstacles and challenges that could discourage further capital market development; strengthening consumer protection through structured creditworthiness; strengthening competences for improving regulatory policy in Croatia through providing further administrative relief of the economy; business environment reforms by identifying and removing unnecessary barriers to business activities and regulated professions; development of strategic planning methods and frameworks for assessing the effectiveness of public policies; harmonising local social benefits and developing a methodology for the calculation of the prices of social services;

improving care for the elderly through legal regulation of their status; developing a model for assessing the efficiency of the health system and establishing a strategic framework for e-Health development; developing a support system for the implementation of a comprehensive curricular reform; the Croatian Financial Services Supervisory Agency (HANFA) in enhancing risk-based supervision in the insurance sector; HBOR in establishing a new credit assessment and rating model and developing a Risk Based Pricing methodology; the Croatian National Bank (HNB) in developing a system for the preparation of financial accounts; CPII in further promoting awareness of pensions and retirement savings; the Central Depository Clearing Company (CSDD) in the implementation of European standards for the processing of corporate actions.

<sup>76</sup> In 2016, through the pilot phase, EUR 1.03 million was approved for 9 projects

## 7. Institutional issues and the involvement of stakeholders

The Decision on coordination of activities within the EU Economic Governance Framework has defined the institutional framework and procedures related to the coordination of activities within the EU Economic Governance Framework – European Semester at the level of the Government of the RC. In this way, the coordination of policies and measures covered by the mechanism of economic policy coordination within the EU and those required to stimulate growth and job creation within the Europe 2020 strategy has been ensured. 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 targets of the Europe 2020 strategy and reporting on the progress in their implementation.

In the process of drafting the NRP, in March 2019, four special thematic meetings were held between representatives of the ministries (responsible for the measures) and the social partners, where the proposed measures were discussed, namely regarding the areas of: public administration, social welfare, healthcare, the labour market, and science and education. The social partners submitted their written observations regarding the proposed measures to which those responsible for the measures also responded in writing. Regarding the proposals of social partners, it should be noted that the implementation of some activities is already projected within the measures of the NRP. For example, an analysis of the activities of social welfare institutions will be conducted with the aim of providing transparency in defining the prices of social

services. With regard to the objection that it is necessary to prescribe who the beneficiaries, as well as providers of social welfare services are in a clear and transparent manner, provisions for the same have been made in the new Social Welfare Act, which will also define employment policy in the social welfare system.

It should be noted that there are provisions within the NRP for the development of a methodology for the calculation of the prices of social services, which was proposed by social partners last year. As part of the active employment policy measures, the opinion on the need for employment and self-employment subsidies has been acknowledged, as well as further promotion of the internship measure and continuation of the “Make a Wish” programme (employment of long-term unemployed women). Following the proposals of social partners regarding the abolition of state administration offices and the transfer of their activities to the counties, the keeping of the voter register would remain within the scope of the ministry, and the activities related to the entry and updating of data into the voter register are planned to be entrusted to the counties. Further activities on the integration of social benefits are also planned, as well as the continuation of the functional integration of hospitals, taking the issue of streamlining into account when investing in healthcare infrastructure. The opinion of social partners pointing to the importance of adapting the education system (especially in terms of generic competencies development and lifelong learning) to changes in the labour market have also been acknowledged.

To conclude, on April 17, 2019, social partners were presented with the draft of the NRP, which the Government proposes for 2019. After its adoption at the session of the Government, the NRP shall be presented to representatives of the Croatian Parliament.



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 public concerned. The continuation of operations by the Economic and Social Council (ESC) is also expected, in order to examine, in keeping with the Agreement on the Establishment of the ESC,<sup>77</sup> public policies, national strategies, draft legislation, regulations, programmes, and other documents at the ESC and other relevant task bodies based on the Annual Plan of normative activities of the Government and the expressed interest of the social partners before referral to the governmental procedure, in accordance with the Work Programme of the Council.

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<sup>77</sup> The signing of a new agreement is in progress.



## ANNEX 1: MAIN OBJECTIVES, REFORM PRIORITIES AND MEASURES OF THE ECONOMIC POLICY

Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
<b>1. STRENGTHENING THE ECONOMIC COMPETITIVENESS</b>										
<b>1.1. Improving the business environment</b>										
<b>1.1.1. Administrative and non-tax relief</b>	4/b	1) Relieve the administrative burden on the economy by further streamlining business procedures. 2) Reduce operating costs by reducing non-tax payments.	1) Number of analysed and optimised procedures 2) Number of issued acts	1) 1 2) 0	1) 5 2) 2	Expenditure: No effect: EUR 250,000 (SRSP) – Business procedure analysis	Action Plan for Relief of the Economy IV.	1.1.1.1. Adoption of the Fourth Action Plan for Relief of the Economy	Mar 2020	MEEC
						Revenue: Possible revenue growth (depends on business activity of entrepreneurs)				
<b>1.1.2. Liberalisation of the services market</b>	4/c	By using the OECD PMR methodology, continue to boost competition in the services market by reducing the overall level of regulation of main professions and preventing the adoption of new regulation in the services market, in order to allow for increased productivity and innovation of the economy, reduce the prices of services, and stimulate the (self-)employment of new entrepreneurs.	1a) Number of issued acts 1b) The minimum cumulative number of measures taken to liberalise the services market	1a) 0 1b) 200	1a) 2 2b) 250	Expenditure: No effect EUR 500,000 (SRSP)  Revenue: Possible revenue growth (depends on business activity of entrepreneurs, number of new entrepreneurs)	Action Plan for the Liberalisation of the Services Market II.	1.1.2.1. Adoption of the Second Action Plan for Liberalisation of the Services Market	Jan 2020	MEEC



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
1.1.3. Electronic business start-up	4/b	Reduce costs and facilitate business start-up.	1a) The number of companies established by electronic means 1b) Reduce the number of procedures and days for business start-up following the introduction of the electronic procedure for registration of establishment and integration of business registers and procedures in compliance with the "only once" principle	1a) 2016: 8,538 companies (d.o.o. and j.d.o.o) through the HITRO.hr system 2017: 9,627 companies (d.o.o. and j.d.o.o) through the HITRO.hr system 1b) Measured SCM administrative cost for entrepreneurs who are opening a d.o.o. company is approx. HRK 3,680	1a) This will be visible upon establishment of the system 1b) Administrative relief for entrepreneurs by more than 40%		Act on the Amendments to the Companies Act	1.1.3.1. Enactment of the Amendments to the Companies Act	Sept 2019	MJ
							Act on the Amendments to the Court Register Act	1.1.3.2. Enactment of the Amendments to the Court Register Act	Sept 2019	MJ
1.1.4. Sustainable corporate governance		1) Encourage long-term participation of shareholders and strengthen transparency between companies and investors. 2) Introduce stricter criteria for supervisory board membership in larger companies.	1) Prerequisites created for easier exercising of shareholders' rights 2) Stricter membership criteria have been determined for large companies' supervisory boards		1) Easier exercising of shareholders' rights 2) Stricter membership criteria for large companies' supervisory boards are being applied		Companies Act	1.1.4.1. Adjustment of rules and obligations to strengthen the role of the shareholders	Sept 2019	MJ
								1.1.4.2. Prescribing stricter criteria for membership in supervisory boards of large companies.	Sept 2019	MJ
1.1.5. Improving the TEN-T network in the RC		Ensuring the implementation of projects to improve the road sector and increase the use and importance of the railway sector, contributing to the development of the entire TEN-T network in the RC.	The number of signed contracts with contractors and performers of supervision services	8	18 signed contracts of secondary procurement		Transport Development Strategy of the RC 2017–2030	1.1.5.1. Conclusion of contracts for the implementation of strategic infrastructure projects	Dec 2019	MSTI, companies



