



**Republic of Croatia**

**Ministry of Labour and Pension System**

**OPERATIONAL PROGRAMME  
HUMAN RESOURCES DEVELOPMENT  
European Social Fund  
2007-2013**

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## List of Acronyms

AA	Audit Authority
AE	Adult Education
ALMP	Active Labour Market Policies
AP	Accession Partnership
APIU	Trade and Investment Promotion Agency
ASHE	Agency for Science and Higher Education
AVETAE	Agency for Vocational Education and Training and Adult Education
AVETAE DEFCO	Agency for Vocational Education and Training and Adult Education/Department for Financing and Contracting of EU Projects
CA	Certifying Authority
CAO	Competent Accrediting Officer
CB	Coordinating Body
CBC	Cross-Border Cooperation
CBS	Central Bureau of Statistics
CES	Croatian Employment Service
CES/DFC	Croatian Employment Service/Department for Financing and Contracting of EU Projects
CHII	Croatian Health Insurance Institute
CNB	Croatian National Bank
CNES	Croatian National Educational Standard
CPII	Croatian Pension Insurance Institute
CSG	Community Strategic Guidelines
EUD	European Union Delegation
EES	European Employment Strategy
EPA	Environment Protection Act
EP	European Partnership
ESDP	Education Sector Development Project

ESF	European Social Fund
ETF	European Training Foundation
ETTA	Education and Teacher Training Agency
EU	European Union
EU-SILC	EU Survey on Income and Living Conditions
FWA	Framework Agreement
GDP	General Domestic Product
GOfNGOs	Governmental Office for cooperation with Non- governmental organizations
HBS	Household Budget Survey
HRD	Human Resources Development
OPHRD	Operational Programme Human Resources Development
IB	Implementing Body
ILO	International Labour Organisation
IPA	Instrument for Pre-Accession Assistance
IWG	Inter-ministerial Working Group
JAP	Joint Assessment of the Employment Policy Priorities of the Republic of Croatia
JIM	Joint Inclusion Memorandum
LFS	Labour Force Survey
LLL	Lifelong Learning
LPE	Local Partnership for Employment
MC	Monitoring Committee
MA	Managing Authority
MoA	Ministry of Agriculture
MENP	Ministry of Environmental and Nature Protection
MF	Ministry of Finance
MFEA	Ministry of Foreign and European Affairs
MRDEF	Ministry of Regional Development and EU Funds
MLPS	Ministry of Labour and Pension System

MSES	Ministry of Science, Education and Sports
MSPY	Ministry of Social Policy and Youth
MSI	Mentors for Social Integration
MT	Ministry of Tourism
MWV	Ministry of War Veterans
NAO	National Authority Officer
NEPP	National Employment Promotion Plan
NF	National Fund
NFCSD	National Foundation for Civil Society Development
NFLS	National Labour Force Survey
NIPAC	National IPA Coordinator
CROQF	Croatian Qualifications Framework
OP	Operational Programme
OS	Operating Structure
PA	Priority Axis
PEP	Pre-Accession Economic Programme
RCOP	Regional Competitiveness Operational Programme
RLMC	Regional Labour Market Councils
SAA	Stabilisation and Association Agreement
SDF	Strategic Development Framework
SF	Structural Funds
VET	Vocational Education and Training
VETIS	Vocational Education and Training Information System

## 1 Context

### 1.1 Croatia's accession to the European Union

With regard to the overall programming process of this Operational Programme it is of great importance to stress the context and the external developments affecting it.

Relations between Croatia and the EU have been governed by the **Stabilisation and Association Agreement (SAA)** signed in October 2001 and in force since February 2005. The SAA provides a legal framework for political dialogue, regional cooperation, economic relations and the use of the Community financial assistance. In April 2004, the Council of the European Union adopted the European Partnership (EP) with Croatia. After the Commission's positive opinion on Croatia's application for membership in April 2004 and the European Council's decision in favour of Croatia's candidacy in June 2004, accession negotiations were formally opened on 3 October 2005.

In February 2006, the EP was updated to an **Accession Partnership (AP)** that reflected Croatia's new status as a candidate for EU membership. Most of the priorities identified in the AP pertain to institution building in support of the adoption of the *acquis communautaire* by Croatia, but in those areas related to the economic and social cohesion, financial assistance has increasingly been allocated to pre-Structural Funds activities that are intended to support capacity-building through learning by doing.

In relation to human resources development, the AP identified as a short-term priority the continued alignment of relevant legislation with the *acquis* and strengthening related administrative, enforcement and co-ordination arrangements. As a medium-term priority, the AP identified further work in these areas:

- Supporting capacity-building of social partners.
- Developing and implementing a comprehensive employment strategy.
- Developing and implementing a national strategy for social inclusion
- Increased efforts to create a modern vocational education and training system.

Following the closure of the remaining chapters, **accession negotiations** with Croatia were closed by a Ministerial Accession conference on 30 June 2011. The target date for Croatia's accession to the EU, as agreed by the Member States and included in the Accession Treaty was set for 1 July 2013.

The EU has been providing guidance to the Croatian authorities on the reform priorities under the **AP** and progress is encouraged and monitored by the SAA bodies. Based on the AP, Croatia adopted its national programme for alignment with the *acquis* in February 2011.

### 1.2 The Macroeconomic context

#### 1.2.1 Economic Growth

The Croatian economy is considered to be small, with 4.3 million inhabitants and gross domestic product in current prices of EUR 45 billion<sup>1</sup>. In the period 2000-2008 it recorded a relatively stable growth path accompanied by low inflation; the average growth rate of real GDP amounted to 4.2%. However, after a 5.1% growth rate in 2007 and 2.4% in 2008, real GDP declined by 6.9% in 2009, as a result of the economic crisis. The weakening of the economic activities was significant and the recovery rather sluggish; in 2010 and 2011 the real GDP growth rate amounted to -1.4% and 0.0%<sup>2</sup>. Therefore,

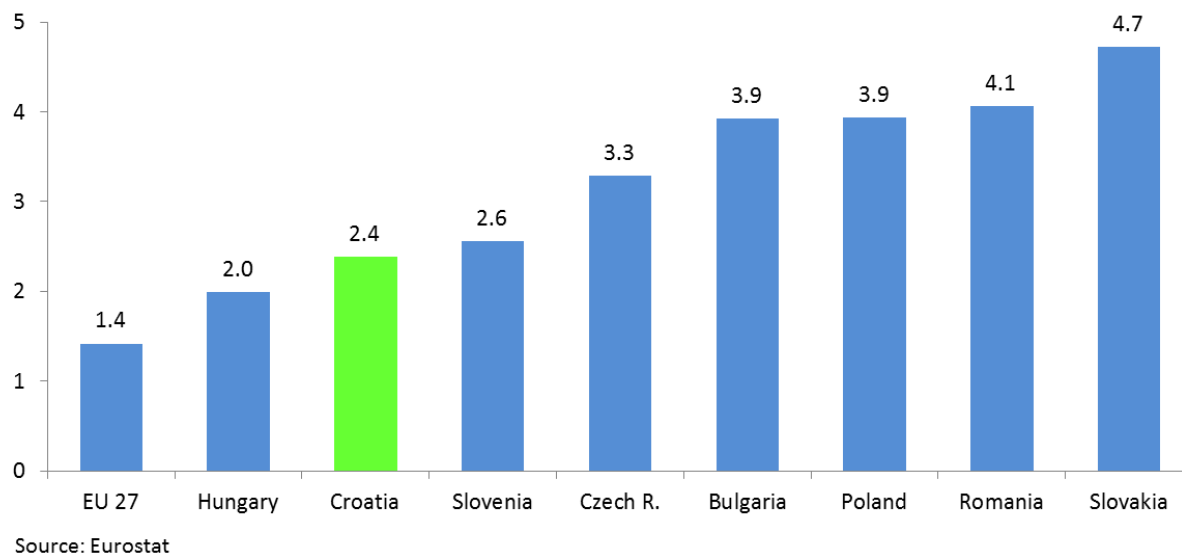
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<sup>1</sup> Basic macroeconomic indicators are presented in Annex 1, Table 1.

<sup>2</sup> Preliminary data for 2010 and 2011

the average growth rate in the period 2001-2011 amounted to 2.4%, which was relatively modest compared to the other selected member states.

**FIGURE 1. Real GDP growth rates in selected countries (averages 2001 – 2011)**



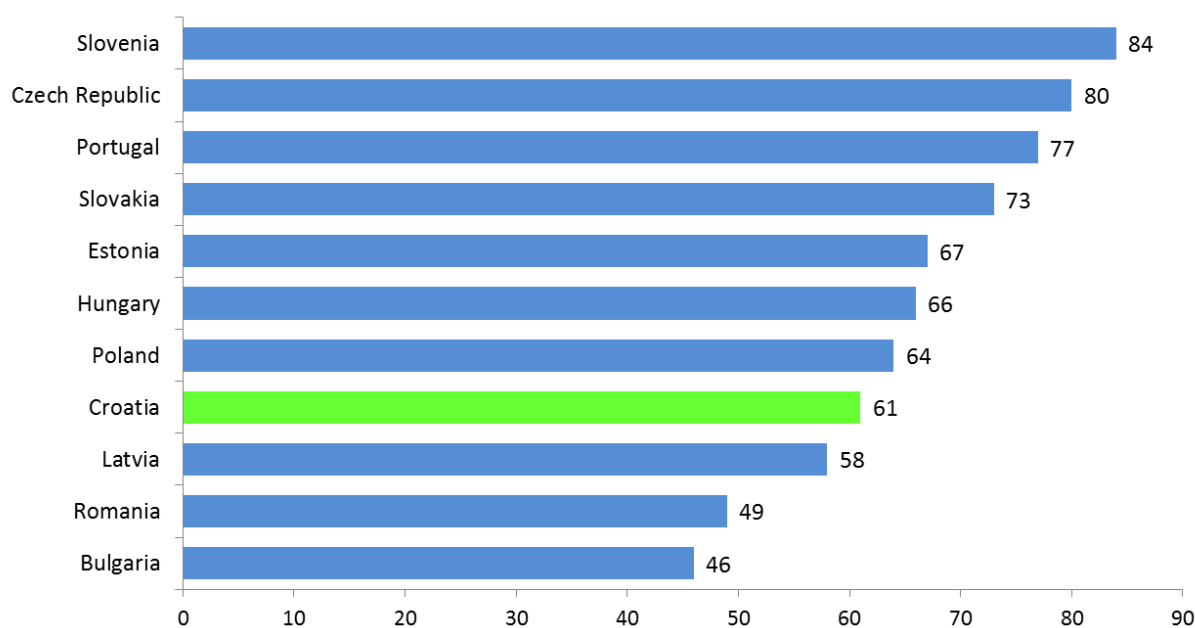
The structure of the gross value added (GVA) by sectors showed that Croatian economy is changing in the direction of the average structure in the developed countries<sup>3</sup>. In the period 2000-2011, the primary and secondary sector both recorded a decrease in the share of total GVA; the primary sector from 6.48% to 5.15% and the secondary sector from 29.20% to 26.46% of total GVA in 2011. In the same period the tertiary sector increased from 34.26% to 38.53%, and the quaternary has not changed significantly, as it fluctuated around 29% of the total GVA.

In the recent years, output growth has been driven by growth in domestic demand, in particular by growth in investments and personal consumption. During the period between 2000 and 2008, investments in fixed capital grew by an average rate of 8.7% reaching the share of gross fixed capital formation of 8.7% in 2008. However, reflecting the contraction pattern, from 2009 investments in fixed capital recorded a significant decrease; -14.2% (2009), -15.0% (2010) and -7.2% (2011). Stable economic growth followed by the persistent crisis period led to the decreasing of the income gap in relation to EU-27.

<sup>3</sup> The structure of each sector along with their shares in total gross value added is presented in Annex 1, Table 2 and Table 3.



**FIGURE 2. GDP per capita in PPS, in selected countries (2011), EU-27=100**



Source: Eurostat

The trade deficit of the Croatian economy (the average current account deficit in the period 2001-2011 amounted to 5.0%) reflects its growth path and import dependence of the domestic economic activities. The main categories of imports are capital, intermediate goods and energy, which are also the main generators of its growth. Growth contribution of net exports during the past several years has been mainly negative because the Croatian economy is highly dependent on imports. The contribution of total exports fell from 1.7% in 2008 to -16.2% in 2009, just to increase again to 2.0% in 2011. The contribution of total imports also fell from 4.0% in 2008 to -21.4% in 2009, and then rose again to 1.2% in 2011. In spite of a strong growth in the export of services, the surplus in the service balance was not high enough to account for the negative effects of trade deficit. In 2011 the export of goods amounted to EUR 9.6 billion while imports of goods amounted to EUR 16.3 billion (both recorded an annual increase of 7.6%). On the other hand, in spite of certain acceleration in exports and growth during last several years before the onset of the global crisis, the difficulties of the export sector to realise stronger expansion in the foreign markets are still present. The reasons are related to the competitiveness of the export sector, its ability to innovate, but also to the fact that the inflow of greenfield foreign direct investments has been very low.

As a result, a persistent investment-savings gap has led to the high current account deficit and a build-up of a foreign debt. In the period 2000-2007, the average current account deficit was 5.1% of GDP. At the end of 2008, current account deficit reached its highest point of 9.2% of GDP and at the end of 2009 it dropped to 5.1% of GDP. In the following two years it stabilized at -1.1% (2010) and -1.0% (2011). Consequently, gross foreign debt grew; at the end of 2008 it reached EUR 40.6 billion and at the end of 2011 it reached EUR 45.7 billion, accounting for 101.8% of GDP. In order to prevent excessive credit activity, financed mainly through commercial banks borrowing abroad, which fuelled into the growth of foreign debt, the Croatian National Bank has undertaken a number of measures aimed at discouraging banks from additional external borrowing.

However, further fiscal consolidation is seen as the most important tool to support the process of tackling external imbalances. Since 2004, fiscal policy is in the on-going process of fiscal consolidation,

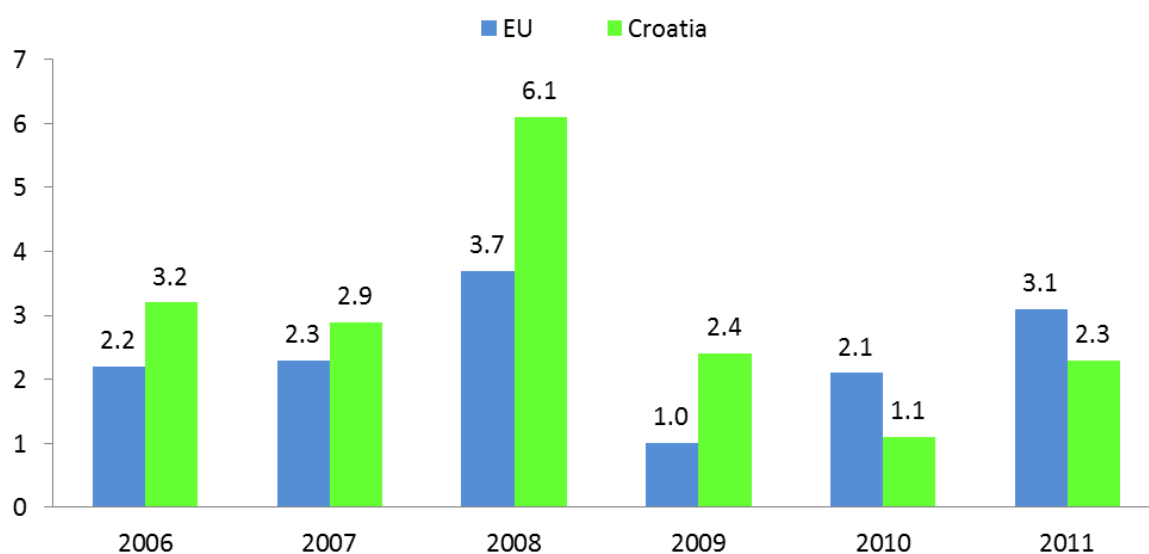
which has allowed for the consolidated general government balance to decrease from -4.1% of GDP in 2002 to -1.4% in 2008<sup>4</sup>. In 2009, caused by the negative effects of the crisis, it recorded a new decrease of -4.1% of GDP, which has continued in the recent period, as it amounted to -5.1% of GDP in 2011.

### 1.2.2 Inflation and exchange rate

Inflation in Croatia, measured by the consumer price index in the period 2000-2007, was moderate, mainly due to the appreciation of the HRK/EUR exchange rate, slow nominal wage increase, mild labour productivity growth and intense competition in the retail trade. Continued increase in the prices of food products and energy on the world market caused considerable growth of the consumer price index of 6.1% in 2008. However, in the following period (2009-2011) the CPI decreased, as it amounted to 2.4%, 1.1% and 2.3%, respectively.

Croatia is following a managed float regime. Croatian National Bank is maintaining a stable exchange rate by direct foreign exchange interventions and by regulating bank system liquidity. A relatively strong inflow of a foreign capital and productivity growth is conditioned by a gradual real appreciation of the exchange rate. In the period 2001-2011 the average exchange rate HRK/EUR floated between 7.22 and 7.56.

**FIGURE 3. Inflation in Croatia (CPI) and EU (HICP) (2006 – 2011)**



Source: Eurostat, CBS

### 1.2.3 Foreign Direct Investments

Foreign Direct Investments (FDI) is considered as the main source of foreign financing and it finances a large part of the current account deficit. Overall inflow of FDI in Croatia, in the period 2000-2011, reached EUR 22.3 billion or EUR 5,033 per capita. During 2008, Croatia received EUR 4.2 billion of FDI, which was the highest annual inflow in the last 15 years. The crisis brought the decrease in 2009 and 2010, when the annual FDI inflow amounted to EUR 2.4 billion and EUR 0.3 billion, respectively. In 2011 the inflow has risen again to EUR 1.1 billion. In the case of Croatia, FDI investors were largely driven by strategic investments during the process of privatisation and were not attracted by low labour

<sup>4</sup> According to the ESA 95 methodology.

costs. Contrary to the new member states, FDI inflows in Croatia mainly represent brownfield investments.

More than 56% of the overall amount of FDI inflows in the period 2000-2011 was accomplished in the sectors of financial intermediation, wholesale and commission trade, and real estate business. The need for improvements in the business and investment climate, together with the need for structural reforms is recognized, which will increase the competitiveness of overall economy.

#### 1.2.4 Regional and local disparities

In Croatia, a proactive regional policy based on convergence, competitiveness and cooperation is very important because there are considerable and long-term internal development gaps. Croatian counties are not developed in a balanced way, which was caused by the factors such as their location, geography, historical events including recent war damages, road and/or water connections to other regions or countries, local conditions, natural resources and different traditions.

This development imbalance can be observed at two levels:

- In relation to the average European level,
- Interregional dimension – disparities between NUTS 2 regions, on the county (NUTS 3) and local level

In relation to the average European level, Croatian GDP per capita<sup>5</sup> for 2010 was EUR 10,200 which was significantly lower than in the EU-27 with an average of EUR 24,500. According to the Purchasing power standards (PPS) related to the GDP per capita (compared to the EU-27=100), in 2009, continental Croatia has a higher figure of 63% than Adriatic Croatia with 60%, while the whole country is at 62%<sup>6</sup> (Annex 2, Table 18). Regarding the **interregional dimension**, comparison of **NUTS 2 regions** is presented in the Table below.

**TABLE 1: General Comparison between NUTS 2 Regions**

Indicator	Continental Croatia	Adriatic Croatia	Croatia
Territory in km <sup>2</sup>	31,889	24,705	56,594
Population (2011) <sup>7</sup>	2,872,954	1,411,935	4,284,889
GDP per capita PPS in EUR (2009) <sup>3</sup>	14,900	14,100	14,600
Unemployment rate (2011)	17.35%	16.39%	17.04 %

Source: CBS, CES, EUROSTAT

Although disparities may not be considerable at the NUTS 2 level, significant differences can be noticed at the individual county (NUTS 3) level.

#### 1.2.5 Demography

When it comes to describing population growth figures, like many other European countries, Croatia is facing a changing and particularly challenging demographic profile. Projections indicate that the country is aging at one of the fastest rates in Europe. During the last decades, Croatia has been also facing a severe problem of birth-rate decline and demographic aging of the population, while the overall

<sup>5</sup> EUROSTAT, 2009.

<sup>6</sup> EUROSTAT, 2012.

<sup>7</sup> Census of Population, Households and Dwellings, 2011.

population of Croatia is continuously decreasing. The CBS forecasts a further decline of the Croatian population by 700,000 (-16%) by 2050. The share of older people ( $\geq 64$  years of age) in the total population could increase from 17% in 2005 to 27% in 2050.

At the same time, share of youth (15-24 years of age) may drop from 13% to 10%. The working age population (15-64 years of age) could fall by 780,000. Accordingly, if the costs of increased social security transfers and health care spending associated with an ageing population are to be met, a significant increase in the employment rate will be required.

### **1.2.6 Developments in (un)employment**

Croatia is undergoing a restructuring process which is characterized by sectoral shifts, privatisation, public sector reform and economic adjustment, which are all likely to influence large numbers of workers. In addition, the new economic crisis aggravates the already existing problems in the labour market, such as low and declining labour force participation, high levels of unemployment, labour shedding and a large informal sector, lack of qualified human capital and skill mismatch.

The labour market has continued to deteriorate. Unemployment was high at 18% in 2012 and the rising trend of unemployment continued into 2013. According to the latest data for January 2013, registered unemployment rate in Croatia was 21.9% (source: CBS). According to the latest data for February 2013 there were 375,400 registered unemployed persons out of whom 42.1% (158,165) were long-term unemployed persons (source: CES). There has been only some limited progress in reducing the structural weaknesses of Croatia's labour market, which are still reflected in low employment and participation rates and high rates of long-term and youth unemployment.

The problems of long-term unemployment and youth unemployment are particularly pronounced. The most likely reasons for long-term unemployment are inadequate education background and skills for the labour market needs, lack of working experience and lack of motivation after long-term absence from the labour market, as well as lack of professional mobility and the unwillingness to participate in training and retraining programmes. The long-term unemployed are often regarded as unemployable by employers as they do not have skills required by the fast-changing labour market demand.

Long-term unemployment is more prevalent among less educated and older unemployed persons, while youth unemployment is connected, as we elaborated in previous paragraph, with the lack of initial work experience. Further reduction of the overall unemployment rate and reduction of those particular problems are both key priorities for the next period.

Concerning the long-term unemployed, those most at risk are young people without any working experience. Due to the fact that many employers prefer to hire workers with experience and demonstrated ability, young persons need special attention and help for entering the labour market. According to the February 2013 data, there were 62,282 unemployed persons with no work experience, out of whom 35,571 were high school graduates (57.1%) and 11,295 (18.1%) were highly educated persons with no work experience.

## **1.3 Assessment of medium term needs and objectives - Socio-economic analysis**

### **1.3.1 Employment sector**

**The labour market** displays serious sectoral weaknesses, low activity and employment rates, high unemployment rate and unfavourable demographic trend which can undermine economic recovery and growth in the future. In the six-year period 2007-2012 the working-age population (15+) increased by 4.92%, from 3.66 million to 3.836 million people.

That increase should be perceived in the light of rapid population aging and not as sustainable growth of working population. In 2012, the labour force consisted of 1.78 million persons, of which 1,522,000 employed and 258,000 unemployed. The number of inactive persons of working age in 2012 was 2,056,000 people, which is an increase of 10.3% from 2007. Divided by gender, 2,032,000 (53%) persons of working age population were women in 2012. On the other hand, 821,000 (46.2%) persons in the labour force were women.

The most dominant age group in the labour force in 2012 is the one between 25-49 years which equals 968,000 persons or 53.35% of the total labour force (1,747,000 people). However, the overall number of this age group has decreased in a period 2007-2012 by 11.5%. Substantial aging of labour force raised further concern. Share of the age group 15-49 dropped from 71.6% to 63.7% and the age group 50-64 increased its share from 25.8% to 32.8% in the period 2007-2012.

According to the CBS data, **the activity rate** of the labour force decreased from 48.8% in 2007 to 46.4% in 2012. The increase in the activity of the older working population has been noticed. Namely, in the period 2007-2012, the activity rate of the age group 25-49 decreased from 84.9% to 83.7%. Meanwhile, the activity rate of the age group 50-64 increased from 52.1% to 53.3%. The increase in the activity of the older working population is mostly a consequence of the retirement plan reform, which has involved a gradual increase in the minimum retirement age. Until recently, the most usual plan to deal with unemployment was early retirement. That fact is reflected in the EUROSTAT data on duration of working life. In 2011, the number of years a person then aged 15 was expected to be active for in the labour market was only 31.1 for Croatia, while the same indicator value for EU-27 was 34.7. Therefore, not only were the labour market figures below the desired level, but unsustainable pressure was created both on the pension system and public financing. According to the EUROSTAT data for 2012, the activity rate (15-64) in Croatia was 60.5% and in EU-27 considerably higher, 71.8% (EU27 are in the range from 63.1% in Malta to 80.3% in Sweden).

In 2012, there were 1.52 million people **in employment**, out of whom, 818,000 were men and 704,000 were women. The most dominant age group in employment is the 25-49, which represents 56.53% (830,000 people) of the overall number of persons in employment. However, the same age group has been reduced by 18.71%, while the age group 50-64 increased by 18.65% in the period 2007-2012, reflecting the rapid ageing of the labour force in Croatia.

The **employment rate** of the age group 15-64 was estimated to be at 52.5% in 2012, which was a significant decrease from 58.8% in 2007. EUROSTAT provides data for the age group 20-64, and the employment rate for Croatia was 55.3%, while for EU-27 it was 68.5% in 2012. A decreasing tendency appeared with the economic crisis in 2009, whereupon Croatia has had lower employment rates with each following year. Even in the best of years, Croatia has had lower employment rates by 7 to 8 percentage points compared to EU-27. In 2012 the discrepancy became even wider, -13 percentage points. There is also a significant difference in the employment rates between men and women. In 2012 the employment rate for men (15-64) was 56.9% and for women (15-64) 48.2%.

In 2012, the employment rate for people aged 50-64 was 48.1% with significant difference between men (55.4%) and women (41.6%). For the same year, according to EUROSTAT, the employment rate of the age group 55-64 was 36.7%, much below the EU-27 average rate which is 48.9%. Nevertheless, Croatian figures were gradually improving during the previous decade, from 24.8% in 2002 to the best rate ever of 38.5% in 2009. The most recent decrease can be explained by the overall economic decline and crisis.

Out of the total of persons in employment, 78.18% are persons in paid employment, 18.46% are self-employed and 3.35% are unpaid family workers. The largest share of those employed are in the services sector (60%), 25.7% are in industry and 14.3% in agriculture.

Structure of persons in employment by educational attainment in 2012 is as follows: 14.7% persons with uncompleted or completed primary school, 61.5% with secondary school and 23.8% with tertiary education. On the other hand, the structure of unemployed has retained the same pattern, but with a lower share of highly educated: 15.4% persons with uncompleted or completed primary school, 69.2% with secondary school and 15.4% with tertiary education.

**Labour productivity per person employed** in Croatia has been steadily increasing since 2000, from 62.2% to 74.1% (2011) compared to EU-27 average. Since the beginning of economic crisis in 2008, the level of labour productivity has been stagnating.

**The ILO unemployment** rate started to increase in 2009, from 9.1% to 14.5% in 2012 due to economic decline in the mentioned period. Registered unemployment rate demonstrated the same pattern. It increased from 13.2% in 2009 to 18.2% in 2012 (*Source: CBS, Labour Force Survey, First Release 9.2.7/3. 2013 and 9.2.8. 2012*).

EUROSTAT demonstrates the unemployment rate for Croatia 15.9% and for EU-27 10.5% in 2012. EU member states display the rate in wide range, from 4.3% in Austria to 25% in Spain.

**Long-term unemployment** (of over 12 months in duration) has followed the decrease/increase tendency of unemployment in general. From 2002 the long-term unemployment rate displayed gradual decrease from 9% to 5.1% in 2009. From 2010 onwards the trend has reversed. In 2012 long-term unemployment rate was 10.3%, higher than any EU member state (MS) except Greece and Spain and twice as high as EU-27 (4.6%). **Unemployment rate of youth** (15-24) in 2012 was 43%, much above EU-27 average 22.8%. **Unemployment rate of women** in 2012 was 15.6%, significantly higher than majority of the EU MS and EU-27 average which was 10.5%.

Croatia is further characterised by significant regional unemployment disparities. According to CES, in 2012 the lowest registered unemployment rate was in the City of Zagreb (8.8%) and the highest in Virovitica-Podravina County (33.5%). As much as four counties have registered an unemployment rate higher than 30%, and only two lower than 10%.

The involuntarily unemployed can, except in certain cases, receive unemployment benefits. Their duration depends on the duration of previous employment. The share of unemployment-benefit recipients in the total unemployed population varies with every month, but at the end of 2012 is 23.8%. The maximum amount of the monthly unemployment benefits is limited. According to the Act on Job Placement and Unemployment Insurance<sup>8</sup>, unemployment benefits for the first 90 days amount to 70% and for the remaining time 35% of the base determined by the Act. The Act also stipulates that the maximum amount of unemployment benefits may not be higher than 70% in the first 90 days of registered unemployment, while for the rest of the period, it may not be higher than 35% of the average salary paid in the Croatian economy in the previous year, according to the latest officially released statistics. Furthermore, the Act stipulates that the minimum amount of unemployment benefits may not be lower than 50% of the minimum salary reduced by the mandatory insurance contributions determined by a special regulation, except in cases when the amount of unemployment benefits is determined according to the percentage of time spent at work.

The minimum salary in Croatia in the period from 1 June 2012 to 31 May 2013 amounted to HRK 2,814.00 (OG 60/2012, approx. EUR 375).

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<sup>8</sup> Act on the Amendments to the Act on Job Placement and Unemployment Insurance (OG 12/2013).

It has been announced that the minimum wage will increase from 1 June 2013 and it will be HRK 2,984.00 (approx. EUR 400). Average monthly paid off net earnings for 2012 were HRK 5,478.00 (approx. EUR 730).

**Flexible forms of employment** normally include part-time jobs and work on a temporary basis. Within the total number of employed persons, the share of persons who are temporarily employed has been more or less constant in the last few years. In 2012 it was 12.8% while the share for EU-27 was 13.7%. The share of part-time employees within the total of the employed population was at its peak in 2005 with a value of 10.1%. Meanwhile, it decreased and amounted to 8.4% in 2012. EU-27 has a significantly higher share of part-time employees, 20% in 2012, which demonstrates a higher level of flexibility of their labour market.

Regarding the share of the **underground economy** in the Croatian economy as a whole, it is rather high compared to other EU countries (in 2010, the lowest in Austria, at 8.2%, EU27 countries' average was 19%, and in Croatia 29.8% of the GDP). Although undeclared work is a complex phenomenon influenced by a wide range of economic, social, institutional and cultural factors, it is generally recognised that tends to obstruct growth-oriented economic, budgetary and social policies.

The successful implementation of policies which aim at transforming informal work into formal forms of employment will contribute to the achievement of the main goals of the renewed Lisbon Strategy for Growth and Jobs. In this regard, Croatia is to develop a strategy against undeclared work and implement policies and measures to approach the above mentioned goals. The Ministry of Labour and Pension System (MLPS) is responsible for the labour market and employment policy and hence for the design of the strategy and the necessary amendments of the existing Labour Act. Additionally, the Ministry of Entrepreneurship and Crafts (MEC) is responsible for the legal framework against underground economy and preparation of the necessary amendments of the Act on the Prohibition and Prevention of Unregistered Activities adopted in May 2011.

Most of the flexible forms of work are found in the informal economy. The most common practice in the informal economy is the truncation of the wage into two parts: the minimum mandatory wage is declared as the taxable wage on which contributions are levied while the rest of the wage is given in cash. In this way the head count of those employed in the informal economy is relatively low but the informal financial flows are considerable. The incidence of the informal sector is an important issue in policy development. Care has to be taken that labour market policies do not increase the unemployment trap for those who are both registered as unemployed and working in the informal economy by raising their reservation wage for entry into formal employment.

**The unemployment ratio is significantly different from one county to another.** According to the Statistical Information 2011 published by CBS, the lowest unemployment rate was in the City of Zagreb (8.4%) followed by Istria County (10.7%), Varaždin County (14.1%) and Primorje-Gorski Kotar County (14.8%). In 2010, the total of eight counties had lower unemployment rate than the country's average (18.2%) while 13 counties had unemployment rate significantly higher than the country's average. The highest unemployment rates were registered in Vukovar-Srijem County (31.8%), Sisak-Moslavina County (30.8%) and Virovitica-Podravina County (30.4%). Furthermore, there are regional differences in Croatia which are partially a historical legacy and partially a consequence of the recent war. Regions, counties and local self-government units differ significantly in terms of the number of indicators, such as GDP per capita, unemployment rates, demographic structure, the structure of the educational qualifications of the population, etc.

The ratio between the GDP per capita of the richest and the poorest counties increased from 3.1 in 2007 to 3.3 in 2008, while the ratio between net per capita incomes of those counties remains the same, 1.8. The differences between local self-government units were much greater than the differences between counties and regions.

In terms of employment and active **crafts**, they are concentrated in fewer counties which have the best macroeconomic indicators, so 54.8% of active crafts are registered in five counties: City of Zagreb (17.05%), Split-Dalmatia (11.75%), Primorje-Gorski Kotar (9.80%), Istria (9.29%) and Zagreb (6.96%). The employed in active crafts are concentrated in fewer counties, so almost half of employees (49.75 %) in crafts are employed in five counties: City of Zagreb (15.46%), Split-Dalmatia (11.94%), Istria (7.71%), Zagreb (7.52%), Primorje-Gorski Kotar (7.12%) and Istria.

### ***Institutional framework***

**Croatian Employment Service (CES)** is a key instrument in building efficient and effective institutional arrangements in the labour market. Therefore, it has to develop strategic and organisational capacity to respond to the challenges of the rapid socio-economic restructuring and population aging. Building on the already implemented projects with the help of pre-accession funds, the most important strategic priority in the field of employment remains the strengthening and modernisation of the CES and its staff so they can provide broad range of services for unemployed, job seekers and employers on national but also on the EU level. Primary challenge today is preparation for the post-accession EURES responsibilities. In EU context, CES plays a crucial role in ensuring free movement of Croatian workers and the quality of its performance will have significant influence on citizens' use of that right.

CES is comprised of a central office, a network of 22 regional and 96 local offices. The Governing Council of CES consists of representatives from trade unions, employers and Government. CES provides mediation and selection services to the unemployed and employers as well as career guidance to the unemployed, prospective students and trainees. It also provides unemployment compensation administration and implements active labour market policies. Finally, it provides statistical reports based on data from its registers, and analytical reports on various labour market issues.

Staff roles in the CES are divided along the following functional lines:

- Regional Directors
- Counsellors – for job seekers
- Advisers – for employers
- Administrators.

Individual counsellors are responsible for particular sectors of economic activity, all enterprises within such sectors and the occupations within it.

CES further provides information and counselling services to the unemployed in the way that employment counsellors establish their individual career plans aiming at active job seeking and improvement of employability. Assessment of competencies of the employed are conducted, which in case of larger employment barriers can involve the application of additional professional procedures for the purpose of establishing their competencies. Through group informing, the users obtain the information on employment opportunities in certain trades, educational programs, financial support and services provided by other educational/employment institutions.

Specialised employment counsellors for persons with disabilities are employed in all the CES regional offices. Evaluation of working ability of an unemployed person with disability, including also psychological and medical evaluation, is done in collaboration with career guidance counsellors.



The unemployed persons with disabilities are offered to participate in various forms of activities, tailor-made to their disabilities, with the purpose of encouraging an active approach to job seeking and obtaining social and psychological support. In 2013, CES continued to participate in the drafting of the new Law on professional rehabilitation and employment of persons with disabilities, as well as the creation of a unique list of damage, unified list of functional capabilities and a unique body of expertise. The new bill will define the establishment of a single body of expertise, to encourage the employment of people with disabilities by improving the quota system and its extension to the real sector and the development of alternative measures in the form of scholarships and apprenticeship of persons with disabilities and their flexible forms of employment, the development of regional and district centres vocational rehabilitation focused on resources and on empowerment of people with disabilities and employers.

Furthermore, establishment of a **National Lifelong Career Guidance Forum** is planned in 2013, as a mechanism for gathering relevant stakeholders for the purpose of more efficient development of policies, measures and activities, and better coordinated provision of services. It will be responsible for drafting a proposal of the legislation on career guidance as well as the national strategy for lifelong career guidance (LLCG) in Croatia for 2014-2020. The strategy seeks to link the role of LLCG to systems designed to support economic growth (e.g. skills strategies) and/or to reduce costs (e.g. reducing drop-out from education, training and employment).

In 2010, the Croatian Government adopted the Regulation on the monitoring, analysis and forecasting of labour market needs for occupations and competences needed for planning and delivering lifelong career guidance (LLCG) services. The CES analyses and forecasts relative demand for particular qualifications (professions) and makes **recommendations for educational enrolment policy** at the level of regional labour markets. The recommendations are referred to the educational institutions, local and regional stakeholders, sector councils and the Ministry of Science, Education and Sports (MSES).

According to the Croatian Qualifications Framework Act (CROQF), MLPS has a partner role, together with MSES and MRDEUF, in coordination, implementation and development of CROQF, as well as an obligation of creating and managing a **Register of Occupational Standards**. CES is one of the partners, as well as a member of the Council for VET and Sector Councils, National Coordination of Education for Entrepreneurship (E4E), etc.

In 2013, CES plans to reorganize and decentralize the organization and business processes to provide better accessibility to the services. The level of services will depend on the size of an office (small, medium and large). New procedures in working with clients will be introduced (for jobseekers and employers). CES will redefine the business processes of counsellors and direct them in two ways: one type of counsellors will work more with employers and will be oriented to satisfy their needs for workforce; and the other type of counsellors will work more with jobseekers preparing them for the labour market through different programmes.

The main purpose of the changes is to improve business processes which will provide help on the individual level. The clients will be divided in groups according to the type and level of help they need in job search and job matching in the labour market.

It is necessary to enable more backup and more services to clients which are in need of more support. CES will also define appropriate services for employable jobseekers.

The goal of the reorganization is to decrease the burden of the counsellors - some of them are responsible for 750 or more jobseekers. Besides the responsibility for jobseekers they also are responsible for employers.

The reorganization will make better efficiency possible which is oriented on the growth of job vacancies, work with the non-governmental sector, especially in creation of the programmes for vulnerable groups, work with users of EU projects in order to create new projects adjusted to the jobseekers needs. It will also improve cooperation with educational and training institutions which carry out tailor-made programmes for the clients that are in line with market needs.

**Labour inspectors** of the State Inspectorate supervise the implementation of laws and regulations governing the relationship between employers and workers. In particular, this refers to the application of regulations related to employers' obligation toward workers within the stipulated time to the competent authorities of the pension and health benefits, working hours, wages, employment and work of minors, women, pregnant women, new mothers, disabled people, foreigners and others, working conditions, safety and health of workers, volunteers, students and others, including employed persons, especially minors, women and disabled, and monitor the implementation of laws and regulations that regulate the labour relations between workers and employers, but also inspection and other administrative areas,

Undeclared work appears in many forms, but common to all the forms is that such work is not paid in accordance with applicable legislation, which ultimately may result in the collapse of the tax and pension systems. On the other hand, this threatens human rights of people who are "forced" (mainly due to economic and existential reasons) to work under these conditions.

Some of the mechanisms used by the State Inspectorate in combatting undeclared work relate primarily to punishing the offender of the acts committed and disciplinary measures imposing temporary ban on activities that have the effect of general and specific prevention. Another problem is the lack of coordination and exchange of information between the authorities responsible for monitoring the implementation of laws and regulations in the part referring to undeclared work and other relevant institutions. The issue of undeclared work is to be dealt under IPA Component I "Support in transition and development of institutions" activities, mainly in the form of a twinning project which is expected to start in 2014.