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
1.1.6. Broadband infrastructure development		Developing broadband access infrastructure to ensure effective competition and the availability of broadband services.	Application of the project "Building the national next-generation backhaul broadband infrastructure and connecting target users within public administration bodies with next-generation electronic communication infrastructure"		1) Applied project		National backhaul broadband infrastructure development programme in areas where there is not enough commercial interest in investment	1.1.6.1. Preparing the project for broadband infrastructure development	Dec 2019	MSTI, CSODDS, HAKOM, MCPP, MRDEUF, DSN
1.1.7. Establishing a normative framework for water utility sector reform		1) Integrate public suppliers of water supply services and public sewerage services in the RC in order to achieve higher investment capacity and the capacity to implement projects. 2) Reduce the water utilisation fee for those water service suppliers which brought their losses to a technically acceptable level, i.e. below 25%.	1) Reduction of number of water service suppliers 2) Percentage of decrease of the water utilisation fee	1) 190 water service suppliers 2) The amount of the collected water utilisation fee in 2018 amounts to HRK 800 million	1) The number of public suppliers of water services is planned to be reduced from 190 to 35–40, within the deadline of the final integration results visible 30 months after the new Act enters into force 2) The amount of the water utilisation fee is projected to decrease for those public water supply providers who have undertaken measures to reduce their losses below 25%	The Croatian Waters' revenues are expected to be affected on the basis of the water utilisation fee.	1) Water Services Act 2) Regulation on amendments to the Regulation on the amount of the water utilisation fee 3) Ordinance on amendments to the Ordinance on calculation and collection of the water utilisation fee	1.1.7.1. Enactment of the new Water Services Act	May 2019	MEE
								1.1.7.2. Enactment of the Amendments to the Regulation on the amount of the water utilisation fee	May 2019	MEE
								1.1.7.3. Adoption of the Amendments to the Ordinance on calculation and collection of the water utilisation fee	June 2019	MEE



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
<b>1.2. Investment growth</b>										
1.2.1. Stimulating investments and productivity		<p>1) Stimulating the digital transformation of the economy.</p> <p>2) Improving the investment environment in the RC, as well as additionally harmonising it with the EU acquis by introducing new measures for incentivising investments in the RC.</p> <p>3) Consolidating the content and strengthening the visibility of the single point of contact for investors, in order to maximally facilitate obtaining information required for investment in the RC.</p> <p>4) Consolidating existing incentive programmes for investing in new technologies.</p> <p>5) Strengthening the capacities of the counties for attracting and incentivising investments to increasing the number of investments and ensure equitable regional development.</p> <p>6) Ensuring monitoring of development and policies in the area of productivity and competitiveness.</p>	<p>1) Points according to the DESI index</p> <p>2) Number of approved investment projects using incentive measures for investments</p> <p>3) Improved content and visibility of the single point of contact for investors</p> <p>4) Consolidated Programme for investing in new technologies.</p> <p>5) Number of included regional units</p> <p>6) Number of analyses and annual Report on the work of the Committee</p>	<p>1) DESI index for Croatia in 2018: 46.7 points</p> <p>2) 350</p> <p>3), 4), 5), and 6) 0</p>	<p>1) DESI index for the RC: 54 points</p> <p>2) 420</p> <p>3) Improved single point of contact is in use</p> <p>4) The programme is in use</p> <p>5) 21</p> <p>6) 4</p>	Expenditure: HRK 1 million (SB)	Plan for the Digital Transformation of the Economy	1.2.1.1. Adoption of the Plan for the digital transformation of the economy	June 2019	MEEC, CSODDS
							Act on Amendments to the Investment Promotion Act	1.2.1.2. Enactment of the Amendments to the Act on Investment Promotion	Dec 2019	MEEC
								1.2.1.3. Improving the single point of contact for investors	Dec 2019	MEEC, MFEA, CSODDS, HAMAG-BICRO, HBOR, CCE
								1.2.1.4. Developing the Programme for investing in new technologies	Dec 2019	MEEC, MF, HAMAG-BICRO, HBOR
								1.2.1.5. Strengthening the capacity of counties to attract and encourage investment	Mar 2020	MEEC, ULRSG
							Government Decision on Establishing a National Committee for Productivity	1.2.1.6. Establishing a Committee for Productivity	Sept 2019	MEEC, SAB



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority	
			Result indicator	Initial value	Target value						
<b>1.3. Improving the management and disposition of state property</b>											
1.3.1. Activation and better management of state property	4/a	1) Strengthening the supervision of business in state-owned legal entities by improving the competencies of supervisory and audit committees. 2) Setting criteria for defining legal entities of special interest for the RC. 3) Providing the prerequisites that will contribute to the compliance of businesses with legal regulations and the reduction of corruption, for legal entities in majority state ownership.	1) Number of organised workshops for representatives of the RC in supervisory and audit committees 2) List of criteria for defining legal entities of special interest for the RC 3) Report on legal entities in majority state ownership that introduced the function of harmonisation	1) 0 2) Criteria not defined 3) 0	1) 1 2) Established criteria 3) 1	No effect: EUR 150,000 (SRSP)	Government Decision on implementing the obligation to organise and attend training for representatives of the RC in supervisory and audit committees	1.3.1.1. Establishing the obligation to attend training for representatives of the RC in supervisory and audit committees	Dec 2019	MSP	
								1.3.1.2. Establishing criteria for defining legal entities of special interest for the RC	Apr 2020	MSP	
								1.3.1.3. Establishing the obligation to introduce the function of harmonisation for legal entities in majority state ownership	Mar 2020	MSP	
		4) Activate unused state property through the reduction of the state assets portfolio managed by the MSP and the RSC and through the preparation and monitoring of the implementation of investment projects.	4a) Value of completed sales of stock and business shares of non-strategic companies 4b) Income from non-financial assets (real estate management) 4) Number of concluded deeds of gift	4a) 2018: HRK 446.1 million 4b) 2018: HRK 217 million 4c) 2018: 67 deeds of gift with an estimated market value of gifted real estate of HRK 331 million	4a) 2019: HRK 550 million 4b) 2019: HRK 220 million 4c) 2019: 70 contracts			1) Act on Amendments to the Act on State Property Management 2) Act on Unassessed Construction Plots	1.3.1.4. Enactment of the Amendments to the Act on State Property Management	Oct 2019	MSP
									1.3.1.5. Enactment of the Act on Unassessed Construction Plots	Oct 2019	MSP
									1.3.1.6. Activation of unused state property	Apr 2020	MSP, RSC
1.3.2. Restructuring and building a sustainable transport sector	4/a	1) Business and financial restructuring of state-owned road sector enterprises in order to achieve adequate and cost-effective	1a) Reduction of the operating costs to operating revenue ratio 1b) Reduction in	1a) 0.30 1b) 2,739 employees 1c) 0	1a) 0.29 1b) 2,710 employees 1c) Savings on interest of EUR 5	Reduction of spending on interest on loans with state guarantees and lowering operating costs.	Government Decision on acceptance of operational and financial restructuring of the road sector	1.3.2.1. Strengthening institutional potentials for planning and supervision	Dec 2019	MSTI, MF, companies	



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
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		maintenance and asset management, rationalise the number of employees, and ensure the financial stability of the road sector enterprises.	the number of employees (HAC) 1c) Reprogramming EUR 400 million of credit obligations		million			1.3.2.2. Redefining management performance indicators	Dec 2019	MSTI, MF, companies
		2) Achieve adequate financial sustainability of railway sector enterprises by means of technical and technological strengthening of business processes within the sector.	2a) The number of drafted strategic documents and acts 2b) Number of projects implemented 2c) The number of contracts concluded		2a) Strategies and plans adopted (3); Act (1) 2b) Projects implemented (3) 2c) Contract concluded (1)	Expenditure: HRK 556.65 million (SB)	Decisions of the Government and the Croatian Parliament (where appropriate)	1.3.2.3. Developing strategies for increasing the efficiency of the road sector enterprises	Dec 2019	MSTI, MF, companies
								1.3.2.4. Adoption of the Strategic framework for the improvement of the railway sector	Dec 2019	MSTI
								1.3.2.5. Enactment of the Act on Safety and Interoperability of the Railway System	Dec 2019	MSTI
								1.3.2.6. Implementing projects to improve the management of the railway sector	Dec 2019	MSTI, companies
								1.3.2.7. Concluding contracts for the moderniaation of the railway passenger rolling stock	Dec 2019	MSTI
		3) Ensure further development and strengthening of competitive advantages and position of Croatia Airlines Ltd in the air transport market through a high-quality strategic partnership that will ensure the expansion of the transport network and increase the market share of Croatia Airlines Ltd and recapitalisation for the purpose of supporting the future development of Croatia Airlines Ltd.	3) Proposal of the strategic partner of Croatia Airlines Ltd.		3) 1		Government Decision on initiating the process of seeking a strategic partner and establishing the Committee for the implementation of the procedure and proposing the selection of the strategic partner of Croatia Airlines Ltd.	1.3.2.8. Implementation of the procedure of selecting a strategic partner of Croatia Airlines Ltd.	Nov 2018	MSTI