### **1.3.2 Social protection, income and social inclusion in Croatia**

According to the 2011 data, the Gini coefficient was 0.31, which is equal to EU27 average. Only 10 EU27 member states had the Gini coefficient higher than Croatia.

In the last several years income inequalities and poverty have mildly declined. The at-risk-of-poverty rate<sup>9</sup> was 16.3% in 2006 and in 2008 it was identical to the rate in 2007, i.e. 17.4%, and then it increased to 18% in 2009, 20.6% in 2010 and to 21.1% in 2011. The at-risk-of-poverty rate, by age and gender, was the highest in 2011 for persons aged 65 years and over and amounted to 27.3%. The at-risk-of-poverty rate, by the most frequent activity status was the highest for unemployed persons, 42.5%, other economically inactive persons, 33.0% and for retired persons, 22.2%. The relative at-risk-of-poverty gap increased from 21.9% in 2007 to 24.9% in 2008, slightly decreased to 23.8% in 2009, increased to 28.6% in 2010 and decreased to 27.4% in 2011.

Inequality and poverty indicators from 2003 to 2009 were obtained from the Household Budget Survey (HBS), while those for 2010 and 2011 were calculated from the Statistics on Income and Living Conditions (SILC).

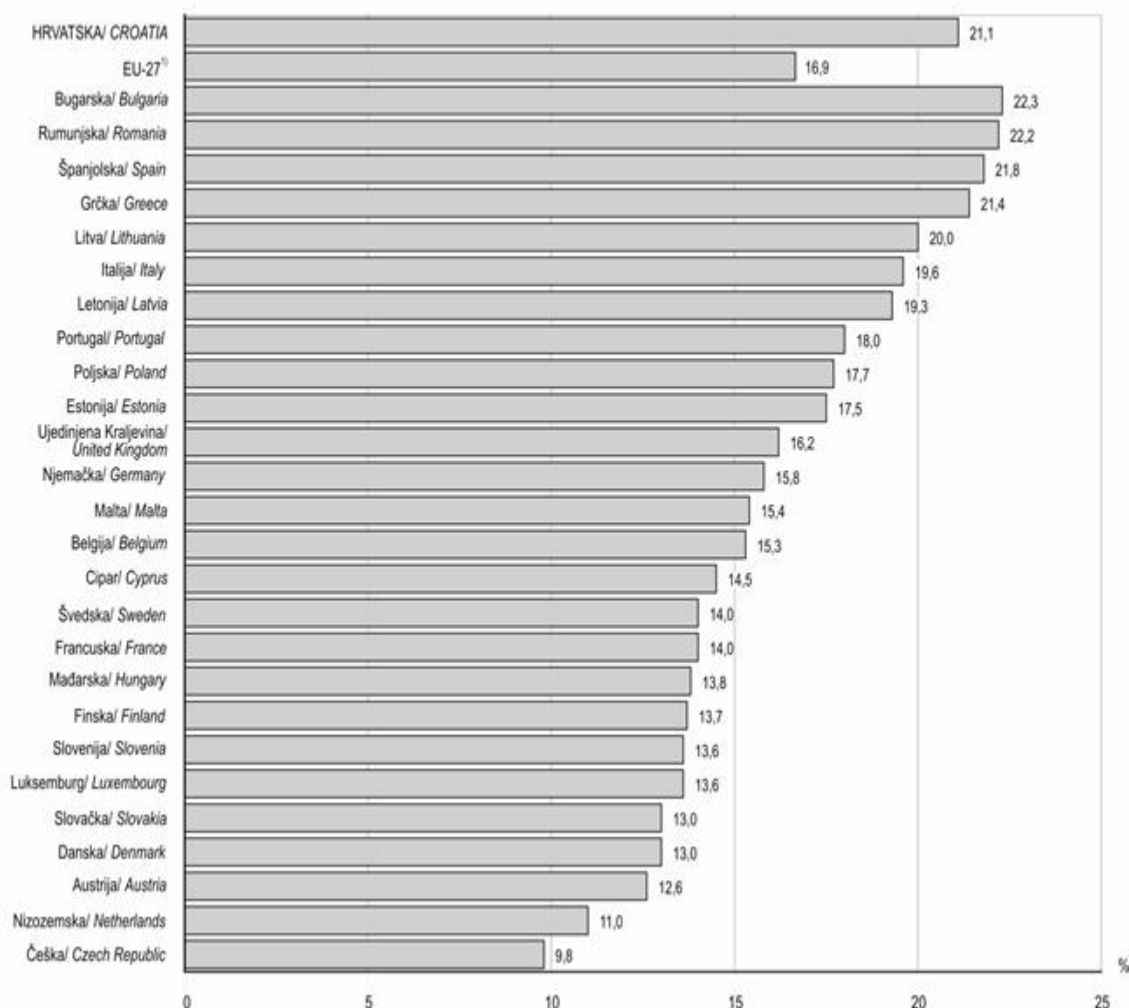
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<sup>9</sup> <http://www.dzs.hr/>, First Release number 14.1.2.

In view of the methodological differences between the two sources of data, the indicators for 2010 and 2011 were not directly comparable with the indicators for the previous years, but they are completely comparable with the data from EU countries.

**TABLE 4: Poverty indicators, Comparison of EU countries and Republic of Croatia, 2011**

	<i>At-risk-of-poverty rate, %</i>	<i>At-risk-of-poverty rate, before social transfers, %</i>	<i>At-risk-of-poverty rate, pensions and social transfers excluded, %</i>	<i>At-risk-of-poverty or social exclusion rate, %</i>
EU 27	16,9 (s)	26,1 (s)	44,0 (s)	24,2 (s)
Austria	12,6	24,9	43,6	16,9
Belgium	15,3	27,8	42,0	21,0
Bulgaria	22,3	27,1	41,5	49,1
Cyprus	14,5	23,3	33,3	23,5
Czech Republic	9,8	18,0	37,8	15,3
Denmark	13,0	28,4	40,4	18,9
Estonia	17,5	24,9	41,1	23,1
Finland	13,7	27,4	41,3	17,9
France	14,0	24,7	44,2	19,3
Greece	21,4	24,8	44,9	31,0
Ireland	:	:	:	:
Italy	19,6	24,4	44,9	28,2
Latvia	19,3	27,3	45,7	40,1
Lithuania	20,0	31,8	49,4	33,4
Luxembourg	13,6	27,2	43,8	16,8
Hungary	13,8	28,9	51,8	31,0
Malta	15,4	22,9	36,9	21,4
Netherlands	11,0	20,9	36,9	15,7
Germany	15,8	25,1	44,6	19,9
Poland	17,7	24,1	43,4	27,2
Portugal	18,0	25,4	42,5	24,4
Romania	22,2	29,1	49,8	40,3
Slovenia	13,6	24,2	40,2	19,3
Slovakia	13,0	19,5	38,3	20,6
Spain	21,8	29,8	44,8	27,0
Sweden	14,0	27,9	42,4	16,1
United Kingdom	16,2	30,5	43,4	22,7
CROATIA	21,1	30,7	46,7	32,7

**TABLE 5: At-risk-of-poverty rate, Comparison of EU countries and Republic of Croatia, 2011***Source: Eurostat – Income, Social Inclusion and Living Conditions***G-3. STOPA RIZIKA OD SIROMAŠTVA, USPOREDBA IZMEĐU ZEMALJA EU-a I REPUBLIKE HRVATSKE U 2011.***AT-RISK-OF-POVERTY RATE, COMPARISON OF EU COUNTRIES AND REPUBLIC OF CROATIA, 2011**1) Data on Ireland are not available*

Source: Croatian Bureau of Statistics

Since the social protection programmes still protected the majority of inactive people from a more dramatic growth of poverty (funds earmarked for social rights were not cut for those people who were not directly affected by adverse developments in the labour market), the poverty risk increased to a greater extent among the working population. An increase in child poverty is expected (particularly in households with two and more children) because the parents might lose jobs more frequently and because of rising education costs. In addition, a particularly socially vulnerable group, with high poverty rates, are the elderly without pensions (between 12% and 13% in Croatia). However, there are activities aimed at finding a long-term solution for this group, such as a kind of a social pension which would reduce the risk of poverty of elderly population. The introduction of income support is planned to be postponed by 2013, in accordance with the Strategy of Social Welfare Development in the Republic of Croatia 2011-2016. The quintile share ratio (S80/S20) in 2011 was 5.4 (it dropped in relation to 2010, when it was 5.5). The at-risk-of-poverty rate began to rise at the beginning of the economic crisis (18% in 2009 in relation to 17.4% in 2008) and it has been rising ever since - in 2010, the at-risk-of-poverty

rate was 20.6%, and in 2011 it was 21.1% which is considerably higher than the EU27 average (16.9) (Greece, Spain, Bulgaria, and Romania had a higher at-risk-of-poverty rate than Croatia).

The relative at-risk -of-poverty gap in 2011 was 27.4%. In 2011, there were no deeper changes in the poverty profile. Still, in 2009, relative poverty among the children and youth grew (in addition to the oldest age group, children at the age of up to 15 showed the at-risk-of-poverty rate above the national average). In 2011, the at-risk-of-poverty rate for children within the age group 0-17 (21.5%), youth in the group 18-24 (21.8%) and persons over 65 years of age (27.3%) were above average. In relation to the average, the at-risk-of-poverty rate for the elderly dropped somewhat in 2011 in relation to 2010. In the period from 2006 to 2009, the difference between the at-risk-of-poverty rates for men and women grew. In 2011, the difference was 2.1 percentage points, which is more than in 2010, when it was 1.6 percentage points. The greatest difference between the at-risk-of-poverty rates for men and women is in the eldest age group (65+). The said difference continued to rise from 2006 (4.4 percentage points) to 2009 (12.8 percentage points), while it then decreased in 2010, when the at-risk-of-poverty rate for elderly women was by 8 percentage points higher than for men, only to rise again in 2011, when the difference was 9.8 percentage points.

According to the 2011 data, single households, single-parent families and families with two adults and three and more children have the at-risk-of-poverty rate that is above average. Just like in previous years, singles are at the greatest risk of poverty (their at-risk-of-poverty rate is 44.0%), especially single households with elderly household members (in such households, every other person is at risk of poverty). Single parents with one or more dependent children have an at-risk-of-poverty rate which is around 50% (or 21.6 percentage points) higher than the national average. Households with two adults and three or more children also have a higher at-risk-of-poverty rate (25.0%), which is the result of an unfavourable influence of the economic crisis on income and employment opportunities. At-risk-of-poverty rates for households with two adults and one or two children and other households with dependent children are mostly below or at the level of the national average. It should be pointed out that the at-risk-of-poverty rate of unemployed persons (42.5 %) and especially unemployed men (46.2%) is particularly high.

Of all age groups, two age groups had an at-risk-of-poverty rate above the national average, in 2009, and these are the oldest age group (65+), children (0-17) and youth (18-24), in comparison to 2008 and 2010, when only one group had the at-risk-of-poverty rate above the national average (the eldest). The difference between the at-risk-of-poverty rates of men and women was the largest in the eldest age group in 2011. Further, in 2011, in comparison to 2009 and 2010, the highest at-risk-of-poverty rates were, by the most frequent activity status, recorded for the unemployed (rising from 37.4% in 2009 to 44.7% in 2010 and slightly decreased to 42.5% in 2011), while by household type and age status, within the category of households with no dependent children, the highest at-risk-of-poverty rate was recorded for one-person households, particularly for households consisting of persons aged 65 years and over, which in 2008 amounted to 47.8%, in 2009 to 50.9%, in 2010 to 50.2% and in 2011 to 46.6%. In 2011, within the category of households with dependent children, the highest at-risk-of-poverty rate was recorded for the single parent households, with a decrease from 40.4% in 2008 to 24.5% in 2009, an increase to 34.6% in 2010, and to 42.7% in 2011, while for households with two adults and with three and more children, 33.1% in 2010 and two adults with three or more dependent children (rising from 18.9% in 2008 till 33.1% in 2010, and to 25% in 2011). The at-risk-of-poverty rate of single households in the period from 2008 till 2010 grew by 5 percentage points and of older single households by 2.4 percentage points. The at-risk-of-poverty rates of other households with dependent children are below the national average, except for the households with two adult people with three and more dependent

children and for the households with two adults with one dependent child. The at-risk-of-poverty rate of pensioners is still above the national average.

According to the preliminary data, the total social costs in Croatia in 2011 were 20.3% of the GDP, which means that they were somewhat lower than in 2010, when they were 20.8% of the GDP. These costs were significantly lower than in the EU27 (29.4% in the GDP in 2010, 29.5% in 2011).

Due to demographic changes and the changes in the structure of families as constant growth of older population, weakening of the traditional families, increase in the number of single parent families and other vulnerable kind of families, the role of social services is becoming increasingly important not only for empowering disadvantaged groups deprived of social inclusion and entering the labour market but also of the aspect of reconciliation of work and family life. Social care and the social service market in Croatia are still underdeveloped, while the demand for certain services surpasses the supply and there are big differences in the prices of the services provided by governmental and non-governmental providers.

In 2011, there were 318,962 adult beneficiaries of social welfare services, which was 1.2% less than in 2010. The share of female beneficiaries was 51%. There were 9% of beneficiaries in the 18 – 21 age group, 26% in the 22 – 39 age group, 34% in the 40 – 65 age group, 23% in the 66 – 80 age group and 8% in the 80 years and over age group. By the number of beneficiaries, the highest percentage was recorded in the category of physically or mentally disabled persons (26.5%), followed by adult persons in various needs of social welfare (24.4%), Persons without sufficient means of livelihood (23.2%), Persons without sufficient earnings (15.4%), Persons with behavioural disorders (5.4%) and mentally ill and drug- or alcohol-addicted persons (5.1%). During 2011, some kind of social welfare rights, services or measures were used for 1.7 times on average, per adult beneficiary. The crisis seems to have caused changes in the incidence and profile of poverty. Analysis and simulations of the World Bank indicate that the poverty profile has changed, and that the risk of absolute poverty has become higher for children, especially those coming from families characterised by having one parent below 30 years of age or who is low skilled, or living in a single parent household or large families, or in families where all members are unemployed; young people below 30 years of age and working age population in general. In 2012, there were 396,393 adult beneficiaries of social welfare services, which was by 24.27% more than in 2011. The share of female beneficiaries was 51.94 % (MSPY Monthly report, December 2012). Counties with under-performed community based social services are at the same time the 10 counties with the development index of under 75% of Croatia's average, namely the Counties of: Lika – Senj, Požega – Slavonija, Slavonski Brod – Posavina, Šibenik – Knin, Virovitica – Podravina, Koprivnica – Križevci, Vukovar – Srijem, Bjelovar – Bilogora, Karlovac and Sisak – Moslavina, with the exception of the County of Osijek-Baranja.

There is a lack of institutionalized tailor made services which could support access of unemployed hard-to-place persons among disadvantaged groups into the labour market. People with disabilities, long-term unemployed (those being on the unemployment register longer than one year), youth with low education level (primary school completed) as well as Roma persons and other minorities threatened by social exclusion are facing different obstacles in job seeking, as well as in entering the labour market.

Having in mind identified problems and obstacles, it is necessary to increase equal employment opportunities for disadvantaged groups in the open labour market. In 2006, Croatia introduced a personal assistant service for persons with the most severe form and degree of disability, developed and provided through National programme in the cooperation with civil society organisations of persons with disabilities, with the aim of satisfying needs of persons with disability who are not able to perform

everyday activities in the community. The number of beneficiaries increased from 78 in 2006 to 631 in 2013.

A large percentage of this service is provided to unemployed hard-to-place persons. Provision of this service prevents institutionalization of service beneficiaries and provides achieving the balance between work and family life, enabling persons with the most severe form and degree of disability and members of their families to manage their lives more independently. Actual number of 631 beneficiaries covers around 10% of actual needs for this service. According to the estimate of the Croatian National Institute of Public Health (CNIPH) and the service provision criteria defined so far, the service should be provided for significantly higher number of beneficiaries (for example in line with the data provided by the CNIPH, there are 63,897 persons with disabilities in the social welfare system with validated Barthel Index from 0-60, who enter the category of the persons with the most severe form and degree of disability) who will ask for the service provision.

According to the last Report on the Implementation of the Joint Inclusion Memorandum (JIM), it is evident that in these times of crisis, the young have become a group that is especially at risk and it is necessary to open a broader space for inclusion of the young in social, economic and political life. The Ministry of Social Policy and Youth (MSPY), established as such in 2011, will give advantage to those policies which will enable the young to have a better quality education, to start work and independent life more easily and to have a more responsible role in their communities, both on local and state level.

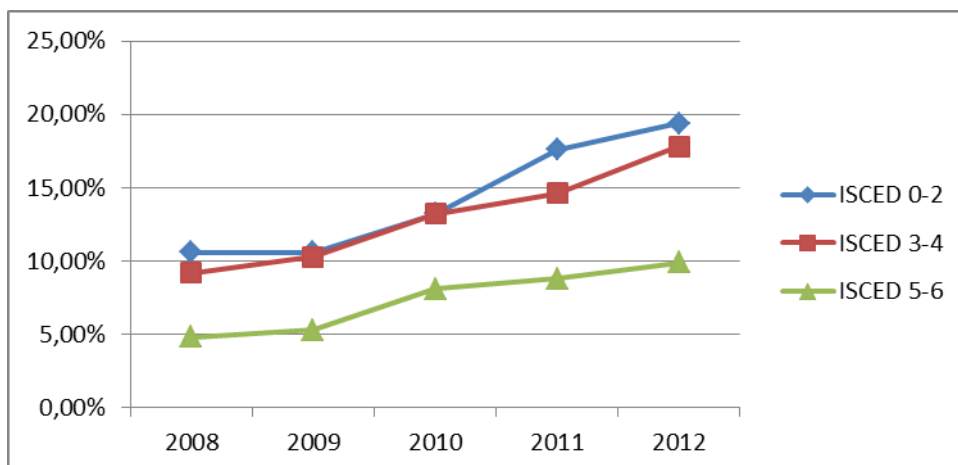
### **1.3.3 Education, training and skills development in Croatia**

For the time being, there is no comprehensive analysis that would systematically examine the responsiveness of the education system to the labour market needs; although some effort was made in VET through the development of Sector profiles. It is however considered that a mismatch exists. Educational attainment levels of the Croatian working age population are generally below EU standards. In 2012, 27.8% of the employed and 19.4% of the unemployed working age population had **primary school education** or lower (ISCED 0-2). Persons with upper secondary and post-secondary (ISCED 3 and 4) qualifications constituted 53.4% of the employed and 17.8% of the unemployed. The total share of inactive population (from 15 to 64 years) amounted to 39.5%. in 2012, out of which 35.6% of population was in education and training. In almost all EU countries, as well as in Croatia, a higher level of education is related to a lower level of unemployment rate. However, in Croatia (as shown in the chart below) unemployment rate increased significantly for both pre-tertiary as well as for tertiary level qualified working age population.

**FIGURE 4: Unemployment rate by level of education attained (from 15 to 64 years)<sup>10</sup>**

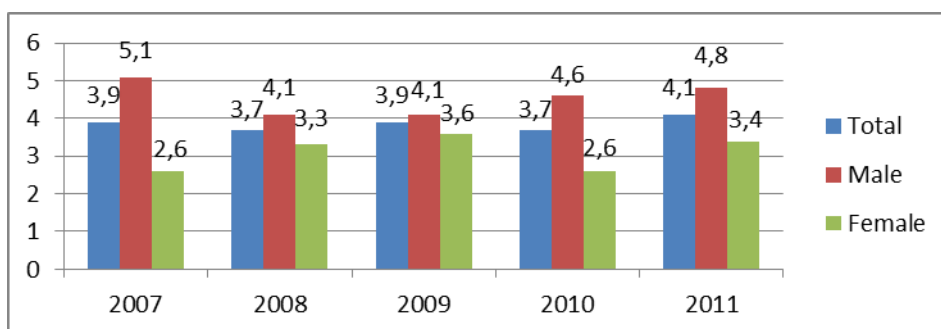
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<sup>10</sup> Source: Eurostat, 2012



Croatia ranks well in terms of early school leavers. According to Eurostat data, the rate of early school leavers (people aged 18-24 who have lower secondary education or less and are no longer in education or training) was 4.1.% in 2011 – a percentage lower than the EU-27 average. This indicator may seem too low, however, it is the result of several policies that have been implemented in the education sector in Croatia in the last 10 years. In 2011, there were 32,359 pupils who graduated from the 4-year secondary school, out of whom 29,545 pupils have fulfilled conditions to enter higher education. If neutral migration and other demographic effects are taken into consideration, at the moment there are 91.3% of students who completed secondary level education.

**FIGURE 5: Early school leavers (% of 18-24-year-olds who did not complete secondary education)**



Overall, the Croatian population has relatively high rates of secondary education, low rates of higher education and the workforce has relatively low skill levels. There appears to be a significant mismatch between the contents of education and the requirements of the labour market and very low levels of provision of adult education and training. However, more reliable information needs to be gathered on skills availability and needs.

Regarding the low rates of higher education attainment in Croatia, there is a need to reinforce the social inclusion of disadvantaged groups and people with special needs and to facilitate their access to higher educational system.

Vulnerable groups face difficulties especially because they are mainly poorly educated, without adequate basic skills or working experience, and because they usually live in poor socio-economic conditions. Very often, the long-term unemployed are vulnerable to social exclusion and ultimate exclusion from the labour market. Often, people with disabilities, people with special needs, youth without previous working experience, older unemployed persons (especially women), members of the Roma community, former addicts, former offenders and convicts, the homeless, mentally ill persons and



war veterans, as well as migrant workers and returning migrant workers turn into long-term unemployed. Consequently, inclusion in different activities is of special importance for them, as are steps aimed at enhancing their knowledge, skills and employability.

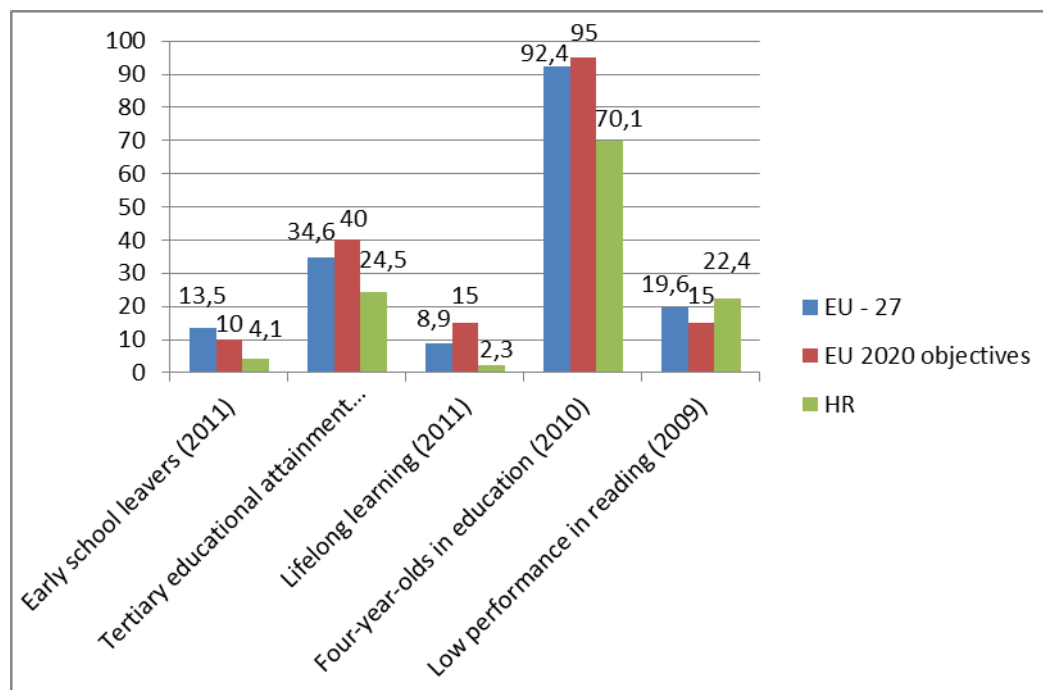


FIGURE 6: EU Benchmarks and Indicators (EU 2020 objectives); source: Eurostat

### General Education

**Preschool education** is seen as a vital aspect of the education system; its importance lies in the fact that preschool education is seen as the foundation of children’s further development and education. Preschool programmes in Croatia encompass regular, special and alternative programmes as well as tailor made programmes for children with disabilities, for gifted children and for children of national minorities. Children with disabilities may be integrated into any of the preschool programmes. In addition, there are special education institutions for children with disabilities. Preschool programmes start with the age of 6 months and last until enrolment in primary school. School preparation programme is compulsory for all children.

The overall coverage of preschool children (from 6 months up to compulsory school education) in regular programmes it amounts to up to 61% and it is still unsatisfactory. It is estimated that the duration of preschool preparation programmes is insufficient for achievement of competences necessary for continuation of education; therefore, it is necessary to increase the number of children in “full-time” kindergarten programmes. However, the current standards in kindergartens are uneven at the level of Croatia. Every child should have a better start in life so as to lay the foundations for successful lifelong learning, social integration, personal development and employability later in life.

Therefore, continuous investments and efforts are necessary in order to strengthen material and human resources with the purpose of increasing the number of children in preschool programmes which are essential for provision of key competences necessary for lifelong learning and which finally contribute to employability in later life.

**Elementary education** lasts eight years and, as a rule, is compulsory for all children between the ages of six/seven and fifteen (exceptionally, up to age of 21 for pupils with disabilities). Its purpose is to enable pupils to achieve key competences that prepare them for a life in a modern world and set them on the path to lifetime learning.

The overall network of schools and their profiles needs expert support and revision through a much better steering from the central (or macro-regional/multi-county) level. The many small, uncoordinated school units with inefficient, overlapping administration contribute to the ineffective use of available resources. Therefore, one of the strategic interventions to be undertaken in the upcoming period is the optimization of capacities of elementary schools in line with National Pedagogical Standard for Elementary Education.

Following elementary education, **secondary education** enables everyone, under equal terms and according to one's capabilities, to acquire knowledge and skills required for work or continuation of education.

The secondary school level includes the grammar schools, with grammar programme (there are 96 that carry out only grammar programme and 81 as a part of different kind of programmes), art schools and vocational schools. Programme in grammar schools has not changed since 1995, thus it needs to be modernised in line with reforming process at all levels of a system. Grammar schools include 29% of all students in secondary education.

One of the characteristics of primary and secondary school level is that they are marked by a centralized and subject-oriented curriculum. This results in weak horizontal and vertical interconnection of subjects, insufficient integration of educational contents, inefficient vertical and horizontal mobility on the secondary school level, inefficient vertical mobility from vocational school, as well as in weak horizontal mobility within vocational, i.e. secondary school level.

Croatia's participation in PISA 2006 and 2009 provides evidence of to what degree students acquired the knowledge and skills in reading, mathematics and science considered essential for full participation in society. Croatia obtained the highest score in the Western Balkans, although results are significantly below OECD and EU averages<sup>11</sup>)

Teachers require support in developing key competences young people need for lifelong learning (during their initial education and training), among more important ones being the quality of learning material which is crucial in supporting pedagogical approaches that focus on the development of key competences.

**Vocational education and training** serves to develop general competences necessary for continuation of education and lifelong learning, and acquirement of professional competences necessary for successful entry to labour market, professional development and competitiveness of an individual, but also entire economy.

Moreover, vocational education and training has a function that strengthens social inclusiveness as it can serve as a solution for those who are at risk of being excluded from labour market and in that way being excluded from society. As such, it has to meet the needs of a modern, competitive and flexible labour market, be ready for fast changes, and support the success of individuals in the changing labour market. This also imposes the need for different approaches to learning, different methods and procedures in the teaching process, and new teacher competences.

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<sup>11</sup> <http://www.oecd.org/pisa/pisaproducts/46619703.pdf>

Significant progress related to development of QA in VET has been made, especially by development of “E-kvaliteta” tool for self-evaluation which made Croatia join other European countries in implementation of principles presented in European Quality Assurance Reference Framework (EQARF). Self-Assessment Manual was developed as well, which describes a standard procedure for carrying out self-assessment in vocational education and training as part of QA system. Moreover, in order to further enhance the vocational system, several tools have been developed, such as *Methodology for development of VET occupational standards, qualifications and curricula* which provides analytical basis for harmonization of labour market needs and training provision and *Sector profiles* which combine macroeconomic indicators and data from the survey on employers’ needs for competences and therefore allow for better informed and more relevant planning of the educational system development and creation of education policies.

As a result of the above mentioned tools, at the beginning of school year 2013/2014, a set of 25 new VET curricula which encompass occupation standards, qualification standards and VET curriculum developed in line with new *Methodology*, are to be piloted. More than 70% of VET schools which meet the requirements to implement new curricula are to pilot the curricula. Data for the school year 2011/2012 show that VET system encompasses 67% (122,380) of all secondary education student population (182,650). There are more than 200 VET programmes and majority of students are enrolled in four-year technical or similar programmes. Moreover, while the number of students enrolling into technical or similar programmes is relatively stable in recent years, number of students enrolling into three-year industrial and craftsman programmes is in steady decline.<sup>12</sup>

Despite the efforts made, the link to the labour market needs is still insufficient, which is also reflected in the high level of unemployed with different levels of education (*see figures presented in diagram above - Unemployment rate by level of education attained (from 15 to 64 years)*).

Therefore, continuous efforts are needed to raise the quality of vocational skills, which is also one of the key areas for combatting youth unemployment. Smart strategies are necessary to recruit, retain and develop high-quality teachers, improving both initial teacher education and career-long professional development. Teachers need to develop a strong commitment to continuous in-service training as reforms of teaching and learning approaches are required at all levels, and especially in all VET programmes.

**Adult education** is one of the key factors, which contributes to economic growth, reduction of unemployment, social inclusion and labour market mobility. It upgrades the competencies of adults thus making them more competitive in the labour market. A precondition for the improvement of the adult learners’ competences is development of the adult learning system providing “*flexicurity*” from which both adult learners and employers have benefits.

The share of adults participating in lifelong learning is among lowest in EU 27, 2.3%. There are various reasons why people do not undertake learning activities - lack of knowledge of what is on offer, learning opportunities not being accessible at work or in the local communities, poor quality of existing offers in the local communities, costs, or simple lack of interest. When it comes to the issues of geographical coverage, the major gaps exist in less prosperous and rural areas as well as on the majority of Croatian islands. Companies, mostly SMEs, do not actively promote learning due to lack of resources, low appreciation, or other reasons. Therefore, in order to increase the participation of the adult learners in

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<sup>12</sup> Central Bureau of Statistics (2012). Secondary Schools, End of 2010/2011 School Year and Beginning of 2011/2012 School Year. Available online: [www.dzs.hr](http://www.dzs.hr).

adult education programmes, all respective authorities and institutions should continuously work on raising the awareness of LLL and benefits that stem from it, on the national, regional and local level. In doing so, the challenge for relevant institutions in the Republic of Croatia is to increase the overall volume of participation in LLL / adult learning as well as to address the imbalances in participation in order to achieve a more equitable picture, by motivating, encouraging, enabling and supporting the adults to participate in learning in all its modes, formal, non-formal and informal, particularly those persons least likely to participate.

Although the educational attainment levels of adults in Croatia have improved since 2000, there is still a big proportion of persons aged 15-64 (24.3% of population) who still mostly have lower secondary education only. In addition to that, all the evidence point to the need for a highly qualified labour force to achieve the European Union's goal of becoming a more dynamic and competitive knowledge-based economy.

### **Tertiary education**

According to the Agency for Science and Higher Education (ASHE) data, there are 122 higher education institutions in Croatia: 10 universities, 15 polytechnics and 30 schools or colleges of higher professional education. In addition, there are 67 faculties and academies that form part of a university but are recognised as separate and independent legal entities. Most higher education institutions are publicly owned, but 3 universities, 2 polytechnics and 27 schools of higher professional education are private.

During academic year 2011/2012, a total of 36,448 students graduated from Croatian institutions of tertiary education. In the winter semester of the 2011/2012 academic year, there were 152,857 students enrolled in undergraduate and graduate studies. Also, a total of 1762 students were enrolled in postgraduate specialist studies.<sup>13</sup> According to Eurostat data in 2011 the percentage of persons aged 25-64 with tertiary education attainment in Croatia was 18.1. Based on the *2013 Economic Programme of Croatia* the share of the population aged 30 to 34 having completed tertiary education is planned to increase from the present 25% to 35% by 2020.

Data collection and analysis capacities in Croatian tertiary education, both at the level of institutions and at the national level, have historically been underdeveloped.

There has been a large degree of inertia in setting up enrolment quotas for programmes with higher employability rates, especially with respect to the portion of students financed by public resources. Entry quotas have not followed the changes in labour market demands but have mostly been the result of revenue maximization strategies established by faculty boards. The largest quotas are available mainly in social fields and the humanities, creating distortions in the university-educated segment of the Croatian labour market. A majority (approximately 56%) of students in 2009 graduated in social sciences and humanities (SSH). According to Eurostat, Croatia has 2% more graduates in fields of science, mathematics, computing, engineering, manufacturing and construction than the EU-27 average, and the percentage of persons completing these programmes in Croatia has risen by 4% between 2003 and 2009.

Therefore, a new policy for entry quotas needs to be put in place by a relevant legal framework, and the differences in the proportion of enrolment and completion indicates that attention needs to be made to the completion rates in different areas. Thus, special priority in the development of higher education will be given to increase the number of persons with completed studies in technical, biomedical, biotechnical and science (STEM) fields, but also in information and communications area and in

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<sup>13</sup> Source: Croatian Bureau of Statistics

interdisciplinary studies related to these fields, which calls for the implementation of additional measures with the aim of attracting students into these fields of education. By increasing the number of students in technical fields and engineering and focusing programmes on creativity, innovation and entrepreneurship Croatia could exploit economic and social benefit of the so called “smart growth”, stipulated in the Lisbon guidelines and “Europe 2020” document.

In addition to that, MSES Strategic Plan 2013-2015 sets the development of National Information System for Science and Higher Education as one of the objectives in order to ensure the availability of relevant statistical data in quality assurance and accreditation procedures, and so that the adoption of public policies in the overall system of higher education and science is based on relevant empirical indicators.

Further reforms are also necessary in order to align Croatian higher education with the principles of CROQF and labour market needs and thus implement the CROQF fully. These refer above all to the development of occupational standards based on labour market needs analysis and the development of qualification standards based on respective occupational standards. After a positive validation by a Sectoral council, occupational and qualification standards will enter into the CROQF Register. They will be publically available and will set the basis for development of study programmes based on learning outcomes and proper use of ECTS ensuring at the same time their quality and relevance for the labour market or further education. It is also necessary to make provisions for development of key competencies, which are not only the basis for lifelong learning but are also crucial for enabling permeability and progression in education.

A partial qualification standard in key competencies would particularly ease the progression from VET to higher education. Finally, additional efforts are also needed to increase the internationalization and mobility of higher education. In order to enhance inbound and outbound mobility and attract more international students, higher education institutions in Croatia need to expand their offer of modules/courses in foreign languages as well as increase the number of programmes offering joint degrees.

### **Inclusive education**

The educational level of persons with disabilities in Croatia is quite low and very often they also lack basic skills. Consequently, they are often prevented from participating in the labour market, which leads to their low socio-economic status as well as to their social exclusion. In order to prevent these situations and to provide persons with disabilities with better opportunities, it is important to persist in integrating them in the regular education system and to offer them all the necessary assistance. To provide them with equal opportunities, tailor-made measures, which combine education, psychological empowerment, training in life skills (decision-making, the handling of difficult situations, self-empowerment) as well as individual support when needed, are important for them. Consequently, it is equally important to promote the education of school staff to provide personnel with the knowledge needed to be able to respond to the different needs of persons with disabilities as well as to ensure high quality education for such persons.

### **Research and development and the labour market**

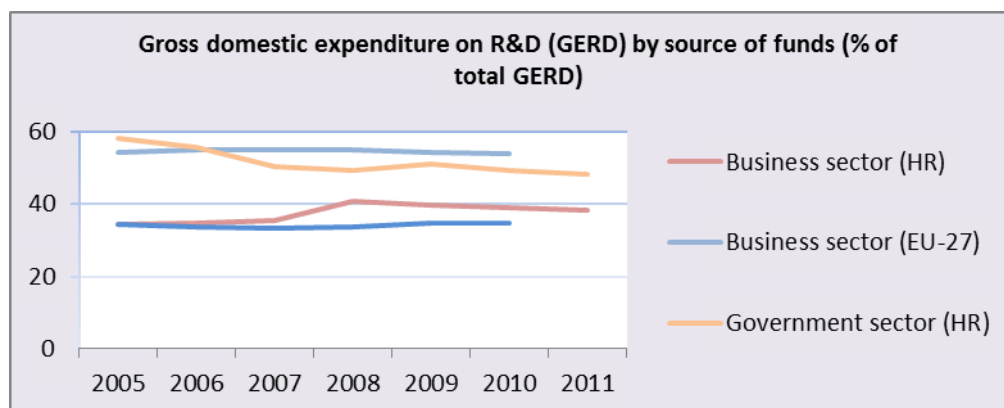
To provide an overview of the Science and Technology sector in Croatia in the several last years, it is necessary to put data into relation to the other relevant features such as EU-27 average and data of the

Croatian Reference Group (BG+PL+RO+HR+TR).<sup>14</sup> Erawatch report highlighted several key structural challenges of the system: (I) the lack of strategic, coherent and integrated policy framework, (II) business environment not being conducive to innovation, (III) low technology capability and R&D expenditures of companies, (IV) inadequate research performance and technology transfer mechanism, (V) weak regional innovation system. Due to economic crisis and the lack of structural reforms, investments in R&D have decreased significantly during the last few years.

**TABLE 6: Research and development expenditure (all sectors) as % of GDP**

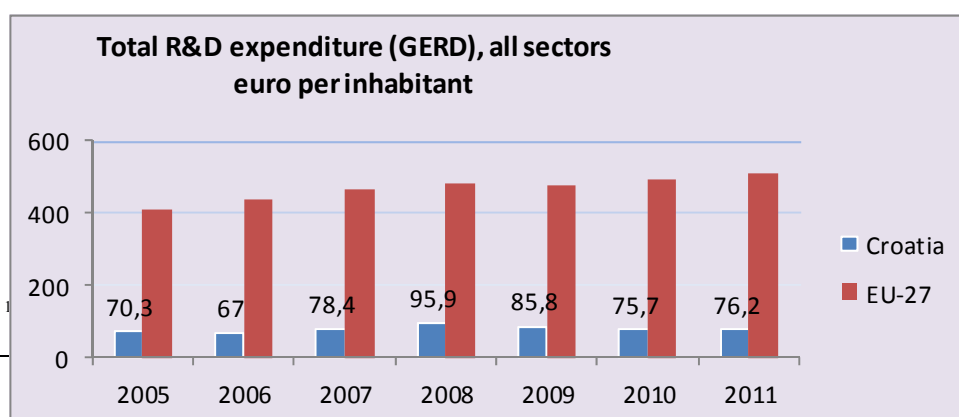
Indicator	Year	Croatia	EU-27
<i>Research and development expenditure (all sectors) % of GDP</i>	2011	0.75	2.03
	2010	0.75	2.01
	2009	0.85	2.02
	2008	0.90	1.92
	2007	0.80	1.85
	2006	0.75	1.85
	2005	0.87	1.82

In Croatia, business sector expenditure is lower than the government expenditure, while at the EU-27 level the trend is opposite.



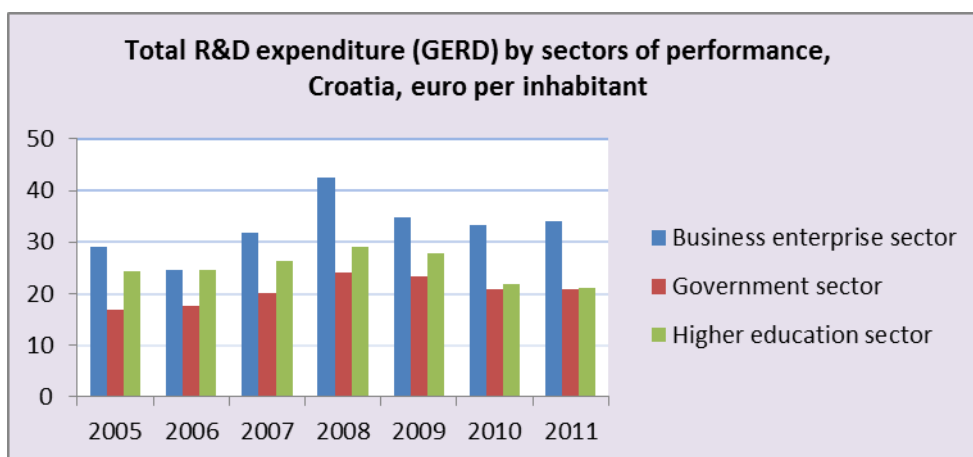
**FIGURE 9: GERD by source of funds**

Structure of the GERD by sectors of performance gives us more detailed information about tendencies in Croatia since 2008.



**FIGURE 10: Total R&D expenditure (GERD), all sectors, euro per inhabitant**

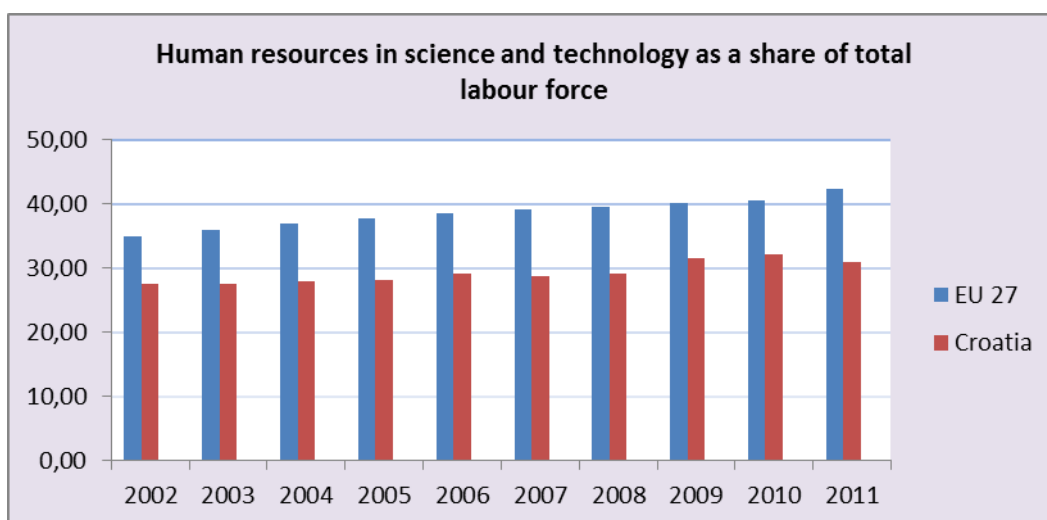
Figure 10 shows that both businesses, the government and higher education institutions have decreased their level of expenditure on R&D.



**FIGURE 11: Total R&D expenditure, by sectors of performance**

Whereas the R&D and innovation sector has evolved considerably in the last 15 years, Croatia still lags behind European and international competitors. R&D investment is largely a matter of investment in human resources.

In particular, investment in education should provide large pools of graduates from tertiary education to ensure a proper degree of knowledge and innovation in the wider economy and guarantee a sufficient number of qualified personnel to do R&D. Taking into account one of the basic indicators such as percentage of human resources in S&T as share of labour force, Croatia lags somewhat behind EU-27.



**FIGURE 12: Human resources in science and technology as a share of total labour force**

While the EU share of those working in R&D equals to a 1.53% of the total active population, the share is at only 0.94% for Croatia (2009).<sup>15</sup> Croatia is also among the countries in which the number of researchers employed by the public sector surpasses private sector R&D employment, which goes contrary to the ratio in most EU countries.

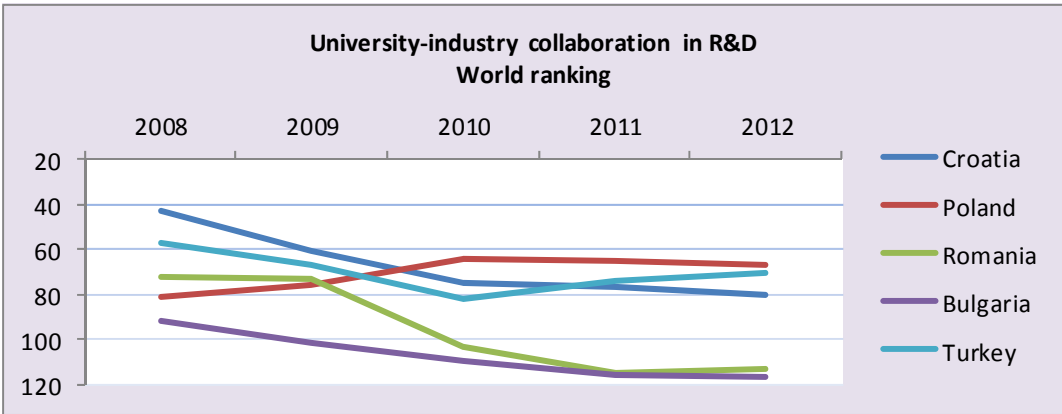
Scientific community in Croatia consists of around 2,700 researchers per million inhabitants, being 58% of the EU-27 average. In accordance with national tendencies, around 80% of researchers are concentrated in the public sector, while business enterprise research sector employs only 19% of researchers.<sup>16</sup>

Croatia has a huge potential for global competitiveness, which is demonstrated in the number of 95% young people having attained at least upper secondary level of education. Although EU average is lower for secondary education (79%), EU level has higher rates for population aged 30-34 having completed tertiary education.

Therefore, it is necessary to put an accent on rejuvenating researcher population in the field of natural and technical sciences, as the key generators of innovation. Although Croatia is investing strong efforts to ensure a higher number of PhD holders in the field of natural and technical sciences through the *junior researchers programme*, set out to foster careers of junior and young researchers (doctoral students and Post-docs), there is clearly a need present for additional support mechanisms: in the period from 2004 to 2010, 977 new positions for junior researchers were created in the public research sector in the field of natural and technical sciences, while, since 2003, 482 acquired their PhD degree (in the field of natural, technical and biotechnical sciences), which is clearly not sufficient to significantly boost relevant indicators.

Furthermore, one of the main challenges for Croatia is to ensure that there are supporting instruments to foster the career development of young Croatian scientists and professionals, so that there will be a sufficient number of researchers and highly educated persons for the labour force.

The share of persons in science and technology (HRST) as a share of the labour force for Croatia amounts to a modest 30.9% (2011) compared to the EU-27's 42.3%<sup>17</sup>. To make R&D investments more market-oriented, better links should be established between higher education, research institutions and industry.



**FIGURE 13: University-industry collaboration in R&D, World ranking**

<sup>15</sup> Eurostat; March 2013; Total R&D personnel, as % of active population.

<sup>16</sup> Erawatch report: Croatia; p.7, 2011.

<sup>17</sup> Eurostat



Therefore, it is very important to enable ways of increasing mobility of specialists and scientists between Croatian academia, innovative companies and foreign research institutions in order to strengthen long-term cooperation between the sectors, foster foreign collaboration and increase the competitiveness of Croatian R&D.

Finally, it is necessary to direct available funds towards ensuring access to most relevant knowledge-sources, to ensure competitiveness of performed research, especially in the light of the country's upcoming EU accession and full integration into ERA, which calls for intensification of overall level of research activity. For instance, the number of publications produced by Croatian researchers in 2010 amounted to a modest 10,014.

Thus, securing access to information on the latest scientific achievements – which is a pre-condition to any research work – together with an overall increase in funding for the domestic R&D system, is crucial for ensuring a sound base for improvement of overall research performance.

### **1.3.4 Promotion of Social Dialogue in Croatia**

In Croatia, the social dialogue is promoted by various bodies, such as the **Croatian Economic and Social Council (ESC)**, that started its work in January 1994. It consists of representatives of the government, trade unions and employers' associations in an equal extent. Members of the ESC are representatives of **five confederations of trade unions** (The Union of Autonomous Trade Unions of Croatia (SSSH), the Croatian Independent Trade Unions (NHS), Association of Croatian Trade Unions, Croatian Trade Union Association (HUS), and the Workers Trade Union Association of Croatia (URSH)), while representatives of employers are selected from **one national employers' association** (the Croatian Employers' Association (CEA)). The ESC commissions deal with the following issues: salaries policy, tax system and National budget, social policy, employment, education and coordination with the labour market, collective bargaining, economic development and privatization, legislation, implementation of regulations and exercising protection of law; international relations and preparation of access of Croatia to EU and alternative solving of labour disputes.

**The Office for Social Partnership** was established by the government in September 2001, to provide support to the process of social dialogue in Croatia and deals with organisational, expert, administrative, technical and other services for the needs of the National ESC and its permanent and temporary bodies. The new Government annexed this Office to the MLPS at the beginning of 2012.

Other national bodies where social partners are included are the following:

- **National Council for Safety at Work** - a tripartite body established by the law on protection at work;
- **National Council for Competitiveness**
- **Joint Consultative Committee EU-Croatia;**
- **Governing Councils** of health insurance institute, pension insurance institute, employment institute, health insurance of protection at work etc.

Additionally, another group of stakeholder organisations that is indirectly involved in the process is the Croatian Mediation Association, an independent NGO whose purpose is to promote mediation in general, and mediation and conciliation centres for labour disputes under the auspices of the Office for Social Partnership. The association members are certified mediators for commercial and labour disputes, and have been active in drafting the Code for Mediators.

Social dialogue in Croatia suffers from serious deficiencies such as lack of sufficiently developed bipartite dialogue, poor social dialogue at sectoral level, the lack of capacity on the part of social

partners and unions' fragmentation. However, some progress in regard to the sectoral social dialogue was made where certain social partners' organisations stress the importance of strengthening their human resources by education and training for bipartite social dialogue and absorption of the EU funds. In December 2011, the first bipartite social council was established in Croatia for the sector of road transport. Since then another three bipartite agreements were signed: for railway transport (30 May 2012), for tourism (26 September 2012) and for building industry (8 October 2012).

In early 2012, the MLPS formed a tripartite working group, and after a lengthy discussion about the criteria for determining the representativeness of the social partners in July 2012, the Croatian Parliament adopted the Act on the Criteria for Participation in Tripartite Bodies and Representativeness for Collective Bargaining (OG 82/12).

Although Croatian trade unions and Employers' Association have established cooperation with their counterparts in the EU member countries and regional organizations, capacity of social partners to participate in the European social dialogue remains questionable. This can be especially noted regarding participation in the European sectoral social dialogue. All social partners are either members of their counterpart EU organizations or have formed some kind of cooperation with their counterparts in the EU member countries and/or within the region. However, it does seem that further preparations are needed to prepare their organizations to fully involve and participate in the process of European social dialogue.

The social partners state that their overall impact on the policy making is not satisfactory. Generally, social partners consider the established level of national tripartite social dialogue as encouraging while their satisfaction with bipartite sector dialogue is of a lesser extent. They all agree that the quality of dialogue depends on the real willingness to work together and genuine commitment to achieve shared goals. The role of social partners and their impact on decision making process has increased in importance during the EU negotiations and accession process. The enlargement process brought about the new understanding of social dialogue as a tool of participative governance.

### **1.3.5 Civil Society Organisations in Croatia**

Civil society organisations (CSOs) play an increasingly important role in the Croatian society. Over the past two decades, CSOs have become recognized as valuable partners to the State and private sector, carrying out a number of public benefit activities in various areas, contributing to the building of a welfare state and equal opportunities for all.

According to the 2012 data, there were 47,182 registered associations, 190 registered foundations, 12 funds, 133 foreign citizens' associations, over 600 private institutions and more than 500 trade unions and employers' associations, together with 52 religious communities and 2,028 legal persons of the Catholic Church and 428 legal person of the Orthodox Church. The number of associations is constantly increasing, however, the extent of civic engagement, measured through membership in organisations and the level of volunteering is considered to be the weakest aspect of civil society in Croatia. The 2010 Civil Society Index Country report for Croatia<sup>18</sup> indicates that only 17% of citizens are members of a civil society organisation, while, on average, fewer than 7% of the population does voluntary work.

#### Sources of Financing and Employment in CSOs in Croatia

CSOs in Croatia are financed from various sources: the national State budget, regional and local self-government budgets, EU funds, funds provided on the basis of bilateral and multilateral assistance,

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<sup>18</sup> Civicus Civil Society Index in Croatia – Policy Action Brief, January 2011, [www.civicus.org](http://www.civicus.org)

membership fees, incomes from entrepreneurial activities and various sorts of private funds. The majority of funds are still aimed towards supporting initiatives and organisations in the area of culture and sports.

	2008	2009	2010	2011
EUR	86,450,149	72,250,608	67,172,020	81,146,146

**TABLE 7: Total amounts of allocated financial resources for CSOs' projects and programmes from the State budget and lottery funds. Source: Government Office for Cooperation with NGOs, Annual Report on Financing Projects and Programmes of CSOs in 2011 (adopted by the Government of Croatia in July 2011, available at <http://www.uzuvrh.hr/userfiles/file/IZVJE%C5%A0%C4%86E%202011.pdf>).**

In 2011, the total number of NGO employees was 19,610, which was 1.73% of all employed persons in Croatia. However, the data available in the research conducted by the National Foundation for Civil Society Development called “Assessment of the State of Development of Civil Society Organisations in Croatia in 2011”<sup>19</sup>, show that 50% of CSOs do not have any employees, while an average CSO has 5 employees. Only 4.8% have more than 10 people employed. The participation of young people among the leading staff of organisations is very weak: almost half of the organisations are being led by persons of over 50 years of age.

Due to insufficient capacities, lack of information and geographical distance from the main decision-making bodies, there is considerable imbalance in the capacity for public advocacy and for delivering social services among national and regional or local CSOs. There is therefore a need for the activity of CSOs, as providers of innovative social services and independent advocates of social cohesion, tolerance and the rule of law, to be extended to all Croatian regions.

The Civil Society Study<sup>20</sup> reported that stable human resources are a key problem inhibiting the sustainable development of CSOs, including those which are already well-developed.

Year	Number of employees in non-profit organisations	% of total number of employed persons
2008	17,291	1.11%
2009	18,228	1.21%
2010	18,667	1.31%
2011	19,610	1.73%

**TABLE 8: Number of employees in non-profit organisations; Source: Register of Non-Profit Organisations run by the Ministry of Finance<sup>21</sup>**

<sup>19</sup> Croatian version of the research report is available at [http://civilnodrustvo.hr/upload/File/hr/vijesti\\_i\\_priopcenja/priopcenja/2012/Procjena.pdf](http://civilnodrustvo.hr/upload/File/hr/vijesti_i_priopcenja/priopcenja/2012/Procjena.pdf)

<sup>20</sup> Civicus Civil Society Index in Croatia – Policy Action Brief, January 2011, [www.civicus.org](http://www.civicus.org)

<sup>21</sup> These data were delivered to the Government Office for Cooperation with NGOs upon request, and refer only to the non-profit organisations obliged to submit annual financial report to the Ministry of Finance. Non-Profit Organisations that have had an income lower than 100,000 HRK per year (approx. 13,500€) in the consecutive past three years and the worth of assets in the consecutive past three years lower than 100,000 HRK are not obliged to have double entry book keeping or to send financial reports to the Ministry of Finance. Non-Profit Organisations that were established after January 1, 2009 are obliged to have double entry book keeping and to send financial reports to the Ministry of Finance in the three years following their establishment, irrelevant of the level of their income or assets.

Over the past decade, there has been a significant increase in funding available for CSOs through various public sources, whose transparency and efficiency have been constantly increasing. Nevertheless, “while the prospects of targeted EU funding for advocacy oriented in Croatia are good, during the pre-accession period they have been primarily available to highly professionalized CSOs with adequate organisational and human resources for the strict application process and project proposal formats”<sup>22</sup>. Furthermore, while international donor programmes provided sufficient support and enhancement of management skills among their grantees, there was insufficient emphasis on facilitating practical application of these skills<sup>23</sup>. This limitation was addressed through the provisions of the Ljubljana Declaration, which called upon the EU and national governments to create a longer-term strategy for CSOs’ support, and focus on capacity building as a platform for civil society organisations “enabling them to access EU and national resources more extensively.”<sup>24</sup>.

Therefore, further support needs to be given to the capacity building of CSOs in general, but specifically to those CSOs which are social services providers in the light of the increasing expectations of the State to transfer some of the public services responsibilities to them, as well as due to the increasing needs of the social services beneficiaries. Small, community based CSOs need to be given the opportunity to reach public funds in order to implement tailor made solutions to local problems.

#### Supporting CSOs’ Capacity for Advocacy and Motivation Programmes for Socially Excluded Groups

Although there has been a significant increase in funding available for CSOs through various public sources CSOs active in the field of advocacy of public policies have been traditionally only to a limited extent supported through Croatian public sources, thus being financed mainly by international donor community that have been playing an important role in ensuring that reform and advocacy oriented, politically independent CSOs and initiatives survive and thrive.

International funding has been instrumental for securing suitability of various kinds of advocacy-oriented CSOs, active in the fields such as democratization, human rights, peace-building, youth and community development etc. The most common sources of financing of CSOs are local/regional authorities and government bodies. The majority of organizations in 2010 had an income between HRK 10,000 and HRK 100,000. Only 10% of the CSOs relied on only one way of financing in 2010. About 45% of organizations had four or more funding sources, while most funding is only project-based.

This limitation was addressed through the provisions of the Ljubljana Declaration, which called upon the EU and national governments to create a longer-term strategy for CSOs support, and focus on capacity building as a platform for civil society organizations “enabling them to access EU and national resources more extensively.” Supporting the advocacy oriented CSOs shall contribute to the long term sustainability of the Croatian advocacy oriented CSO and therefore ensures that such a situation is avoided when certain areas of public reforms would “remain constantly in focus while others remain without any support”.

Support to advocacy oriented CSOs in the context of human resource development triggers off the potential of non-governmental sector to act as a promoter of employability of people in general, and especially of those who are distant from the labour market: people with disabilities, elderly people, poorly educated people, migrants, young people, the unemployed, people affected by poverty, and other.

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<sup>22</sup> *ibid.*, p. 22

<sup>23</sup> *ibid.*, p. 41

<sup>24</sup> Ljubljana Declaration Development of civil dialogue and partnership relations between civil society, national governments and EU institutions in “Towards a Sustainable Europe-wide Civil Society”, by Government Office for Cooperation with NGOs, Croatia, and European Citizen Action Service, ECAS, 2009, p. 14

Advocating the access to employment and inclusion into the labour market of all, is at the same time promoting social inclusion of disadvantaged and vulnerable groups, but also strengthening civil dialogue in terms of creating supportive environment which enables CSOs to influence policies of public authorities and the public opinion in general. This kind of support represent, therefore, promoting of analytical capacity building of CSOs, as well as motivation element for providing programmes for socially vulnerable groups thus contributing to those groups' sustainable inclusion in the labour market (as a cross-cutting intervention of the OPHRD interventions).

#### Supporting CSOs Active in the Field of Volunteering

Concerning the government/regional/local funding, in general, the support for the development of volunteering from the national as well as local and regional government still has a fairly low profile. However, some progress has been made within the last couple of years – since April 2008, the line ministry (Ministry of War Veterans and from 2012 Ministry of Social Policy and Youth) regularly announces public calls for co-funding of the regional volunteer centres – there have been so far 4 such centres established in Croatia – whose purpose is to promote and develop volunteering activities on local, regional and national level, providing education in the area of volunteer management, connecting potential volunteers with volunteer opportunities, running the information and promotional campaigns, writing and publishing publications related to the volunteer management, conducting research in the area of volunteering and organizing community volunteer actions. Furthermore, the four volunteer centres have formed an informal Network of Volunteer Centres with the aim of strengthening their mutual cooperation.

However, despite of those developments, the issue of structured and permanent support to volunteering still remains one of the greater challenges in Croatia and should be therefore given a special attention also through the EU funding, particularly given its above-mentioned increasing role of a catalyst of the employability of the job-seekers and consequently their higher participation in the labour market.

#### Supporting Structures for CSOs at the Regional Level

In spite of the solid institutional, legal and financial framework for civil society development in the Republic of Croatia, there is still a high inequality in terms of the development of CSOs across Croatian regions and local communities. This condition is a consequence of a general unbalanced development of different Croatian regions, lack of capacities of many local and regional governments to develop a strategic cooperation with CSOs, and insufficient capacities of the latter to fully take advantage of existing opportunities for their financing and development. Moreover, there is a disproportionately high number of CSOs concentrated within the four main regional urban centres (Zagreb, Split, Rijeka, Osijek), which contributes further to the regional disparities in the development of civil society organizations. Even though the level of (socio) economic development of particular regions to some extent correlates with the development of CSOs, the latter also highly depends on the willingness of local and regional authorities to recognize the benefits of making partnerships with CSOs and to include them into the local/regional policy-making processes. In Croatia, there is currently no legal or institutional mechanism in existence, whereby a framework for a systematic involvement of CSOs into the various aspects of local and regional development would be provided.

In order to tackle the above-mentioned issues, the National Foundation for Civil Society Development already provides continuous financial support to 5 regional networks acting as regional support structures for CSOs, however there is an obvious need to expand the scope of services of the existing structures as well as to set up additional structures at the local level in order to spread out the reach of such specific services to the highest possible number of CSOs throughout Croatia.

### Supporting the Development of Small, Community Based CSOs

Small, community based CSOs can be defined as independent non-profit organisations with roots in the local community. They play a particular role in the process of facilitation of local community development and building an open civil society in the country, and experience has shown that when the project conception and design are inspired locally, sustainability of project results is ensured to a much larger extent. Activities of small CSOs “have the potential to generate and mobilise different types of social capital, to break down divisions in communities and empower individuals”<sup>25</sup>.

Although these community based organisations provide various services towards the development of communities and can be used as channels to route development information and other resources required to improve the living conditions in communities, they are constrained in providing a more diverse range of services to their communities due to certain basic weaknesses. They are, however, constrained from providing a more diverse range of services to their communities due to certain basic weaknesses. Leadership development, networking with both local and external organisations can be sustainable strategies to strengthen these CSOs, improve upon their service delivery standards and place them in a position to tap available opportunities to develop the communities they are located in.

In Croatia, the largest number of CSOs (56%) use small amounts of financial support (micro grants financed through local public resources). In the survey conducted by the European Citizen Action Service (ECAS) in Croatia on the basis of response from 96 CSOs, who responded to the survey, almost all CSOs (96.3%) believe that small and local CSOs should have equal access to EU funds, and the same number of CSOs believes that the opportunity should exist for sub-granting.

Despite of the solid institutional, legal and financial framework for civil society development in the Republic of Croatia, there is still a high inequality in terms of the development of CSOs across Croatian regions and local communities. This condition is a consequence of a general unbalanced development of different Croatian regions, lack of capacities of many local and regional governments to develop a strategic cooperation with civil society actors, and insufficient capacities of the latter to fully take advantage of existing opportunities for their financing and development. Moreover, there is a disproportionately high number of civil society organisations concentrated within the four main regional urban centres (Zagreb, Split, Rijeka, Osijek), which contributes further to the regional disparities in the development of civil society organisations.

### Supporting CSOs Capacity for Social Services Delivery

Social services include all services that are (a) considered to be of special importance for society on a whole and where (b) personal interaction between providers and users as a key role<sup>26</sup> (these refer to child care, care services for the elderly, services for groups at risk of social exclusion, but also health, education, occupational integration and cultural services). CSOs provide a variety of social services targeted to disadvantaged groups.

CSOs play an important role in mitigating the integration of existing social services - an important purpose of service integration is to improve access to social rights, reduce the social exclusion of

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<sup>25</sup> Thompson L., 2007 Improving small scale grant funding for local voluntary and community organisations.

<sup>26</sup> According to Council of Europe (2007). "Integrated Social Services in Europe", Council of Europe Publishing.

vulnerable groups, and contribute to the overall objective of strengthening social cohesion. Civil society can contribute significantly to solving specific social, economic and political problems and furthering the public good, and it can influence the public policy process through collaborations with government and local authorities, mobilising the necessary human resources to have an impact on policies. In developing integrated services, an essential consideration is the mainstreaming of issues such as gender, ethnicity, age, disability and poverty.

Taking into account the importance of decentralisation and the deinstitutionalisation of those public services which the State has difficulties in providing due to the lack of human resources and unequal regional development, support to the social services provision by the CSOs in Croatia targeted to vulnerable groups (social welfare services, equal opportunities, prevention programmes, support to employment, empowerment of groups at risk of social exclusion) has been given by various State institutions in the past: MSPY, MWV, Government Offices (GO for Gender Equality, GO for Human Rights and National Minority Rights and GO for Fight Against Addiction), MSES and the National Foundation for Civil Society Development. Since 2002, the Government Office for Cooperation with NGOs introduced a novelty into the former Programme of Allocating Funding to NGOs by providing the possibility of financing multi-annual programmes for associations implemented in the area of social welfare, health protection and informal education. A total of 131 programmes were financed in this manner for a period of three years, whereby the provision of a part of public services in the area of social welfare, health care and education was systematically contracted to CSOs for the first time.

### 1.3.6 SWOT analysis

Strengths (internal/current)	Weaknesses (internal/current)
<p><i>Employment</i></p> <ul style="list-style-type: none"> <li>• Institutional knowledge on the implementation of active labour market policies</li> <li>• No significant disincentive effects from unemployment benefits or taxation</li> <li>• IT infrastructure for LM information in place in the CES</li> <li>• Regulated legal framework due to the Trades and Crafts Act</li> <li>• Craftsmanship is investing its own funds in education, and education programs are created and performed in collaboration with industry</li> <li>• Strict conditions for getting permission for the practical part of apprenticeship</li> <li>• Initiatives and incentives for the development of innovative industries and services</li> <li>• Policy on promoting the business environment and export orientation of SMEs and an increase of the share of small businesses in GDP</li> </ul>	<p><i>Employment</i></p> <ul style="list-style-type: none"> <li>• Lack of further investments in ALMP</li> <li>• Ageing workforce</li> <li>• Low workforce participation rate and low employment rate, particularly among the young, women and marginalised groups</li> <li>• Considerable regional differences and low regional mobility of labour force</li> <li>• Informal economy gives rise to insecure and flexible work arrangements</li> <li>• Educational system is not harmonised with labour market needs</li> <li>• Low productivity rate per person employed in comparison to EU-27</li> <li>• Low share of innovative companies and low involvement in high growth sectors</li> <li>• SMEs lack funding for technological improvement</li> <li>• Low adaptation of Croatian economy to globalised business practices (i.e., accreditation and certification)</li> </ul>
Opportunities (external / future)	Threats (external/ future)
<p><i>Employment</i></p> <ul style="list-style-type: none"> <li>• “Youth guarantee” initiative</li> <li>• Further economic reforms could increase labour demand in the long run</li> <li>• Enhanced entrepreneurship and further SME development in sectors with higher value added could contribute to job-creation</li> <li>• Reformed VET could allow the Croatian workforce to adopt new and more competitive technologies/practices</li> </ul>	<p><i>Employment</i></p> <ul style="list-style-type: none"> <li>• Further industrial re-structuring may reduce employment in the short run.</li> <li>• Workforce might prove resistant to improvement of skills</li> <li>• Loss of human capital due to increased emigration</li> <li>• Weak capacity for policy development, implementation, monitoring and evaluation</li> </ul>



<ul style="list-style-type: none"> <li>• Free movement of workers within common EU market</li> <li>• More opportunities for student scholarships and further education access to the EU market and demand for quality services</li> <li>• Favourable financing sources and state aid schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Instability of the largest export markets due to crisis</li> <li>• Developed countries continue to be more competitive than Croatia</li> </ul>
<p><b>Strengths (internal/current)</b></p>	<p><b>Weaknesses (internal/current)</b></p>
<p><i>Education and training</i></p> <ul style="list-style-type: none"> <li>• Drop – out rate of students from primary education below EU – 27 average</li> <li>• Croatian Qualifications Framework developed and in process of implementation</li> <li>• Broad political consensus on common European goals in education and training</li> <li>• Ample funding and expertise support offered to education and training sectors by international donors, mainly by the EU</li> <li>• A series of reforms of the overall educational system have started with the aim of creating and developing a knowledge-based society</li> <li>• New institutions and bodies as expert and independent support for the effective functioning of the educational system have been established</li> <li>• State Matura developed and implemented successfully</li> <li>• Information databases for data collection in education developed (VETIS, e-Matica)</li> <li>• E-kvaliteta supporting tool for self-evaluation in VET developed ,</li> </ul>	<p><i>Education and training</i></p> <ul style="list-style-type: none"> <li>• Mismatch between formal education system and labour market needs</li> <li>• Insufficiently developed data collection as well as methodologies for data analysis and evidence-based policies</li> <li>• Insufficient number of children participating in non-obligatory (optional) pre-school programmes</li> <li>• Student results (PISA 2009) in reading, mathematics and science are below EU averages</li> <li>• Relatively high drop-out rate in higher education</li> <li>• Low level of development of the part-time study model and support of part-time students</li> <li>• Low level of decentralised educational financing and management in pre-tertiary levels of education</li> <li>• Unevenly developed educational infrastructure throughout Croatia</li> <li>• Regional disparities in provision of education at all levels</li> <li>• Insufficiently developed in-service training and system for motivation of teachers and school managers</li> <li>• Low participation of educational staff in continuous in service training</li> <li>• Insufficient interrelation between educational institutions and employers, at all levels of education</li> <li>• Limited participation of adults in continued education and training</li> <li>• Weak support systems for the education and training of learners</li> </ul>

	<p>with special educational needs and disadvantaged groups,</p> <ul style="list-style-type: none"> <li>• Weak linkage and mobility between science, research, and the business sector, together with the existing lack of stimulation for scientists to cooperate with industry.</li> <li>• Continuous “brain drain” of research personnel</li> <li>• Lack of career supporting opportunities for junior and young researchers</li> </ul>
<b>Opportunities (external / future)</b>	<b>Threats (external/ future)</b>
<p><i>Education and training</i></p> <ul style="list-style-type: none"> <li>• Croatian Qualification Framework to be successfully implemented</li> <li>• New partnerships necessary for developing the educational system, as well as for developing the economy and the educational level of the population have been established</li> <li>• Increased awareness in the academic community of the need for change in the governance and structure of higher education institutions</li> <li>• Developed standardized forms and methodology for standard occupation/qualification and curricula planning and development harmonized with labour market needs</li> <li>• Creating mechanisms for acknowledging competences acquired in Croatia and in the EU</li> <li>• Existing opportunities for education staff to participate in the Lifelong Learning Programme</li> <li>• The availability of additional funding through the EU to invest in the educational system as a whole</li> </ul>	<p><i>Education and training</i></p> <ul style="list-style-type: none"> <li>• Insufficient activity of local/regional authorities in planning and implementing operations for educational development</li> <li>• Legal and strategic framework in preparation not based on data and relevant stakeholders’ expert opinion</li> <li>• Education staff turnover (especially those in science and mathematics-related subjects) with the opening of European labour market by Croatia’s accession to the EU</li> <li>• Low level of university integration</li> <li>• Student services at higher education institutions are often inefficient or underdeveloped</li> </ul>

Strengths (internal/current)	Weaknesses (internal/current)
<p><i>Social inclusion</i></p> <ul style="list-style-type: none"> <li>• Income inequalities generally close to EU levels</li> <li>• Solidarity of family and social networks still strong</li> </ul>	<p><i>Social inclusion</i></p> <ul style="list-style-type: none"> <li>• Low workforce participation rate and consequently low employment rate of older people, women and marginalised groups</li> <li>• Increasing at-risk-of-poverty rates especially among the unemployed, retired, and elderly without pensions.</li> <li>• Poverty concentrated in war-affected areas and among the Roma minority</li> <li>• Social security benefits (unemployment and welfare) are too low and there is little income security</li> <li>• Inadequate cooperation between labour and welfare institutions</li> <li>• Insufficient number of social services in the community as a guarantee for social inclusion</li> <li>• Regional disparities in distribution of social services in the community</li> </ul>
Opportunities (external / future)	Threats (external/ future)
<p><i>Social inclusion</i></p> <ul style="list-style-type: none"> <li>• Active labour market measures (e.g. re-training) could enhance the employability of the disadvantaged groups</li> <li>• Rising activity of the civil sector especially at the regional level could have a bearing on strengthening social inclusion</li> <li>• Focus on policies that strengthen social inclusion during the EU accession process</li> <li>• On-going process of structural reforms in social welfare sector directed towards deinstitutionalization, decentralization, prevention of institutionalisation and reintegration of beneficiaries into communities.</li> </ul>	<p><i>Social inclusion</i></p> <ul style="list-style-type: none"> <li>• Aging population puts pressure on social security system.</li> <li>• Inadequate measures taken to counter youth unemployment</li> <li>• Capacity for policy development, implementation, monitoring and evaluation remains weak</li> </ul>

<b>Strengths (internal/current)</b>	<b>Weaknesses (internal/current)</b>
<p><i>Civil Society Development and Social Dialogue</i></p> <ul style="list-style-type: none"> <li>• Most of the central social partners' organizations are members of the relevant international and European organizations (ITUC, ETUC, UNI, EUROFEDOP, Business Europe, CEA-PME etc.)</li> <li>• Favourable institutional and legal environment for development of civil and social dialogue, with cases of good practice of cooperation between CSOs and public authorities at local level</li> <li>• High number of influential CSOs active in the field of public policy advocacy</li> <li>• Existence of infrastructure for cooperation among CSOs active in the field of volunteering at the regional and local level</li> <li>• Proximity of small, community based CSOs to local communities, positioned best to provide tailor made solutions to local problems</li> <li>• Availability of programmes of multi-annual public financing of CSOs, contributing to the sustainability of organisations</li> </ul>	<p><i>Civil Society Development and Social Dialogue</i></p> <ul style="list-style-type: none"> <li>• Insufficient capacities of the social partners organizations result in inefficient participation in policy/law decision making</li> <li>• Insufficient level of competence of the smaller social partners</li> <li>• Fragmentation and the lack of coordination among trade unions</li> <li>• Insufficient analytical capacities of CSOs active in the field of advocacy of public policies</li> <li>• Limited project management and administration capacity of small CSOs, which operate in deprived, less developed areas, facing numerous challenges that limit their opportunities and access to funds required for co-financing of large projects</li> <li>• Insufficient number of quality and sustainable volunteering programmes and low of public awareness on the benefits of volunteering on social and economic development</li> <li>• Insufficient human resources of CSO-social services providers to provide professional social services</li> <li>• Insufficiently developed infrastructure for sustainable development of CSOs at the local level</li> </ul>
<b>Opportunities (external / future)</b>	<b>Threats (external/ future)</b>
<p><i>Civil Society Development and Social Dialogue</i></p> <ul style="list-style-type: none"> <li>• Opportunity to adopt best practices through the cooperation with similar organization in the EU can increase social partners impact on policy making</li> <li>• Attraction to new members of social partners organizations (both, trade unions and employers)</li> <li>• Further integration of trade unions</li> <li>• Promotion and support to lifelong learning programmes</li> <li>• Good absorption of the EU funds</li> </ul>	<p><i>Civil Society Development and Social Dialogue</i></p> <ul style="list-style-type: none"> <li>• Further reduction in financial resources from the membership fees of the unions due to the recession</li> <li>• Poor absorption of available funds might reduce the allocations available in the future</li> <li>• Competition between trade union organizations might weaken their negotiating position</li> <li>• Further radicalization and polarization might bring social dialogue to the standstill</li> </ul>

- European networking offers unparalleled opportunities for building capacities of CSOs at all levels
- Progress in implementing the code on public participation in policy-making adopted by the Croatian Government
- Development of local philanthropy and social innovation programs at the community level
- The processes of decentralisation and deinstitutionalisation of social services delivery requires the State to broaden the social services provision to non-state agencies
- People are interested in volunteering more than there are volunteering positions available

- Legislative framework that might reduce social partners impact on decision making process
- Lack of preparations for the absorption of the ESF
- Scarce resources for providing funds for sustainable financing of CSOs at the local level
- Small, community based CSOs facing limited financial resources for co-financing
- The willingness of state institutions to further develop social contracting and cooperate with CSOs in the policy-making process is low

## ***2 National Strategic Framework and EU policy guidelines***

### **2.1 Strategic Development Framework (SDF) 2006-2013**

In August 2006, the Croatian Government adopted the **Strategic Development Framework 2006-2013 (SDF)** as a document that defines national development goals. Those SDF policies most relevant to IPA components III and IV include establishing a strong entrepreneurial sector as the main driver of the economy, underpinned by a flexible and socially inclusive labour market able to respond to the requirements of the economy and an efficient education system capable of providing a labour force appropriate to the needs of the labour market. The SDF's chapter on *People and Knowledge* begins by noting that competitiveness and economic growth do not achieve their social goal if they fail to ensure more high-quality jobs.

At the same time, the characteristics of the labour market, the structure and quality of the workforce, and the quality of social dialogue affect the level of competitiveness and economic growth. After describing the characteristics of the labour market in Croatia, the SDF goes on to identify the following goals in relation to *People and Knowledge*:

- Strengthen the active role that institutions of the labour market have in the process of balancing labour force supply and demand;
- Reduce long-term unemployment and promote lifelong learning;
- Modernise vocational education in line with economic demands;
- Extend the duration of compulsory education;
- Increase the share of people with higher education in the total population;
- Increase total allocations to education, but also the efficiency of spending available funds;
- Stimulate the participation of the private sector in the financing of regular education and in-service training.

Moreover, in relation to *social cohesion and social justice*, the SDF highlights the fact that societies where 'tolerance' has priority over 'self-promotion at any cost' generally achieve a higher degree of social cohesion and social efficiency, which is the key to establishing a knowledge-based society. It also emphasises the principle of social responsibility of private companies through active labour market policy needs being directed towards long-term unemployed persons including vulnerable groups facing unemployment. In particular, the SDF identifies the following goals in relation to social cohesion and social justice:

- Increase the share of the poorest 10% of the population in the total division of income and reduce the percentage of the population at risk of poverty;
- Increase the efficiency of the system of social transfers;
- Promote social dialogue, alternative dispute resolution, equality before the law, justice, and protect the principle of innocence until proven otherwise;
- Devote special attention to the protection of childhood and the development of children;
- Promote all forms of creative activities that are an important factor in social cohesion;
- Promote corporate social responsibility.

In the context of this Operational Programme and the policy areas it addresses, the Strategic Development Framework provides the key strategic direction at national level. In particular, it highlights the need to increase the level of employment.

This will require an intensification of activities by the Croatian Employment Service including, in particular, the development of measures to promote active labour market policies. At a more strategic level, the CES needs to strengthen its capacity to monitor labour market movements and anticipate needs including the building of more proactive communication with employers and other partner institutions such as the Agency for Vocational Education and Training.

## **2.2 The National Strategic Reference Framework (NSRF)**

NSRF is a key strategic document and reference point for the use of Structural Funds and Cohesion Fund in Croatia post-accession. It defines the priorities to be jointly financed through EU and national resources in line with overarching EU and national objectives and guidelines. The overall objective of the NSRF is to support convergence of Croatia with other EU countries by accelerating economic growth and fostering employment.

It is in compliance with the wider scope of all the aforementioned strategic documents, as well as with JIM, JAP, Social Coherence Framework 2007-2013, Pre-Accession Economic Programme, Economic and Fiscal Policy Guidelines, and the Strategy of the Government Programmes for the period 2010–2012.

Therefore, while at the present stage the policies based on the above framework are under implementation, responses to the problems defined in the NSRF are focused on attracting and retaining more people in employment by investing in human capital. In line with the particular priority axes of this OP, the overall goal of the NSRF is to be achieved through coordinated actions, concrete results at the level of the labour market at the present and in the coming periods, and in particular to ensure the social inclusion of the needier members of society and to enhance civil society's role in contributing to partnership development, growth and job creation, through improvements in education and training, expansion, sustainability, and the quality of employment and entrepreneurship.