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
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		4) Activating the potential of the maritime domain through better formulation of the initial concession fee amount during the award procedure for maritime domain concessions.	4a) Maritime domain zoning study		4a) Study completed		Procurement contract / framework agreement	1.3.2.9. Development of a maritime domain zoning study	Dec 2019	MSTI
			4b) New Maritime Domain and Seaports Act		4b) The act entered into force		Maritime Domain and Seaports Act	1.3.2.10. Enactment of the Maritime Domain and Seaports Act	Dec 2019	MSTI
		5) Raise competitiveness of inland waterway transport through sustainable waterway management – greening of inland navigation.	5a) Analysis and methodology for calculating the amount of sediment in the river basin		5a) The developed methodology is being applied	Expenditure: HRK 200,000 (SB)		1.3.2.11. Developing methodology for waterway maintenance	Dec 2019	MSTI
			5b) New Act on Inland Navigation and Ports for Inland Waterways		5b) The act entered into force		Act on Inland Navigation and Ports for Inland Waterways	1.3.2.12. Enactment of the Act on Inland Navigation and Ports for Inland Waterways	Dec 2019	MSTI

#### 1.4. Improving public administration

1.4.1. Review of the salary determination system	4/b	<p>1) Strengthen efficiency, expertise and motivation of civil servants to provide efficient and high-quality service to citizens and entrepreneurs.</p> <p>2) Ensure a transparent structure of jobs by classification of jobs in pay grades in accordance with the standard classification criteria.</p> <p>3) Ensure correlation of work results with salary.</p>	<p>1) Uniform salaries in compliance with the principle of equal pay for equal work and/or work of equal value</p> <p>2) New rating model</p> <p>3) Implementation of key knowledge and skills in employment conditions</p>	<p>1) Number of general positions 64, special 476, and positions of police, customs and tax officials</p> <p>2b) General increase of salary by 0.5% per year without the possibility of individualised pay rises</p> <p>3) The only employment conditions are based on professional qualifications and work experience</p>	<p>1) Uniform salaries</p> <p>2) New rating model is being applied</p> <p>3) Standardisation of positions in state administration and correlation of work results with salary</p>	<p>Expenditure: The calculations and simulations of the new system are in progress.</p>	Civil Service Salaries Act	1.4.1.1. Enactment of the Civil Service Salaries Act	Oct 2019	MLPS
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Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
1.4.2. Integration of strategic planning and development management	3/a	Introduce an integrated system of strategic planning and development management comprising long-term, medium-term and short-term strategic planning as a basis for channelling budgetary resources, monitoring 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 strategic planning tools, procedures and methods 2) Number of users of the IT system 6 months after introduction 3) Number of officials who have gained new strategic planning skills 4) Percentage of citizens of the RC who participated in the development of the Strategy	1) 2 2) 6 3) 45 4) 0.15%	1) 5 2) 656 3) 100 4) 0.2%	Expenditure: HRK 17.47 million (SB and EU)  No effect: EUR 485,000 (SRSP)	Strategic Planning and Development Management System Act of the RC	1.4.2.1. Adoption of the Ordinance on the principles, criteria and standards for the implementation of valuation procedures	July 2018	MRDEUF
						Expenditure: HRK 50,000 (SB)	Regulation on the manner of establishment, content and management of the Central Electronic Register of Development Projects	1.4.2.2. Customisation of functionality and implementation of IT solutions for strategic planning and development management	Jan 2020	MRDEUF
						Expenditure: HRK 350,000 (SB)	Contract on consulting services between MRDEUF and IBRD	1.4.2.3. Adoption of the National Development Strategy Croatia 2030	Apr 2020	MRDEUF
1.4.3. Improving the standardised framework of the fight against corruption		1) Strengthen the capacities of public office holders in the area of functioning of the elements of the preventive anti-corruption mechanism, as well as to encourage further improvement of existing anti-corruption standards with a view to ensuring integrity, accountability and transparency in policy-making. 2) Provide the prerequisites for the full use of the online application for submitting, processing and verifying reports on the property of judicial officials (judges, state attorneys and deputy state attorneys).	1) Improved competencies of public office holders of the preventive anti-corruption mechanism 2) Online application for submitting, processing and verifying reports on the property of judicial officials 3) Improved preventive anti-corruption mechanisms		1) Improved competencies contribute to strengthening integrity, accountability and transparency in the formulation of public policies 2) Online application for submitting, processing and verifying reports on the property of judicial officials in full use 3) Improved preventive anti-corruption mechanisms in the			1.4.3.1. Developing the online anti-corruption handbook for state officials	Dec 2019	MJ
							1) Rules on the content of the form of the report on the property of judges and the manner in which it is filed 2) Rules on the content of the form of the report on the property of the state attorney and the deputy state attorney and the manner in which it is filed	1.4.3.2. Adoption of the National Judicial Council and the State Attorney's Council Regulations	Mar 2019	MJ



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
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		3) Extend the scope of the provisions on the prevention of conflicts of interest in the implementation of the activities of the Judicial Academy.			work of the Judicial Academy		Judicial Academy Act	1.4.3.3. Enactment of the Judicial Academy Act	July 2018	MJ
1.4.4. Decentralisation and streamlining	3/a	1) Increasing the efficiency of ULRSG	1a) An analysis of indicators for evaluation of capacities of ULRSG was performed 1b) ULSG categorised according to their work capacity	1) Hampered implementation of decentralisation due to differences in the number and quality of public services provided at the local level.	1) Optimisation of the system of local and regional self-government	Expenditure: HRK 8.85 million (SB and EU)	Public Administration Development Strategy 2015–2020 with the Action Plan 2017–2020	1.4.4.1. Analysis of indicators for capacity evaluation of ULRSG and classification of units into categories	Apr 2020	MPA
		2) Improving the state administration system through a new normative framework that will enable more efficient performance of state administration tasks. 3) Professionalise state administration.	2) Improved organisational and governance framework of the state administration system 3) Reduced number of state officials	2) and 3) Inconsistency in the performance of state administration caused by functional and hierarchical inconsistencies	2) and 3) Improved efficiency of state administration		1) Regulations on the organisation and scope of work of SABs 2) Public Administration Development Strategy 2015–2020 with the Action Plan 2017–2020	1.4.4.2. Enactment of the State Administration System Act 1.4.4.3. Enactment of the State Officials Act	June 2019 Dec 2019	MPA MPA
		4) Uniformly regulate the conditions pertaining to the establishment, organisation and mode of operation, types of work, legal status of employees, sources of funding, and responsibility and supervision in public institutions primarily engaged in state administration affairs (legal entities with "agency type" public authority), and other public institutions or other institutions.	4) Setting up uniform conditions for the establishment, organisation, mode of operation, and other issues related to the operation of institutions	4) The normative solution does not regulate uniform conditions for the operation of the institutions	4) Increased efficiency of carrying out activities of general interest with the aim of increasing the quality of public service provision		1) Public Administration Development Strategy 2015–2020 with the Action Plan 2017–2020 2) Act on Amendments to the Institutions Act	1.4.4.4. Enactment of the Amendments to the Institutions Act	Dec 2019	MPA



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
1.4.5. Computerisation of public administration	3/a	1) Commence the project of establishment of the Shared Service Centre as a single strategic place for managing and coordinating the development of state ICT and streamlining of the state ICT expenditure.	1) Number of institutions in the Shared Service Centre	1) 0	1) 50	Expenditure: HRK 89.78 million (SB and EU)	1) National Information Infrastructure Act 2) Regulation on the organisational and technical standards for connecting to the national information infrastructure	1.4.5.1. Establishing a Shared Service Centre (Phase II)	Apr 2020	MU, CSODDS, and APIS IT
		2) Facilitate access to public administration services by establishment of one-stop-shop administrative sites as physical and digital portals, as the information and services of various public administration bodies will be available to users in one place.	2) Number of services provided through the single administrative site	2) 15	2) 20	Expenditure: HRK 21.73 million (SB and EU)		1.4.5.2. Establishment of single administrative sites (Phase II)	Apr 2020	MPA
		3) Establish a 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) e-Business Platform established		3) The system is in use	Expenditure: HRK 15.32 million (SB and EU)		1.4.5.3. Establishment of the e-Business platform	Sept 2019	MU, FINA, APIS IT
	4/b	4) Establish the e-Fees platform 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) e-Fees platform established		4) The system is in use	Expenditure: HRK 16.89 million (SB and EU)	Regulation on the IT system of electronic collection of administrative fees	1.4.5.4. Establishing the e-Fees platform	Sept 2019	MU, FINA



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
	5/b	5) 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 the provision of public e-services from electronic submission of applications to public sector bodies to issuing electronic documents (acts) in various proceedings.	5) Systems e-Signature, m-Signature, and e-Stamp established		5) The system is in use	Expenditure: HRK 6.31 million (SB and EU)		1.4.5.5. Established a system with services for electronic signing and/or stamping	Apr 2020	MPA
		6) Reduce real-estate investor administrative burdens. 7) Provide relief from inefficient procedures to participants in construction undertakings and public administration. 8) Increase transparency of procedures in the field of spatial planning and construction.	6) and 7) Number of new e-services from the field of spatial planning and construction 8) Establishment of a register of spatial plans	6) and 7) Three existing e-services (modules) in the field of spatial planning and construction 8) 0	6) and 7) Improvement of e-services in the field of spatial planning and construction 8) Register of spatial development plans is in use	Expenditure: HRK 394,921 (SB)  Expenditure: HRK 259,200 (SB)	1) e-Croatia 2020 Strategy and Action Plan 2) Construction Act 3) Physical Planning Act 4) Directive 2007/2/EC (INSPIRE)	1.4.5.6. eRegister of spatial development plans and ePlans  1.4.5.7. eInspection – module for building inspection work	Dec 2019  Oct 2019	MCPP  MCPP
	3/a	9) Develop an economy based on open data (open data economy).	9a) Number of datasets published on the national open data portal 9b) Number of bodies publishing open datasets	9a) 575 9b) 72	9a) 750 9b) 84	Expenditure: HRK 6.798 million (SB and EU)	1) The Directive on the re-use of public sector information (PSI Directive) 2) Act on the Right of Access to Information 3) Ordinance on the types and content of permits that stipulate conditions of information re-use 4) Open data policy	1.4.5.8. Upgrading the Open Data Portal	Apr 2020	CSODDS, SAB



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
		10) Enabling citizens and entrepreneurs easy access to information on national regulations and obligations, efficient cross-border electronic procedures, and effective support services for tackling administrative problems.	10a) Action Plan of the competent authorities covered by the EU Regulation on the Single Digital Gateway 10b) Number of education sessions 10c) Analysis of the existing system of competent authorities and good practices of other EU member states 10d) Information link repository specification		10a) Developed action plan 10b) 10 10c) Completed analysis 10d) Completed specification	Potential effect on budget revenues due to the increase in the number of new entrepreneurs in the service market.	1) EU Regulation on the establishment of a single digital gateway 2) EU's Internal Market Strategy	1.4.5.9. Establishing the preconditions for joining the EU's Single Digital Gateway	Apr 2020	CSODDS
1.4.6. Quality Management	3/a	1) Increase the efficiency and quality of public administration with the aim of providing customers with a simpler and higher-quality service, as well as lower cost and administrative burden for users of public administration services. 2) Ensure s link between strategic, annual and budget planning in the public administration bodies to the level of goals and job description of public servants.	1a) Developed Methodology for quality control in public administration and Methodology for the optimisation and standardisation of public administration processes 1b) Phase I of setting up the system of conducting the state qualifying exam in writing implemented 2) Developed a normative framework for drafting, issuing, executing,		1a) The methodology is being applied 1b) The established system of conducting the state qualifying exam is being applied 2) The established normative framework is being applied	Expenditure: HRK 6.9 million (SB and EU)	1) Public Administration Development Strategy 2015–2020 with the Action Plan 2017–2020 2) Strategic Plan of the MPA 2019–2021	1.4.6.1. Introduction of quality management systems in public administration	Apr 2020	MPA
								1.4.6.2. Drafting the Ordinance on conducting the state qualifying exam in writing	Sept 2019	MPA
						Expenditure: HRK 76,705 million (SB and EU)		1.4.6.3. Developing the normative framework for annual planning and reporting in public administration bodies	Apr 2020	MPA



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
			monitoring, and accountability for the implementation of annual work plans and compilation of work reports							
<b>1.5. Improving the efficiency of the judicial system</b>										
1.5.1. Modernisation and automation of the judiciary	4/d	<p>1) Facilitate citizen access to courts and facilitate court management through the expansion of eCommunication to municipal courts and other participants in court proceedings.</p> <p>2) Introduce a simpler, faster and more efficient delivery of written documents to shorten the duration of the procedures and reduce costs.</p> <p>3) Perform reengineering and replacement of the eBulletin Board to increase system security from external attacks and robotised data downloads, with the introduction of services for continuous sending of information and notifications based on selected criteria.</p> <p>4) Ensure the settlement of cases that have spent over ten years before the municipal, county and commercial courts and the High Commercial Court of the RC.</p> <p>5) Establish the prerequisites</p>	<p>1) Number of ePost consignments</p> <p>2) Number of e-Petitions</p> <p>3) Number of visits</p> <p>4) Reduction of the number of cases older than 10 years pending before the municipal, county and commercial courts and the High Commercial Court of the RC</p> <p>5) Established the online e-Case website and the pilot-judgment procedure.</p>	<p>1) 0</p> <p>2) 300</p> <p>3) 2,000 a month</p> <p>4) 2018: 9,131 cases older than 10 years pending before the municipal, county and commercial courts and the High Commercial Court of the RC</p> <p>5) 0</p>	<p>1) 40,000</p> <p>2) 6,000</p> <p>3) 6,000 a month</p> <p>4) 2019: annual reduction of the number of cases older than 10 years pending before the municipal, county and commercial courts and the High Commercial Court of the RC by 20%</p> <p>5) The established online e-Case website and the pilot-judgment procedure are in use</p>	Expenditure: HRK 857,934 million (SB and EU)		1.5.1.1. Expansion of eCommunication at the courts	Sept 2019	MJ
						Expenditure: HRK 146,944 (SB)		1.5.1.2. Introduction of eDelivery	May 2019	MJ
						Expenditure: HRK 541,612 million (SB and EU)		1.5.1.3. Establishing the eBulletin Board service	Oct 2019	MJ
								1.5.1.4. Resolving old unresolved cases in courts	Dec 2019	MJ
								Act on the Amendments to the Civil Procedure Act	1.5.1.5. Enactment of the Amendments to the Civil Procedure Act	Sept 2019



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
		for the party in proceedings before the commercial courts to be notified of the hearings via the online e-Case website and introduce the pilot-judgment procedure.								

## 2. ALIGNING EDUCATION WITH LABOUR MARKET NEEDS

### 2.1. Education and training in accordance with labour market needs

2.1.1. General and vocational education reform	2/b	1) Implement curricular reform in all schools in the RC with professional training of the teaching staff and the acquisition of textbooks.	1a) Number of schools involved in the implementation of curricula based on learning outcomes 1b) Number of teaching staff who have undergone training 1c) Share of primary schools equipped with free textbooks	1a) 74 1b) 4000 1c) 20%	1a) 1,311 1b) 36,000 1c) 100% of schools	Expenditure: HRK 130 million (SB)  HRK 111 million (EU/ESF) EUR 450,000 (Erasmus+) EUR 300,000 (SRSP)	1) Strategy for Education, Science and Technology 2) Primary and Secondary Education Act	2.1.1.1. Supporting the implementation of the comprehensive curricular reform through the provision of organisational prerequisites	Apr 2020	MSE
		2) Increase digital maturity of schools by involving all schools in the e-Schools project, obtaining equipment for teachers, and educating teachers to use the appropriate ICT equipment and developed e-content in accordance with a variable curriculum and the development of key/transversal competencies for primary and secondary school students.	2a) Number of schools participating in the e-Schools project 2b) Personal computers for teachers who implement new curricula from 2019 2c) Digital educational content	2a) 151 2b) 11,990 2c) 16	2a) 1,160 2b) 37,950 2c) 41	Expenditure: HRK 181 million (EU)	Strategy for Education, Science and Technology	2.1.1.2. Establishing a system of development of digitally mature schools (e-Schools)	Apr 2020	MSE, CARNET