The overall objective of the OPHRD is improvement of labour market efficiency, development of human capital and reinforcing social inclusion, and corresponds to the thematic priority 4 of the NSRF. This OP partially integrates thematic priority three of the NSRF, higher competitiveness of SMEs and support to knowledge-based economy.

## **2.3 2013 Economic Programme of Croatia**

The economic policy of the EU is oriented toward achieving Europe 2020 Strategy targets, namely: smart, sustainable and inclusive growth monitored through 5 main headline targets. In order for national economic policies to follow the same headline targets, the European semester has been introduced as the instrument for coordinating economic policies of the Member States with the EU economic policy. The documents made by the Member States within the European semester are the main tool used on the national level for directing activities toward achieving headline targets of the aforementioned Strategy.

The Republic of Croatia participates in the European semester for the first time, and its participation is adjusted to the specific situation of Croatia. Content of the EP was set by the document *Guidance on the content and format of the 2013 Economic Programme of Croatia*, which was prepared by the European Commission. The Structure and content of the EP is similar to the pre-accession economic program, (PEP) and it self contains elements of the National Reform Programme and the Convergence programme that will be when Croatia becomes full member state in the following year, thus fully participating in the next European Semester.

The participation includes preparation of the Economic Programme of the Republic of Croatia which aligns key priorities of the economic policy defined on the EU level with the national budgetary and strategic documents. Economic Program consists of National Development Plan (NDP) and Convergence programme. NDP is a strategic document defining activities related to the implementation of key structural reforms of the EU Member States for a three-year period (current year plus plans for the following two years). NDP is a document streamlining Cohesion and economic policies.

In the programming period 2014-2020 established on the Europe 2020 Strategy, the NDP needs to be aligned with programme documents related to the EU Cohesion Policy (Partnership Agreement/Operational Programmes) stating which of the foreseen reforms will be co-financed from EU funds and in what amount; becoming thus a basis for the negotiations with the EC about the contents and scope of the programme documents for the Cohesion policy.

The EP of Croatia is divided into three main parts. The first part "Overall Policy Framework and objectives" contains information related to the context and process of the preparation and adoption of the EP, policy framework and mid-term objectives, as well as connection of the defined reforms with the contents of the Annual growth overview. The second part relates to "Macroeconomic outlook and fiscal policy" while the third part "Structural reforms" concerns future NDP and contains information about growth obstacles and reform measures.

## **2.4 National policy framework**

### **2.4.1 Employment**

**Employment promotion** is based on the **National Employment Promotion Plan 2011-2012 (NEPP)**, which is in line with the **Joint Assessment of the Employment Policy (JAP)** provisions and with the European Employment Strategy guidelines.

The measures in the **NEPP** are intended to promote employment and social inclusion through various forms of training to increase the employability, skills and adaptability of the unemployed and those threatened by unemployment thus their integration into the labour market. In addition to training, NEPP also identifies measures that aim at promoting entrepreneurship, a more favourable business environment and the modernization of the social security system. Active labour market measures (ALMM) particularly target the promotion of employment for the long-term unemployed, unemployed youth, new entrants in the job market, unemployed women.

In order to contribute to the sustainability of regional development policies and facilitate the identification of new and more sustainable job destinations, the ALMM aimed to promote mobility principles and tackle specific problems that are characteristic of individual regions.

When it comes to institutions responsible for tackling unemployment and implementing government policies, "**Strategic Plan of CES for the period 2008-2011**" was introduced, in order for the CES to become more effective in responding to changing labour market requirements and at the same time strengthen its mediation performance and enhance its effective monitoring of educational output, labour supply, and demand developments.

#### *Entrepreneurship and crafts*

Under the policies tackling unemployment, strong emphasis was given to the area of strengthening the SME and crafts sector, both the business starts ups, but also encouraging unemployed persons in becoming entrepreneurs.



Thus, the Croatian Government recognized and defined the SME sector as a driving vehicle of Croatian economy in fighting unemployment. For instance, under the “Regional development and use of EU funds” one of the objectives is to balance the priorities of regional development policies through promotion of SME, social entrepreneurship, innovation, R&D, regional networks and new employment that includes active measures for employment, education and training and lifelong learning.

Further on, *The Strategy of Entrepreneurial Learning 2010-2014* gives special attention to the following values: knowledge, justice, transparency, socially-responsible entrepreneurship, society that values entrepreneurship and social welfare. Entrepreneurial competence is one of the main preconditions for successful sustainability of enterprises and growth on competitive market. Therefore, general development of competences is required from each individual, as well as high level of skills, namely, inevitable results in raising the overall entrepreneurial capacity as a new quality in every segment of society and a prerequisite for raising the general level of competitiveness.

One of the priorities in the document is the area “Work and workforce” encouragement and financing of lifelong learning with the aim of enabling workers to adapt to market needs, technological development and as well to strengthen their competences. The measure aims to increase a higher rate of employee participation in lifelong learning that will be one of the key initiatives in the national strategic and EU policy context in the oncoming years.

In the field of “Youth policy” it is defined that better education and easier entry into the world of knowledge includes implementation of the comprehensive educational system that will ultimately provide high quality, accessible and lifelong education for youth, linking education with the economic strategy and positions. Active policy for lifelong education, training programs and retraining will be a support to young professionals seeking employment or a better chance on the labour market.

#### *Youth unemployment and related national and EU initiatives*

One of the main causes of high rates of the youth unemployment is the mismatch between formal education programmes and the labour market needs. There are serious discrepancies between labour market supply and demand for certain educational and skills profiles in many sectors.

Skills of the youth labour force obtained during the formal education are often inadequate and not needed in the labour market, which decreases their chances to find a proper job and increases the risk of the long-term unemployment and social exclusion. Youth population is facing another serious barrier on their way to employment. The data on outflow from registered unemployment shows that young persons with no previous work experience have difficulties to find a job. However, the youth with initial work experience find a job much more easily. Initial work experience is particularly important for young people with basic or secondary education. Therefore, flows between jobs are by far the most frequent source of labour market dynamics with barriers to entry for the young without previous work experience. Main reasons for this are high expectations from the side of employers regarding needed work experience and competences (i.e. soft skills) which could not be obtained during the formal education. Entrance to employment is highly correlated with educational level of prospect employee. Young person with tertiary education will sooner find a job than one with primary or secondary education.

Creation of broader employment opportunities for the unemployed youth and new inter-institutional models and inter-sectoral business processes for work with youth needs further support.

Furthermore, new methods of work with various target groups, including youth, which need to be tackled also at the local level, aiming at the improvement of the fields out of reach of the national policy, need to be addressed. Through ALMP, as a part of the prolonged **National Employment Promotion Plan 2011-2012**, specific measures tackling youth are designed. In 2012 and 2013, CES implements set off measures under the common title “**Young and Creative**”. Especially important measure is occupational training for work without employment (available without restriction to age and total years of insurance under the same conditions for all, because the new contributions for health insurance and for people with histories of state subsidies). The only limitation is that the length of service in the position, for which the person is educated, is not greater than 1 year. After the training, the one will be eligible to use other aid measures of ALMP. In this respect additional NEPP measures are designed to provide to the young seekers of the first employment, support and measures that could facilitate smooth entry in to the labour market by particularly focusing on the first steps in training and in seeking employment, early and personalized support and additional training to facilitate easy entry into the labour market.

The mentioned measures will become especially important when the proposed EC initiatives of Youth guarantee/package will come into perspective in the following period and consequently will need to be synchronised with the national policies.

#### **2.4.2 Poverty and social inclusion**

Social inclusion promotion in Croatia is based on National Implementation Plan on Social Inclusion 2011-2012 (NIPSI)<sup>27</sup> which gives a review of measures and stakeholders foreseen to combat poverty and social exclusion according to the JIM<sup>28</sup> strategic priorities and target groups. So far three NIPSIs were prepared, NIPSI 2007-2008, 2009-2010, 2011-2012. The latter, NIPSI 2011-2012 represents the sequence of activities of previous National implementation plans, but also takes into consideration the adjustment in the context of financial and economic crisis that Croatia is facing. The main priorities are to increase the level of employability and to create better conditions for employment of long term unemployed and other disadvantaged groups, as well as to broaden the network of social services, development of community based social services as well as to improve access to social services.

The Sustainable Development Strategy of the Republic of Croatia<sup>29</sup> also stresses that stability and progress can be achieved only through balanced policies aimed at developing, among other things, an effective social care system, a system of special measures aimed at socially vulnerable groups and balanced regional development. Social welfare sector is the sector that provides social protection net with the objective of providing assistance, services and care for the better inclusion in the society of socially vulnerable groups and individuals who cannot meet their daily living needs on their own or with help of their family members due to unfavourable personal, economic, social and other circumstances. Vulnerable groups are groups of people that are largely considered as groups at risk of poverty and social exclusion and are basically defined by the two strategic documents- JIM and JAP<sup>30</sup>. These groups are considered to be at a disadvantage or being marginalized in success to social services

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<sup>27</sup> National Implementation Plan on Social Inclusion (NIPSI) 2011-2012 is available at [http://www.mspm.hr/djelokrug\\_aktivnosti/medunarodna\\_suradnja/jim\\_zajednicki\\_memorandum\\_o\\_socijalnom\\_ukljucivanju\\_rh/joint\\_memorandum\\_on\\_social\\_inclusion\\_of\\_the\\_republic\\_of\\_croatia](http://www.mspm.hr/djelokrug_aktivnosti/medunarodna_suradnja/jim_zajednicki_memorandum_o_socijalnom_ukljucivanju_rh/joint_memorandum_on_social_inclusion_of_the_republic_of_croatia)

<sup>28</sup> Joint Inclusion Memorandum is available at [http://www.mspm.hr/djelokrug\\_aktivnosti/medunarodna\\_suradnja/jim\\_zajednicki\\_memorandum\\_o\\_socijalnom\\_ukljucivanju\\_rh/joint\\_memorandum\\_on\\_social\\_inclusion\\_of\\_the\\_republic\\_of\\_croatia](http://www.mspm.hr/djelokrug_aktivnosti/medunarodna_suradnja/jim_zajednicki_memorandum_o_socijalnom_ukljucivanju_rh/joint_memorandum_on_social_inclusion_of_the_republic_of_croatia)

<sup>29</sup> The Sustainable Development Strategy of the Republic of Croatia is available at [http://narodne-novine.nn.hr/clanci/sluzbeni/2009\\_03\\_30\\_658.html](http://narodne-novine.nn.hr/clanci/sluzbeni/2009_03_30_658.html)

<sup>30</sup> Jap, available at: <http://www.ljudskipotencijali.hr/korisni-dokumenti.html?download=94>

or/and in access to labour market. According to JIM priorities among the groups facing an increased risk of poverty and social exclusion, particular attention needs to be given to those on low income (the unemployed, the elderly with no pensions, single-parent families, families with more than two children, single mothers and older women), displaced persons, refugees, returnees, vulnerable ethnic minorities (especially members of Roma community), people with disabilities and other groups that are not so numerous but are faced with challenges of extreme poverty (the homeless, former addicts) .

The social welfare sector is focused towards implementation of structural reforms, which are harmonised with the EU objectives and respective member states' standards since Croatia acknowledged considering implementing common EU objectives into its national policies regarding eradication of poverty and social inclusion. General principles of these reforms are laid down in the Strategy of Government Programmes 2010-2012 within the general objective on "Strengthening of social fairness", including on several specific objectives. The continuation of implementation of strategic goals defined by this Strategy is ensured through Strategy of government Programmes 2011-2013<sup>31</sup>, 2012-2014 and 2013-2015<sup>32</sup>.

The reform process has been on-going since the Social Welfare Development Project (World Bank, 2005 – 2009) and up to date it is necessary to integrate the results of all the components that have come out in the field of improving social services, including on the development of methodology of social planning in counties and on quality social services standards, management information system and social infrastructure, with the purpose of qualitative and institutional reform. Strategic approach to reform processes was strengthened through a Strategy on Social Benefit Reform 2007-2008 that ensure effective support for the most vulnerable groups. As a joint document of the various relevant sectors, Strategy was adopted in order to increase the efficiency of social transfer system and decrease poverty risk of the unemployed. This document ensured better coordination and exchange of information between different parts / beneficiaries of social protection system with the main goals in reduction of total number of social benefits, improved targeting of potential beneficiaries, faster and improved access to the social welfare system but also to the labour market, as well as unifying of social benefits.

Social policy measures at the time of the crisis in Croatia were generally directed at distributing the burden of the economic crisis, protecting the most vulnerable groups and eliminating unjustified privileges in certain social systems.

With the main purpose to increase the capacity of the quality of services, analysing and deciding on priorities within a particular community as well as making services more clients oriented, the activities of social planning are in progress. According to the methodology and guidelines that have already been developed, social plans are so far developed in ten counties (Vukovar-Srijem County, Split-Dalmatia County, Zadar County, Zagreb County, Virovitica-Podravina County, Koprivnica-Križevci County, Lika-Senj County, Sisak-Moslavina County, Šibenik-Knin County and Karlovac County). Social planning in other counties is in process and will be further developed. Based on JIM and on the Strategy of Government Programmes 2010 – 2012 Quality Standards of Social Services for Social Services Providers<sup>33</sup> were adopted in 2010 and introduced to the social welfare system stressing the directionality to user needs, representing the starting point for measuring the quality of social services, thus enabling a precise and transparent evaluation of each individual service provider.

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<sup>31</sup> Strategy of Government Programmes 2011-2013 available at

[http://www.mfin.hr/adminmax/docs/Strategija\\_Vladinih\\_programa\\_za\\_razdoblje\\_2011.-2013..pdf](http://www.mfin.hr/adminmax/docs/Strategija_Vladinih_programa_za_razdoblje_2011.-2013..pdf)

<sup>32</sup> Strategy of Government Programmes 2012-2014 and 2013-2015 available at <http://www.mfin.hr/hr/stratesko-planiranje>.

<sup>33</sup> Quality Standards of Social Services for Social Services Providers available at

[http://www.mspm.hr/djelokrug\\_aktivnosti/socijalna\\_skrb/standardi\\_kvalitete\\_socijalnih\\_usluga](http://www.mspm.hr/djelokrug_aktivnosti/socijalna_skrb/standardi_kvalitete_socijalnih_usluga)

New management information system was introduced within Social Welfare Development Project to support both the networking of social welfare institutions, establishment of data basis about beneficiaries, rights and providers of social welfare services and assistance, as well as data exchange system with other relevant institutions. All activities are expected to be implemented gradually as defined in Social Welfare Development Strategy 2012 – 2016<sup>34</sup>. In addition, new management information system supports the implementation of new organizational model and quality standards in social welfare centres (SWC) and social welfare institutions. New organizational model and the implementation of quality standards in SWC and social welfare institutions require some further adjustments related to adequate office equipment and additional IT equipment and the upgrading of the financial and accounting management system in order to achieve full implementation of new organizational model and quality standards.

The strategic goals for the development of the social welfare system remain directed towards de-institutionalization, especially regarding services for children and persons with disabilities, and the strengthening of the role of civil society and local administration in providing these services. In addition, there are various operating guidelines ensuring implementation through lifelong learning, supervision and education of services providers.

All strategic priorities will put emphasis on the reduction of regional disparities in access to services, the establishment better equality of institutionalized and de-institutionalized social welfare services, the development of services that will ease the labour market access of marginalized and disadvantaged groups, and the development of gender mainstreaming approaches in services.

The Economic Programme of the Republic of Croatia for 2013 stresses out that the main challenge of the economic policy in the forthcoming period is to set forward sustainable economic growth after 5 years of recession. Regarding social welfare sector, better targeting of social transfers to most vulnerable part of the society is expected. Reform measures that contribute to reforms of social welfare sector are deinstitutionalization (including prevention of institutionalization, deinstitutionalization and transformation of social welfare homes and other legal entities in the field of social welfare, as well as broadening the network of preventive, sustainable and community based social services) and improving the system of social benefits. In order to achieve these goals, it is planned to develop operational plan of deinstitutionalization and transformation social welfare homes and other legal entities by the end of 2013 and to revise the existing and developing new social plans on the county level in order to determine the real need for social services in every county. In addition, it is planned to revise and improve the system of financing social service providers in order to improve the quality of services, as well as to apply the same rules to all. Also, continuation of strengthening the capacities of expert workers in the social welfare system is planned.

Reform processes that should contribute to achievement of Europe 2020 goals in the area of poverty and social inclusion (decreasing the number of poor people by 20 million) are: ensuring social benefits to persons with disabilities, developing system of care for war veteran population and members of their families, developing the model of landing apartments and improving the quality of life of young persons.

In order to support the implementation of structural reforms in the social welfare sector, the following documents have been adopted: The Strategy of Social Welfare Development in the Republic of Croatia

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<sup>34</sup> The Strategy of Social Welfare Development in the Republic of Croatia 2011-2016 available at [http://www.mspm.hr/djelokrug\\_aktivnosti/socijalna\\_skrb/reforma\\_sustava\\_socijalne\\_skrbi](http://www.mspm.hr/djelokrug_aktivnosti/socijalna_skrb/reforma_sustava_socijalne_skrbi)

2011-2016<sup>35</sup> (The Strategy 2012-2016), The Plan for the Deinstitutionalization and Transformation of Social Welfare Homes and Other Legal Entities Performing Social Welfare Activities in the Republic of Croatia 2011- 2016 (2018)<sup>36</sup> (The Plan), The Strategic Plan of Ministry of Social Policy and Youth<sup>37</sup> (The Strategic Plan) and National Programme for Youth 2009 - 2013<sup>38</sup>.

The Strategy 2012 – 2016 reflects the efforts of the Croatian Government to better direct the measures of the social welfare system to ensure minimum life standard for the most vulnerable parts of the population and meet the needs of socially sensitive groups, accepting the guidelines of various Croatian and international strategic documents including on Europe 2020 Strategy, among others.

The Strategy includes the following into priority development objectives: increasing the efficiency of the social welfare system, social welfare decentralization, increasing the availability and access of social services (deinstitutionalization, prevention of institutionalization), the introduction of information technology into social welfare, improving cooperation with the CSOs, strengthening local communities in the process of social planning of services, building standards for monitoring and evaluating social service provision, improving cooperation among various government levels and bodies.

As a continuation of reform processes of deinstitutionalisation and transformation of social care homes, Social Welfare Sector is in the process of implementation of IPA project “Support to the Social Welfare Sector in the Process of Deinstitutionalization of Social Services” that is focused on two interlinked areas: continuing the processes of local social planning at the county level and the further transformation of social care homes. The project support experts from the social welfare sector with the further development and implementation of efficient and inclusive social services by improving the process of social planning and institutional transformation.

Within the framework of the Strategy, one of the priorities is the development of social services, primarily those provided to recipients in their homes and local communities. Spreading the network of social welfare services in the community contributes to independent living of specific groups in the society (such as persons with disabilities, including mentally ill adults, etc.), their reintegration into society, as well as to harmonizing work and family role of families having members who depend upon the care of others, which is one of the priorities stated in JIM – “To expand the network of social services, developing a system of community-based services and improving access to services.”

The Ministry of Social Policy and Youth (MSPY) has already made certain efforts to broaden the network of community based social services by financing their development from the State budget and the National lottery fund on an annual basis through open call for proposals for NGOs, as well as by supporting strategic partnerships and co-financing programmes lasting 3 years. In order to achieve these goals, further investments in monitoring and evaluation of programmes and projects are undertaken.

As regards decentralization, prerequisite for decentralization of social welfare system is to build a framework and strategy for financial decentralization. Due to the difficulties in fiscal decentralisation and reduced capacities of counties, the whole process of social welfare decentralization was doing slow.

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<sup>35</sup> The Strategy of Social Welfare Development in the Republic of Croatia 2011-2016 available at [http://www.mspm.hr/djelokrug\\_aktivnosti/socijalna\\_skrb/reforma\\_sustava\\_socijalne\\_skrbi](http://www.mspm.hr/djelokrug_aktivnosti/socijalna_skrb/reforma_sustava_socijalne_skrbi)

<sup>36</sup> The National Plan for the Deinstitutionalization and Transformation of Social Welfare Homes and Other Legal Entities Performing Social Welfare Activities in the Republic of Croatia 2011- 2016 (2018) available at [http://www.mspm.hr/djelokrug\\_aktivnosti/socijalna\\_skrb/reforma\\_sustava\\_socijalne\\_skrbi](http://www.mspm.hr/djelokrug_aktivnosti/socijalna_skrb/reforma_sustava_socijalne_skrbi)

<sup>37</sup> Strategic Plan of the Ministry of Social Policy and Youth, available at: [http://www.mspm.hr/ministarstvo/strateski\\_plan\\_ministarstva\\_socijalne\\_politike\\_i\\_mladih](http://www.mspm.hr/ministarstvo/strateski_plan_ministarstva_socijalne_politike_i_mladih)

<sup>38</sup> National programme for youth 2009-2013, available at: [http://www.hzz.hr/DocSlike/Nacionalni\\_program\\_za\\_mlade\\_2009-2013.pdf](http://www.hzz.hr/DocSlike/Nacionalni_program_za_mlade_2009-2013.pdf)

The Strategy 2012 – 2016 enables a more efficient implementation of system decentralization until the moment the conditions for financial decentralization are created.

The Plan represents a strategic document of the MSPY whose purpose is to intensify the deinstitutionalization and transformation reform processes and represents a basis for planning a network of homes and social welfare activities. The goal is to reduce entry into institutions and to increase the number of those who leave the institutions into new forms of social welfare, particularly by encouraging reintegration into families. The Plan defines specific objectives of transformation and deinstitutionalization for the following groups of beneficiaries: children and youth without adequate parental care, children and youth with behaviour disorders, children with disabilities, disabled adults and mentally ill adult persons. The Plan is in line with JIM priorities: -to establish an action plan to de-institutionalise services for children and people with disabilities (to stop building new institutions, to expand alternative forms of social services and to reduce the number of beneficiaries in welfare institutions); -to support the provision of services within the community where beneficiaries live.

The Strategic Plan represents the continuation of the reform process of the social policy system for the period 2013-2015. It sets out the vision, mission, and aims of the development of social policy system in Croatia with indicators to measure progress. In that sense, 3 general aims are set for the social policy system in the following period: Improving the quality of life of socially vulnerable groups by ensuring minimum life standards to citizens that are at highest risk through adequate fulfilment of their needs; Protection of rights of children and youth and supporting the family and Strengthening the social policy system and adjusting it with the aims of the EU.

In 2011 and 2012 amendments to the Social Welfare Act (the Act) were adopted. The aim of amendments was further simplification of administrative procedure, consolidation of rights of social beneficiaries and better targeting of the whole system including on support of the process of further deinstitutionalization. The amendments determined the new criteria for realizing social assistance and social services, predicted the types of support for including beneficiaries into society and labour market; introduced a different calculation method for financial benefits; suggested the improvement of financial status of persons living in single households; more clearly defined income test and assets test; introduced minimum quality standards for social services; the basis for the implementation of deinstitutionalization and development of new non-institutional services; introduced a comprehensive register of assistance and services beneficiaries for the purpose of improving system efficiency and service availability, as well as raised the level of familiarity for beneficiaries and the society concerning social rights. The aim was also to implement a wider system reform – broadening social services on the local level, better inclusion of NGOs in social service provision and gradual decentralisation and deinstitutionalisation of the system. Furthermore, the organisation set up of centres for social welfare has been changed leading to decentralisation and making the welfare system more available to the beneficiaries. The quality of Social Welfare provision is defined by the Act on Health Protection and Social Welfare Quality.

National program for youth 2009 - 2013<sup>39</sup> (NPY) is the fundamental strategic document in the Republic of Croatia, which applies to young people from 15 to 30 years. The main objective is to improve the overall activities of the state administration and public institutions which scope and responsibilities should contribute to addressing the needs of young people and improve the quality of their lives. New National program for youth 2014-2017 will be created in 2013, in accordance with national priorities, but also with a comprehensive European strategy for youth in 2009. - An EU Youth Strategy: Investing

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<sup>39</sup> National Programme for Youth 2009-2013 available at: [http://www.hzz.hr/DocSlike/Nacionalni\\_program\\_za\\_mlade\\_2009-2013.pdf](http://www.hzz.hr/DocSlike/Nacionalni_program_za_mlade_2009-2013.pdf)

and Empowering 2010 - 2018, as well as according to the United Nations and the Council of Europe documents. In order to define the most effective measures aimed at young people, the active involvement of young people in the decision-making process will be implemented and the results of the research on needs, problems and potentials of young people will be applied. Organised youth sector and youth work will be defined by creation of new Youth Act in 2013.

### **2.4.3 Skills, education and training**

With the overall aim of developing a knowledge-based society and economy and increasing quality in education in accordance with the EU Lisbon Strategy provisions, Croatia has taken a number of substantial steps to improve the effectiveness and efficiency of its educational system, to establish comprehensive national standards and to attain more coherence between education and labour market needs and all of the mentioned initiatives are in line with the measures stated in the “Europe 2020” Strategy.

Developmental goals in the area of education also reflect the commitment of the Republic of Croatia, through national educational policies, to speed up reform at all levels of the educational system. Based

on the Education Sector Development Plan 2005-2010 (2005), the Development Strategy for Vocational

Education System in the Republic of Croatia 2008 -2013 (2008), the Strategy for the Construction and Development of the National Curriculum for Preschool Education, Primary and Secondary School Education (2007) and the Strategy for Adult Education (2004), Croatia set ambitious reform goals over the recent period. In addition to that, work on drafting new Education, Science and Technology development strategy till 2020 is in progress. Also, there are plans to develop new separate subsector strategies for VET and adult education.

The Croatian educational system provides services on the following levels: **pre-school**, **primary**, **secondary** and **tertiary**, including primary and secondary education and training for adults. Special attention is given to the principle of **lifelong learning**, with the aim of including adults and the unemployed in flexible educational and training programmes to qualify them for active and continuous participation in the labour market.

The Primary and Secondary Schools Education Act (2008) is the key legislation governing the schools network, education programmes, national curriculum, assessment of pupils’ achievement, licensing of schools and teachers, school organisation and management, financing, etc. The National Pedagogical Standards for Pre-primary, Primary and Secondary Education adopted by the Parliament in 2008 define targets for financial resources, human resources and minimum infrastructure in education for gradual implementation. The Standards (2008) specify detailed requirements and an implementation schedule structured around five deadlines (2008, 2010, 2012, 2017 and 2022). However, Standards are not being implemented as planned because of budgetary constraints.

Therefore, some of the plans for education had to be revised owing to the economic crisis. The situation has affected the level of investment in refurbishing schools and the national programme for introducing obligatory secondary education (Secondary Education for All), which is no longer being implemented, specifically, three measures with the greatest financial impact on the state budget (free textbooks, public transportation and student dormitories).

In July 2010, the MSES adopted the National Framework Curriculum (NFC) for preschool education and general compulsory education in primary and secondary schools (MSES, 2010). The NFC stipulates (in terms of knowledge, skills and competence) expected achievements of learners, content fields and learner assessment. In order to improve the quality of education, the NFC defines broad educational areas interconnected by common learning outcomes and cross-curricular themes. These areas and themes include: language and communication; mathematics and sciences, technology and informatics, society, humanities and the arts, health, safety and the environment, learning to learn, entrepreneurship and active citizenship.

The “State Matura” (SM) examination was developed by the National Centre for External Evaluation of Education (NCEEE) and introduced system-wide in 2009/10. The examination is compulsory for all secondary school (gymnasia) students and consists of three subjects: Croatian language, a foreign language, and mathematics. Other subjects can be added as electives. The SM represents a significant achievement for the increased transparency of this educational assessment milestone and has improved access to higher education by replacing most of the higher education entrance exams. Although further upgrades are necessary so that the SM results can be used in the future as basis for evidence-based policies, its results can already provide data which can be used as indicators for the measures necessary for improving the quality of secondary education.

In order to improve the quality of enrolment processes and thus create more favourable conditions after the completion of primary education, MSES introduced National information system for applications and enrolments into secondary schools<sup>40</sup> which will allow MSES a more efficient control of the process and supervision of the implementation and availability of accurate data at each stage of the process, and ensure better planning and organization of school entries, which will make education equally available to all pupils depending on their abilities. In that way, the system will connect general and secondary education and ensure greater legality and transparency of admissions procedure.

Teaching methods have not yet been updated to respond to the challenges of a changing society. VET teachers have limited pre-service pedagogical training, and school-based VET teaching and learning is mostly theoretical because links with enterprises and employers are weak. However, initial steps have been taken to create the necessary institutional and legal framework. As a quality assurance mechanism, starting from the 2011/12 academic year, all schools are obliged to carry out a self-assessment. The external assessment of teaching and learning quality and the licensing of teachers and principals (who are now required to renew their licence every five years) is the responsibility of the NCEEE. In-service training for teachers of general subjects is carried out by the Education and Teacher Training Agency (ETTA), while for VET teachers it is organised by the Agency for VET and Adult Education. In addition to this, teachers have the opportunity to participate in in-service training activities through Lifelong Learning Programmes provided by Agency for Mobility and EU Programmes.

The **Strategy on the Development of Teacher Training** in ETTA 2009-2013 envisages, as strategic priorities, the development of human resources, documents, database and INSETT System. The new Strategy on in-service teacher training 2014-2020 has already been drafted and presented to expert public in March 2013. Its strategic aims address the issues of developing an efficient system of in-service teacher training based on quality and recommendations stemming from EU policies in the related field. In addition to that, the focus of the new Strategy is to further enhance capacities of ETTA, stimulate professional development of educational staff, as well as to participate in EU programmes, promote research in education and establish national and transnational partnerships.

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<sup>40</sup> <https://www.upisi.hr/upisi/>



Since Agency for Vocational Education and Adult Education (AVETAE) was founded in 2005, Croatia has begun a process of intensive modernisation of VET system, which was at that time perceived as obsolete, but also lacking methodological and human resource for necessary changes. *Development Strategy of the Vocational Education System in the Republic of Croatia for 2008 - 2013*<sup>41</sup> which sets the ways in which the specific aspects of the VET system could develop in the medium/long-term run was adopted in 2008 and in 2009 Act on Vocational Education and Training was adopted. AVETAE has the legal mandate as public authority to implement in-service teacher training in VET, organize and implement professional exams for VET teachers, as well as organize and implement procedures for upgrading teachers in VET in secondary schools. Available EU funding was used to maximize the extent of these changes.

These two strategic documents enabled main strategic guidelines for further development of VET system: mechanisms for linking education with labour market by establishing tripartite Sector Councils and development of analytical documents sector profiles as part of process of planning of VET qualifications, development of methodology for development of occupational standards qualifications and curricula, and development of “*E-kvalifikacije*” (E-qualifications) which is a web-based tool and data base of all developed VET occupational standards, qualifications, units of qualifications and curricula.

More than 30 new VET curricula were developed, which were learning outcome oriented and based on new methodology that relies on concept where competence need is determined before the actual process of development started, and with all elements of Quality assurance process included. Furthermore, methodology and model for labour market research was developed, as a guide for development of research process, identification and systematic monitoring necessary for harmonization of VET with labour market demands.

During 2011, AVETAE developed unique and systematic approach to development of QA in VET, with the emphasis on implementation of this concept in practice. Manual for self-assessment for VET providers was developed and published. Furthermore, user-friendly internet based tool called *E-kvaliteta* was developed and is located on Agency's web page. The tool provides assistance to VET schools in their process of self-evaluation and their self-assessment results are uploaded into this database. *E-kvaliteta* strictly follows the approach used in development of Croatian Quality Assurance Framework. It contains priority areas which are described in the Framework and it allows simple procedure for entering scores using five degree assessment scale. By developing this tool, the Republic of Croatia joined other European countries in development of tools that serve as support to process of self-assessment, and to implementation of principles presented in European Quality Assurance Reference Framework (EQARF).

Furthermore, a lot of effort was invested in raising capacities of VET schools for development of innovations, by bottom-up approach. In addition to that, several grant schemes for VET schools were prepared and implemented (CARDS and IPA funded). In order to prepare VET schools for ESF, a manual and trainings related to ESF and development of innovations in VET schools were provided. Furthermore, VET schools were awarded grants with the aim to reinforce the introduction of new modern and innovative contents / features into VET schools provision within initial VET system, and with a view of ensuring their labour market relevance / adaptability, raising their capacities for provision of modern school based practical training as well as meeting the needs of the knowledge-based economy in the Republic of Croatia.

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<sup>41</sup> <http://www.asoo.hr/default.aspx?id=100>

Moreover, new methods of in-service teacher training are being supported in order to organise and enable teacher training in companies which provides opportunities for VET teachers to update their competences and link them with new technologies.

Croatia is intensively engaged in development and monitoring of implementation of EU policies in the field of vocational education, and as such is devoted to integrating relevant elements and recommendations from Copenhagen process into Croatian VET system. Since Croatia has very low adult learning participation levels in comparison to EU-27 (9.1% at the EU level in 2010), the need to address this structural weakness represents an additional strategic priority for the programme to be further developed. In particular, new legislative, institutional and delivery standards for Adult learning provision will be given strategic focus in the formulation of a new and more comprehensive approach to the development of life-long learning.

In the recent years, Croatia has made significant and legislative changes within adult education sector. The Strategy for Adult Education and an Action Plan for the Implementation of the Strategy for Adult Education were adopted in 2004 where system of adult learning is of key importance in the realization of the principle of lifelong learning. The Adult Education Act (OG 17/07) recognizes adult education as an integral part of the Croatian education system, thus enabling anyone who had left the formal education system for any reason to re-enter the system and continue his or her education without any limitations. Under the vertical mobility principle, these people are given a chance not only to return to primary school and receive their initial qualification, but to receive secondary and tertiary education as well.

The Act on State Subsidy for Education and Training (OG 109/07) provides a tool through which employers can lower the costs of the education and training of their employees. Expenses recognized by the Act are: tuition rates, costs for seminars, conferences, workshops, trainings and specialisations both in Croatia and abroad, the costs of supporting materials and instructors.

The adoption of the VET System Development Strategy 2008-2013 and the Vocational Education and Training Act (OG 30/09) is a further step in enabling "second chances", i.e. the legal opportunity to return to a regular system for acquiring qualifications, despite a break in education.

The Act on the Agency for Vocational Education and Training and Adult Education was adopted in 2010, and it enabled a merger of two agencies which had previously operated as separate entities, namely, the Agency for Vocational Education and Training and the Agency for Adult Education (OG 24/2010). Through different projects since 2003, the MSES has supported the concept of "A Literate Croatia: The Way to a Desirable Future", funded entirely by the state budget. According to the principles of this effort, the completion of primary education, as well as of vocational training is free of charge for the participants. Its single purpose is to increase the overall level of literacy and to reduce unemployment by enabling individuals over the age of 15 to finish primary education and complete a training programme for simple occupations. Furthermore, AVETAE has been implementing the campaign on the importance of **lifelong learning**, stressing the importance of non-formal and informal learning at the workplace and in work environment. Since 2008, the Agency has been in charge of the organization and implementation of the LLL Week. During 2011, LLL Week was held in all counties on national level, through various activities dealing with promotion of education and learning. During campaign, more than 350 events, with over 600 different participating institutions were held which significantly contributed to raising public awareness on importance of LLL.

Moreover, the methodology for the development of the training programmes in adult education was developed and they should be compatible with the Croatian Qualifications Framework (CROQF).

The training programmes are competence-based and indicate the learning outcomes that a learner should have achieved by the end of the training programme. A further intention in designing the programmes in this way is to lay the foundation for their transformation into qualifications that could also be obtained on a credit basis, including through the recognition of prior experiential learning in the future.

Croatia signed the **Bologna Declaration** in 2001 and, since 2003, has been involved in an intensive reform of its higher education system in line with its national needs and European standards. During 2003 and 2004, a new Act on Scientific Activity and Higher Education and an Act on the Recognition of Foreign Higher Education Qualifications were adopted incorporating all the principles of the Bologna Declaration. In December 2004, five Rules of Procedures covering the field of higher education were adopted which regulate: the establishment of higher education institutions; the measures and criteria to be used for evaluating the quality and efficiency of institutions and study programmes; the content of student databases; the content of student documents; and the content of diplomas and diploma supplements. The first phase of the Bologna process was completed in 2005 with the implementation of the first two study cycles, undergraduate and graduate. An evaluation of over 800 study programmes that had to be adapted in their structure and content to the criteria of the new EHEA and the Bologna Declaration was carried out. This phase also included the establishment of a quality assurance system. **Agency for Science and Higher Education (ASHE)** performs the evaluation of the quality assurance system and quality assurance units at higher education institutions. Both ASHE and the **National Council for Higher Education (NCHE)** were established as two independent bodies that oversee the development and quality of the overall higher education system in Croatia. More specifically, ASHE has the legally established mandate to collect and analyse data in the system of science and higher education as well as other related systems. It is also responsible for development and maintenance of national databases in the system of science and higher education.

The **Croatian Qualifications Framework Act** (OG, 22/2013) emerged as a consequence of Croatia's participation in the Bologna Process and Copenhagen Process. Development of the CROQF has been taking place since 2007 as a response to the need for a national framework of qualifications encompassing all awards for all aspects of education and training into a single transparent qualifications framework.

The CROQF Act establishes the necessary legislative and institutional framework for further development and implementation of the CROQF, as well as for the referencing and self-certification of

the CROQF to the EQF and the QF-EHEA. In addition to that, it is an important precondition for

implementing and regulating the system of lifelong learning, which is the cornerstone of a knowledge-based society. CROQF sets clear criteria for the competences that a person can expect to have upon completing a certain level of education. The aim of the CROQF is to clarify the existing qualification system and to link possible transfer and progression routes between different educational paths. Moreover, CROQF is setting up a clear set of criteria for transparency, access, progression, reliability and award of qualifications. In order to be more responsive to the labour market needs, CROQF further emphasizes the concept and implementation of learning outcomes. It is a unified system that implies for

learning outcomes to be measured and compared. It has eight reference levels, with an additional four sublevels reflecting the special characteristics of the Croatian educational system. Each reference level is described in terms of student workload, level, measurable learning outcomes, competences obtained and professional profile, and is closely related to the national and institutional quality assurance systems.

Based on the provisions of the CROQF Act, the relevant line ministries will set up the institutional framework for good quality implementation of the CROQF, namely, *The National Human Resources Development Council and 26 Sectoral Councils*, by the end of 2013. This will ensure an interdisciplinary approach and mechanisms and evaluation instruments necessary for the integration policy of the economic development, the policy of education and employment. The National Council will give recommendations on connecting education with labour market needs, while Sectoral Councils will evaluate the proposals of vocational standards and qualifications standards for the purpose of their entry into the CROQF Register. The Register will provide clear and transparent information about the qualifications standard and about the corresponding training programmes and their connecting with vocational standards based on labour market needs analyses. As such, the Register shall become the key instrument for reducing different forms of gaps between the supply structure and the demand structure in the labour market. For the CROQF, all forms of acquiring competencies are equally important, including non-formal and informal learning or competencies acquired through life, on-the-job or through different forms of learning. The implementation of CROQF will result in a higher degree of employability and it will enable the linking and comparing with other education systems in Europe, and facilitate the mobility, as well as access to further education to citizens and others who have obtained their qualifications in Croatia. The Regulation on recognition and evaluation of non-formal and informal learning is planned to be adopted in 2014, while the IT system for the maintenance of the CROQF Register, in which the first qualifications standards and vocational standards will be entered, will be put in place in 2015.

Legislative framework for the development of **science and research** in Croatia is, since 2003, defined by the *Act on Science and Higher Education (OG 123/03, 105/04, 174/04, 2/07- Decision of the ACRC, 46/07 and 45/09)* together with the subordinate legislation derived from the basic legislative framework. In 2009 Croatian Government passed an *Act on the Croatian Science Foundation (OG117/01, 45/09, 92/10, 78/12)* and the *Act on Quality Assurance in Science and Higher Education (OG45/2009)*. The overall system is under direct authority of the MSES, as the body responsible for the development and funding of publicly performed R&D, together with the National Science Council, Croatian Science Foundation and the Agency for Science and Higher Education and Business Innovation Agency of Croatia (BICRO). The public research system is composed of: 25 public research institutes, 7 public universities, 11 public polytechnics, 3 public schools for vocational higher education, 5 technology transfer offices (4 at university level, 1 at research institute).

Development of science and research and national research priorities are based on the *Strategic Development Framework 2006-2013* and the *Science & Technology Policy of the Republic of Croatia 2006-2010* adopted by the Government in 2006, which identified a set of long-term and short-term priorities. Additional elements of the reference framework include the *Action Plan to Encourage Investment Into Science and Research*, adopted in April 2008 with the aim of raising investment into R&D to the level of 3% of GDP as proscribed in the EU *Lisbon Agenda*, the *Action Plan for the Implementation of the S&T Policy 2007-2010*, and the *Action Plan for Mobility of Researchers 2011-2012*. Although the majority of the listed documents have officially gone *out-of-date*, they are still considered to constitute the relevant framework, until the adoption of new strategic documents.

#### 2.4.4 Civil society and social dialogue

The **National Strategy for the Creation of an Enabling Environment for Civil Society Development (the Strategy)**, Croatian strategic document regarding civil society development, provides basic guidelines for further improvement and strengthening of the capacity of civil society organisations. Strategic framework on civil society development for the period 2012 – 2016 is set in this Strategy<sup>42</sup>, based on a broad consensus among civil society and government representatives. The measures set in the Strategy are to ensure adequate legislative, administrative and social conditions for the development and agency of civil society, as a fully independent and highly relevant social agent for social innovation, promotion of participatory democracy, protection of human rights and competent and efficient monitoring of public policies in the context of Croatia's final phase of accession to the EU and its immediate aftermath. The development and implementation of public policies in accordance with the principles of good governance implies the presence of active and experienced CSOs effectively communicating with public authorities in areas of public interest.

CSOs, through their active role in local communities, enhance cross-sector fertilization contributing to growth and development of individuals and society, and assist in the effective implementation of all reforms and priority measures of the OPHRD. They also play an important role in social and educational sector and increasingly take over public services responsibilities from the state. Thus, their support and reinforcement can be considered as a contribution to human capital investment, reinforcement of social inclusion and promotion of workers' adaptability. They are an important sector of potential for employment (especially for young, highly educated people) and for the practical implementation of the reforms to be carried out in the framework of the Europe 2020 Strategy. CSOs have also become one of the most important stakeholders in the implementation of projects financed from public resources, aimed at raising employability (especially of socially excluded and marginalised groups). Building CSOs' capacities and partnerships on national, regional and local levels in order to deliver a wide range of quality public services is thus essential at this stage.

##### Social dialogue

Croatian Government in its **Strategic Development Framework 2006-2013** emphasizes the promotion of social dialogue as one of the main goals in the area of social cohesion and social justice. It claims that all social factors need to work on creating a sense of social justice and on the development of mechanisms to achieve it. In its chapter **The New Role of the State**, it strongly advocates the need to promote alternative dispute resolution (ADR), especially with respect to labour disputes. It further propose an internet service for the promotion of conciliation, where citizens and entrepreneurs can learn about conciliation and have access to the information necessary for an efficient conciliation process: the opportunity to search through the database of court decisions, and to access the most important foreign cases, the most important arbitration awards and conciliation procedures in Croatia, and the lists of mediators, advisers and court experts who may provide assistance in the conciliation process.

It is necessary to inform participants in social dialogue about conciliation techniques and the experiences of states that are known for their success in holding social dialogue. As visible from **Judicial reform strategy for the period 2011-2015**, in further effort to increase the efficiency and effectiveness of the judiciary and court administration, in January 2011, a new Mediation Act was adopted to further enhance and promote mediation as an alternative dispute resolution.

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<sup>42</sup> National Strategy for the Creation of an Enabling Environment for Civil Society Development for the period 2012-2016 is available online at: <http://www.uzuvrh.hr/userfiles/file/Nacionalna%20strategija%20FINAL.pdf>

**Programme of the Government of the Republic of Croatia for the Adoption and Implementation of the *Acquis Communautaire* for 2011**, recognised the need to provide social partners with opportunity to train in tripartite social dialogue at the European level and for equipping social partners for sectoral and tripartite social dialogue.

**National Strategic Reference Framework (2013)** emphasizes that social dialogue on regional and local level needs to be further strengthened through activities aiming at enhancing communication between the relevant governmental coordination office and the respective municipal level organizations and social partners in order to ensure mutually satisfactory solutions regarding the labour market sector.

The new **Government Program 2011 – 2015** refers to social dialogue in its Chapter 10, on the issues of Labour and stresses the Government's strong support to the further advancement of social dialogue mechanisms in Croatia.

Since 28 January 2013, the national ESC ceased its activities due to the provisions of the Act on the criteria for participation in tripartite bodies and the representativeness for collective bargaining, which was adopted in July 2012. The last count of the Trade Union Confederations conducted at the beginning of the 2013, established only 4 Trade Union Confederations to meet the proscribed criteria. Hence, it is expected that the new ESC will reflect this in the fewer number of the union representatives, once established. Croatian Employer's Association is still the only representative employer's organization.

At the state administration level, there is a three-pillar institutional framework for cooperation with the civil society sector: the Government Office for Cooperation with NGOs, the Council for Civil Society Development and the National Foundation for Civil Society Development, each fulfilling its distinctive role in creating enabling environment for the activities of civil society organisations in Croatia.

## **2.5 The EU policy guidelines**

### **2.5.1 European Union Strategic Framework**

#### **The Renewed Lisbon Strategy**

The conclusions of the March 2000 European Council in Lisbon – the basic text defining the Lisbon strategy – set out a strategy and a broad range of objectives and policy tools with the aim of making the European Union more dynamic and competitive. The 2001 European Council in Gothenburg incorporated an environmental dimension to these objectives. The mid-term review of the process concluded that results so far were mixed. After a promising start in 2000, employment growth slowed sharply, while productivity growth has been disappointing throughout, owing partly to the failure to take full advantage of the knowledge economy and information and communication technologies (ICTs). Although the poor economic performance is partly due to the slowdown in the world economy, more needs to be done to raise growth potential and employment in Europe. In February 2005, the Commission proposed a new Partnership for Growth and Jobs to the European Council of March 2005. The Council confirmed its objectives and underlined the need to re-launch the Lisbon Strategy.

In light of the above and of the renewed Lisbon strategy for growth and jobs, programmes co-financed through the cohesion policy are stated in the document Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines 2007-2013.

It targets resources based on the following three strategic guidelines:

**Strategic Guideline A:** Making Europe and its regions more attractive places to invest and work:

**Strategic Guideline B:** Improving knowledge and innovation for growth

### **Strategic Guideline C: More and better jobs**

In the context of this Operational Programme, the Commission's Communication on Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013 is of direct relevance, in particular Guideline 3 on the objective of:

“Creating more and better jobs by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.”

In the particular case of Croatia, this objective will serve as a key strategic policy framework within which employment and HRD-related priorities will be established.

Following the major reform of the EU's Cohesion Policies covering the 2007-2013 period, the policy focus has shifted increasingly towards the Union's strategic priorities for a competitive and sustainable knowledge-based economy geared towards implementing the reforms in a manner that is compatible with the Lisbon and Gothenburg agendas.

In light with the current recession, Europe needed a coherent strategy for coming out of the crises and turning EU into smart, sustainable and inclusive economy generating efficient employment, growth and social cohesion.

### **Europe 2020 - Strategy**

On 3 March 2010, the European Commission launched the Europe 2020 - Strategy for smart, sustainable and inclusive growth to guide Europe in overcoming the current economic crisis and to prepare the European Union's economy for the next decade. The strategy prioritises hastening the crisis' end and facing challenges such as globalisation, a shrinking labour supply, and pressure on energy and resources, as well as providing the building blocks for sustainable growth.

The strategy ensures that Europe's high quality of life and unique social model are maintained and even further enhanced, while employment, productivity and social cohesion are optimised.

The Strategy identifies three mutually reinforcing priorities:

- Smart growth – developing an economy based on knowledge and innovation
- Sustainable growth – promoting a more resource efficient, greener and more competitive economy
- Inclusive growth – fostering a high-employment economy delivering economic, social and territorial cohesion

Also, the Strategy defines the following EU headline targets:

- 75% of the population aged 20-64 should be employed,
- 3% of the EU's GDP should be invested in R&D,
- the "20/20/20" climate/energy targets should be met,
- the share of early school leavers should be under 10%
- at least 40% of the younger generation should have a tertiary degree and
- 20 million less people should be at risk of poverty.

On the basis of Lisbon strategy Croatia has to have in mind also the so called “flagship initiatives” of “EUROPE 2020” document, that builds upon Lisbon guidelines and recent developments in the EU economy. The seven flagship initiatives are: Innovation Union, Youth on the move, A digital agenda for

Europe, Resource efficient Europe, An industrial policy for the globalisation era, An agenda for new skills and jobs and European platform against poverty.

Implementation of these initiatives is a shared priority, and action will be required at all levels - EU, Member States, regional and local authorities.

### **Broad guidelines for economic policies**

The aim of these broad guidelines is to coordinate the economic policies of Member States. They also aim at creating smart, sustainable and inclusive growth throughout the European Union.

Council recommendations on overall economic policy guidance take the form of guidelines addressed to Member States. These guidelines enable the economic policies of the Member States to be coordinated in order to achieve joint objectives. The current Council guidelines support the Europe 2020 Strategy. This strategy should enable the EU to achieve smart, sustainable and inclusive growth in the next ten years. In this Recommendation, the Council also notes the importance of the sustainability of Member States' public finances and their macroeconomic stability.

These guidelines should be taken into account by Member States in the implementation of their economic policies and the development of national reform programmes.

#### **2.5.2 Joint Assessment of Employment Priorities of the Republic of Croatia (JAP)**

The Joint Assessment Paper of Employment Priorities (JAP) provides a joint basis for action in the area of employment policy in line with the EU Employment Strategy. The main purpose of the JAP is to provide a comprehensive analysis of the economic situation and related developments, as well as of the labour market situation and related employment policy objectives.

In terms of establishing complementarities with this operational programme, the policy objectives outlined hereunder provide a wider policy framework within which the Programme will concentrate on a range of strategic priorities designed to strengthen preparations for future assistance under the ESF.

Within the area of **upper secondary education**, policy will focus on prolonging compulsory education as well as further increasing the number of graduates in order to promote stronger social cohesion. At the same time, specific steps have to be taken to reform VET in order to improve its responsiveness to labour market demand. In this context, further development of a **CROQF** will assume an important policy focus. Although available data on **adult education and training** needs to be strengthened, the estimated overall participation of adults remains low by EU standards. In this context, recently established institutions have to be further strengthened with the aim of developing models of adult education that will respond more effectively to the needs of individuals as well as of the labour market.

In order that **CES** may become a more effective labour instrument responding to changing labour market requirements, it is necessary to improve its mediation performance and upgrade its role through further modernisation and reorganisation. In this context, the policy will focus on ensuring higher participation of the unemployed in **active labour market measures**, supported by effective evaluation of these measures' impact and effects. In conclusion, measures aimed at increasing the number of graduates of higher education, as well as at the expansion of the service sector, should contribute to a rise in the employment and earnings of women with a consequent positive impact in reducing **gender disparities**.



Based on the **strategic policy priorities identified within the JAP**, the key challenges can be summarised as follows:

- To develop a 'life-cycle approach' to work which addresses youth unemployment, long-term unemployment and 'pathways' to employment, increased female participation, especially for low-skilled women, a better reconciliation of work and family life and support for active ageing;
- To promote a more 'inclusive labour market', incorporating active and preventive labour market measures;
- To foster a better 'matching' of labour market needs through modernisation of labour market institutions and better anticipation of skills needs, labour market shortages and 'bottlenecks';
- To improve the adaptability of workers and enterprises, including the establishment of more flexible working arrangements;
- To promote flexibility with employment security, incorporating a review of contractual and working-time arrangements, new forms of work organization, and better anticipation and management of change;
- To increase investment in human capital, including better access to initial and continuing education and training, adequate provision of training for the unemployed and disadvantaged, strengthened education and training systems in response to new competences and adaptability requirements, and increased provision for adult learning as part of a comprehensive lifelong framework.

From an institutional perspective, the promotion of 'good governance' is identified as a cornerstone of Croatia's labour market reform strategy

#### 2011 reports on evaluation of improvements in the implementation of the JAP

In the period 2008 - 2011 there was significant progress in terms of the scope of active employment policy measures. However, their positive impact was offset by negative impact of severe economic crisis that has brought mass unemployment, with particularly affected younger age groups. To mitigate the effects of the crisis the scope for public works has been significantly increased. Moreover, by using measures of training without employment for young people, they were able to gain work experience in jobs that match their education. Positive results of past activity within the implementation of JAP in terms of preparation of relevant institutions and their completion by the time of accession to full membership, will largely determine the success in the use of funds from the European Social Fund.

As regards the long-term structural problems of mismatch between the skills of the labour force on the one hand, and the needs of the labour market on the other hand, the past trend has a positive sign. There is significantly increase the number of young people who attend and complete college and university education, which in the future will significantly improve their position in the labour market. Based on the analysis and forecast of the labour market, recommendations for enrolment policy and politics scholarship were adopted. As already stated throughout the document, the alignment of educational curriculum with the labour market needs within the CROQF is well under way.

### **2.5.3 Joint Inclusion Memorandum (JIM)**

As in the case of other candidate countries, as already mentioned in the previous parts of the document, Croatia prepared (and concluded in March 2007) a **Joint Inclusion Memorandum (JIM)** with the European Commission in order to move towards full participation in the area of EU social inclusion policy upon accession. To this end, where deemed appropriate, the priorities identified in this Operational Programme are in line with the key priorities and challenges identified in JIM.

- Within the JIM follow-up activities, the National Implementing Plans for Social Inclusion (NIPSI) are regularly prepared on the two-year terms by the MSPY, which acts as the coordinator of the related activities together with the other stakeholders involved. These plans are prepared on two-year terms (the current one covers the period 2011-2012, are adopted by the government of Croatia, and include the reports on evaluation of improvements in the implementation of the JIM. The new NIPSI 2011-2012 reviews the measures foreseen to combat poverty and social exclusion according to the JIM strategic priorities and target groups and the provisions of the Renewed Social Agenda. From the bulk of objectives mentioned in JIM, here are stipulated the ones that can be strictly correlated with the problems stated in the socio-economic analyses; to raise the level of employment and create greater employment opportunities for the long-term unemployed and other vulnerable groups in the labour market, including the integration of people with disabilities;
- To improve the educational level of the population, harmonising education with labour market requirements and stimulating adult education;
- To expand the network of social services, developing a system of community-based services and improving access to services;
- To promote gender equality in combating poverty and social inclusion and take gender differences into account in policy formulation and implementation;

The joint parties to the document also agreed that the policy priorities in combating poverty and social exclusion should be as follows:

- To raise the employability of those groups most affected by long-term unemployment and inactivity, primarily by focusing active labour market policy measures on persons with disabilities, Roma, older workers and former addicts; in employment, to give special attention to eliminating discrimination against women; to ensure full implementation of the minority employment provisions of the Constitutional Law on National Minorities; to keep records on the participation of social assistance users in active labour market programmes;
- To broaden secondary and higher education coverage (by extending compulsory education, by monitoring and reducing the number of early school leavers, i.e. by promoting the completion of different types of education in accordance with labour market needs and by implementing measures to ensure successful graduation and to shorten the duration of studies); to reform vocational education in order to adjust it to labour market requirements; to invest more in, and systematically to promote, lifelong learning;
- To expand the network of social services for children, the elderly and persons with disabilities (particularly in small towns and rural areas); to establish an action plan to de-institutionalise services for children and people with disabilities (to stop building new institutions, to expand alternative forms of social services and to reduce the number of beneficiaries in welfare institutions); to support the provision of services within the community where beneficiaries live; to develop a strategy for the decentralisation of social services (the delegation of 'founding rights' for all welfare homes to county level) with the focus on regions lagging behind; to foster cooperation between local communities and NGOs in the provision of services; to give beneficiaries a choice; to promote better reconciliation between work and private life, especially for women, by investing in childcare structures;

2011 reports on evaluation of improvements in the implementation of the JIM:

- In December 2011 external independent evaluation of active employment policy measures implemented by the CES was completed. Conclusion of the evaluation is that some of the

measures can be seen as a form of conditional aid to the unemployed and as a form of their social inclusion;

- In early May 2011 the Employment Plan of minorities in the state administration for the period 2011 to 2014 was adopted. Its purpose is to assess the real possibility of increasing the number of national minority members employed in the state administration in the period from 2011 to 2014;
- Progress has been made regarding the inclusion of children with pre-school education and in 2011, 61% children were enrolled in kindergartens and 99% attended pre-school programs;
- The Social Housing has been postponed due to fiscal and financial difficulties incurred during 2010;
- Social Welfare Act from 2011 for the first time introduced the concept of homeless people, in order to open up new possibilities for improving social care for this vulnerable group;
- There is improvement in the situation of Roma in various fields;
- There is an increasing trend of Roma children participation at different levels of education, infrastructure in a significant number of Roma settlements was planned, as well as improved health care for Roma school children and greater participation of Roma in political life at the national and local level;
- In order to promote equality between women and men at the local level, establishment and strengthening of the capacity of county and municipal committees for gender equality was supported.

#### Conclusion regarding JIM and JAP report findings

It is of importance of the Croatian government to efficiently coordinate, plan, monitor and evaluate the measures taken. The next period needs to be used to prepare Croatia to set clear targets within the Europe 2020 strategy, committing to a significant reduction of poverty and social exclusion, increasing employment and further improving educational outcome.

It is essential to focus continuously and actively on the following challenges: regional disparities, inclusion of disadvantaged groups in the labour market (special attention should be given to the national minorities with the emphasis on Roma and Serb national minorities), decrease of unemployment among all groups, gender equality, deinstitutionalisation of social services, skills mismatch, result oriented ALMP, investment in human capital, a social pension and ensuring non-discrimination of minorities and people with disabilities.

#### **Conclusions of the Council of the European Union on a strategic framework for European cooperation in education and training (the “ET 2020”)**

This updated strategic framework builds on the progress made under the “Education and Training 2010“ work programme and will provide continuing benefits Member States' education and training systems up to the year 2020. It emphasises that efficient investment in human capital through education and training systems is an essential component of Europe's strategy to deliver the high levels of sustainable, knowledge-based growth and jobs that lie at the heart of the Lisbon strategy, at the same time as

promoting personal fulfilment, social cohesion and active citizenship. The following four strategic objectives are defined:

- Making lifelong learning and mobility a reality;
- Improving the quality and efficiency of education and training;
- Promoting equity, social cohesion and active citizenship;
- Enhancing creativity and innovation, including entrepreneurship, at all levels of education and training.

### **The EC Communication: Improving competences for the 21st Century Agenda for European Cooperation on Schools**

The document, *inter alia*, emphasise the following elements:

- Schools need to be able to adapt continuously to their changing environment, and to the changing needs of pupils, staff and parents, their key partners;
- Curricular reform to improve competences needs a holistic approach, organising learning within and across subjects, teaching competences explicitly, new teacher training and didactic approaches, and, vitally, involving teachers, learners and other actors fully.

Teacher quality is the most important within-school factor affecting student performance and, as such, it is vital to the achievement of Lisbon goals – however, time spent on in-service training is minimal and many Member States offer no systematic support for new teachers and, thus, the teachers should have sufficient incentives throughout their careers to review their learning needs and to acquire new knowledge, skills and competences.

## **2.6 Process of elaborating the Operational Programme**

### **2.6.1 Co-ordination and consultation**

Regarding the presentation of activities related to the OPHRD, the MLPS, Service for Coordination and Programming have organised four rounds of Regional Partner Consultations (RPC) so far. Consultations started in September 2009 and continued in April and May 2010. The third round was held in February 2011 and the fourth round was held in Zagreb in November 2011. All relevant stakeholders from state administration, local and regional administration, educational institutions, social welfare centres, trade unions and entrepreneurs were invited. Beside the representatives of the MLPS, the representatives of the MSPY and MSES, as the relevant line ministries, also attended the RPC.

During the consultation the following themes were presented:

- IPA in general and Operational programme Human Resource Development;
- Grant scheme which were expected to be launch soon;
- Opportunities in European Social Fund;
- Presentation on social entrepreneurship;
- Progress (EC community programme).

During the fourth round of Regional Partner Consultation, where representatives of institutions involved in managing and implementation of OPHRD visited lots of cities across the Republic of Croatia and there was significant interest among potential applicants for grant awards in all parts of Croatia.

In January 2012 the official page of the OPHRD Operating Structure was put in place and since then has been providing current updates on the developments in the management and implementation of the OP ([www.ljudskipotencijali.hr](http://www.ljudskipotencijali.hr)).

### **2.6.2 Ex ante evaluation**

Ex-ante evaluation of the OPHRD was conducted between March and June 2012, in line with the Council Regulation 1083/2006. Draft report was presented to the main stakeholders in June and the final report was delivered in August 2012.

The evaluation was undertaken in the framework of the IPA 2008 project “Ex-ante evaluation of programming documents and strengthening evaluation capacity for EU funds post-accession”. The main reference document of the evaluation was the draft OPHRD last edited in March 2012.

The ex-ante evaluation report was built on the following methodology:

- Desk-based review of background literature, Programme texts, other documentation, including policy documents (Appendix C outlines the main documents reviewed);
- Data analysis of Programme performance indicators, along with wider labour market and socioeconomic data;
- Strategic consultations with each of the key stakeholders. Consultations were undertaken with officials from the Ministry of Finance, Ministry of Regional Development and EU Funds, Ministry of Labour and Pension System, Ministry of Social Policy and Youth, Ministry of Science, Education and Sports, Governmental Office for Cooperation with NGOs, Croatian Employment Service, Agency for Vocational Education and Training and Adult Education and National Foundation for Civil Society Development through a mix of individual and group meetings. (Appendix B identifies the participants in these consultations).

#### **The main conclusions of the Ex-ante Evaluation are presented below:**

*Conclusion 1.* The OPHRD is a unique OP document in terms of repeated programming and dual implementation. As a result of the postponed accession to the EU, the pragmatic decision to continue supporting HRD priorities set by IPA 2007 – 2013/2 led to elaboration of a unique OP document covering the whole 2007 – 2013 period, including both IPA and ESF budget lines. Thus the implementation of the OPHRD will constitute a significant challenge for Croatia, applying at the same time different procedures for similar projects within a single programming framework.

*Conclusion 2.* The March 2012 draft of the OPHRD may be qualified as a document that meets the EU standards:

- It contains an extensive analysis of the Croatian labour market, its educational system, the position of vulnerable groups and the civil society.
- The strategy is translated into a proposed set of Priority Axes and key areas of intervention which will tackle the weaknesses of the Croatian human resources development identified in the analytical part of the document.

- The strategy and interventions are coherent with EU and national policies, including complementarity with the other Operational Programmes.
- There is a set of quantified indicators attached to each of the Priority Axes.
- The OPHRD also contains the main outlines of the implementation. However, improvements of the intervention logic and the system of indicators are still required.

*Conclusion 3.* The OPHRD exhibits a strong European added value. In the Evaluator's opinion, the OPHRD is generating added value due to:

- helping to address long-standing, structural problems and gaps of Croatia in the field of employment, education, social inclusion and civil society.
- providing access to both IPA and ESF programming and procurement procedures, which by itself is a major step towards successful utilisation of 2014-2020 assistance.

*Conclusion 4.* The strategic approach adopted by the OPHRD is an improvement compared to previous EU-funded interventions.

The OPHRD is a more comprehensive intervention that combines institution and capacity building with policy change in human capital investment leading to more sustained outcomes.

*Conclusion 5.* New challenges facing human capital in Croatia. The continued high levels of unemployment and inactivity, especially affecting the women, the switch to continuing and adult education, as well as the advent of the Civil Society are the main current trends in the labour market and socio-economic environment, requiring a modified policy response to which the OPHRD should contribute.

*Conclusion 6.* Mitigate risk factors in transition from IPA to ESF. Staff shortages in combination with work overload, unjustified remuneration differences between civil and public servants and delays in preparation of ESF procedures and bylaws constitute risk factors that must be handled to enable smooth implementation in the immediate future.

On the basis of the above conclusions, the Evaluation Team proposes the recommendations as listed below. Based on the evaluators' findings and recommendations, the Operating Structure undertook a revision of the OPHRD and introduced a number of improvements to both its content and format.

**Changes as well as additional comments are summarized below.**

*1. In order to avoid confusion among public beneficiaries it is recommended to add a short explanatory section describing the development of OPHRD in the light of the postponed EU accession and clarifying differences in terminology, objectives, indicators and procedures between IPA and ESF.*

It was decided among the members of the OPHRD Operating Structure not to incorporate short explanatory section describing the development of the OPHRD under the specific terms of the period postponing EU accession, since the basic function of the OPHRD and its content is in the first place designed for the Operating Structure and its implementing instruments and methodology and not for the beneficiary institution.

*2. Further development of methodology and establishment of the system for regular measurement of the mismatch between the education system and the labour market needs is necessary. It is an important*

*supporting tool for employment and education policies at national level as well as for future monitoring and programming of EU assistance. On the other hand, respective sections of the OP document need revision and update focused on recent developments in education sector as well as results achieved by IPA service contracts.*

The OPHRD Operating Structure explains that the outputs of previous IPA service contracts addressed the issue to some extent and certain tools have been developed (i.e. “Methods for the analysis of the educational needs for economic development” have been one of the outputs of the project titled “Regional network of local learning institutions”. Furthermore, an analysis of trends in local labour market needs was produced (<http://www.aso.hr/euprojekti/mreza/default.aspx?id=1099>). Moreover, within IPA 2007-2009 project Strengthening institutional framework for the development of the VET occupational standards/qualifications & curricula comprehensive manuals were developed - Methodology for development of occupational standards, qualifications as well as VET curricula, Qualification Planning and Manual for Development of occupational standards, qualifications and VET curricula.

*3. Corrective actions should be taken regarding the intervention logic of the proposed Priority Axis 5 ‘Strengthening the role of civil society for better governance’, in order to explain its contribution to the fulfilment of the Programme’s framework objective.*

In order to explain contribution to Programmes objective of the proposed PA 5 additional text was added in section 1.1.3 National policy context.

*4. The system of measurable indicators requires further improvement:*

*a. Typology of all indicators needs to be specified (output, result, and impact).*

*b. Additional indicators monitoring achievements from a longer perspective (i.e. result and impact indicators) should be specified.*

*c. The assignment of each indicator to one specific objective should be consistently applied in Priority Axes 3, 4 and 5.*

*d. The formulation of specific objectives in the indicator table within the Priority Axis 4 should be unified with the formulation in the text.*

*e. Description of unclear indicators needs to be introduced. Relevant definition, assumptions, explanation and/or guidance on collecting data is required, in order to raise and standardise the understanding of indicators among users and increase the accuracy of monitoring.*

*f. In order to ensure correct monitoring data, measures should be taken to avoid multiple counting of persons participating in more than one project/activity.*

OPHRD Operating Structure amended the aforementioned indicators system and typology of all indicators accordingly. Additional indicators have been specified and indicators formulations have been unified. Parts of the indicators that were unclear in several areas have been revised accordingly. Each of the Priority Axes’ (3, 4 and 5) indicators has its own specific objective. Moreover, in accordance with the Law on the protection of personal data, the collection on personal information will be established.

*5. Missing bylaws and internal procedures for ESF have to be elaborated and adopted. At the same time use this opportunity to improve existing procedures which are too complicated in particular in Grant Schemes.*

In accordance with new legislative acts<sup>43</sup> Ministry of Regional Development and EU funds as a Coordinating Body has the responsibility for establishing the System and for coordinating activities related to compliance assessment. Working groups have been established as well as an Action plan for drafting procedures and manual for procedures for ESF devised.

*a. Reporting on quarterly basis and requiring extensive supporting documentation constitute the main administrative load for both Contracting Authorities and Beneficiaries. However, despite frequent and work-intensive reporting, the information collected on qualitative achievements of the projects is insufficient. Simplification of reporting procedures and enriching the limited qualitative data on project progress remain a challenge.*

OPHRD Operating Structure informs that the mentioned reporting created substantial administrative burden on the IB staff and therefore the OS decided to incorporate this item in the MoP 5.0., which is under construction. The aim will be to simplify the reporting procedure but also to focus its regular reporting only in the part that clearly shows significant deviations.

*b. Project management costs should become eligible expenditure under ESF. Equally important, control mechanisms should be established to avoid overlapping in wage reimbursement of persons working on more than one project.*

The OS HRD recognizes that the IBs do not have a standard control mechanism automatically securing avoidance in overlapping in wage reimbursement for the staff working, since it is now done by standard budget controls.

*c. Sophisticated control mechanisms should be established to avoid multiple reporting and overlapping in reimbursement of costs for persons participating in more than one project/activity. For the start, Final Recipient Identification Forms collected under IPA projects are waiting to be processed into an electronic database format and verified.*

The OS HRD informs that the Management information system (MIS) is ready and in use from the first half of 2013.

*d. In order to increase Programme efficiency, a list of maximum eligible unit prices for the most frequent budget items should be developed (e.g. hourly fees of project managers, hourly rates for different trainings, rates for renting training rooms, prices for IT equipment etc.). Obviously, the unit prices should reflect current market prices and enable procurement of high quality services and supplies.*

The OS HRD recognizes the problem and will address the issue on the monthly working meetings of the OS HRD.

*e. Procedures for Direct Award operation need to be established as this type of operation has not yet been implemented through IPA in Croatia, outside the Operating Structure.*

Procedures for Direct Award are described in the OPHRD (5.) Implementing provisions

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<sup>43</sup> Law on the Institutional Framework for the use of EU structural instruments in the Republic of Croatia (Official Journal 78/2012, dated 13 July 2012) and Decree on the bodies in the management and control system for use of European Union structural instruments in the Republic of Croatia (OJ 97/2012)



*6. Accelerate preparation of tenders and calls to be financed under the 2013 ESF allocation. If published in the Official Journal of the European Union before the date of accession, they will be implemented under PRAG which will reduce the risk of delays and de-commitments.*

The OS HRD recognizes the problem and will see to that an optimal solution is found.

*7. Financial motivation of the public servants within the Operating Structure needs to be provided by a quick adoption of the new Law on Public Services regulating their remuneration in a similar way as it is regulated for civil servants.*

MLPS as MA has submitted the proposal to the Ministry of Administration for the unification of Regulation of the job titles and coefficients of civil and public servants in order to ensure equal valuation of all employees who actively participate in the implementation of OPHRD.

*8. Further capacity building in terms of staffing and skills enhancement is of utmost importance.*

*Moreover, as a part of preparation for ESF, a realistic training plan should be developed and brought into effect across Operating Structure.*

The OS HRD informs that the training plan for year 2013 is in development phase.

*9. Final revision of the Programme document focused on typing mistakes is needed.*

The OS HRD improved the quality of the document.

## **2.7 Horizontal issues**

### **2.7.1 Gender equality and prevention of discrimination**

The OP takes into consideration the guiding EU policy principles (which are embodied in the Croatian development framework), namely, equality, accessibility for disabled persons, non-discrimination, and development programming on the basis of sustainability and environmental protection. These horizontal themes are taken into consideration throughout this OP. They are also addressed by related national policies. An additional area of support, because of the specific nature of the sector, may be civil society and good governance. As regards the need to enhance and accelerate the introduction of an information society, this area is tackled in a horizontal manner through specific provisions in the OPHRD, where appropriate.

On the above basis, the following cross-cutting themes are appropriately addressed within the OPHRD and related Croatian policies.

The principles of equality and non-discrimination are ensured within the OPHRD during both programming and implementation. They will also be taken into consideration during evaluations (ex-ante, on-going, etc.). In order to promote equality and combat discrimination, the programmes will be monitored to determine whether they are accessible to their end beneficiaries, regardless of the beneficiaries' gender, disability and/or age, racial and/or ethnic origin (including the Roma population) or religious status.

As regards government-related policy, at the proposal of the Government of the Republic of Croatia, the Croatian Parliament adopted the National Policy for the Promotion of Gender Equality 2011-2015 in

July 2011. In addition, the Gender Equality Act (OG 82/2008) was adopted in July 2008. Both the Policy and the Act are fully aligned with the related provisions of the *Acquis communautaire*. Consequently, gender equality is expected to be achieved by enhancing women's position in the labour market and society, achieving a reduction in female unemployment, promoting women's entrepreneurship, improving the enforcement of relevant labour laws, and strengthening measures that support the reconciliation of professional and family life. Furthermore, in accordance with the above provisions, all related national regulations are harmonised within the context of the work of the Ombudsperson.

Furthermore, with a view to protecting and promoting human rights, the Anti-Discrimination Act adopted in July 2008 and the National Anti-Discrimination Plan adopted in September 2008 are fully aligned with related European Council Directives. The Act prohibits discrimination in the labour market, in employment, and in access to goods and services and introduces new institutions to protect potential victims of discrimination. Strategic framework in the field of antidiscrimination consists of National Roma Inclusion Strategy 2013-2020, Action Plan for National Roma Inclusion Strategy 2013-2015, National Programme for the Protection and Promotion of Human Rights 2013-2016, etc.

OPHRD is designed in accordance with the provisions of Article 16 of Structural Funds Regulation 1083/2006, which states that appropriate steps shall be taken to prevent any discrimination based on the above-mentioned socio-economic characteristics. In relation to gender equality in particular, a gender mainstreaming approach will be combined with specific action, which complement measures defined in the National Policy for Gender Equality, to increase the sustainable participation and progress of women in employment.

To ensure that these principles are taken into account at all levels of implementation, the participation of the representatives of the Government Office for Gender Equality and the Government Office for Human Rights and National Minority Rights is ensured in the work of the Monitoring Committee for this OP, in order to monitor implementation of the principle of gender equality and anti-discrimination.

## **2.7.2 Sustainable development and environmental protection**

The general concept of sustainable development is also incorporated in the OP; a description should be included of how the concept is to be integrated in the relevant measures that will be tendered. To this end, it should be consistent with the EU strategy on sustainable development and should outline the intended steps to achieve continuous improvement in the quality of the environment, including the creation of sustainable communities with the capacity to manage and use resources efficiently, linking ecological and social innovation with the economy.

As regards environmental measures, there are no specific provisions within the OP, although they have been included in the Croatian Environmental Protection Act since 1999. However, to ensure that sustainability and environmental protection are taken into account throughout programme management and implementation, the following main procedures and requirements will be adopted:

- The requirement for promoting environmental protection and sustainable development will be ensured in OP information and publicity campaigns;
- Applicants for assistance will be expected to demonstrate/certify that their project is environmentally neutral and/or to present how the project will make a positive contribution to sustainable development;
- Commentary will be prepared on operations linked to environmental protection and sustainable development in the annual implementation reports of the OP;

- The impact of the OP on environmental protection and sustainable development will be considered as part of its evaluation.

### **2.7.3 Partnership with civil society**

The OPHRD has been prepared and will be implemented, monitored and evaluated through the widest possible partnership at the national, regional and local levels of appropriate public authorities, and with economic, social and environmental partners and with representatives of civil society, organisations and bodies responsible for promoting equality in the labour market and society. The European Economic and Social Committee (EESC) defines ‘civil society organisations’ as “all organisational structures whose members have objectives and responsibilities that are of general interest and who also act as mediators between the public authorities and citizens”.

Civil society organisations are considered primarily as organisations of social partners, associations, foundations and private institutions, but also academic and educational institutions and media. The main goal of supporting civil society organisations is to bring them into the decision-making process by enhancing their abilities in the fields of democracy and human rights, environmental protection, sustainable development and social support and health care. Furthermore, the participation of the representatives of civil society organisations in the work of the OPHRD Sectoral Monitoring Committee represents an important contribution to the follow-up of the implementation of the OPHRD.

### **2.7.4 Good governance**

Good governance is directly addressed by the requirement for anti-corruption interventions to be incorporated on a horizontal basis according to the provisions made in the European Commission’s Decision 2566/2007 on the Multi-Annual Indicative Planning Document 2007-2009 for Croatia. Under the OPHRD, the focus is to be on the legitimacy, transparency, effectiveness, plurality and accountability of public administration, with particular attention to the fight against corruption.

### **2.7.5 Indicators (Annex XXIII)**

Breakdown of data on participants in ESF operations in line with Annex XXIII will be ensured through already developed methodology that has been used so far for the collection of sub-indicators for the operations within the Operational Programme Human Resources Development for the programming period 2007 – 2013.

Sub-indicators of the OPHRD refer to certain characteristics of participants (final beneficiaries) and include breakdown by categories such as: gender, specific vulnerable groups (national minorities including Roma, disabled, other disadvantaged people), long-term unemployed, unemployed, young people without any work experience, education, unemployed persons over the age of 50, women in the prime-age group (25-49), older women etc.

## **2.8 Complementarities with other forms of assistance**

### **2.8.1 Previous and planned EU assistance**

Overall, EU assistance to Croatia has evolved from post-war re-construction and humanitarian aid (in the late 1990s) through stabilisation and association support (CARDS programme) to the use of three pre accession programmes (Phare, ISPA and SAPARD) for 2005 and 2006 and IPA for the period 2007-2013. However, it remains the case that much EU assistance to Croatia has been devoted to alleviate the after effects of the war and mostly done through projects aiming at institutional reform and capacity

building following particular issues concerning human resource development or through bilateral donorship. Only in recent years can we follow systematic and holistic approach based on the government strategic documents and involvement and guidance of the profession.

Nevertheless, Croatia has gained **substantial experience** in the last years in programming and implementing a significant number of EU assistance projects through the various CARDS and Phare programme initiatives and the Instrument for Pre-accession Assistance (IPA). The provisions made in the OPHRD 2007-2013 take into account Croatia's experience of previous EU assistance in human resource sector and in some cases; the present interventions complement the previous ones and/or have become their continuation.

The experience gained through the programming of IPA interventions in human resources development and the social sector effectively contributes to the development, implementation, monitoring and evaluation of policies on employment, education, vocational education, vocational training and social inclusion, in line with the respective EU policies.

Previous interventions, through numerous trainings and workshops, have contributed to the abilities of the administrative staff and of potential grant applicants at the regional and local level to prepare quality project applications and thus receive higher allocations.

It is important to stipulate that the previous experiences regarding preparation projects in the sector of **employment** showed strong necessity of strengthening and modernising the Croatian Employment Service (CES) in order to develop its capacity to respond to the challenges of rapid socio-economic restructuring and challenges of the new labour market policies that are following this process. Supporting the development of reforms in **education** with the purpose of developing a knowledge-based society in accordance with the EU Lisbon Strategy provisions was also an experience based key strategic priority of the projects that have been implemented or that are currently under implementation.

In regards to measures under the component of **social inclusion** that is an integral part of promoting a more sustainable and inclusive approach to labour market integration to ensure greater access for disadvantaged persons or persons at risk of social exclusion, is the result of the interventions done in previous years, that clearly showed that further means and development initiatives in this sector are needed.

Also, as stated several times in the OP, experience showed, further assistance is needed through technical assistance (TA) for the officials of the Operating Structure and future beneficiaries so they can consequently use the allocated ESF assistance envisaged for Croatia through their qualitative project ideas in a most effective manner.

Croatia has been following European and global trends and latest initiatives in the area of human resources development since it is recognized as an important socio-economic element of future development thus becoming area of policy concern for every Croatian government in power.

The programming of assistance from IPA takes account of the experience of previous EU assistance in the fields of human resources development and social inclusion. Attention is also focused on the need to co-ordinate IPA assistance with interventions financed by international financing institutions and international donors.

As an integral part of the review of all previous and planned EU assistance, all measures and their constituent operations under this Operational Programme will be assessed as feasible to ensure no duplication with such assistance.

As an integral part of the review of all previous and planned EU assistance, all measures and their constituent operations under this Operational Programme have been assessed and there is no duplication with other types of assistance.