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
		3) Create conditions for strengthening the quality of vocational schools by completing the process of establishing regional competence centres, as well as output competencies required for labour market access in cooperation with other stakeholders in the vocational training system.	3a) Number of grant agreements awarded from EU funds with nominated regional centres of competence 3b) Number of qualification standards and vocational curricula developed 3c) Number of teachers and mentors with employers qualified for the implementation of vocational curricula	0	3a) 40 3b) 30 3c) 100	Expenditure: HRK 112.65 million (SB and EU)	1) Vocational Education Act 2) Decision on nominating regional competency centres in vocational training.	2.1.1.3. Completion of the development of the national competence centres network	Dec 2019	MSE, MLPS, MRDEUF
						Expenditure: HRK 14.5 million (SB and EU)  HRK 200,000 (Swiss-Croatian instrument)	Vocational Education Act	2.1.1.4. Development of qualification standards and vocational curricula	Apr 2020	MSE
						Expenditure: HRK 90,000 (SB and EU)  HRK 100,000 (Swiss-Croatian instrument)	Vocational Education Act	2.1.1.5. Training of teachers and mentors with employers for the implementation of vocational curricula	Dec 2019	MSE
2.1.2. Lifelong learning	2/b	1) Improve the quality and relevance of adult education programmes and increase the number of adult participants with completed elementary education and training for simple jobs in occupations.	1a) Adult Education Act 1b) Adopted the curriculum of basic skills 1c) Adopted the curriculum for elementary adult education 1) The number of adult participants with completed elementary education and training for simple jobs in occupations	1a) 1 1b) 0 1b) 1 1d) 10,531	1a) The act entered into force 1b) 1 1c) 1 1d) 11,100			2.1.2.1. Enactment of the Adult Education Act	Sept 2019	MSE
						Expenditure: HRK 190,000 (Erasmus)		2.1.2.2. Developing the Curriculum for the development of basic digital, literacy, and maths skills of adults	Dec 2019	MSE
						Expenditure: HRK 260,000 (SB)		2.1.2.3. Development of the Curriculum for Elementary Adult Education	Dec 2019	MSE
						Expenditure: HRK 4.26 million (SB)		2.1.2.4. Implementation of elementary education of adults and training for simpler jobs in occupations.	Dec 2019	MSE



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority	
			Result indicator	Initial value	Target value						
		2) Increase the availability of lifelong learning for employed and unemployed persons to reduce the differences between labour market needs and available skills of workers, i.e. to respond to the challenges of dynamic labour market changes.	2) New measure increasing the availability of lifelong education to citizens of the RC		2) The measure is being implemented	Expenditure: HRK 50 million (EU)		2.1.2.5. Implementation of the Adult education project	Nov 2018	MLPS, CES	
2.1.3. Efficient and relevant higher education	2/b	Increase the quality and relevance of study programmes, improve the employability of students who have completed their studies, and contribute to increasing the employment rate of graduates.	1a) Number of qualification standards in the CROQF Register 1b) Number of projects contracted under the public call for improvement of quality and representation of practical training in higher education	0	1a) 20 1b) 30	Expenditure: HRK 260,000 (EU)	1) Strategy for Education, Science and Technology 2) Croatian Qualifications Framework Act	2.1.3.1. Evaluation and entry of qualification standards in the CROQF Register	Apr 2020	MSE	
						Expenditure: HRK 95 million (SB and EU) – Public higher education institutions HRK 5 million (SB and EU) – Private higher education institutions		Act on Quality Assurance in Science and Higher Education	2.1.3.2. Enactment of the Act on Quality Assurance in Science and Higher Education	Dec 2019	MSE
									2.1.3.3. Conclusion of contracts on projects for improving the quality and representation of practical training in higher education	Sept 2019	MSE



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result 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 and fiscal discipline	1/a	1) Strengthen fiscal responsibility through amendments to the Questionnaire on fiscal responsibility for the purpose of improving property management and the liabilities of budget and extrabudgetary users and companies owned by the RC and ULRSG, revenue collection and expenditure control.	1) Regular reports on the implementation of numerical fiscal rules in accordance with the provisions of the Fiscal Responsibility Act 2) Amended Questionnaire on fiscal responsibility		1) Transparent and comprehensive reporting on the application of fiscal rules 2) Improving the fiscal accountability of budget and extra-budgetary users of companies owned by the RC and ULRSG		Regulation on the composition and delivery of the Fiscal Responsibility Statement and the report on the application of fiscal rules	3.1.1.1. Adopting the Regulation on the composition and delivery of the Fiscal Responsibility Statement and the report on the application of fiscal rules	Sept 2019	MF
		3) Establish a more efficient system of financial and statistical planning and reporting by extra-budgetary users from the transport sector. 4) Carry out an ex-post evaluation for the fiscally significant activities of the CHIF, Croatian Waters, and EPEEF.	3) A more efficient system of financial and statistical planning, reporting, and control of expenditures of extra-budgetary users 4) Ex-post evaluation for fiscally significant activities		3) Financial plans of extra-budgetary users in the transport sector prepared in accordance with the provisions of the Budget Act 4) Carried out ex-post evaluation for the following fiscally significant budgetary activities: a) prescription medicines (A1030) and especially expensive medications (A1034)		The Budget Act	3.1.1.2. The approval of the Croatian Parliament for financial plans and reports on the execution of financial plans of extra-budgetary users in the transport sector.	Dec 2019	MF, MSTI



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
					b) regular maintenance and restoration of watercourses, waterworks, and water resources (A1004) c) management of special categories of waste (A1003)			3.1.1.3. Carrying out an ex-post evaluation for the fiscally significant activities of the CHIF, Croatian Waters, and EPEEF	Dec 2019	MF, MSE, MEE, extra-budgetary users
		5) Increase the efficiency of the process of collecting, as well as the quality of the data on the execution of the financial plans of the lever three state budget users, who do not operate through the Single State Treasury account.	5) Automated entry and transfer of data with prior control to the State Treasury system for users under the competence of the MSE (Phase I)		5) December 2020: application solution linked to the State Treasury system, which allows entry of data on own and dedicated revenues and receipts and related expenditures for users who are exempted from paying their own and dedicated revenues to the state budget account (Phase II – other users)	Expenditure: up to HRK 1 million (SB)	1) The Budget Act 2) Act on the Execution of the SB of the RC 2019	3.1.1.4. Development and implementation of IT solutions for tracking own and dedicated revenues and receipts (Phase I)	Dec 2019	MF
		6) Continue the development of a unified public procurement system in the sense of expanding the number of institutions for which a joint procurement process is being implemented through SOCPP, in the procurement category of compulsory automobile liability insurance and guaranteed asset protection insurance.	6) Number of users in the procurement category of compulsory automobile liability insurance and guaranteed asset protection insurance	6) 32 users	6) All budgetary users of the state budget (about 550)	Savings of 10 to 15% of the purchase value are expected	Government's Decision on expanding the number of users of central public procurement	3.1.1.5. Expanding the number of users of central public procurement	May 2019	SOCPP



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority	
			Result indicator	Initial value	Target value						
<b>3.2. Stimulation of demographic renewal</b>											
3.2.1. Increasing social security of families with children		1) Assistance to assisted areas (ULSG – municipalities, development index group I–IV) in providing early and pre-school education through co-financing of kindergartens. 2) Increasing the limit amount of monetary compensation during parental leave under the Maternity and Parental Benefits Act with the aim of improving the material status of families with newborns.	1) Number of ULSG/beneficiaries of funds for co-financing early and pre-school education (municipalities, development index group I–IV) 2) Amendments to the Maternity and Parental Benefits Act		1) 20 2) The act entered into force	Expenditure: The beginning of implementation will depend on fiscal capabilities.	1) Government programme 2016–2020 2) MDFYSP's Strategic Plan 2017–2019	3.2.1.1. Concluding contracts for co-financing of early and pre-school education in assisted areas	Mar 2020	MDFYSP	
						Expenditure: The amount of increase and beginning of application will depend on fiscal capabilities.	1) MDFYSP's Strategic Plan 2017–2019 2) Act on Amendments to the Maternity and Parental Benefits Act	3.2.1.2. Enactment of the Amendments to the Maternity and Parental Benefits Act	Dec 2019	MDFYSP	
<b>3.3. Improvements to the social welfare system</b>											
3.3.1. Integration of social security benefits	2/c	1) Ensure a transparent system of social security benefits with accessible information on the type and amount of benefits for each beneficiary. 2) Provide technical prerequisites for reporting on social benefits paid by ULRSG. 3) Allow citizens easy access to social welfare services by improving e-services 4) Improve the legislative framework for 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.	1) The number of ULRSG that have entered the data on social security benefits into the information system 2) Number of data exchange agreements concluded with competent bodies for the purpose of exchange of beneficiaries' data 3) Number of e-services from the social welfare system available to citizens 4) New Social Welfare Act	1) The number of beneficiaries currently linked to the system for monitoring of social security benefits under the competence of ULRSG in 2019 2) 0 3) 1 4) 1	1) 576 2) 3 (CHIF, CPII, and CES) 3) e-Citizens: submitting requests for recognition of the right to maternity and parental benefits, child benefits, personal disability benefits, and allowances for assistance and care. 4) The Act entered into force	No effect: EUR 350,000 (SRSP)	Action Plan for the improvement of the social security benefits system 2018–2020	3.3.1.1. Harmonisation of Social Benefits of Units of Local Self-Government with the ESSPROS Methodology (Phase II)	Dec 2019	MDFYSP, ULRSG	
						Expenditure: HRK 1.2 million (SB)					3.3.1.2. Establishing technical prerequisites for reporting on social benefits
						Expenditure: HRK 200,000 (SB)					3.3.1.3. Establishing new services in the e-Citizens system
						Expenditure: The beginning of application will depend on fiscal capabilities.					3.3.1.4. Enactment of the new Social Welfare Act



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
3.3.2. Improving social services		1) Provide equal access to funding for all service providers, and equal access to social services for end users from providers of services financed from the state budget. 2) Conduct research on formal and informal forms of long-term care for the elderly that will serve as a platform for introducing new services for the elderly in order to improve elderly care and provide elderly people with care in their own home, in accordance with their needs.	1) Single methodology for calculating the prices of social services 2) Research on formal and informal forms of care for the elderly in the RC and analysis based on the research into the needs and opportunities of providing carers for the elderly	0	1) The methodology is being applied 2) Research and analysis conducted	No effect: EUR 300,000 (SRSP)	Social Welfare Act	3.3.2.1. Developing a methodology for calculating the prices of social services	Dec 2019	MDFYSP
						No effect: EUR 220,000 (SRSP)	Strategy for the elderly in the RC for 2017–2020	3.3.2.2. Research on formal and informal forms of care for the elderly	Dec 2019	MDFYSP
<b>3.4. Ensuring financial stability, sustainability and quality of the healthcare system</b>										
3.4.1. Improving human resource management in healthcare		Establish a single framework for monitoring, assessment, and planning of human resources in the healthcare system at all levels of healthcare in line with the real needs of the population for healthcare, as well as for rewarding healthcare workers for above-average performance in order to reduce the number of specialists going abroad.	1a) Establish a work-efficiency monitoring and performance-based reward system 1b) Establish multi-year planning of needs for specific specialisations	1a) No performance-based reward system 1b) One-year individual plans of specialist training in healthcare institutions	1a) Adopted the Regulation on measures for the determination of above-average work performance and the method of payment of above-average work performance 1b) Adopted the National plan for specialist training		1) Healthcare Act 2) Regulation on measures for the determination of above-average work performance and the method of payment of above-average work performance 3) National plan for specialist training	3.4.1.1. Adopting the Regulation on measures for the determination of above-average work performance and the method of payment of above-average work performance	Dec 2019	MH
								3.4.1.2. Adoption of the five-year National plan for specialist training	Dec 2019	MH
3.4.2. Digital transformation of the healthcare system		Improve the healthcare system by means of systematic, effective, and prudent use of ICT to ensure effective organisation, planning, coordination, supervision, and control	1a) Established development plan for e-Health 1b) Number of hospitals included in e-Appointment – priority	1a) No valid strategic and implementation plan for e-Health development 1b) 24 hospitals have	1a) Developed the Strategic e-Health development plan of the RC 2020–2025 and the Implementation Plan 2020–2021	No effect: EUR 90,000 (SRSP)	Act on Data and Information in Healthcare	3.4.2.1. Adoption of the strategic and implementation plan for e-Health development	Apr 2020	MH, CHIF



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
		over costs in healthcare as well as increased availability and quality of healthcare services.	appointment booking 1c) New model for booking and central managing of the calendar of services in healthcare (central appointment management and management of waiting lists)	implemented the application “e-Appointment – priority appointment booking” 1c) The current model of healthcare contracting provides for the contracting of a particular activity performed by a healthcare institution	1b) Increasing the number of hospitals included in e-Appointment – priority appointment booking by 4 1c) Arranging the number of procedures within the field and central management of the calendar of all healthcare services					
							3.4.2.2. Introducing a new model for booking and central managing of the calendar of services in healthcare	Apr 2020	MH, healthcare institutions	
3.4.3. Functional integration of hospitals		Raise the quality of healthcare, optimise hospital healthcare system resources, and ensure financial stability of the healthcare system.	Number of concluded agreements on functional integration of hospitals also defining activities performed by hospitals.	7 concluded agreements on functional integration of hospitals	The number of concluded agreements will depend on the criteria for the further implementation of the functional integration of hospitals, vertically and horizontally within the same county or across multiple counties		1) Healthcare Act 2) National Plan for the development of clinical hospital centres, clinical hospitals, clinics and general hospitals 2018–2020 3) Agreements on functional hospital integration	3.4.3.1. Concluding the Agreement on functional hospital integration	Dec 2020	MH, CHIF
3.4.4. Improving primary healthcare		Raise the level of availability, efficiency, and quality of primary healthcare through the functional integration of emergency medicine and the establishment of special on-call periods on weekends and holidays.	1a) Number of concluded contracts on functional integration concluded by the Institute of Emergency Medicine of the	1a) No concluded agreements on functional integration 1b) Special on-call periods for family medicine, paediatrics, and dental medicine	1a) 21 concluded contract on functional integration by the Institute of Emergency Medicine of the unit of regional self-government, a		1) Healthcare Act 2) Decisions by the founders on the functional integration of emergency medicine 3) Contractual agreements on the functional integration	3.4.4.1. Concluding agreements on the functional integration of emergency medicine	Mar 2020	MH, CHIF, ULRS, healthcare institutions



Measure	CSR	Objective	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
			Result indicator	Initial value	Target value					
			unit of regional self-government, a hospital with an integrated emergency department, and a primary healthcare centre 1b) Established special on-call periods on weekends and holidays for family medicine, paediatrics, and dental medicine in primary healthcare centres	are not organised in primary healthcare centres in some counties, and in five counties they are not organised at all	hospital with an integrated emergency department, and a primary healthcare centre 1b) Special on-call periods organised in 70 locations in primary healthcare centres for family medicine, paediatrics, and dental medicine		of emergency medicine 4) Decisions by the founders on the locations of special on-call periods	3.4.4.2. Establishing special on-call periods for family medicine, paediatrics, and dental medicine	Mar 2020	MH, CHIF, ULRSG, healthcare institutions
3.4.5. Improving healthcare in the field of oncology		1) Initiate structural and organisational measures in the area of prevention, diagnostics and treatment of malignant diseases 2) Raise awareness of citizens about the importance of inclusion in prevention programmes for malignant diseases	1) Established a plan in the area of prevention, diagnostics and treatment of malignant diseases 2) Promotional activities aimed at involving as many people as possible in prevention programmes for malignant diseases	1) Draft of the National Cancer Plan (partial measures in the fight against cancer have been implemented) 2) 0	1) Adopted the National Cancer Plan for a comprehensive fight against cancer 2) Promotional activities are being implemented		1) Healthcare Act 2) National Healthcare Strategy 2012–2020 3) Government Decision on the adoption of the National Cancer Plan	3.4.5.1. Adoption of the National Cancer Plan	Sept 2019	MH, CHIF, healthcare institutions
								3.4.5.2. Promoting prevention programmes for malignant diseases	Dec 2019	MH, CIPH, healthcare institutions
3.4.6. Further development of unified public procurement in healthcare		Conduct unified public procurement procedures for the needs of healthcare institutions in order to increase the quality and standardisation of medicines, consumables, components and medical equipment, as well as reduce the administrative burden on healthcare institutions.	Number of completed public procurement procedures	2018: 3 procedures completed	Increase of completed procedures by 50% in relation to 2018		Decision by the Minister	3.4.6.1. Conclusion of framework agreements on the basis of public procurement procedures	Dec 2019	MH