EU assistance in this area has so far targeted three sets of issues: policy development, institutional reform and capacity building and preparation for delivery of ESF through experience with grant

In conclusion, the following should be mentioned **as the main lessons learnt and the points to be drawn from current experience:**

- There is still a need to strengthen organisational capacities, including staffing and providing continuous professional and methodological support for the management of EU funds.
- There is a great need to formulate strategic priorities and/or to consolidate a broad consensus about present priorities among all the relevant organisations and sub-sectors concerned.
- In accordance with the above, effective programming on the basis of a broad social partnership has proved indispensable.
- The mobilisation/activation of stakeholders implies the need to further communicate the available possibilities within the IPA OP and the ESF OP widely, through raising awareness, disseminating information, and publicity aimed at the potential beneficiaries.
- Measures need to be taken to increase the effectiveness of interventions through monitoring and evaluation provisions.
- There is a need to effectively coordinate the interventions foreseen under a few other OPs and strategic documents (e.g., the OP for Regional Competitiveness, the Public Administration Reform Strategy and IPARD Programme 2007–2013 for Agriculture and the Rural Development Plan - the purpose is not merely to avoid overlap between these documents' provisions but rather to gain as much added value as possible from them).
- There is a need for effective coordination of the interventions made under various Priority Axes and/or operations.
- As a result of the legislation and the reforms, the recent investments (in particular in the social welfare sector, including in occupational health and safety) have contributed to increasing the capacity and efficiency of the social welfare system and to a realistic assessment of the fields in which further effort should be made.
- It is equally clear that it is important to build on previous projects and to link the goals of past and future projects. In this regard, a standard requirement for the coming programming period is the effective and complementary linking of provisions already made within the CARDS, PHARE and IPA with the ESF.

### ***3 Strategic priorities***

#### **3.1 Contribution of the OP to the objectives of the NSRF**

The following chapters describe the contribution of operational programme to the achievement of strategic objectives of the NSRF and strategic priorities of the OP, which are designed to provide a clear focus on what can be achieved over the duration of the programme.

The overall objective of the NSRF is **to support convergence of Croatia with other EU countries by accelerating economic growth and fostering employment.**

In support to the achievement of this overall objective, **three strategic objectives** have been identified:

- Competitive economy based on market integration, institutional reforms and sustainable development,
- Improving environment for job creation and employability,
- Balanced regional development and improvement of living conditions.

The overall objective of the NSRF, together with its strategic objectives, defines the strategic focus of the investments planned in a broader development context, while **four thematic priorities** of the NSRF channel them in a more specific direction. Thematic priorities of the NSRF are:

- Development of modern transportation networks and increased accessibility of the regions,
- Improvement of environmental infrastructure and quality of related services,
- Higher competitiveness of SMEs and support to knowledge-based economy,
- Improvement of labour market efficiency, development of human capital and reinforcing social inclusion.

Fourth thematic priority of the NSRF, ***improvement of labour market efficiency, development of human capital and reinforcing social inclusion***, is the overall objective of OP Human Resources Development and will be addressed directly through the implementation of this OP. The OP implementation will also contribute directly to the achievement of NSRF strategic objectives, more specifically, by supporting policy reforms aiming to improve human capital and to create stronger link between educational and training results and market needs, by seeking to enhance the creation of local job opportunities and the delivery of local support services to job seeker, and by implementing measures increasing the levels of social responsibility.”

In “re-launching” the Lisbon strategy, the European Council endorsed a single set of Guidelines which brought together the Broad Economic Policy Guidelines as well as the Guidelines of the European Employment Strategy thereby integrating the macro, micro and employment policies for growth and jobs.

In the sphere of employment and human resources in particular, the priorities set out under the Community Strategic Guidelines on cohesion (CSGs) have as their source those of the European Employment Strategy (EES).

As highlighted in the CSGs, the drive for full employment and higher productivity depends on a wide variety of actions. Indeed, as an illustration, investment in infrastructure, combined with business development and research, will normally improve job opportunities both in the short run (as a result of 'first-round' effects) and in the longer run as a result of their positive effect on competitiveness.

However, in order to maximise the employment effects from such investment, human capital must be further developed and enhanced. To this end, the Employment Guidelines highlight 3 priorities in particular in the context of promoting '*more and better jobs*':

- Attract and retain more people in employment and modernise social protection systems
- Improve adaptability of workers and enterprises as well as flexibility of labour markets, and
- Increase investment in human capital through better education and skills.

In line with these priorities, appropriate focus will also be given to investments, which improve the efficiency and effectiveness of public administration.

Deriving its 'guidance' from the EES priorities outlined above, the **Strategic Coherence Framework** sets out the 'strategic direction' for this operational programme as described in section 1.2.2 above.

In practical terms, this approach will form the cornerstone of Croatia's human capital development over the shorter-term duration of the OP as well as representing a 'platform' for the longer term perspectives identified under future ESF assistance.

While recognising that the setting of OP priorities at strategic level will involve policy inter-action across the employment, education and training and social inclusion fields, the strategic priorities identified in this Section are designed to provide a clear focus on what can be achieved over the duration of the programme and which can be further developed under the ESF.

In relation to administrative capacity, the strategic priority will likewise focus on what is attainable under the programme that can be strengthened under ESF.

### **3.1.1 Employment**

The key objective is building efficient and effective labour market which responds to the present needs of the economy and at the same time predicts future needs. For this purpose it is essential to develop and build institutional framework capable to respond to the challenges of rapid socio-economic restructuring and demographic ageing.

In this context, the CES as a public institution most responsible for labour market must strengthen its support service and delivery to job seekers as well as to the unemployed and disadvantaged. CES is implementing active labour market measures and is continuously developing new approaches and tailor made measures which respond to the needs of specific target groups.

At the same time, such an approach should facilitate the development of more effective anticipatory mechanisms in addressing skills shortages while alleviating bottlenecks across the sectors and/or occupations concerned. CES is annually conducting employers' survey which shows labour market characteristics and can to some extent predict future trends. Implementation of active labour market policies will remain a key strategic priority. The basic principle lies in developing and implementing the full range of labour market policies for this purpose. Special attention is being given to preventing future long-term unemployment, facilitating the reintegration into employment of those whose skills need adjustment to actual local market conditions.

Therefore, partnership approach is strongly supported as positive results from the *Local partnerships for employment* have shown that local communities best understand needs of the local labour market and partnership of stakeholders can meet the conditions of successful design of the active labour market measures.

While employment subsidies will continue to play a role in the promotion of active labour market policies on national level, the underlying strategic policy direction under the programme will gradually shift the focus towards those measures which provide training for enhancement of skills and knowledge which ultimately leads to better employability of the unemployed. Training will be provided for the long-term unemployed and those threatened by the unemployment/redundant workers i.e. those who are facing loss of employment as their knowledge and skills are inadequate for the introduction of new technology and business processes. These persons need training to enhance their knowledge and skills in order to raise their employability and facilitate their access to labour market. Furthermore, regarding high rates of *youth unemployment*, particular emphasis will be given on acquiring working experience. Due to the fact that many employers prefer to hire workers with experience and demonstrated ability

young persons need special attention and help for entering the labour market. In this respect under the actual ALMP measures, incentives for the employment of young people without work experience in the private sector through offering discounts in annual gross salary cost. Further on, Council for work, active ageing and employment and Council for proposing measures supporting youth employment, play an important role in further development of measures and activities related to the implementation of employment policies. Also, Croatian Youth Network - alliance of 61 non-governmental youth organizations participates in the work of the Council. This partnership-based approach is in line with Council Recommendation on Establishing a Youth Guarantee Scheme.

Entrepreneurship is interconnected to the labour market status. In cases of high unemployment, certain number of people is motivated to become self-employed as entrepreneurs or craftsmen. However, a supporting mechanisms are important in the early stages of business launch especially micro-crediting and improvement of knowledge and skills but also business counselling for the newly founder entrepreneurships. It is also important that existing small and medium sized entrepreneurships (SMEs) adapt to the competitive environment of the single European market, by investing in human resources. Further on, enhancing the global competitiveness of small and medium enterprises and crafts, increased investment in human capital is necessary. This requires well-trained, flexible and mobile personnel in all sectors and from all qualification levels. In order to adapt to rapidly changing work environments, personnel will be expected not only to build their professional knowledge but also skills and competencies. Establishing a viable and effective vocational education and training system joined with appropriate lifelong learning programmes is essential for Croatia to maintain workforce whose skills can contribute to further development and progress of economy.

CES is a crucial stakeholder on the labour market, and therefore needs to be further strengthened in order to provide quality service to its clients.

Because of the high unemployment rate in Croatia and large number of CES clients, CES staff is heavily overloaded. Therefore, along the new measures and policies new business processes need to be introduced. One of the mechanisms to alleviate the burden on CES counsellors is establishing the contact centre which will provide assistance in more efficient and timely manner.

### **3.1.2 Social inclusion**

The Operational Programme for Human Resources Development intends to safeguard and promote the social, as well as professional integration of all people who are facing, or might in the future face, social exclusion, in accordance with EU Guideline 19: “Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job seekers, including disadvantaged people, and the inactive”. In addition, according to the Europe 2020 Strategy, a major effect will be needed to combat poverty and social exclusion and to define and implement measures addressing the specific circumstances of groups at particular risk (such as one-parent families, elderly woman, minorities, Roma, persons with disabilities).

Due to demographic changes and the changes in the structure of families as constant growth of older population, weakening of the traditional families, increase in the number of single parent families and other vulnerable kind of families, the role of social services is becoming increasingly important also from the aspect of reconciliation of work and family life.



Therefore, there is a need for the development of a network of alternative forms of services which will be available to beneficiaries in their homes or local communities to improve overall employment opportunities. The concept is in line with Renewed Social Agenda (EC SSGI Biennial Report 2008) where delivering this type of social services is relevant not only as source of employment but also to facilitate labour market participation for those with care responsibilities. Furthermore, it is necessary to increase the accessibility of social services to enable disadvantaged people to participate fully in employment and social life; social services are considered part of the services of general interest supporting employment measures.

Key strategic priorities will be to support social inclusion of disadvantaged groups through facilitation of their access at the labour market and through the development of community based social services. **The Sustainable Development Strategy of the Republic of Croatia**<sup>44</sup> also stresses that stability and progress can be achieved only through balanced policies aimed at developing, among other things, an effective social care system, a system of special measures aimed at socially vulnerable groups and balanced regional development. Social inclusion and the fight against poverty should be of high priorities. It is important to increase the educational level of the population and take active measures to increase the employability of persons with low skills and knowledge.

Further, policy measures in the labour market should also address vulnerable groups (the long-term unemployed, elderly persons, youth, persons with disabilities, minorities, former addicts) in order to increase their employability. It is necessary to improve employment possibilities for persons with disabilities and to develop measures aimed at integrating the Roma in the labour market through their inclusion in educational, training and retraining programmes. More effective programmes for vulnerable groups should be implemented and existing ones should be expanded.

### **3.1.3 Education, training and skills development**

The Croatian education system is currently undergoing many changes on all levels, as already seen at previous chapters. The main objective of the reforms is **to improve the quality of the system and harmonise it with the European standards**. Reforms of the (formal) education system started some years ago at the level of higher education, but basically got off the ground across all levels of the (formal) education system from 2005 onwards. The general aims and principles of Croatia's national educational system were laid down in the Education Sector Development Plan (ESDP) 2005-2010, and continued by Strategic Plan of the Ministry of Science, Education and Sports 2013 – 2015 which emphasizes the aims for maintaining long-term quality in education system by developing network of educational institutions and qualifications/curricula in line with labour market needs as well as development of science by increasing connection of scientific potential in public institutions and universities with economic and social development.

Furthermore, Guidelines for the new Strategy of Education and Training, Science and Technology encompass interventions necessary on all levels of education, from preschool to higher education, as well as lifelong learning, research and innovations.

During 2013, the Strategy for Education, Science and Technology is to be adopted. The Strategy will, among other things, create conditions for research and innovation aiming at excellence, scientific and industrial leadership as well as societal challenges which should contribute to job creation, prosperity, improved quality of life and general wellbeing of Croatian society.

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<sup>44</sup> The Sustainable Development Strategy of the Republic of Croatia is available at [http://narodne-novine.nn.hr/clanci/sluzbeni/2009\\_03\\_30\\_658.html](http://narodne-novine.nn.hr/clanci/sluzbeni/2009_03_30_658.html)

Implementation of reforms has always been hampered by limited resources for investments and innovation; however, the opportunities are opening due to the availability of EU funds as well as loans taken from the World Bank. At the tertiary level of education in particular, the existing system of budgetary financing has been an obstacle to funding reform measures.

The majority of national reforms and accomplishments in the field of education are at a fragile stage and it will take quite some time to ensure a complete consolidation of the reform measures in each segment of the education system. Hence, more comprehensive efforts and complementary measures are needed at all levels of education, with proactive involvement of all the stakeholders at the national, regional and local level respectively, i.e., developmental initiatives and innovations that combine both top-down and bottom-up initiatives. It is important to enhance stakeholders' involvement and social dialogue on the implementation of lifelong learning. Partnerships at regional and local levels between public services, education and training providers and employers, can effectively identify training needs, improve the relevance of education and training, and facilitate individuals' access to further education and training. Social partners' dialogue is particularly important on effective cost sharing arrangements, on the provision of learning in the work-place, and on the promotion of cooperation between public sector organisations and business.

Quality education is an investment in the future and in this respect it is necessary to provide equitable access to high-quality, inclusive early childhood education and care (ECEC), in particular for children with a socioeconomically disadvantaged, migrant or Roma background, or with special educational needs, promote developmentally appropriate programmes and curricula, which foster the acquisition of both cognitive and non-cognitive skills, whilst recognising the importance of play, which is also crucial to learning in the early years as well as support an integrated approach to education and care, taking into account of children's needs in a holistic way. Therefore, continued efforts are needed to improve and maintain the quality of ECEC provision.

Minimum requirements are set in Pedagogical Standards for Pre-Primary and Primary Education and in addition to that the following elements for ensuring quality of ECEC provision should be addressed: health and safety standards, child/staff ratios, staff competences, curriculum standards, and requirements concerning the social environment, and child outcomes (cognitive, social, emotional and physical).

Educational provision, especially in VET and adult education should keep up with the labour market demands and latest achievements, standards and priorities in other sectors, especially the ones which are of primary importance for further development and prosperity of Croatian economy. Special effort should be put in planning of VET provision and development of VET qualifications and curricula on the basis of labour market research and analysis in form of Sector profiles. Also, overall quality of VET should be raised by implementation of QA system, including self-assessment and external evaluation. Additionally, efforts must be invested in updating teacher competences, through modernisation of pre and in service teacher training. This is one of the factors which will enable inclusive, relevant and attractive VET in Croatia.

Adult education must be further strengthened by raising its capacities, flexibility and orientation on priorities. It is seen as vital for bridging the competence gap of Croatian work force.

Through the further development of the Croatian Qualifications Framework (CROQF) quality assurance at all levels of education will be promoted. CROQF integrates the whole reform process within the educational system and is an important precondition for the regulation of the system of lifelong learning. Its further development will enable comparability, transparency, and transferability of acquired qualifications on both national and European level and will encourage the long life learning process.

CROQF has therefore a special significance for the implementation of the development strategy of the vocational education system and the Bologna Process.

Structural reforms in the field of education and training at all levels should generally aim at modernizing and reforming outcome-based curricula and the development of key and transversal competences. Development of such competences is a pre-requisite for the participation in lifelong learning and increasing the number of population with a tertiary degree. Along with the modernisation of curricula and study programmes, reforms should also aim at increasing of teaching standards, development of occupational standards and qualification standards and development of student tracing system, which would improve the link between the education offer and the labour market needs.

Moreover, as there is currently no system for the recognition of competences acquired through non-formal and informal learning, development of such a system will above all give the possibility for inclusion of persons with no formal qualifications in the formal system which will improve their possibilities for further education and their employability. This will have a direct influence on increasing the number of persons with qualifications, the number of employed and the number of adults participating in the lifelong learning.

Another priority is further encouragement of students with disabilities and those from different marginalized groups to enter and remain in the educational system. Improvement of their skills is strongly linked to perspective of their employability in the future, and thus may reduce the poverty risk which is a significant reason for their social exclusion. In order to achieve that goals the majority of existing curricula for children/students with special needs to be redesigned taking into account the principles established by the National Framework Curricula (orientation to the integration of the educational content comparing to the still used traditional, subject-based and insufficiently coherent and harmonised with learning needs and developmental potential of children/students with disabilities curricula).

In that respect it is important for schools to promote extra-curricular activities, provide social and education assistance, improve cooperation with other services and promote involvement of parents. For the purpose of avoiding drop-outs at the level of higher education, there exists particular need to support the development and functioning of services supporting students who are experiencing hardship and need temporary psychological support and counselling. Individual approach to preschool children/pupils/students with disabilities, development of new teaching methods and use of assistive technology should be encouraged. It is also important to improve the existing monitoring and evaluation system used for measuring the quality of inclusive education measures from pre-school to higher education.

In-service teacher training for work with students with disabilities is offered by the Faculty of Special Education and Rehabilitation in Zagreb. This is effective, but the majority of teachers do not have access to those types of trainings. All the teachers should be prepared to work with students with disabilities, taking into account the fact that the integration policy has been promoted in Croatia since 1980 (Education policies for students at risk and those with disabilities in South Eastern Europe 2006/2007, Organisation for Economic Co-operation and Development).

In this respect one of the sub-fields within the overall improvement of pre-service and in-service teacher training system should be training modules for increasing generic skills of teacher required for dealing with diversities in classrooms. The efforts should be also directed to strengthen collaboration of different actors at community level, and to facilitate inclusion of parents in educational process.

Since Croatia gained its independence in the early 1990s, the country has undergone profound economic, social, political and demographic changes that have in many cases had negative effect on the educational system, notably by withdrawal of state funding for pre-primary and secondary schooling. Commitments to international treaties and declarations<sup>45</sup> will have to be fully carried out to reverse this trend. Due to these reasons there is also need for introduction of diversity of micro-grants / scholarship schemes for different categories of users such as natural science students, disadvantaged students, students at isolated areas of Croatia. Such targeted support incentives will enable access to educational system for majority of children.

General priorities of science and technology development in Croatia as defined by the Science & Technology Policy are the overall increase of investment into science, research and development based on excellence, together with the increase in their individual efficiency, re-organization of the science system, fostering of research partnerships and strengthening the support system for junior and young researchers, creating better links and the establishment of a supportive framework for cooperation between science and business sector, measures aimed at technology and innovation development, as well as encouraging involvement of Croatian scientists in EU framework programs. To make Croatian economy more responsive to the demands of knowledge-based society, interventions in the field of research and innovation will also support cooperation between higher education institutions, research and technological centres and enterprises, and by doing so foster innovation and technology transfer.

All those measures planned for the education sector are in line with national strategic documents on education and VET Strategic Plan of the Ministry of Science, Education and Sports 2013 – 2015 “Development Strategy of the VET System in Croatia 2008-2013”, “Act on Quality Assurance in Science and Higher Education” from April 2009), “Science and Technology Policy 2006-2010” and the “Action Plan to Encourage Investment into Science and Research”, The CROQF Act (OG, 22/2013).

### **3.1.4 Social Dialogue and Civil Society Organisations**

Most social partners in the Republic of Croatia are concerned with recent developments at the EU policy & national policy level that might reduce present impact of social dialogue in policy design and decision making process. According to the social partners, quality social dialogue must lead to the wider inclusion of social partners in the policy-making which will impact positively in added-value for social partners. The social partners expect to be consulted not only on social policies, employment and labour related issues, but also on macroeconomic policies, legislation and strategies, which directly affect their long-term areas of responsibility.

In regard to implementation of the social dialogue agreements, results and outcomes, certain framework has to be in place and the most effective is a mutual agreement of the social partners’ representatives on the national level when they are able to reach common positions and these are taken into account by the government.

However, the actual criteria for social partners representativeness is still not defined which impedes the functioning social dialogue on all levels, reducing their ability to significantly influence the policy design. One of the obstacles is their fragmentation and structural organizational differences but some of it is due to the lack of reliable and accessible statistical data on the social partners’ organizations and associations.

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<sup>45</sup> The first was the 1948 Universal Declaration of Human Rights, which acknowledged the right of all to education and stated that elementary education would be free and compulsory and higher levels of education accessible to all on the basis of merit.

With regard to achievements of European social dialogue, social partners have stressed many positive results that have brought upon positive developments to the issues of labour in the EU, and recognized that this will aid the strengthening of the national social dialogue itself. But social partners in Croatia are also aware that current economic difficulties might negatively impact on their actual pull in economic, social and labour policy making, as well as to cause the lack of trust and cooperation thus hindering their possibility to fully implement the EU level of social dialogue. It has been pointed out repeatedly by all social partners that participating in European social dialogue cannot substitute for a quality social dialogue in Croatia.

Social dialogue is both a top-down process as well as a bottom-up. It was observed there is a need to monitor and analyse direction of social dialogue and labour relations in order to comprehend current indicators, create and follow up on the statistics in order to improve the existing knowledge. The joint undertaken projects of capacity building and knowledge transfer have proven to be very important to develop functioning structures, practice and dialogue orientated culture. However, the current level of accumulated specialised knowledge and skills show that more action is needed in the future.

Regardless of sometimes rather polarized views on the expected and preferable outcomes of social dialogue in Croatia, there is a notable convergence of opinions in regard to the need to strengthen cross-sector and sectoral social dialogue because they are mutually supportive; to work on increasing the “visibility” of social dialogue and improving the dissemination of concrete results achieved through the impact and involvement of social partners in the public; improving the transparency of mechanisms, procedures and decision making in the context of European social dialogue for national member organizations in order to ease their participation in the social dialogue on the EU level; strengthening the capacities and competences of social partners’ organizations, structures and institutions; continuing the support for capacity-building, mutual knowledge transfer and exchange of experience and last but not the least, taking into account the specific needs of certain groups of the social partners in order to facilitate their inclusion in policy design.

Civil society organisations have an ever-increasing role in the countries in transition, assisting in the democratic transition, promoting the right to education and health care and providing humanitarian aid, especially in the areas where, for different reasons, certain states and state institutions have difficult access and a low level of influence. A large number of civil society organisations in Croatia possess valuable experience and knowledge, acquired through their engagement in the building of the Croatian state, in transition-related issues, as well as in dealing with the problems that occurred as a consequence of the war. The *National Strategy for the Creation of an Enabling Environment for Civil Society Development 2012-2016*<sup>46</sup> was created in the period of Croatia's preparing to join the European Union.

It provides guidelines for the creation of an enabling environment for civil society development until 2016 in order to further improve the legal, financial and institutional system of support for the work of civil society organisations as important factors of social and economic development in the Republic of Croatia, and important stakeholders in shaping and implementing the European Union policies. Also, the Strategy includes specific deadlines and implementing bodies, sources of funding the implementation of the planned measures and activities, as well as the indicators for evaluating the success of their implementation. It is important to note that the Republic of Croatia is one of the first countries in Central and Southeast Europe that has adopted a systematic approach to supporting the development of civil society.

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<sup>46</sup> National Strategy for the Creation of an Enabling Environment for Civil Society Development for the period 2012-2016 is available online at:

<http://www.uzuvrh.hr/userfiles/file/Nacionalna%20strategija%20FINAL.pdf>

The role of civil society organisations in the process of Croatia's accession to the EU could be examined through several aspects: by promoting public dialogue on Croatia's accession process to the EU, by participating in the process of negotiations, and through the monitoring progress in fulfilling the requirements for full membership of the EU.

Moreover, in the context of the current global financial and economic crisis, the role of social economy, non-profit entrepreneurship and volunteerism could become ever-more important as these activities will be of crucial importance in terms of mitigation of the social implications of the crisis. Volunteering is becoming increasingly recognized as an important catalyst of employment and social inclusion of marginalised groups as it allows these groups to be better integrated into the society through volunteer work (as they create new relationships, widen their social networks, gain new skills and knowledge), and as it brings in the users perspective in the social services provision through the active involvement of motivated volunteers from the community which improves social inclusion of the beneficiaries of social services.

One of the key challenges identified within the JIM is creating accessible and adequate social services where the state, the private sector and civil society organisations will have to cooperate and establish partnerships in order to improve the accessibility and quality of the social services – beneficiaries need to receive services in their homes and local communities (community-based social services), thus creating the conditions for integration and rehabilitation within the community itself.

The JIM stated that one of the priorities to be tackled is the democratisation of social services, i.e. the efforts to ensure that the design and provision of social services is influenced by the citizens and social groups for whom they are intended (individualised services and the possibility of choice) which can be contributed by the activities of non-profit and other social sector organisations. Beneficiaries should have influence over the organisation, type and quality of services and the manner in which they are provided, so that they become a means for integration within the world of work and society.

It stresses the need to encourage donor activities, civil initiatives, and the practice of volunteering within local communities, with financial support from the authorities at different levels.

### **3.1.5 Administrative capacity**

In view of the broader strategic role accorded to the ESF in promoting a more efficient and effective public administration, it is acknowledged that a wider and more significant contribution to the reform process needs to take place. Indeed, setting this wider ESF remit in context, the overriding objective will be to strengthen public policy and capacity with a view to ensuring effective management of the socio-economic factors which contribute to a more competitive and inclusive society.

Within the perspective of the OP itself, the strategic focus has been framed in line with the scope and funding limitations of ESF. In particular, the key underlying strategic priority will be to **strengthen capacity and promote good governance in the employment, education and training, social inclusion and civil society fields.**

While the scope of ESF incorporates institutional capacity building at national, regional and local level, the strategic focus will be to ensure that **capacity at central level** is strengthened during the initial phases of the process.

## 3.2 Priority Axes

### 3.2.1 Concentration of assistance - Priority Axes

Within the overall aim of ensuring that the relevant institutions of the Republic of Croatia develop institutional capacity and practical experience with the management of European Social Fund - type interventions, the following overall objective is established under this OP.

***The overall objective of this OP is improvement of labour market efficiency, development of human capital and reinforcing social inclusion.***

An account of the rationale and specific objectives for each **Priority Axis** of this Operational Programme is provided hereunder together with a short description of the indicative type of activities that they may support, as well as the indicative list of the target groups/beneficiaries.

#### **Priority Axis 1 – Support access to sustainable employment and adaptability of labour force**

##### *Rationale*

The Priority Axis reflects the Croatian employment policies that are closely interlinked and are based on the relevant policies of the European Union. The interventions under this Priority Axis will address the critical points of the Croatian labour market – a structural mismatch between labour supply and demand as well as unevenly spread unemployment across the country. The main goal is to achieve the continuous growth of the employment rate, particularly of youth development of a more effective and efficient labour market as an essential precondition of the competitive economy.

##### *Specific objectives*

The specific objectives are: to reduce existing unemployment and the “threat” of new unemployment and also promote the reintegration of the unemployed by supporting the design and implementation of both active and passive labour market measures that target the specific conditions of the Croatian labour market, to support the development of the capacity of Croatia’s public institutions in the employment field by raising quality of CES service and to increase adaptability of SMEs and crafts by delivering essential professional entrepreneurial knowledge and skills both of employees and owners of enterprises/crafts.

##### *Description*

The investments under this Priority Axis will tackle the problem of structural unemployment, primarily characterised by the low qualifications and skills of the unemployed. Investment under this priority will address inactive people and will increase employability of redundant workers and long-term unemployed persons through training for employment.

Part of the Priority will be directly allocated to support and develop active and preventative labour market programmes implemented by public employment services in Croatia.

The employability of redundant workers and long-term unemployed persons will be achieved through different activities (training and retraining) which will increase the employability of target groups, which are a part of active labour market measures regularly implemented by CES. Target groups will undergo trainings which are in accordance with the labour market needs. The cooperation between the CES regional offices and different stakeholders at local level in identifying local labour market needs will strengthen partnership approach in labour market issues.

Furthermore, active employment policy measures and support delivered by Croatian Employment Service will include motivation activities; lifelong career orientation; mediation, education, training and re-training activities. Part of these measures will be aimed at reducing youth unemployment, as well as promotion of implementation of labour market measures through measures regarding occupational training without commencing employment.

Regional and local disparities in terms of employment and unemployment rates will also be tackled, primarily by establishing and providing support to the local employment partnerships. The emphasis will also be on raising general level of entrepreneurial competence of SMEs and crafts as well as enhancing the overall capacities of the Croatian Employment Service for delivering better quality services to clients.

### ***Indicative list of operations***

This priority is to be implemented through following operations:

#### *Implementation of active labour market measures through national and local initiatives*

Assistance will support the implementation and further development of active and preventative labour market measures delivered on centralized level by Croatian Employment Service. These measures consist primarily of mediation, vocational guidance and delivery of education and training programmes tailor made to the needs and characteristics of specific target groups.

The aim is to improve the employability of the unemployed and long-term unemployed by identifying and tackling their personal barriers to entering and competing effectively in the labour market but also to up-skill certain sections of the workforce that do not possess appropriate qualifications required by the evolving needs of economy with special emphasis on youth. In this respect supporting measures/ incentives for the employment of young people without work experience are envisaged through Youth guarantee.

The interventions under this operation will also promote the development and strengthening of local partnerships between public employment services, local authorities and other public bodies in the field of education, labour market and regional development as well as social partners. The main goals of the established partnerships include assessing of local labour market needs, design of local human resource development strategies and developing project pipelines to make effective use of ESF and other funding.

#### *Supporting the effectiveness and quality of Croatia's public employment services*

The interventions will focus on improving the quality, effectiveness and efficiency of the Croatian Employment Service in delivering services to clients by establishment and strengthening of various CES facilities such as the Contact centre and Lifelong Careers Guidance Units.

The interventions envisaged include improving CES business processes, enhancing ICT support and assisting CES staff in dealing with new technology and services. Also with the aim of supporting tailor made design and qualitative implementation of both active and passive labour market measures that target the specific conditions of the Croatian labour market particular evaluations of the ALMP will be executed in order to build up on previous experience and best practice.



### Supporting the entrepreneurship development and improving SMEs and crafts competitiveness

Main objective of the envisaged interventions is to raise adaptability of SMEs and crafts by delivering educational programmes for the development of specific entrepreneurial skills, including digital skills, and knowledge of both SMEs and crafts employees and owners necessary to develop innovation and run the market activities.

#### ***Indicative list of beneficiaries/target groups***

##### ***Potential beneficiaries:***

- CES central and regional employment offices;
- CSOs, private and public education institutions;
- Trade unions, employers' associations, chambers, private enterprises; SMEs, social enterprises
- Counties, municipalities;
- Local and regional development agencies;
- Local and regional partnerships.

##### ***Potential target groups:***

The unemployed the long-term unemployed (particularly those located in lagging-behind regions and those without work experience in the occupation for which she/he graduated) and youth.

- People facing the threat of unemployment /redundant workers due to the inadequate knowledge and skills;
- Young unemployed persons;
- CES staff;
- Employees in SMEs, craftsmen, employees in crafts.

##### ***Cross-financing***

In accordance to Article 34(2) Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund (ERDF), the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, projects may contain a limited proportion of activities falling within the scope of assistance from the ERDF, provided that they are necessary for the satisfactory implementation of the projects and are directly linked to them. The proportion of costs for ERDF type of activities under Priority Axis 1 should not be more than 10% of total project eligible costs for projects.

*Quantified targets and indicators*

Indicator		Objective	Unit	Initial value (year 2007)	Achieved value (31.12.2012)	Target value (year 2016)	Review frequency	Source of information <sup>[1]</sup>
Result	Output							
<b>Priority Axis 1: Support access to sustainable employment and adaptability of the labour force*</b>								
Number of participants in employment within six months after the project completion <sup>47</sup>		To reduce existing unemployment and the 'threat' of new unemployment and also promote the reintegration of the unemployed by supporting the design and implementation of both active and passive labour market measures that target the specific conditions of the Croatian labour market.	Number	0	0	1 600	Annually	Implementation reports/MIS
	Number of participants in the active labour market policy measures		Number	0	0	6 000	Quarterly	Implementation reports / MIS
	Number of participants in grant schemes		Number	0	4 232	12 000	Quarterly	Implementation reports / MIS
	Number of Employment Partnerships established with HRD Strategies developed and accepted by the county assemblies		Number	8	21	21	Quarterly	Implementation reports / MIS
	Number of Local employment development projects		Number	0	30	100	Annually	Implementation reports / MIS

\*Data will be collected according to the Annex XXIII as of 1 July 2013.

<sup>47</sup> This result indicator was not measured up to 31.12.2012. It will be measured from July 1st 2013.

	Number of grant beneficiaries		Number	0	64	150	Annually	Implementation reports/MIS
Number of persons who obtained training certificate		To increase adaptability of SMEs and crafts by delivering essential professional entrepreneurial knowledge and skills both of employees and owners of enterprises/crafts.	Number	0	0	1250	Annually	Implementation reports/MIS
	Number of persons who participated in the training		Number	0	0	1 500	Quarterly	Implementation reports/MIS
	Number of campaigns related to promotion of education and training for craftsmanship delivered by Chambers and Tradesmen Associations		Number	0	0	40	Quarterly	Implementation reports/MIS
	Number of lifelong career guidance centres established	To support effectiveness and quality of Croatia's employment services	Number	0	0	7	Annually	Implementation reports / MIS
	Number of key business processes supported with ICT solutions		Number	3	3	5	Annually	Implementation reports / MIS

	Number of CES employees trained for providing new and improved services		Number	0	49	130	Annually	Implementation reports / MIS
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## Priority Axis 2 – Reinforcing social inclusion and integration of people at a disadvantage

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### *Rationale*

Analysis of the Croatian context indicates that particular disadvantaged groups such as those on low incomes (the unemployed, the elderly with no pensions, single-parent families, families with more than two children, single mothers and older women), displaced persons, refugees and returnees, vulnerable ethnic minorities (especially members of Roma community), persons with disabilities and other groups that are not so numerous but are faced with the challenges of extreme poverty (the homeless, former addicts), face significant obstacles in the job seeking, as well as in participation in employment in Croatia. The ethnic/national minority most affected on the labour market are the Roma and they represent a significant number among the unemployed population with a very low level of employability. Such obstacles are not only a barrier to genuine social cohesion; they also reduce the effectiveness and efficiency of the labour market. Also, prejudice toward these groups still exists in general public, including employers. Furthermore, the role of social services is becoming increasingly important for empowerment of disadvantaged groups deprived from social inclusion and entering the labour market, as well as from the aspect of reconciliation of work and family life. Therefore, there is a need for the development of a network of alternative forms of services which will be available to beneficiaries in their homes or local communities to improve overall employment opportunities, as well as to develop services that are better suited to the needs of various user groups (including the possibility of choice) and to expand the social services network taking into account regional equality of social services distribution in Croatia.

Further on, the educational level of particular disadvantaged groups is quite low and the system is often not able to meet their needs due to different reasons, either socio-economic, either infrastructural or there is a lack of adequate targeted support (e.g. transport of students with disabilities, adaptation of teaching materials, architectonic barriers, personal assistance, insufficient additional assistance in order to organise preschool activities and to facilitate higher inclusion of Roma children in after school activities, especially to those located in municipalities and cities with low income). Another issue related to education of Roma children is insufficient knowledge of the Croatian language and to tackle this issue the employment of Roma classroom assistants should be supported as well. Consequently, they are often prevented from participating in the labour market, which leads to their low socio-economic status as well as to their social exclusion. In order to prevent these situations and to provide persons at disadvantage with disabilities with better opportunities, it is important to persist in integrating them in the regular education system and to offer them all the necessary assistance. Finally, it is equally important to promote the education of school staff to provide personnel with the knowledge needed to be able to respond to the different needs of persons with disabilities as well as to ensure high quality education for such persons.

### *Specific Objectives*

This priority axis will promote social inclusion of disadvantaged groups through their integration into the labour market, and promote education by their integration in the regular educational system. Focus will be on providing activities that will facilitate access to the labour market of disadvantaged groups leading to better social inclusion. Furthermore, the development of social services that will strengthen the potential of disadvantaged groups and enable them to better participate in community life will also be targeted. This priority aims at improving employment opportunities and promotes reconciliation of work and family life by developing new and improving quality of the existing social services in the community.

### *Description*

This Priority Axis will promote the integration of disadvantaged groups into the labour market by providing them with tailor made skills development programs and individual support in job search processes to increase employability of disadvantaged groups as well as supporting creation and management of cooperatives as good practices of employment promotion of disadvantaged persons. This Priority Axis will support also projects that will further develop community based social service, aimed at disadvantaged groups with improving the quality of social services as well as broadening the network of social services, including network of alternative forms of services which will be available to beneficiaries in their homes or local communities to improve overall employment opportunities.

Further on, Priority Axis intends to improve the social inclusion of disadvantaged persons in educational institutions and provide support for all necessary interventions in the educational system, in order to meet the needs of all groups and ensure the same opportunities for education as well as the same quality of education for all groups in society.

### *Indicative list of operations*

This priority is to be implemented through following operations:

#### Supporting access to employment by disadvantaged groups

One of the ways to increase the employability of groups threatened by social exclusion is to improve their competences by tailor made training programmes, including active forms of assistance such as occupational skills and soft skills trainings in line with changing labour market needs. Supporting the integration into the labour market by those groups that experience particular difficulties in accessing employment will incorporate a number of elements including empowerment and support in different forms, such as assessment of need for skills development, defining the competencies and skills required for particular jobs, tailor made individual and group counselling in active job search, followed by tailored skills development programmes (key competences, including digital competence, basic skills trainings as well as development of soft skills, such as communication, decision making skills, raising self-confidence etc. for employment, vocational guidance, training and re-training programmes as well as programmes providing supported employment, work related experience and work placements, creation and management of cooperatives as good practices of employment promotion of disadvantaged persons). Furthermore, to raise awareness of the needs and possibilities of disadvantaged groups, anti-stigma campaigns, educational and informational activities aimed at the general public, employers or the mass media are of great importance. Also, special attention will be given to support access to employment of national minorities.

### Supporting access to education by groups with special needs

Envisaged operations intend to support tailor-made activities aimed at social inclusion of children/youth with special needs, as well as activities aimed at capacity building of educational institutions/their staff in order to be able to adequately respond to different needs of pupils/students. More specifically, the operations intend to improve the social inclusion and integration of groups with special needs in mainstream schools, special schools as well as higher education institutions, including a possibility of the provision of scholarships for students with disabilities and other services, such as the employment of personal assistants, as preconditions for their active inclusion into higher education system.

Furthermore, capacity building of school staff with the aim of providing them with skills necessary to respond to different needs of various disadvantaged groups, including students with learning difficulties or behavioural problems, as well as other innovative projects for social inclusion in education will be supported.

### Development of social services to improve employment opportunities

This area of operation intends to improve employment opportunities by supporting further development of efficient and inclusive social services within the framework of the process of further deinstitutionalization, as well as to support the activities targeting the reconciliation of work and family life with particular attention to families with dependent family members. Among others, some of the activities which will be financed include the provision of sheltered accommodation/accommodation in small housing units, activities which alter the capacities for work of the target group, day care centres or clubs, multidisciplinary mobile teams for mentally ill persons, promotion of work of personal assistants for persons with disabilities (including mentally ill persons), in-house care and assistance for elderly persons and people with disabilities as well as other dependent family members, other activities aimed at helping family members with family care obligations. Furthermore, another point of interest for financing under this area of operation is improvement of the quality of life of persons with disabilities and members of their families as well as ensuring their independent living, which could also be achieved through the provision of personal assistant services for the most severe form and degree of disability and persons with intellectual and mental impairment with the aim of satisfying needs of these persons who are incapable of performing everyday activities in the community.

Also, activities supporting experts from the social welfare sector in further development of efficient and inclusive social services, as well as in implementation of quality standards will be supported, including the improvement of IT support.

#### *Indicative list of beneficiaries/target groups*

##### ***Potential beneficiaries:***

- Non-governmental organisations, non-profit organisations;
- Public institutions;
- Local and regional self-government units;
- Private institutions, private companies;
- Cooperatives;
- Local and regional development agencies;

- International (inter-governmental) organisations;
- Ministry of Social Policy and Youth;
- National institutions responsible for policy creation and financing in the field of education;
- Professional associations, employers' associations, trade unions and other relevant non-governmental organizations, including student organizations;
- Ministry of Science, Education and Sports;
- Education institutions at all levels (kindergartens, primary schools, secondary schools, higher education institutions, centres for education of students with disabilities, adult education institutions, research institutes).

***Potential target groups:***

- Teachers and teacher assistants; other educational institutions' staff (i.e. school psychologists, pedagogues, higher education institutions' student services workers, etc.); pre-school personnel; students in teaching professions (beneficiaries);
- Experts in the SWC and social welfare institutions, as well as experts in the field of employment, CSOs and other relevant stakeholders at regional/local level; Ministry of Social Policy and Youth (beneficiaries);
- Older and long-term unemployed, women, unemployed youth, Those with low levels of educational attainment, early school leavers or young people at risk of becoming early school leavers;
- Homeless, victims of family violence, former addicts, asylum seekers, elderly and infirm persons, war veterans, national minorities;
- Children and youth with inadequate family care, and other people in a disadvantage as well as family members taking care of dependant persons ( such as elderly and infirm persons, children, permanently disabled people and other dependant persons), pupils/students with disabilities students, children and youth with behavioural problems and/or learning difficulties;
- Students from poor socio-economic conditions and/or dysfunctional families; people living in less developed regions.

***Cross-financing***

In accordance to Article 34(2) Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund (ERDF), the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, projects may contain a limited proportion of activities falling within the scope of assistance from the ERDF, provided that they are necessary for the satisfactory implementation of the projects and are directly linked to them. The proportion of costs for ERDF type of activities under Priority Axis 2 should not be more than 10% of total project eligible costs for projects.

### Quantified targets and indicators

Indicator		Objective	Unit	Initial value (year 2007)	Achieved value (31.12. 2012.)	Target value (year 2016)	Review frequency	Source of information
Result	Output							
<b>Priority Axis 2:<sup>48</sup> Reinforcing social inclusion and integration of people at a disadvantage <sup>*49</sup></b>								
Number <sup>50</sup> of participants in employment within six months after the project completion		To promote social inclusion of the disadvantaged groups through their integration to the labour market	Number	0	0	900	Annually	Surveys / MIS
	Number of project participants		Number	0	4590	17000	Quarterly	Implementation reports / MIS
Number of participants who obtained diploma or certificate (formal/non formal) upon leaving		To improve employment opportunities and promote reconciliation of work and family life by developing new and improving quality of social services in the community	Number	0	1888	6000	Quarterly	Implementation reports / MIS
	Number of experts trained		Number	0	652	1200	Bi annually	Implementation reports / MIS

<sup>48</sup> Data will be collected according to the Annex XXIII as of 1 July 2013.

<sup>49</sup> Collecting sub indicators is done according to the characteristic typology; gender, specific vulnerable groups (national minorities including Roma, disabled, other disadvantaged people), long-term unemployed, unemployed, young people without any work experience, education, unemployed persons over the age of 50, women in the prime-age group (25-49), older women etc.

<sup>50</sup> This result indicator was not measured up to 31.12.2012. It will be measured from July 1st 2013.



	Number of disadvantaged participants in targeted educational services	To promote education of the groups with special needs through their integration in the regular educational system	Number	0	0 <sup>51</sup>	600	Quarterly	Implementation reports/MIS
Number of staff in educational institutions who finished tailor made training programmes			Number	0	0	300	Upon completion of operation	Implementation reports/MIS
	Number of staff in educational institutions supported by tailor made activities		Number	0	0	550	Quarterly	Implementation reports/MIS

### **Priority Axis 3 - Enhancing human capital in education, research and development**

#### *Rationale*

This priority axis reflects the ESF policy and the Croatian strategic orientations to increase investment in human capital through better education and skills. The main objective of this priority is to **support the development of reforms in education and training systems** responsive to the labour market needs in order to improve the quality of the education system and harmonise it with European standards. Operations should aim at developing the human potential in research and innovation, considering the fact that young researchers are generating innovations and growth in modern knowledge based economies. In order to foster innovation process, operations should also target promotion of inter-sectoral cooperation and transfer of knowledge and skills of researchers and professionals employed in R&D occupations by increasing mobility of scientists and experts between Croatian academia, innovative companies and foreign research institutions and innovative companies. There is an immediate need to improve education outcomes, addressing each segment of educational system (pre-school, primary, secondary, vocational, tertiary and adult education) within an integrated approach, encompassing key competences, including digital competence, and aiming at reducing early school leaving. There is a need to modernise and adjust the education programmes to the knowledge and skills that will be needed in the future, with particular emphasis on the development of interdisciplinary and

<sup>51</sup>In the programming period 2007 – 2009, the grant-scheme „Access to education by students with disabilities“ was implemented. During the implementation of the grant scheme, 1729 participants were recorded in participants' lists related to targeted educational services for disadvantaged persons. However, the data collection on the basis of Final Recipient Identification Form (FRIF) was introduced after the mentioned programming period. As projects were often divided into several parts and participation records related to parts of a single project, one person was often reported more than once under the same project. In practice, it was therefore not possible to compute ex-post the number of single participants in projects. Through breakdown of data on participants in ESF interventions in line with Annex XXIII by means of an already developed methodology, the monitoring system is to be improved in such way that double counting is avoided. Counting of participants will restart at 0 since the beginning of the implementation of the ESF Operational Programme Human Resources Development 2007-2013.

key competences at all levels of education, and with the support of digital technologies. In that sense, interventions foreseen under this priority will support and foster the Croatian Qualifications Framework, as an instrument that will increase employability and facilitate the personal development of individual. Moreover, the interventions foreseen should be also aimed at supporting lifelong learning which is of central importance in improving the competitiveness of the workforce.

Along with the modernisation of curricula and study programmes, interventions should also aim at increasing of teaching standards, development of occupational standards and qualification standards and development of student tracing system, which would improve the link between the education offer and the labour market needs.

#### *Specific objectives*

To strengthen investment in human capital and promote greater employability by developing and implementing a coherent HRD policy and national qualifications framework and increase the overall labour market relevance, efficiency and quality of the education and training systems. Moreover, the objectives of this priority are to increase the level of participation in lifelong learning, support availability of lifelong learning and enhance human capital in R&D occupations by enhancing collaboration between knowledge institutions and the private sector.

It is anticipated that the implementation of actions in these fields will lead to the establishment of an effective linkage between education, actual labour market needs, and research, innovation and enterprises, which is a prerequisite for the development of human resources.

#### *Description*

This Priority Axis aims to support on-going reforms in education and training system and adjustments necessary to respond to the continuously changing picture of the needs of the society the economy and the labour market, in a quality manner.. Supporting research and innovation in the field of education as well as establishment and promotion of mechanisms for quality assurance system at all levels of education will be significant in sustaining educational developments. Further on, development of mechanisms for external and internal evaluation are envisaged, as well as self-evaluation system and all possible assessment and recognition procedures for the validation of informal and non-formal learning outcomes.

The focus will be at implementation of the Croatian Qualifications Framework linking together learning outcomes achieved in all educational institutions through formal, non-formal and informal learning and enable their referencing in Croatia as well as in the context of international exchange.

In addition to that incentives will be given to young scientists (post doc from universities and research institutes ) and professionals ( post doc from industry) from abroad and from Croatia to form the new research groups and to lead projects autonomously, by developing their research, managerial and other skills and for establishing research networks in traditional or innovative and enabling sectors.

#### *Indicative list of operations*

This priority is to be implemented through following operations:

##### Enhancing the education system

The objective of this area of operations is to further strengthen implementation of the Croatian Qualifications Framework through development of qualifications standards, occupational standards and learning outcomes based curricula and study programmes, modernisation of systems and qualifications

in general, VET and higher education, development and implementation of extracurricular activities within school curricula. Other objectives relate to attainment of key competences, including digital competences, for lifelong learning, recognition of prior learning and student centred learning. Furthermore, this key area of operation also intends to further enhance the performance of education system in order and to facilitate the entry of young people to the labour market as well as lifelong learning.

Additional focus will be placed on capacity building of adult education institutions, upgrading the system of professional development of teachers (both in general education and VET), and introduction of innovative elements in education system as supporting mechanisms for quality assurance at all levels. In this respect design and qualitative implementation of measures tackling specific sections of the education system such as CROQF, In-service Teacher Training System and so on, particular policy evaluations will be carried out. Finally, new effective information, monitoring systems are to be developed and existing ones upgraded in order to ensure the availability of relevant statistical data required for future evidence based policies in the overall system.

#### Development of human potential in research and innovation

As Croatia lacks serious investment in R&D and innovation systems, support will be provided in order to foster excellence, reinforce creation of collaborative networks between Croatian academia, innovative companies as well as to foster their networking with international R&D institutions and innovative companies, with a particular accent on career development of junior and young researchers and professionals and on securing necessary preconditions for capacity building and performance of high-quality and highly competitive research, in particularly in line with the European 2020 Strategy and flagship initiatives such as Innovation Union and the Digital Agenda for Europe.

#### ***Indicative list of beneficiaries/target groups***

##### ***Potential beneficiaries:***

- Public institutions, responsible for education policy development and implementation;
- Educational institutions at all levels;
- Public research organizations (PRO), private businesses entities, that conduct business in eligible business sectors and are registered in Croatia;
- Public administration institutions;
- National institutions responsible for policy creation and financing in the field of education, science and technology;
- Regional and local authorities;
- Professional associations, employers' associations, trade unions and other relevant non-governmental organizations, including student organizations;
- Ministry of Science, Education and Sports.

### **Potential target groups**

- Pupils and students of all educational levels, education professionals, researchers and adult learners, who will ultimately benefit from a better, more modern and flexible education system that will enable them to integrate more easily into society and the labour market;
- School staff and managerial staff in education institutions; teachers and trainers;
- Young and experienced researchers, students and professionals from universities and research institutes.

### **Cross-financing**

In accordance to Article 34(2) Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund (ERDF), the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, projects may contain a limited proportion of activities falling within the scope of assistance from the ERDF, provided that they are necessary for the satisfactory implementation of the projects and are directly linked to them. The proportion of costs for ERDF type of activities under Priority Axis 3 should not be more than 10% of total project eligible costs for projects.

### **Quantified targets and indicators**

Indicator		Objective	Unit	Initial value (year 2007)	Achieved value (year 2012)	Target value (year 2016)	Review frequency	Source of information
Result	Output							
<b>Priority Axis 3<sup>52</sup> - Enhancing human capital in education, research and development*<sup>53</sup></b>								
	Number of staff in education institutions who participated in tailor-made training activities	To strengthen investment in human capital and promote greater	Number	0	875	1200	Quarterly	Implementation reports/MIS

<sup>52</sup> Data will be collected according to the Annex XXIII as of 1 July 2013.

<sup>53</sup> Collecting subindicators is done according to the characteristic typology; gender, specific vulnerable groups (national minorities including Roma, disabled, other disadvantaged people), long-term unemployed, unemployed, young people without any work experience, education, unemployed persons over the age of 50, women in the prime-age group (25-49), older women etc.

		employability by developing and implementing a coherent HRD policy as well as increase the overall labour market relevance,						
Number of institutions which introduced new curricula based on learning outcomes		efficiency and quality of the education and training systems	Number	0	0	250	Upon completion of operation	Implementation reports/MIS
	Number of curricula developed based on learning outcomes		Number	0	26	200	Annually	Implementation reports/MIS
	Number of developed qualifications standards		Number	0	46	100	Annually	Implementation reports/MIS
	Number of adult learners trained in AE programmes		Number	0	2724	3000	Quarterly	Implementation report / MIS
	National information System for Science and Higher Education developed		Number	0	0	1	Upon completion of operation	Implementation report / MIS
	Number of supported researchers	To increase the level of participation in lifelong learning, support availability of lifelong learning and enhance human capital in R&D occupations	Number	0	0	100	Quarterly	Implementation reports/MIS

## **Priority Axis 4 – Technical assistance**

### *Rationale*

Priority Axis 4 provides the necessary technical assistance measures for the effective preparation and implementation of the OP. It will support the MA and its partners to fulfil their responsibilities related to management of the OP and performance of tasks related, *inter alia*, to the projects' selection, monitoring, supervision and assessment, and actions related to information/publicity/visibility (IPV) about the OP.

Management of ESF specifically relates to this OP and will involve additional expenditure which does not form part of the Croatian administration's traditional operating expenses (e.g. information and publicity; the development of monitoring indicators and an EU funds Management Information System as well as the commissioning of external, independent experts for interim and on-going evaluations). On-going preparation of sufficient, well-designed and mature project proposals will ensure use of EU assistance in a timely and technically feasible manner.

It is important to stress that the issues already familiar to the OS management but also stated in the evaluation report findings that are concerned with mitigating risk factors in transition from IPA to ESF, staff shortages in combination with work overload, unjustified remuneration differences between civil and public servants, and delays in preparation of ESF procedures and bylaws are acknowledged risk that will be dealt and resolved in the immediate future by implementing educational building up skills activities envisaged under TA priority.

### *Specific objectives*

The objective of the Priority Axis 4 is to finance the preparation, management, monitoring, evaluation, information and control activities of the Operational Programme, as well as increase of absorption capacity of the ESF. This will include the programme's publicity and communication strategy, support for cross-cutting themes and the development of the programme's monitoring and evaluation systems.

The funds allocated to the Technical Assistance priority will be used for the OP preparation and implementation and for the effective utilisation of EU and national resources pursuant to Community law and policy.

### *Description*

Under this Priority Axis four types of operations will be supported. First of all specific, tailored support to coordination and management of the OP, including programming, (IPV) activities, project appraisal and selection, implementation, financial management, control, monitoring, evaluation, reporting and audit. Following that aid to enhance the specification, collection and use of statistical data which will be necessary for effective monitoring and evaluation under the ESF and sectoral assistance to strengthen the capabilities of potential beneficiaries, including the generation of project ideas and their ultimate elaboration into viable, eligible and high quality proposals. As a final point, consultancy support (including advice and training) to the OP Operating Structure, regarding any aspect of management, monitoring, evaluation and control, including grant scheme management and procurement (e.g. fees for expert assessors and evaluators of project applications) will be provided.

### ***Indicative list of operations***

This priority is to be implemented through following operations:

#### **Project development and support for preparation of the next programming period**

This area of operation is to increase the absorption capacity of the ESF and to support preparation for the next programming period. Elaboration of background studies and support for the preparation of the next programming period is also envisaged. In the short and medium term, this technical assistance is needed as a basis for the preparation of future projects.

#### **Management of the OP and administrative capacity building**

This operation is to support the bodies within OPHRD Management and Control System in carrying out activities related to the provision of EU Regulations (analyses, ex-ante and on-going evaluations, implementation of monitoring and control system, IPV activities, Monitoring Committee meetings, procurement of equipment), as well as for the retention of the expert staff through the coverage of related administrative costs and remuneration of staff. Furthermore, dissemination of funding opportunities and projects' good practices will also be financed.

### ***Indicative list of beneficiaries/target groups***

#### ***Potential beneficiaries:***

- Managing Authority of the OP;
- Intermediate Bodies;
- Horizontal bodies: the Coordinating Body, Certifying Authority and the Audit Authority;
- OPHRD grant beneficiaries/potential grant beneficiaries.

#### ***Potential target groups:***

- Personnel employed in the institutions within the management and control system of the OPHRD 2007 – 2013- employees of the applicant institutions/potential final beneficiaries.

### ***Cross-financing***

In accordance to Article 34(2) Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund (ERDF), the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, projects may contain a limited proportion of activities falling within the scope of assistance from the ERDF, provided that they are necessary for the satisfactory implementation of the projects and are directly linked to them. The proportion of costs for ERDF type of activities under Priority Axis 4 should not be more than 10% of total project eligible costs for projects.

### Quantified targets and indicators

Indicator	Objective	Unit	Initial value (year 2007)	Achieved value (31.12.2012)	Target value (year 2016)	Review frequency	Source of information
<b>Priority Axis 4: Technical Assistance (TA)<sup>54</sup></b>							
Number of potential applicants who received support through TA	To ensure the increase of the absorption capacity of the ESF and to support preparation of the next programming period	Number	0	1011	4500	Annually	Implementation reports/MIS
OP funds contracted	To ensure efficient and effective OP management by financing the preparation, management, monitoring, evaluation, information and control activities of the Operational Programme	%	0	28,33%	100	Annually	MIS
Number of staff from OP administration who participated in capacity building activities		Number	0	50	200	Annually	Implementation reports/MIS
Number of information events organised		Number	0	5	15	Annually	Implementation reports/MIS

### **Priority Axis 5 - Strengthening the role of civil society for better governance**

#### *Rationale*

One of the obstacles for effective full- scale social dialogue in Croatia is the issue of insufficient human resources and under-developed administrative capacities of social partners' organizations in order to represent effectively the interests of their members, especially in the light of a comprehensive legislative activities initiated by the Croatian government undertaken in order to consolidate the state budget and facilitate foreign investment. Due to the on-going decline of the national economy, the present threat to

<sup>54</sup> Data will be collected according to the Annex XXIII as of 1 July 2013.



the existing level of social dialogue lays in radicalization and further polarization of the social partners positions that might bring the social dialogue to the standstill where it was two years ago.

Further on, at the level of industrial sectors, or of individual companies, partnership between employers and trade unions remains weak. While the two largest confederations have substantial exposure on the EU level, smaller trade unions are not very aware of the best European and international practices in the field of the social dialogue. In this respect, the aim of strengthening the capacities of the main partners in social dialogue to network on the national - and especially on the regional and local - levels is to upgrade the quality and effectiveness of the dialogue (with or without the parallel involvement or coordination of the state). A further goal is to enable the social partners to play a more important and financially sustainable role in the development process.

Additional problems obscuring the issue of actual capacities of the social partners in Croatia is an absence of detailed, consistent and in-depth analysis to provide reliable data on their number, resources and strength. Steps should be taken to undertake serious and comprehensive research in order to facilitate further understanding of their representativeness on national, sectoral, regional and micro level.

All activities and interventions are designed to enable the social partners to assume more pro-active, efficient and influential role in all matters of social dialogue on all levels, through the lifelong learning, building up on their expertise, knowledge and skills, their organizational capacities and sustainability thus assisting their input and impact on the relevant economic and social issues.

Through enhancement and support of the partners conducting the social dialogue, a higher quality of new government laws and policies will be achieved thus contributing to the objective of good governance - transparency of (non)governmental institutions.

The development and implementation of public policies in accordance with the principles of good governance implies the presence of active and experienced civil society organisations effectively communicating with public authorities in areas of public interest. Civil society organisations are an important instrument of citizens' control over the entire system of designing, implementing and monitoring public policies. In the context of European integration, the abilities of advocacy-oriented CSOs in the identification, formulation, promotion and representation of citizens' interests have helped ensure the compliance of national policy with the fundamental principles of the EU *acquis*. In fact, civil society, through its active role in society, is assisting in the effective implementation of the reforms and development axes of the OPHRD. In this regard, building the CSOs' capacities and partnerships on national, regional and local levels in order to deliver a wide range of quality public services is a basic focus during the present programming phase. Civil society is a broad base of active citizens able to influence decisions that affect their lives associated in strong non-governmental organisations (NGOs) working for social, economic, and political change, also providing vital services to their constituents as these groups flourish, and become advocates for reform. Small, community based organisations play a crucial role in the decentralisation process. Through their proximity to local communities, small organisations are positioned best to provide tailor made solutions to local problems, take into account particular local needs and interests, build trust and reciprocity, enable and strengthen civic participation, strengthen social networks and support and build strong and positive relations.

#### *Specific objectives*

The specific objective of Priority Axis 5 is **to enhance the quality of social dialogue in Croatia, and to support and reinforce civil society.**

### *Description*

The main anticipated impact of this priority axis is overcoming the limitations faced by the civil society in Croatia today by removing present obstacles for further development of the social dialogue, particularly aiming to strengthen administrative capacities of social partners' organizations in regard of human resources and necessary competences. More importantly, it is expected that the stronger position of the social partners will positively impact in strengthening the dialogue between the government and social partners as well as the partnership between employers' associations and trade unions. This in turn will result in stronger and more influential social dialogue at all levels (local, municipal and company level), facilitating sectoral social dialogue and sectoral collective bargaining.

Capacities of CSOs-social services providers need to be built up in order to improve the quality of service delivery, making them more cost-effective and for them to be able to recognise and overcome the gaps present in the system of service delivery, to increase the accessibility of social services, and to enable disadvantaged people in accessing social services.

The development and effective implementation of public policies at the local levels will be insured by the provision of support to small, community based CSOs and grass-roots organisations in implementing community development initiatives aimed at fostering employment and good governance at the local level.

The interventions planned under the OPHRD are expected to support civil society organisations and the social dialogue to improve the institutional, financial and legal context for their activities by strengthening the development of small CSOs and enabling CSO-social services providers to deliver qualitative and effective public services based on equal regional development.

### *Indicative list of operations*

This priority is to be implemented through following operations:

#### Promotion of social dialogue

Assistance under this key area of operation will provide support to strengthening the human and organisational capacities of the social partners (trade unions, employer organisations and public institutions in charge of social dialogue policy) with the aim of promoting and enhancing the quality of social dialogue.

#### Strengthening the role of civil society organisations for socio-economic growth and democratic development

Local communities, small organisations need to be given the opportunity to reach public funds in order to implement tailor made solutions to local problems. Support needs to be given to the capacity building of civil society organisations (CSOs) - social services providers in light of the increasing expectations of the state to transfer some of the public services responsibilities to them, as well as due to the increasing needs of the social services beneficiaries. Also, building capacities and supporting sustainability of Croatian CSOs active in the field of advocacy of public policies that will administer enhancement, effectiveness and transparency of Croatian public administration will be financed.

Furthermore, the promotion of volunteering will be fostered while it is one of the crucial elements for enhancing social capital and strengthening social cohesion in society.

Supporting regional support structures for CSOs shall help local CSOs in developing and implementing their projects as well as in strengthening their administrative and financial capacity for their sustainable development.

***Indicative list of beneficiaries/target groups***

***Potential beneficiaries:***

- Trade unions and trade union associations, employers' associations, government institutions, NGO's and mediation organisations active in the area of peaceful resolution of labour disputes-
- CSOs active in the fields of services provision for socially vulnerable groups;
- Small, community based CSOs are defined as civil society organisations that work at a local level to improve life for residents and conform to such conditions such as: their having an annual turnover is equal or less than 15,000 EUR (since there is no pre-defined, universally accepted definition or criteria that would allow distinguishing between a small and a large civil society organisation.

There is a possibility to submit projects by a CSO association on behalf of a small CSO as supplementary if a small CSO cannot implement the project itself. In case both small CSOs and CSO associations submit similar quality projects, priority will be given to projects from small CSOs.

***Potential target groups:***

- Office personnel/employees in: trade unions and trade union associations, employers' associations, government and public institutions (in charge of social dialogue policy), NGOs and mediation organisations.

***Cross-financing***

In accordance to Article 34(2) Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund (ERDF), the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, projects may contain a limited proportion of activities falling within the scope of assistance from the ERDF, provided that they are necessary for the satisfactory implementation of the projects and are directly linked to them. The proportion of costs for ERDF type of activities under Priority Axis 5 should not be more than 10% of total project eligible costs for projects.

### Quantified targets and indicators

Indicator		Objective	Unit	Initial value (year 2007)	Achieved value 31.12.2012 <sup>55</sup>	Target value (year 2016)	Review frequency	Source of information
Result	Output							
<b>Priority Axis 5 - Strengthening the role of civil society for better governance<sup>56</sup></b>								
Number of social partners organizations that have increased their capacities			Number	0	0	15	Annually	Implementation report/MIS
	Number of social partners grant scheme beneficiaries	To enhance the quality of social dialogue in Croatia	Number	0	0	10	Annually	Implementation report/MIS
	Number of workshops undertaken		Number	0	0	20	Annually	Implementation reports/MIS
	Number of participants trained		Number	0	0	250	Quarterly	Implementation reports/MIS
Number of CSO implementing successfully projects contributing to socio-economic growth and democratic development		To strengthen the role of civil society organisations for socio-economic growth and democratic development	Number	0	0	30	Annually	Implementation reports/MIS

<sup>55</sup> Priority Axis 5 is a new Priority incorporated within the last modification of the OPHRD that was adopted in August 2012. Financing Agreement came into force on 20 December 2012 and was published in the Official Gazette, International Agreements No 10/2012. Accordingly, there is no data on the implementation so far and therefore no milestones available with the cut of date 31. 12.2012.

<sup>56</sup> Data will be collected according to the Annex XXIII as of 1 July 2013.

	Number of CSOs' beneficiaries of grants in the field of socio-economic growth and democratic development		Number	0	0	20	Annually	Implementation reports/MIS
	Number of small, community based CSOs beneficiaries of projects implemented on local level		Number	0	0	50	Annually	Implementation reports/MIS
	Number of support structures for CSOs established at regional and local level		Number	0	0	15	Annually	Implementation reports/MIS
	Number of new volunteer programs developed and managed by CSOs in Croatia		Number	0	0	40	Annually	Implementation reports/MIS
	Number of new motivational programmes aimed at socially excluded groups		Number	0	0	5	Annually	Implementation reports/MIS
	Number of CSOs participating in capacity building activities for social services delivery		Number	0	0	15	Annually	Implementation reports/MIS
	Number of participants in CSOs project activities		Number	0	0	300	Quarterly	Implementation reports/MIS

### 3.3 Complementarity with the Regional Competitiveness OP

Strong bonds have been identified between the OPHRD and the Regional Competitiveness OP (RCOP) mainly regarding the infrastructure that in the latter provides for important sectors in human resources development. The opportunities arising from cross-operational communication and coordination have been realised at a very early stage of programming. Furthermore, coordination between the MAs of the two OPs will be performed in the phase of specification of the interventions, in order to avoid overlapping and ensure complementarity of the assistance.

Complementarity has been identified in the following fields:

Sector	OPHRD		RCOP		Complementarity
	Priority	Operations	Priority	Operations	
SME	<b>Priority 1:</b> Support access to sustainable employment and adaptability of the labour force	Main operations are focused on the opportunities to attain basic entrepreneurial skills that are necessary to raise the adaptability of SMEs and crafts.	<b>Priority 2:</b> Enhancing the competitiveness of the Croatian economy	The RCOP will include providing direct support to already established SMEs from both industry and services sectors either by co-financing investments into innovative technologies, new product development, higher quality production etc., instalment of modern technology and other equipment, construction, modernisation, and promotional activities i.e. mainly their tangible assets and will provide assistance in raising their general skills only to a limited extent, necessary to accompany usage of new equipment for instance, and indirectly by providing assistance to the BSIs, as well as to SMEs in tourism for investments maximising the use of natural, cultural and man-made resources for tourism development, focusing again mainly on their intangible assets and on already functioning SMEs.	<p>The OPHRD is dedicated to providing training in basic SME skills and general entrepreneurial competence, especially where employees are facing the threat of unemployment due to inadequate knowledge and skills. It is further expected that start-ups will be supported too, primarily as means of supporting self-employment.</p> <p>The RCOP is clearly oriented toward only those SMEs that are already established and operating and will also focus on financing consultancy services to SMEs, also as means of developing this services market sector in Croatia.</p>

Sector	OPHRD		RCOP		Complementarity
	Priority	Operations	Priority	Operations	
R&D	<b>Priority 3:</b> Enhancing human capital in education, research and development	Activities supporting human capital in the R&D sector will give prominence to the career development of junior and young researchers and professionals, as well as on securing necessary preconditions for performance of high-quality and highly competitive research.	<b>Priority 2:</b> Enhancing the competitiveness of the Croatian economy	The interventions shall be focused on strengthening capacities of public higher education institutions and public research organisations (HEI and PRO) for technology transfer activities, commercialization of research results and enhanced science-industry collaboration (especially collaboration with SMEs), primarily by investing into the necessary HEI & PRO infrastructure and equipment. Support will be also provided to the development of R&D infrastructure projects that will have an additional important role in bringing the HEI & PRO closer to the economic and market needs as a direct facilitator of university-industry cooperation.	While OPHRD intends to provide research grants for young researchers as well as to enable better inter-sectoral cooperation and transfer of knowledge and skills, the provision of infrastructure under the RCOP is a precondition.

### 3.4 Complementarity with other OPs

#### *Demarcation with IPARD Programme – Agriculture and Rural Development Plan 2007-2013*

The foundation for the preparation of the IPARD Programme - Agriculture and Rural Development Plan 2007 – 2013 (hereinafter IPARD Programme) was the National Agricultural and Fishery Strategy of the Republic of Croatia. Furthermore, the entire policy of the rural development, the priorities of the IPARD Programme, as well as the activities and measures reflect national priorities that are in compliance with the European strategies and are in accordance with major European guidelines in this field.

The agricultural development policy enables the rural areas to fulfil their potential as a place attractive for investment, life and work. By adapting the activities to the environmental conditions, it directly supports sustainable development. Agricultural development contributes to enhancement of the competitiveness of agricultural and food sectors. In order to promote innovation and entrepreneurship, local incentives such as LEADER are of considerable importance. Also, an important source of income and employment opportunities in the rural areas is represented by environment-based activities, such as tourism.

The identified development priority areas of the IPARD Programme are the following:

**PRIORITY AXIS 1: Improving market efficiency and implementation of Community standards:** assistance under this priority shall contribute to the achievement of the improvement of market efficiency and implementation of Community standards in the field of environmental protection, public health, animal and plant health, animal welfare and occupational safety through and the following measures will be financed:

- Investments in agricultural holdings to restructure and to upgrade to Community standards;
- Investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards.

**PRIORITY AXIS 2: Preparatory actions for implementation of the agri-environmental measures and local rural development strategies,** under which assistance shall contribute to the realization of preparatory actions for the implementation of the agri-environmental measures and LEADER approach in order to achieve better protection of natural resources in the beneficiary areas, development of practical experience with regard to the implementation of agricultural production methods designed to protect the environment and maintain the country side and improve participation of local actors in the development and implementation of rural development strategies.

The following measures are envisaged:

- Actions to improve the environment and the countryside;
- Preparation and implementation of local rural development strategies.

Under LEADER type of interventions training and education of local action groups (LAGs) is envisaged, aiming at their capacity building in the fields necessary for their active participation in the process of planning and implementing local development strategies. Therefore, in order to establish successful LAGs and to integrate the local population it is necessary to foster education in order to acquire skills.



On the other hand, the main type of activities under the Priority Axis 5 of the OPHRD envisages operations targeting the development of CSO, among other things focusing on strengthening capacities of small CSOs for the provision of a wider span of services to their local communities. Consequently, the demarcation between OPHRD and IPARD Programme is based on the different types of activities, which therefore secures avoidance of overlapping between the two programmes.

Notwithstanding the abovementioned demarcations between the OPHRD and the IPARD Programme, the OPHRD MA and the Ministry of Agriculture (hereinafter MoA) will provide regular and on-going communication in order to avoid any possibility of double financing.

**PRIORITY AXIS 3: Development of rural economy:** assistance under this priority shall contribute to the achieving of the improvement of quality of life of the beneficiaries in the rural areas through the improvement of the competitiveness of rural areas, improvement quality of life of the beneficiary rural population, increased income of the beneficiary rural population through the development and diversification of on-farm and/or off-farm activities and the creation of new employment opportunities through the development and diversification of on-farm and/or off-farm activities.

Assistance under Priority Axis 3 shall be given through the following measures:

- Improvement and development of rural infrastructure;
- Diversification and development of rural economic activities.

In conclusion, at the moment there are no areas in which the demarcation needs to be further elaborated. However, the OPHRD MA and the MoA will hold regular and on-going communication on the provisions of the implementing documents in order to deter from any possibility of double financing.

#### ***Demarcation with Fisheries Operational Programme***

The Fisheries Operational Programme is in preparation and the OPHRD Managing Authority and the Ministry of Agriculture will hold regular and on-going communication on the provisions of the implementing documents in order to deter from any possibility of double financing.

#### ***Transition Facility***

The financial assistance under the Transition Facility for Croatia will be used to develop and strengthen its administrative and judicial capacity to implement and enforce Community legislation and foster exchange of best practice among peers.

#### **3.4.1 IFIs and other international donors**

**The World Bank** approved a US\$ 85 million (€ 67.8 million) loan for an Education Sector Development Project (ESDP) in 2005. The overall objective of the ESDP is '*to improve teaching and learning at all levels*'.

Key priorities of the ESDP include **(i)** the establishment of an externally administrated school-leaving examination (*Matura*) and the introduction of evaluation practices at system and institutional levels; **(ii)** the development of decision support systems, such as an Education Management Information System; **(iii)** efforts to improve management, including policy development, planning and financial management capacities at the central level; administration and coordination capacities at the regional level, and educational leadership at the school level, and **(iv)** school-level improvement and the creation of professional learning communities in schools by training school curriculum specialists, in-service

training for teachers, new teaching and learning facilities, upgrading regional teacher training centres and new curriculum materials for teachers.

Implementation of the project started in 2006 and will be used also for financing physical infrastructure for VET schools, combined with national co-funding. The preparatory phase of the project has identified a number of 'teething problems' with regard to institutional capacity of the MSES, including the need to develop a coherent vision for education development and a detailed implementation plan on the use of the funds over the forthcoming period. Given the nature and scope of this project, steps will be taken to ensure that it is closely monitored with all policy, operational and capacity aspects of the education-related measures included in this Operational Programme.

A **World Bank** Social Welfare Development Project (of which the main beneficiary is the MSPY) is providing a 31 M EUR loan which the Government of the Republic of Croatia is co-financing with 14 M EUR, and for which the Swedish International Development Agency has approved the donation of 1.6 M EUR. The SWDP includes the three components: to improve the quality of social services and to reduce the proportion of residential care; to improve the premises of social welfare institutions; and to develop the information – operating system.

**GTZ, Germany** financed a €1 million VET project; focusing on the 3-year VET stream, fostering schools of excellence.

**Kulturkontakt, Austria** financed projects in the tourism sector, entrepreneurship training and the training of school managers).

**DfID, UK** financed a project '*Strengthening Labour Market Strategies in Croatia and Service Delivery in the Croatian Employment Service*' was financially supported by the British Department for International Development and under the professional leadership of experts from the British Department for International Development, Department for Work and Pensions and Department for Education and Skills. The main objective of the project was to strengthen the Social Policy Framework for the development of Croatia's National Employment Action Plan and to support the development of the Croatian Employment Service. It consists of two components:

- The development of the first National Employment Action Plan in accordance with European Employment Strategy;
- Development and implementation of training and skills development programme for staff in the Croatian Employment Service.

The implementation of the project started in January 2003 and finished at the end of 2004. The National Action Plan for Employment was approved by the Government of the Republic of Croatia in December 2004. Also of particular relevance are the following –

**Austrian Ministry of Economics and Labour, Austria:** In 2006, the project '*Evaluation of Active Labour Market Policy Measures in Croatia*' started. It has been financially supported by Austrian Ministry of Economics and Labour and implemented by the L&R Social Research Institute from Vienna and the Croatian Employment Service. The project will be continued in 2007 and will be closely monitored in the context of the PHARE 2005 project on '*Active Employment Measures for Groups threatened by Social Exclusion*'.

**The Swedish National Labour Market Board, Sweden:** 2-day seminar for the Croatian Employment Service staff "Swedish experiences on European Social Fund projects implementation" was delivered in May 2006.

Insofar as is feasible, and to ensure complementarity of the above-mentioned donor activities with this Operational Programme, the Head of the Operating Structure, together with the relevant authorities, shall ensure that the principles of Article 9 of the IPA Implementing Regulation (coherence of implementation of assistance) are respected.

### **European Investment Bank (EIB)**

European Investment Bank's lending operations in Croatia support projects helping the country to meet EU accession criteria and to integrate rapidly into the Union. The EIB has been active in Croatia since 2001 during which time 83% of total lending has focused on the construction and rehabilitation of transport infrastructure (EUR 805 million). The advantageous EIB loan conditions are passed onto the final SME beneficiaries through partner banks in the country. In 2009, EIB increased its activities in Croatia as a response to the economic crisis. In 2009, support towards SMEs investments was carried in the area of financing of small and medium-scale projects carried out by SMEs, in the amount of EUR 100,000,000, as well as financing of small and medium-scale projects undertaken by SMEs or mid-cap companies in the amount of EUR 250,000,000.

### **European Training foundation (ETF)**

European Training foundation (ETF) country reviews for pre-candidate and candidate countries will act as an input into the IPA HRD programming process. The European Training Plan for 2009 has underlined the key issues and challenges related to employment and social inclusion, education and training in a lifelong learning perspective. The ETF Plan for 2009 provides ETF strategy for intervention 2009-11 in the area supporting the national priority of developing a Croatian National Qualification Framework (CROQF), information and analysis, initial VET and adult learning, SME Charter reporting and social inclusion.

### **Strengthening Social Inclusion Policies (30 November 2005- 31 December 2010).**

Implementation of JIM process and Social Welfare Sector Reform are additionally supported in assessing social exclusion in Croatia and designing practical policies and strategies for inclusion of its most vulnerable populations through this project. Within this UNDP Project, on the County level the project task was the mapping of availability of social services and resources for its provision and the task on Research on social service development and deinstitutionalization possibilities which includes National plan for deinstitutionalization and transformation of residential social welfare institutions and other legal persons carrying out activities in the filed in the Republic of Croatia 2011 – 2016 (2018) have been completed. Social Inclusion and People with Disabilities (1 April 2007- 31 December 2011)The basic aim of the project is to realize the rights of children and persons with intellectual and physical disabilities to achieve full participation in the community, the right to schooling in the regular educational system and the right to work. Strengthening Local Development and Inclusion of Vulnerable Groups through Volunteerism (1 April 2007- 30 March 2009). This project promoted community development and social inclusion through Volunteerism. This approach consisted of identifying and strengthening local mechanisms and social mobilization and local participation via volunteer based community organizations.

**MATRA programme** – The project 'Improving the Quality of Alternative Sanctions and Educational Measures for Youth with Behavioural Disorders' is being provided in social welfare institutions. This two-year project funded by the Netherlands Ministry of Foreign Affairs and implemented by a Dutch-Croatian project team and Ministry of Health and Social Welfare led by AO was finished.

## **4 Financial tables**

### **4.1 Annual commitment**

#### **Financing plan of the OPHRD detailing the ESF annual allocations, in EUR**

The entire OPHRD is foreseen to be co-financed from the European Social Fund. However, cross-financing has been foreseen as well, as certain European Regional Development Fund type of activities necessary for satisfactory implementation of certain operations will be co-financed from the ESF too, in line with Article 34 of Council Regulation (EC) No 1083/2006, of 11 July 2006, while respecting the relevant ceilings at the level of each relevant Priority Axis.

<i>Year</i>	<b>ESF allocations per year</b>
<i>2007</i>	<b>11,377,000.00</b>
<i>2008</i>	<b>12,700,000.00</b>
<i>2009</i>	<b>12,191,106.60</b>
<i>2010</i>	<b>15,700,000.00</b>
<i>2011</i>	<b>16,000,000.00</b>
<i>2012</i>	<b>15,899,000.00</b>
<i>2013</i>	<b>68,546,000.00</b>
<b><i>TOTAL</i></b>	<b>152,413,106.60</b>

## 4.2 Total financial allocation

The following table demonstrates the financial plan of the OPHRD for the programming period 2007-2013. It presents the amount of the total financial allocation from the ESF, the national counterpart and the rate of reimbursement by Priority Axis.