## ANNEX 2: MEASURES TO ACHIEVE THE TARGETS OF THE EUROPE 2020 STRATEGY

National objective	Measure	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
		Result 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.	<b>1.1.1. Implementation of active employment policy measures</b>	Number of persons included in active employment policy measures	2018: 36,935 persons	2019: 30,018 persons	Expenditure: HRK 1.291 billion (SB and EU)	1) Guidelines for the development and implementation of the active employment policy 2018–2020 2) Conditions and method of use of funds for the implementation of active employment policy measures from the competence of CES in 2019	1.1.1.1. Inclusion and activation of unemployed persons into the labour market through active employment policy measures	Dec 2019	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 public and private investments in the R&D sector to 1.4% of GDP.	<b>2.1.1. Strengthening the national innovation system and innovation potential of the economy</b>	1) Private investments matching public support for innovation or research and development projects (CO27) 2) Number of companies supported for the introduction of new products on the market (CO28) 3) Number of companies supported for the introduction of new products for the enterprise (CO29) 4) Number of entrepreneurs issued a Support Beneficiary Status Certificate 5) Number of	1) HRK 600 million 2) 131 3) 146 4) 115 5) 54	1) 2023: HRK 1.6 billion (SB) 2) 2023: 250 3) 2023: 250 4) 2019: 140 2020: 160 2021: 180 5) 2019: 60	Expenditure: HRK 119.83 million (EU) – Innovations in S3 Areas HRK 75.93 million (EU) – Integrator HRK 112.46 million (EU) – IRI Phase II	1) State grant programme for increasing the innovation of small and medium-sized enterprises 2) State grant programme for increasing the innovation of small and medium-sized enterprises – Innovation in S3 areas 3) State grant programme for increasing the development of new products and services arising from R&D activities 4) Small grant programme for increasing the	2.1.1.1. Announcement of call for state aid grants to entrepreneurs for research, development and innovation	June 2019	MEEC



National objective	Measure	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
		Result indicator	Initial value	Target value					
		entrepreneurs supported for Proof of Concept				innovation of small and medium-sized enterprises in S3 areas			
					Expenditure: HRK 5 million (SB)	Act on the State Aid for Research and Development Projects	2.1.1.2. Implementation of measures for aid of the Act on the State Aid for Research and Development Projects	Dec 2020	MEEC
					Expenditure: HRK 35.4 million (SB)	Strategy for promoting innovations of the RC 2014–2020	2.1.1.3. Announcement of call for proof of concept programme	May 2019	MEEC, HAMAG-BICRO
	2.1.2. Strengthening human resources in science	The number of young scientists employed in the science system through the “Young researchers' career development project – training of new doctors of science” and the “The programme for the development of the careers of young scientists – postdoctoral researchers”	340 doctoral candidates i 0 postdoctoral researchers	515 doctoral candidates i 100 postdoctoral researchers	Expenditure: HRK 49.46 million (SB) - Doctoral candidates HRK 1.7 million (SB and EU) – Postdoctoral researchers	1) Strategy for Education, Science and Technology 2) Action plan for mobility of researchers 2017–2020 3) Strategic Plan of the MSE 2019–2021 4) Grant Agreement	2.1.2.1. Recruitment of young scientists through the Croatian Science Foundation Project	Dec 2019	MSE CSF
	2.1.3. Strengthening the national research infrastructure and the science and technology system through connecting with the economy	1) Membership of the RC in the European Space Agency 2) Number of the adopted Research infrastructure development plans in the RC 2019-2021 3) Increase of total expenditure for science and research	1), 2) and 4) 0 3) 2017: 0.86%	1) 1 2) 1 3) 2020: 1%, taking into account the economic and fiscal capabilities of the RC 4) 100%		The Agreement between the RC and the European Space Agency on space co-operation for peaceful purposes.	2.1.3.1. Signing the Plan for European Cooperating States (PECS)	Dec 2019	MSE
1) ESFRI 2018 Roadmap 2) Research infrastructure development plan 2016–2018 3) Strategic Plan of the MSE 2019–2021						2.1.3.2. Adoption of the Research infrastructure development plan 2019–2021	June 2019	MSE	



National objective	Measure	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
		Result indicator	Initial value	Target value					
		as proportion of GDP 4) The number of programme agreements concluded with public scientific institutes in accordance with the new financing model				1) Strategy for Education, Science and Technology 2) Strategic Plan of the MSE 2019–2021 3) Act on Amendments to the Croatian Science Foundation Act	2.1.3.3. Enactment of the Scientific Activity and Higher Education Act	Apr 2020	MSE
							2.1.3.4. Enactment of the Amendments to the Croatian Science Foundation Act	Dec 2019	MSE
							2.1.3.5. Adoption of the national Ordinance on the operation of the Transfer Technology Office	Dec 2019	MSE
					Expenditure: HRK 50.78 million (SB)	1) Strategy for Education, Science and Technology 2) Strategic Plan of the MSE 2019–2021	2.1.3.6. Conclusion of programme funding agreements with public scientific institutes	Oct 2019	MSE

### 3. CLIMATE CHANGE AND ENERGY SUSTAINABILITY

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 of 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		Air Protection Act	3.1.1.1. Monitoring of greenhouse gas emissions	June 2019	MEE
	3.1.2. Transition to a circular economy	Reduced amount of waste disposed at landfills – the share of municipal waste deposited on or into land	2016: 77%	2023: 35%			Regulation on landfills	3.1.2.1. Adoption of the Regulation on landfills	Dec 2019
3.2. Increase the share of renewable energy sources in	3.2.1. Promoting energy conservation and the use of energy	1) Energy share of RES in electricity (%) 2) Level of energy	1) 2016: 28.3 2) 2014–2016 achieved savings of	1) 2020: 20% of energy from renewable sources		1) Renewable Energy Sources and High-Efficiency Cogeneration	3.2.1.1. Developing state subsidy programmes for RES	June 2019	MEE, HROTE



National objective	Measure	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
		Result indicator	Initial value	Target value					
gross total energy consumption to 20%.	from renewable sources	savings through energy efficiency measures	2.61395 PJ	in final energy consumption including 10% of energy from renewable sources in transport 2) 2014–2020 saving of 54.250 PJ, half of which falls under the system of energy efficiency obligation, and the rest under alternative policy measures		Act 2) Act on Biofuels for Transport	3.2.1.2. Implementing tendering procedures for increasing RES in transport	June 2019	MEE, EPEEF
						1) Energy Efficiency Act 2) Act on Amendments to the Thermal Energy Market Act	3.2.1.3. Establishing efficiency obligation scheme systems for suppliers	June 2019	MEE
							3.2.1.4. Enactment of the Amendments to the Thermal Energy Market Act	June 2019	MEE
3.3. Increase energy efficiency by 20%.	3.3.1. Encouraging energy efficiency of residential and public buildings	Number of system users	The system is used only by authorised energy certifiers (1,700 users)	By the end of 2020, the system will also be used by citizens (220,000 users) – via e-Citizens, they will be able to access real-estate energy certificates		1) Energy Performance of Buildings Directive (EPBD) 2) Construction Act 3) Energy Efficiency Act	3.3.1.1. Improving the National Energy Certificate Information System (IEC)	Dec 2020	MCPP
<b>4. EDUCATION</b>									
4.1. Improve the level of education, particularly by reducing the school drop-out rate and increasing the share of the 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 the population aged 30–34 who have completed tertiary education	2017: 28.7 % (EUROSTAT)	35%	Expenditure: HRK 108 million (SB and EU)	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 of a lower socio-economic status.	Dec 2019	MSE
						Expenditures: HRK 36.72 million (EU)	Ordinance on conditions and method of exercising the right of full-time students to state scholarship in STEM fields	4.1.1.2. Awarding scholarships for STEM fields	Dec 2019



National objective	Measure	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
		Result indicator	Initial value	Target value					
					Expenditures: HRK 172.11 million (SB and EU)	1) Partnership Agreement between the RC and the EC on the use of ESIFs 2) OPCC 3) Strategy for Education, Science and Technology	4.1.1.3. Providing student accommodation capacities	Dec 2019	MSE
<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	120,000	Expenditures: HRK 38.6 million (SB and EU)	1) Government decision on confirmation of the OP for food and/or basic material assistance in 2014–2020 2) Decision on bodies in the System of management, implementation and control of use of the FEAD in 2014–2020	5.1.1.1. Ensuring school meals for children at risk of poverty	Dec 2019	MDFYSP
							5.1.1.2. Amelioration of poverty through assistance to the most deprived persons through the distribution of food and/or basic material aid	Dec 2019	MDFYSP
	5.1.2. Development of quality foster care and services of accommodation in foster families	Number of foster families	2,910 foster parents: 1,432 foster families for children and youths and 1,478 foster families for adults and the elderly	10% more foster families	Expenditure: HRK 228.5 million (SB)	1) Foster Care Act 2) Cooperation agreement between UNICEF and the MDFYSP with cooperation of the Croatian Association of Social Workers	5.1.2.1. Adoption of by-laws under the Foster Care Act	June 2019	MDFYSP
							5.1.2.2. Implementation of non-normative measures for improving the implementation of the Foster Care Act	Dec 2019	MDFYSP
							5.1.2.3. Implementation of the project aimed at supporting foster families and promoting child foster care	Dec 2019	MDFYSP
	5.1.3. Deinstitutionalisation and transformation of social welfare institutions	Number of transformed social welfare institutions	1) 12 adopted individual plans of social welfare homes 2) 25 contracted	1) 25 adopted individual plans of social welfare homes 2) 52 contracted	Expenditure: HRK 50.07 million (SB and EU)	Plan for deinstitutionalisation, transformation and institutionalisation prevention 2018-2020	5.1.3.1. Drafting of individual plans of social welfare homes	Dec 2019	MDFYSP



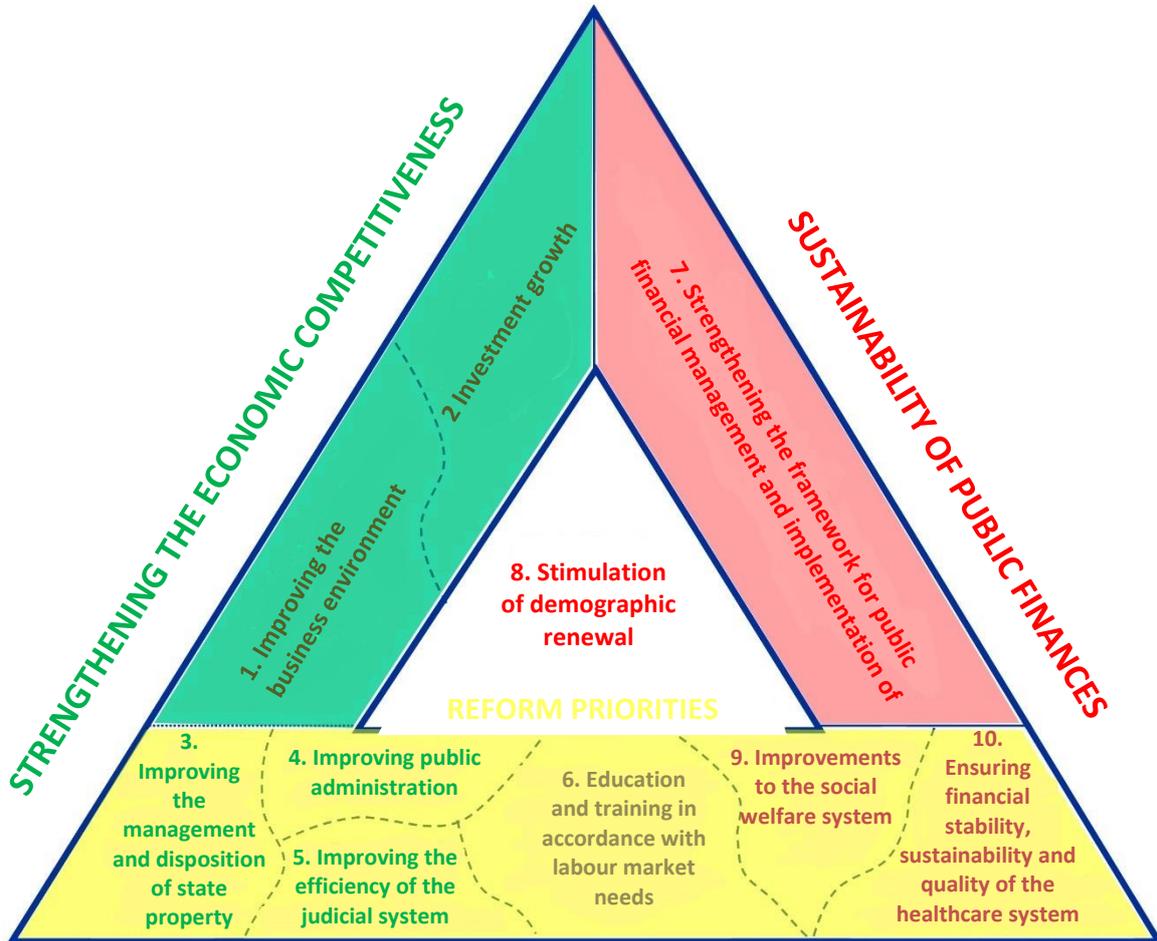
National objective	Measure	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
		Result indicator	Initial value	Target value					
			project proposals of social welfare institutions	project proposals of social welfare institutions			5.1.3.2. Development of project proposals in support of the process of deinstitutionalisation and transformation	Dec 2019	MDFYSP
							5.1.3.3. Providing infrastructure and staff for the purpose of implementing transformation and deinstitutionalisation	Dec 2019	MDFYSP
	5.1.4. Development and expansion of the social services network	1) Number of agreements concluded with social service providers 2) Number of agreements concluded with associations	1) 28 2) 133	1) 128 2) 160	Expenditures: HRK 67.60 million (SB and EU)	1) OPEHR 2) Act on Establishment of an Institutional Framework for Implementation of ESIF 3) Regulation on bodies in the ESIF management and control systems	5.1.4.1. Development of social services in the community by social service providers	Dec 2019	MDFYSP
					Expenditure: HRK 33.56 million (from a part of revenue generated by games of chance)	1) Strategic Plan of the MDFYSP for 2019–2021 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 3) National Strategy for the Equalisation of Opportunities for Persons with Disabilities 4) National Strategy for the Rights of Children for 2014–2020 5) Strategy for Combating Poverty and Social Exclusion in the RC for 2014–2020	5.1.4.2. The development and expansion of the network of social services provided by NGOs	Dec 2019	MDFYSP



National objective	Measure	Implementation result indicators			Fiscal impact on the state budget during the implementation period	Legal/administrative instruments of implementation	Activities	Implementation deadline	Implementing authority
		Result indicator	Initial value	Target value					
	5.1.5. Co-funding the cost of education for students of lower socio-economic status and students with disabilities	1) Number and total amount of reimbursements paid for the purpose of co-financing procurement of textbooks for secondary school students 2) Number of students with provided financing of increased costs of transport and special teaching means and aids 3) Number of students with provided financing of increased costs of transport and special teaching means and aids	1) 2,000 secondary school students in the total amount of HRK 1.43 million in the school year 2018/2019	1) 2,000 students in the school year 2019/2020 – the amount will depend on reimbursement amounts	Expenditure: HRK 15.72 million (SB)	Social Welfare Act	5.1.5.1. Adoption of decisions on co-funding the cost of education for students of lower socio-economic status and students with disabilities	Jan 2020	MSE
			2) 2,882 students (transportation) and 3,286 students (food and education)	2) 2,900 students (transportation) and 3,300 students (food and education)	Expenditure: HRK 25 million (SB)	Decision on financing the increased costs of transport and special teaching means and aids of primary school pupils with disabilities	5.1.5.2. Financing the increased costs of transport and special teaching means and aids of primary school pupils with disabilities	Dec 2019	MSE
			3) 292 students (transportation) and 652 students (food and education)	3) 300 students (transportation) and 670 students (food and education)	Expenditure: HRK 2.5 million (SB)	Decision on financing the increased costs of transport and special teaching means and aids of secondary school pupils with disabilities	5.1.5.3. Financing the increased costs of transport and special teaching means and aids of secondary school pupils with disabilities	Dec 2019	MSE
	5.1.6. Introduction of the national pension	Criteria for encompassing potential national pension users, means and/or income testing, parameters for the calculation of the national pension amount and secured financial resources		Established criteria, parameters and financial resources as foundation for the drafting of the future legislative framework		Social welfare strategy for the elderly in the RC for 2017–2020	5.1.6.1. Establishing the criteria, parameters and financial resources for the introduction of the national pension	Dec 2019	MLPS, MF, MDFYSP, CPII, CBS



## REFORM PRIORITIES



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## ALIGNING EDUCATION WITH LABOUR MARKET NEEDS