<b>ESF</b>	Total funding	Community funding (ESF)	National co-finance	Public funding	Private <sup>57</sup> funding	Co-financing rate	Other (IFI, etc.)
<b>2007 - 2013</b>	(1) =(2) + (3)	(2)	3=(4)+(5)	4	5	(4)=(2)/(1)	
	(Eur)	(Eur)	(Eur)			(%)	(Eur)
<i>Priority Axis 1: Support access to sustainable employment and adaptability of the labour force</i>	<b>52,866,869.00</b>	<b>44,936,822.60</b>	<b>7,930,046.40</b>	<b>7,713,028.00</b>	<b>217,018.40</b>	<b>85%</b>	<b>0</b>
<i>Priority Axis 2: Reinforcing social inclusion and integration of people at a disadvantage</i>	<b>47,037,038.00</b>	<b>39,981,474.00</b>	<b>7,055,564.00</b>	<b>6,637,971.00</b>	<b>417,593.00</b>	<b>85%</b>	<b>0</b>
<i>Priority Axis 3: Enhancing human capital in education, research and development</i>	<b>56,210,843.00</b>	<b>47,779,210.00</b>	<b>8,431,633.00</b>	<b>8,050,572.00</b>	<b>381,061.00</b>	<b>85%</b>	<b>0</b>
<i>Priority Axis 4: Technical assistance</i>	<b>13,798,134.00</b>	<b>11,728,400.00</b>	<b>2,069,734.00</b>	<b>2,069,734.00</b>	<b>0.00</b>	<b>85%</b>	<b>0</b>
<i>Priority Axis 5: Strengthening the role of civil society for better governance</i>	<b>9,396,707.00</b>	<b>7,987,200.00</b>	<b>1,409,507.00</b>	<b>1,149,713.00</b>	<b>259,794.00</b>	<b>85%</b>	<b>0</b>
<b>Total</b>	<b>179,309,591.00</b>	<b>152,413,106.60</b>	<b>26,896,484.40</b>	<b>25,621,018.00</b>	<b>1,275.466.40</b>	<b>85%</b>	<b>0</b>

<sup>57</sup> The ESF contribution is calculated on the basis of total costs.

## ***5 Implementing provisions***

This section describes the system of implementation of the OPHRD in accordance with the provisions laid down in Council Regulation (EC) No.1083/2006. The content of this chapter includes basic information on the main implementation features of the OP and will be developed further at a later stage of the OP preparation.

Following the parliamentary elections, in December 2011 the Croatian Parliament adopted the Law on the State Administration System (OG150/11) and the Law on Organization and Scope of the Ministries and Other Central State Administration Bodies (OG150/11, 22/12). A new Law on the Institutional Framework for the use of EU structural instruments in the Republic of Croatia was adopted by the Parliament in July 2012, repealing the Government Decision on the strategic documents and institutional framework for the use of EU structural instruments in the Republic of Croatia from October 2010. This Law defines the functions and responsibilities assigned to the bodies within the SCF management and control system in the Republic of Croatia. Based on the Law, a new Decree on the bodies in the management and control system for use of European Union structural instruments in the Republic of Croatia was adopted by the Croatian Government in August 2012. This Decree determines jurisdiction of individual bodies for the 2007-2013 Programming Period, horizontally at the level of the entire system, as well as on the level of the operational programmes and their Priority Axis or interventions, depending on the specificities of individual operational programme.

### **5.1 Management and control structures**

The institutional system for implementation of structural instruments is stipulated in the Law on the establishment of institutional framework for the use of European Union structural instruments in the Republic of Croatia (herein the Law) for the implementation of Operational Programmes of the 2007-2013 programming period, as well as responsibilities of the bodies in the management and control system which are stipulated in the Decree on the bodies in the management and control system for use of European Union structural instruments in the Republic of Croatia (the Decree).

#### ***Overall responsibility***

The overall responsibility for the correct and efficient implementation of the commitments embodied in the documents concerning the Structural Funds and the Cohesion Fund is ensured by the Government of the Republic of Croatia.

##### **5.1.1 Bodies and authorities**

Based on the Law, and under the provisions of the Decree the following individuals /bodies have been designated /established:

- **Coordinating Body** within the System is Ministry of Regional Development and EU Funds

The Ministry of Regional Development and EU Funds is designated to perform the role of central Coordinating Body for the National Strategic Reference Framework (NSRF). It shall ensure strategic coherence across the EU and national policies, and complementary use of national and EU financial resources in pursuing national development goals. Furthermore it shall coordinate and support the programming, setting up the System, adopting the rules, developing an integrated Management Information System (MIS), monitoring implementation at the national level, coordinating preparation and revision of project selection criteria in cooperation with MA and submitting them to the

Operational programme Monitoring Committee for approval, with MA, prepares the communication plan and coordinates the implementation of information and visibility measures to ensure proper implementation, and assist with horizontal issues in EU funds management, thus ensuring absorption of EU assistance in cooperation with all relevant state institutions.

- **Managing Authority for the OP “Human Resources Development”**

In respect of the requirements of Article 60 of Council Regulation (EC) No. 1083/2006, the Managing Authority of the OPHRD is responsible for managing and implementing the OP in accordance with the principles of sound financial management and clear separation of functions. The function of Managing Authority (MA) for the OPHRD is performed by the Ministry of Labour and Pension System, Directorate for Coordination of Programs and Projects of the EU in the field of Labour and Social Security, on the basis of the appropriate Government Act.

The responsibilities and functions of the Managing Authority of the OPHRD are set out in line with the Structural Funds Regulations and in particular, Council Regulation (EC) No. 1083/2006 and Commission Regulation (EC) No. 1828/2006, amended (EC) 846/2009.

These are:

- Ensuring that projects are selected for funding in accordance with the criteria applicable to the Operational Programme and that they comply with applicable Community and national rules for the whole of their implementation period; Selection criteria is prepared by the Intermediary Body level 1 for the relevant priority/measure and submits them to the MA. MC approves the Selection criteria.
- Verifying that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules; on-the-spot verifications of individual operations may be carried out on a sample basis in accordance with the detailed rules to be adopted by the Commission;
- In cooperation with Coordinating Body ensuring that a system for recording and storing in computerized form accounting records for each operation under the operational programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation is functioning (MIS);
- Ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- Ensuring that the evaluations of operational programmes are carried out in accordance with Article 47 of Regulation (EC) 1083/2006;
- Setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 90 of Regulation (EC) 1083/2006;
- Ensuring that the Certifying Authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- Guiding the work of the Monitoring Committee and providing it with the documents required to permit the quality of the implementation of the Operational Programme to be monitored in the light of its specific goals;
- Drawing up and, after approval by the Monitoring Committee, submitting to the Commission the annual and final reports on implementation;

- Ensuring compliance with the information and publicity requirements laid down in Article 69 of Regulation (EC) 1083/2006;
- Providing to the Intermediate Bodies the instructions for the performance of the delegated tasks and supervising them on risk-assessment basis;
- Monitoring the progress of implementation of the Operational Programme and conducts annual examination;
- Monitoring the implementation of n+3 rule and takes necessary measures to avoid de-commitment;
- Coordinating preparation of and endorsing plans for implementation of Operational Programme priorities and approves measures in line with the same (could be changed by approval of Programme complement);
- Participating in annual review meetings with the Commission on the progress of the implementation of the Operational Programme;
- Carrying out the evaluations as defined in the evaluation plans;
- Contributing to the preparation of description of the System;
- Preparing internal written procedures for performance of its functions following the Rules approved by the Coordinating Body;
- Entering relevant data in MIS and ensuring exchange of data with the Commission through the SFC2007;
- Storing the documents and records of the performance of functions to ensure adequate audit trail.
- Within the MA, the requirements for segregation of functions of selection and approval of projects and management verifications will be fully respected. Internally, the tasks of implementation and monitoring of projects will be separated from the control tasks.

- **Intermediate Bodies**

In line with articles 37.1.g.i. and 59.2 of Council Regulation (EC) No. 1083/2006, the Managing Authority of the OPHRD delegates the implementation of designated functions to Intermediate Bodies (in accordance with Article 2.6 of Council Regulation (EC) No. 1083/2006). The allocation of functions set out in this chapter will necessitate the issue by the Managing Authority of guidance and directions in relation to the intermediate bodies' exercise of functions. Power to give guidance and directions shall be conferred on the Managing Authority by the Act on institutional framework and implementation arrangements in the area of Structural Funds management, which is adopted by the Croatian Government.

*The Intermediate Bodies (IBs) designated for the OPHRD are:*

<b>Intermediate Body</b>	<b>Priority Axes (PA)/interventions (operations)</b>
<b>Intermediate Bodies (level I)</b>	
<b>Ministry of Labour and Pension System;</b> Managing Authority and IB1	<b>PA 1 Support to access to sustainable employment and adaptability of labour force</b> <b>PA 4 Technical assistance</b> <b>PA 5 Strengthening the role of civil society for better governance,</b> -interventions regarding promotion of social dialogue
<b>Ministry for Social Policy and</b>	<b>PA 2 Reinforcing social inclusion</b> and integration of people at a disadvantage-interventions regarding supporting access to employment by disadvantaged



<b>Youth;</b>	groups, -interventions regarding development of social services to improve employment opportunities
<b>Ministry of Science, Education and Sports;</b>	<b>PA 2 Reinforcing social inclusion</b> and integration of people at a disadvantage- interventions regarding supporting access to education by groups with special needs <b>PA 3 Enhancing human capital in education, research and development</b>
<b>Governmental Office for Cooperation with NGOs</b>	<b>PA 5 Strengthening the role of civil society for better governance,</b> -interventions regarding strengthening the role of civil society organisations for socio-economic growth and democratic development
<b>Intermediate Bodies (level II)</b>	
<b>Croatian Employment Service (CES)</b>	<b>PA 1 Support to access to sustainable employment and adaptability of labour force</b> <b>PA 2 Reinforcing social inclusion and integration of people at a disadvantage</b> -interventions regarding supporting access to employment by disadvantaged groups, -interventions regarding development of social services to improve employment opportunities <b>PA 4 Technical assistance</b> <b>PA 5 Strengthening the role of civil society for better governance</b> -interventions regarding promotion of social dialogue
<b>Agency for Vocational Education and Training and Adult Education (AVETAЕ)</b>	<b>PA 2 Reinforcing social inclusion and integration of people at a disadvantage-</b> interventions regarding supporting access to education by groups with special needs <b>PA 3 Enhancing human capital in education, research and development</b>
<b>National Foundation for Civil Society Development</b>	<b>PA 5 Strengthening the role of civil society for better governance,</b> - interventions regarding strengthening the role of civil society organisations for socio-economic growth and democratic development

Any modifications or adjustments necessary to the above system following the identification of a need to improve the implementation of the OPHRD will be formalised prior to the compliance assessment under Art. 71 of the Council Regulation (EC) No. 1083/2006.

### **Intermediate bodies Level 1**

*MA will delegate the following functions to all the Intermediate Bodies Level 1:*

- Implementing information and visibility measures as defined in the communication plan prepared by the Coordinating Body, with special attention on the measures intended for the beneficiaries;
- Implementing guidance measures to ensure that the beneficiaries understand their entitlements and responsibilities regarding the provision of funding;
- Planning and launching the selection of projects in the form of open calls for proposals or restricted calls for proposals and carrying out the process of project selection;
- In cooperation with Intermediate Body Level 2, preparing guidelines/instructions for applicants for the assessment and appraisal of projects;

- Ensuring assessment of compliance of the projects with the selection criteria approved by the Operational Programme Monitoring Committee;
- Selects projects for funding and submits the selected projects to the Intermediate Body level 2 for appraisal of compliance of the projects with the eligibility rules;
- Preparing internal written procedures for performance of its functions following the Rules approved by the Coordinating Body;
- Entering relevant data in MIS;
- Storing the documents and records of the performance of functions to ensuring adequate audit trail;
- Drafts the selection criteria for the respective priority or measure and submits the same to the Managing Authority for verification;
- Initiating and developing strategic projects, contributing to the realization of the priority objectives of the OP;
- Preparing, drafting and improving quality of the specific (sector) parts of the NSRF and OP;
- Confirming measures for the implementation of the priorities of the op and developing its plans and conditions for the implementation;
- Conducting forecast data of the absorption effectiveness, monitoring the implementation of the priorities/measures of the op and consequently informing the Managing Authority;
- In accordance with the national legislation, planning and managing the budget allocations from the ESF and national resources, in order to secure co-financing of the projects;
- Planning and forecasting financial obligations for the particular operations;
- Ensuring public funding for the projects and concluding (signing) contracts with grant beneficiaries and intermediary body level II;
- Preparing and submitting to the body responsible for the payments, the request for the transfer of public funds to the beneficiary and providing total payment of the public contribution;
- Securing the reimbursement of funds that were not properly paid and creates register of the amounts that were or have to be compensated;
- Providing information to the Certifying Authority on the amounts that were or have to be compensated;

Under technical assistance support provided in the OP (PA 5), the MA is also a beneficiary of the TA support. Adequate separation of functions will be ensured by assigning the relating tasks to a separate unit dealing with TA operations.

In those cases, management verification will be assigned to the organisational unit within the MLPS functionally independent from the MA.

### **Intermediate bodies Level 2**

*Will perform the activities and going to be responsible for the following:*

- In accordance with the communication plan prepared by the Coordinating Body, implements information and visibility measures with particular emphasis on the ones envisaged for the beneficiaries;
- Conducting advisory measures ensuring the beneficiaries are aware of rights and responsibilities concerning their financial obligations
- Ensuring proper implementation of the beneficiaries measures regarding information and visibility

- Assisting intermediary body level 1 in preparation of guidelines for applicants, especially parts defining specific requirements for the preliminary assessment of the projects pursuant with the applicable rules of eligibility
- Performing preliminary assessment of the projects pursuant with the applicable rules on eligibility and submit findings and opinions to the Intermediate Body level 1;
- Providing administrative support to the Intermediate Body level 1 in evaluation of the proposals in the open call for proposals method
- Concluding/signing contracts with grant beneficiaries and intermediary body level 1;
- Verifying delivery and acceptance of the costs of projects, and performing administrative and on the spot checks;
- Providing information on eligible expenditure to the line ministry / institution conducting financing and to the Managing Authority;
- Monitoring on the progress of projects and reporting it to the Intermediate Body level 1;
- Investigating suspected irregularities and reports it to the Intermediate Body level 1;
- Ensuring beneficiaries use separate accounting system for projects;
- Preparing internal written procedures for the implementation of its functions according to the rules approved by the Coordinating Body;
- Entering information into the MIS;
- Keeping documents and records on the implementation of its functions in order to ensure adequate audit trail.

For tasks delegated to Intermediate Bodies, the Managing Authority retains overall responsibility for ensuring that they are properly carried out. Therefore, the MA should, in its supervisory capacity, obtain assurance that the tasks have been properly carried out by performing quality checks on verifications carried out by intermediate bodies. In order to avoid risks arising where an Intermediate Body is also the beneficiary of an operation, verification checks will be carried out by the MA.

- ***Certifying Authority (Certification of expenditure)***

The National Fund at The Ministry of Finance is designated to perform the functions of Certifying Authority for all OPs, in line with the requirements of Article 59 of General Regulation No. 1083/2006. It is also responsible for payments and monitoring of irregularities within the System.

In line with the provisions of Article 61 of General Regulation No 1083/2006, the National Fund acting as the Certifying Authority shall perform the following functions and be responsible for:

- Drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- Certifying the expenditure;
- Ensuring for the purposes of certification the receipt of adequate information from the Managing Authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure; taking account for certification purposes of the results of all audits carried out by and under the responsibility of the Audit Authority;
- Maintaining accounting records in electronic form of expenditure declared to the Commission;
- Keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for a project;
- Providing the Commission with the provisional forecast of the applications for payments;

- Providing the Commission with the statement on withdrawn and recovered amounts, pending recoveries and irrecoverable amounts, opening and managing separate national treasury bank account for the Funds;
- Transferring to the beneficiaries the public contribution according to the payment request from the Intermediate Body level 1;
- Managing and accounting amounts received and amounts paid from the bank accounts according to the national legislation;
- Ensuring adjustment of national legislation to interconnect planning and using of public finance with the planning and use of the Funds;
- Conducting calculation and verification of additionally as well as gathering and providing Coordinating Body with all relevant information;
- Providing guidance for detection, investigation and correction of irregularities and guidance for performing preventive measures, monitoring procedures related to irregularities, as well as ensuring communication and exchange of practices among institutions;
- Reporting to the Commission about the irregularities;
- Monitoring the application of the Rules, as well as ensuring exchange of practices and communication among the bodies in the System;
- Preparing internal written procedures for performance of its functions and tasks;
- Entering relevant data in MIS and ensuring exchange of data with the Commission through the SFC 2007;
- Storing the documents and records of the performance of functions to ensuring adequate audit trail.

The Certifying Authority does not intend to delegate its functions to other bodies.

- **Audit Authority** (Verifications of expenditure and functioning of the system)

The Government of Croatia has designated the Agency for the Audit of European Union Programmes' Implementation System (ARPA) to perform the functions of the Audit Authority in accordance with Article 62 of the Council Regulation No. 1083/2006. ARPA was established by the "Regulation on the Establishment of the Agency for the Audit of European Union Programmes Implementation System" adopted by the Government of the Republic of Croatia on 20 June 2008. The Audit Authority is operationally independent from the Managing Authorities and of the Certifying Authority.

The tasks of the Audit Authority are set as follows:

- Ensuring that audits are carried out to verify the effective functioning of the management and control system of the OP;
- Ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- a) Presenting to the Commission within nine months of the approval of the operational programme an audit strategy covering the bodies that will perform the audits referred to under points (a) and (b) the method to be used, the sampling method for audits on operations and the planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period.
- b) Where a common system applies to several operational programmes, a single audit strategy may be submitted.
- c) By 31 December each year from 2013 to 2016:

- i. Submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12-month period ending on 30 June of the year concerned in accordance with the audit strategy of the operational programme and reporting any shortcomings found in the systems for the management and control of the programme. The first report to be submitted by 31 December 2013 shall cover the period from 1 January 2012 to 30 June 2013. The information concerning the audits carried out after 1 July 2016 shall be included in the final control report supporting the closure declaration referred to in point (e);
  - ii. Issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence are a reasonable assurance that the underlying transactions are legal and regular;
  - iii. Submitting, where applicable under Article 88, a declaration for partial closure assessing the legality and regularity of the expenditure concerned. When a common system applies to several operational programmes, the information referred to in point (i) may be grouped in a single report, and the opinion and declaration issued under points (ii) and (iii) may cover all the operational programmes concerned;
- d) Submitting to the Commission at the latest by 31 March 2018 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report.

### **Treatment of Irregularities**

The procedure on irregularity management includes activities related to prevention, detection, verification, recording and reporting of irregularities and monitoring action taken upon reported irregularities. Reporting on irregularities and suspected and established fraud is a tool for sound financial management. In case when the report/document issued contains ascertaining elements related to suspicion of fraud against EU financial interests, the Head of the Body will send immediately on-the-spot check/information note on administrative verification as well as relevant documentation to the State Attorney.

- The organization (MA, CA, IB1, IB2) which detects a suspicion on irregularity at any stage of implementation and/or control procedure shall send Irregularity Alert Form to the IB2 which will undertake verification procedures.
- Upon finalisation of the verification by the IB2, IB2 shall draft a report describing the findings and conclusion of the verification. The conclusion from IB2 can be that an irregularity was established and /or that the irregularity was not established.
- Established irregularity that needs to be reported to EC.
- Within 15 days following the end of each quarter, IB 2 shall report to the SCIF any irregularity which has been the subject of a primary administrative or judicial finding. The Irregularity Report shall be sent, by electronic means, using IMS provided by the SCIF for this purpose via a secure connection.
- Upon the establishment of irregularity in any of the project or schemes the IB 2 shall immediately notify relevant stakeholders.
- The IB 2 shall provide the information in the Irregularity Report as it is defined by Article 28 of EC Regulation 1828/2006.

- Any irregularity which has been the subject of a primary administrative or judicial finding IB 2 shall also be reported to the Service for Combating Irregularities and Fraud (SCIF).
- The follow-up Irregularity Reports contain any development in the administrative or judicial procedures related to the previous Irregularity Reports reported via IMS system.
- The irregularity case shall be closed in the following cases: decision is made that the identified case shall not be considered as an irregularity, all irregular expenditure is recovered.

### **5.1.2 Different types of granting assistance:**

There are the two main types of calls for proposal envisaged under OPHRD. On the one hand, there are **open call for proposals** which are launched publicly, targeting a wide array of potential applicants. A decision to launch an open rather than a restricted call must be justified by the particular technical nature of the call, the limited budget available, and the limited number of proposals expected or organisational constraints.

On the other hand, **restricted call for proposals** are calls for proposals where direct invitation to submit project application is sent to one or more pre-determined applicants.

Predetermined applicant is an applicant designated to implement projects identified in Croatian national strategic documents, Accession Treaty and/or Operational Programmes:

- a legal entity which has exclusive competence in the field of activity and/or geographical area to which the grant relates pursuant to any applicable law; or
- a legal entity which is the only organisation (i) operating or (ii) capable of operating in the field of activity and/or geographical area to which the grant relates by virtue of all considerations of fact and law.

Throughout the restricted calls for proposals the measures already financed within the national budget could receive additional financial allocations from the ESF.

## **5.2 Monitoring and Evaluation**

### **5.2.1 Monitoring arrangements**

Monitoring of the OPHRD is the responsibility of the OP Managing Authority under the control of the OPHRD Monitoring Committee. Monitoring units are set up within the Managing Authority and the Intermediate Bodies. At all levels of management, uniform monitoring principles shall apply, both in physical and financial monitoring, limited to certain indicators, and shall present information and reports in agreed format. Monitoring is carried out under the partnership principle. The Monitoring Committee shall be set up by the Member State, in agreement with the Managing Authority after consultation with the partners and in accordance with its own institutional arrangements and practice.

### **Membership and role of the OPHRD Monitoring Committee**

The Monitoring Committee shall be set up within three months after the decision approving the OP, as per Article 63 of the Council Regulation No 1083/2006. The main responsibility of the Monitoring Committee is to ensure the effectiveness and quality of the implementation of the OPHRD.

Membership of the OPHRD Monitoring Committee will comprise representatives of the OPHRD Managing Authority, representatives of the Coordinating Body, the Certifying Authority, Audit Authority, the Intermediate Bodies, social partners (as appropriate), and relevant NGOs, including representatives of national and regional organizations interested in active participation in OP implementation. Representatives of the European Commission will participate in an advisory capacity in the Monitoring Committee.

Each institution will nominate one full member for the MC and one substitute member, with high decision-making power. Effort will be made that the composition of the OPHRD Monitoring Committee considers the requirements of gender balance.

The Ministry of Labour and Pension System as the Managing Authority of the Operational Programme Human Resources Development, when proposing the composition of the OPHRD Monitoring Committee (MC), was guided by the provisions on Partnership as stipulated by Article 11 of the Regulation. Namely, the proposed composition includes representatives of all the bodies of the HRD management and control system. Furthermore, in order to ensure better synergies the representatives of the Operational Programme Regional Competitiveness as well as the Ministry of Agriculture were included. The representativity in the work of the OP HRD MC has been ensured through the participation of socio-economic partners, civil society organizations, local and regional community, representative for gender equality and national minorities' and human rights representatives.

Subsequent changes in the membership or composition of the MC may be agreed by the MC itself, subject to national legislation, without any requirement to amend the OPHRD. List of members of the Monitoring Committee can be found in the Annex 4.

The Monitoring Committee of the OPHRD will be chaired by the Head of the Managing Authority.

The MC shall draw up and adopt its own rules of procedure within the national institutional, legal and financial framework, as well as the decision-making procedure. The MA of the OPHRD will ensure the Secretariat of the Monitoring Committee.

### **5.2.2 Management Information System (MIS)**

In view of accumulation, summarising and presenting the data of the ERDF, ESF and Cohesion funds, Croatia uses a single Management Information System (MIS). The scope of the Management Information System is twofold and its purpose is to manage operational programmes and projects, as well as to serve as financial control mechanism to enable the smooth processing of payments.

The MIS ensures that all the data, necessary for financial management, monitoring, supervision; audit and evaluation are collected and secured as required by the General and Implementation Regulations. MIS provides a possibility to monitor the operational data and financial information on:

- Implementation of separate projects, financed from Structural Funds and Cohesion Fund;
- Progress of implementation of separate operational programmes;
- General progress of implementation of the assistance under the Convergence Objective;
- Verifications of results, detected irregularities, and audit.

MIS facilitates implementation of the following functions:

1. *Management*: placement of the data on financial plans and indicators of operational programmes into computer system, forecasts and monitoring of financial plans and indicators, supervision of obligations and execution of payment plans and control of the N+2/N+3 rule.
2. *Administration*: project registration, administration of agreements, forecasts on projects implementation and supervision of their execution, registration of verification results, control of the eligibility of expenditure and payment. This function also includes the provision of accumulated data enabling for an easy identification of project implementation and payments problems.
3. *Accountability*: provision of information on progress of projects, elaboration of summaries for reports, provision of information on the expenditure, collection of information necessary for execution of control, audit, evaluations, submission of reports to the Commission via electronic media (for audit purposes, pursuant to the requirements of Regulation (EC) No 1083/2006).

The system allows for a multi-user group environment with distinct roles and tasks. MIS is managed centrally by the Coordinating Body (MRDEUF) and developed in co-operation with other institutions. The system issues numbers of standard and customised reports to meet the needs of the various data groups, both on an ad hoc and/or regular basis. It is envisaged that data placement commence in July. 2013. This system ensures the data transmission between Managing Authority and the European Commission as foreseen in Article 60 (c) of Regulation (EC) No 1083/2006.

### **5.2.3 Selection of operations**

In the overall process of implementation of the OPHRD, it is the Managing Authority that bears the overall responsibility for the project selection and contracting procedures under the programme.

### **5.2.4 Evaluation arrangements**

Evaluation of the OP is an important tool for the overall management of the OP. It is meant to assess the relevance, efficiency and effectiveness of the financial assistance deployed, as well as the impact and sustainability of the results achieved. The systematic evaluation of the OP 2013 shall be financed from the technical assistance and performed in full compliance with the provisions set in Council Regulation (EC) No 1083/2006 (Articles 37, 47 – 49).

Two types of evaluations will be carried out:

- Ex-ante evaluation;
- On-going evaluation, including external evaluation of the active labour market measures.

#### Institutional framework for evaluation

The national institutional framework for evaluation comprises of 2 levels:

- An overall coordination level, ensured by the Coordinating Body
- A functional level, reflected at the evaluation unit established within the MA.

A Central Evaluation Unit is established at MRDEUF with an overall coordination role of evaluation as well as particular responsibilities in the management of the evaluations with cross-cutting themes and the evaluation of capacity-building activities. Under the coordination of the Central Evaluation Unit, a follow-up mechanism of the evaluation recommendations will be set-up in the Evaluation Procedures Manual to be applied by the MA of the OP 2013.



The evaluation unit established within the Managing Authority of the OPHRD will be responsible for the evaluation of the OP. This unit will ensure that evaluations are carried out to a high standard, at an appropriate time, in a cost effective manner and in accordance with requirements of the EU regulations and European Commission guidelines. The evaluation unit will act in co-operation with the Monitoring Committee and will interact on a constant basis with the Central Evaluation Unit.

The evaluation results will be made publicly available through means of communication that will be easily identifiable and accessible.

## **5.3 Information and publicity**

### **5.3.1 Introduction**

Information and publicity actions of the OPHRD are included in the Communication Action Plan (CAP) prepared in accordance with Commission Regulation (EC) No. 1828/2006 with following specific objectives:

- To raise overall public awareness regarding the OPHRD;
- To inform and engage stakeholders and potential beneficiaries at national and local level regarding available funding opportunities under OPHRD, as well as application procedures, including both the PRAG and/or national requirements under structural funds (ESF), and to promote equal opportunities and fair access for all;
- To ensure continuous transparency of the OPHRD implementation in line with the requirements of EU regulations and best practice principles;
- To synchronize all communication activities carried out by the institutions responsible for the management of the OPHRD, as well as to facilitate communication with and through partner organizations and key stakeholders.

### **5.3.2 Management and implementation**

The tasks of the Monitoring Committee of the OPHRD, with relation to information and publicity issues, include adopting a Communication Plan and monitoring the way it is implemented.

The Coordinating Body will ensure coordination of communication activities among institutions engaged in information and publicity activities for all the OPs across the Structural Funds system. Communication and publicity measures will be subject to evaluations made by the MA of the OPHRD and by the Monitoring Committee.

MA and IBs implements the information and visibility measures as defined in the communication plan prepared by the Coordinating Body.

## ***Annex 1 – Composition of the ESF OPHRD drafting group***

### **MINISTRY OF LABOUR AND PENSION SYSTEM**

#### **Directorate for Programs and Projects of the EU in the Field of Labour and Social Security**

- 1) Dario Baron, Assistant Minister
- 2) Katarina Ivanković-Knežević, Head of Sector
- 3) Gordana Dragičević, Head of Service
- 4) Marica Misir, Head of Department
- 5) Naida Mekić, Head of Service
- 6) Stella Čužić, Head of Service
- 7) Lovrenka Brajković-Bulat, Head of Department

### **MINISTRY OF ENTERPRENURSHIP AND CRAFT**

#### **Directorate for Small and Medium Companies and Cooperatives**

- 8) Vlatka Mlakar, Head of Section

### **MINISTRY OF SOCIAL POLICY AND YOUTH**

#### **Service for Accession and Structural EU funds**

- 9) Mirjana Radovan, Head of Service
- 10) Ana Klofutar, Head of Department

#### **Service for International Cooperation and EU Affairs**

- 11) Vesna Mastela Bužan, Senior Adviser,

### **MINISTRY OF HEALTH**

#### **Directorate for Health**

- 12) Danica Kramarić, Head of Department
- 13) Dunja Skoko Poljak, Head of Department

### **CROATIAN NATIONAL INSTITUTE OF PUBLIC HEALTH**

- 14) Vlasta Dečković-Vukres, Head of Department
- 15) Mario Trošelj, Head of Section

### **MINISTRY OF SCIENCE, EDUCATION AND SPORTS**

#### **Office for EU programmes and projects**

- 16) Hrvoje Bakić, Head of Office
- 17) Jasminka Majsec, Head of Department
- 18) Mirna Štajduhar, Head of Department
- 19) Marinela Krešo, Expert Assistant

#### **Directorate for Higher Education**

- 20) Ana Tecilazić- Goršić, Head of Sector for Development of Higher Education
- 21) Tomislav Vodička, Senior expert advisor

#### **Sector for International cooperation, EU programmes and projects**

- 22) Ivana Crnić Duplančić, Head of Unit for EU programmes and projects

### **CROATIAN EMPLOYMENT SERVICE**

- 23) Kristina Alerić, Head of Department
- 24) Mirjana Zečirević, Head of Department
- 25) Sanja Mesarov, Head of Department
- 26) Nada Kerovec, Head of Section
- 27) Tatjana Tihomirović, Head of Section

**AGENCY FOR VOCATIONAL EDUCATION AND TRAINING AND ADULT LEARNING**

- 28) Jelena Letica, Assistant Director
- 29) Jure Biloglav, Expert Advisor
- 30) Luka Margan, Expert Assistant

**FUND FOR THE PROFESSIONAL REHABILITATION AND EMPLOYMENT OF PEOPLE WITH DISABILITIES**

- 31) Damira Benc, Deputy Director
- 32) Jasenka Sučić, Assistant Director

**MINISTRY OF FINANCE**

- 33) Nada Zrinušić, Head of Department
- 34) Andreja Milić, Head of Sector

**MINISTRY OF REGIONAL DEVELOPMENT AND EU FUNDS**

- 35) Ana Papadopoulos, Head of Sector
- 36) Vlatka Marčan, Senior Expert Adviser
- 37) Iva Hladnik, Senior Expert Adviser
- 38) Iva Šeler, Head of Department

**MINISTRY OF TOURISM**

- 39) Sanja Bareza, Head of Department
- 40) Blanka Belošević, Head of Section
- 41) Senka Daniel, Expert Assistant

**MINISTRY OF PUBLIC ADMINISTRATION**

- 42) Tatjana Čorlija Milivojević, Head of Department
- 43) Lada Justinijanović

**GOVERNMENT OFFICE FOR COOPERATION WITH NGOs**

- 44) Igor Vidačak, Head of Office
- 45) Jaša Jarec, Head of Department

**GOVERNMENT OFFICE FOR GENDER EQUALITY**

- 46) Helena Štimac Radin, Head of Office
- 47) Tamara Šterk, Adviser

**OMBUDSMAN FOR PEOPLE WITH DISABILITIES**

- 48) Boris Jakov Geričić, Deputy
- 49) Marko Gotovac, Adviser

**CENTRAL BUREAU FOR STATISTICS**

- 50) Rene Čepinac, Head of Subsection
- 51) Mario Vljajčević, Expert Assistant

**NATIONAL FOUNDATION FOR CIVIL SOCIETY DEVELOPMENT**

- 52) Cvjetana Plavša- Matić, Director

## ***Annex 2 - Categorisation of expenditure and 'Lisbon earmarking'***

The OPHRD contains the breakdown of funds allocation by categories in line with the provisions of Articles 37, par.1 (d) of Council Regulation No. 1083/2006 and according to Commission Regulation No. 1828/2006. The categorization represents the ex-ante estimation on the use of the funds under the OPHRD; the categories considered are the codes by dimension (Priority Theme, Form of finance and Territory type), as they are listed in Annex II of Commission Regulation No. 1828/2006.

<b>Dimension 1</b>		<b>Dimension 2</b>		<b>Dimension 3</b>	
<b>Priority theme</b>		<b>Form of finance</b>		<b>Territory</b>	
<i>Code</i>	<i>Amount</i>	<i>Code</i>	<i>Amount</i>	<i>Code</i>	<i>Amount</i>
*	**	*	**	*	**
62 Development of life-long learning system and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation	2.000.000	01 Non-repayable aid	152.413.106,60	00 Not applicable	0
64 Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems for anticipating economic changes and future requirements in terms of jobs and skills	2.663.700				
65 Modernisation and strengthening labour market institution	5.639.700	<b>Total</b>	152.413.106,60	<b>Total</b>	0
66 Implementing active and preventive measure on the labour market	20.362.886,05				
68 Support for self-employment and business start-up	2.000.000				
69 Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market, and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons	2.455.630,91				
71 Pathways to integration and re-entry into employment for disadvantaged people; combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity at the workplace	29.037.110,09				

72 Design, introduction and implementation of reforms in education and training systems in order to develop employability, improving the labour market relevance of initial and vocational education and training, updating skills of training personnel with a view to innovation and a knowledge based economy	33.011.517
73 Measures to increase participation in education and training throughout the life-cycle, including through action to achieve a reduction in early school leaving, gender-based segregation of subjects and increased access to and quality of initial vocational and tertiary education and training	19.589.907
74 Developing human potential in the field of research an innovation, in particular through post- graduate studies and training of researchers, and network activities between universities, research centres and businesses	4.713.000
79 Other Social infrastructure	1.005.000
80 Promoting partnership, pacts and initiatives trough the networking of relevant stakeholders	14.934.236,95
81 Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes	3.272.018,75
85 Preparation, implementation, monitoring and inspection	10.113.121,85
86 Evaluation and studies; information and communication	1.615.278
<b>Total</b>	<b>152.413.106,60</b>

\* The categories are coded for each dimension using the standard classification.

\*\* Estimated amount of the Community contribution for each category.

### ***Annex 3 - Members of ESF OPHRD Monitoring Committee***

Ministry of Labour and Pension System, Managing Authority,  
Ministry of Labour and Pension System, IB 1  
Ministry of Regional Development and EU Funds, Coordinating Body and MA OP Regional Competitiveness  
Ministry of Finance, Certifying Authority  
Ministry of Social Policy and Youth, Intermediate Body level 1  
Ministry of Science, Education and Sports, Intermediate Body level 1  
Government Office for NGOs, Intermediate Body level 1  
Croatian Employment Service, Intermediate Body level 2  
Agency for Vocational Education and Training and Adult Education, Intermediate Body level 2  
National Foundation for Civil Society Development, Intermediate Body level 2  
Ministry of Agriculture  
Ministry of Environmental and Nature Protection

#### **Representatives of national minorities:**

Government Office for Human Rights and Rights of National Minorities

#### **Representatives of institutions in charge of promotion of gender equality:**

Government Office for Gender Equality

#### **Representatives of regional/local level:**

Croatian County Association

#### **Representatives of economic and social partners:**

Union of Autonomous Trade Unions of Croatia  
Croatian Employers Association (HUP)

#### **Representatives of civil society:**

NGO ODRAZ, Zagreb  
„The Association for Civil Society Development SMART“, Zagreb  
NGO DEŠA, Dubrovnik  
NGO Autonomous centre-ACT, Čakovec  
NGO „Mali princ“, Zagreb  
GONG, Zagreb  
Union of Croatian Homeland War Volunteers Associations, Zagreb  
German People's Union - National Association of Danubian Schwaben in Croatia, Osijek  
"Volunteer Centre Zagreb", Zagreb  
Forum for Freedom in Education, Zagreb, substitute member  
Association of Patriotic War Volunteers and Veterans of the Republic of Croatia, substitute member  
NGO "Croatian Youth Network "Mreža mladih Hrvatske“ Zagreb, substitute member

#### **Advisory role:**

Agency for the Audit of European Union Programmes Implementation System

## ***Annex 4 – Previous Pre-accession Assistance***

A CARDS 2001 project, 'Labour Market Restructuring', started in the middle of 2003, and was completed at the end of 2005. This programme achieved the following:

A Labour Market Survey was conducted in four counties and subsequently based on the obtained results a Labour Market Study for these counties was undertaken.

A strategy for the Vocational Guidance Services was designed; 12 counsellors from the Vocational Guidance Department were trained to in turn train those in schools and the CES itself who provide students with information and counselling services about their opportunities on the labour market.

26 CES counsellors were trained to provide services to disabled and hard-to-place persons.

The CASCAiD Programme has been established in order to improve the system of vocational guidance.

Information equipment was purchased and installed in the CES Central and Regional Offices and 36 computers were also given to the Ministry of Science, Education and Sports for the needs of the CASCAiD Programme.

A donation contract for 1,500,000 EUR was signed between the Fund for Development and Employment and the European Commission financing the work of Mobility Centres.

Seven Mobility Centres were established with the purpose of providing services for the workers in enterprises undergoing the process of restructuring. Counsellors for that work were also trained.

One of the lessons learned from the project related to the complexities of the preconditions that it was necessary to meet to establish mobility centres.

Under the CARDS 2002 and CARDS 2004 'Local Partnerships for Employment' projects, 8 counties benefited from technical assistance for establishing local partnerships for employment, developing county human resources strategies, setting up the accompanying institutional system and creating a project pipeline.

Four Regional Labour Market Councils (RLMC) and four thematic working groups on Human Resources Development have been established. It is planned that the counties in which they are based will benefit from a grant scheme aiming to promote access to employment (including self-employment) within the local labour markets.

The CARDS 2002 project was considered to be a success by all stakeholders except for the fact that no associated grant scheme was available immediately. The CARDS 2004 project was more successful in this regard but consideration still needs to be given to the sustainability of the partnerships established and to the fact that the county level may be too low a basis for formulating effective employment strategies; co-operation between counties to establish multi-county strategies (on the NUTS II level or below) also merits consideration. Under CARDS 2003 project 'The Decentralization and Reorganization of the Croatian Employment Service' was expected to strengthen the regional and local capacity of the Croatian Employment Service using the promotion of skills, technological knowledge and experience necessary for the decentralized activities of the CES, which will result in a more direct involvement in the local developmental needs and initiatives. At the same time, appropriate account will be taken of the CES on-going modernisation as assisted under this Operational Programme.

The aim of the project Phare 2005 was to facilitate access to the labour market by unemployed persons threatened by social exclusion using active labour market policies tailored to their needs. The following results were achieved from this project and were closely monitored in the context of appropriate complementarity and synergy with this Operational Programme:

- In-depth analysis of the existing employment incentive measures;
- Designing a new range of measures which will build, as appropriate, on previous measures and their follow-up evaluation;
- In the context of the on-going modernisation process referred to above, higher professional capacity of the CES in designing and implementing active employment policies;
- Raised level of employability of the groups threatened by social exclusion.

Projects in the field of employment supported by CARDS and Phare and implemented or to be implemented under IPA created the basis for the modernisation of CES approaches and standards in planning and implementing through these interventions. One of the projects most significant result had been involvement of regional stakeholders and of the implied „bottom-up“ approach in the development and implementation of active labour market measures and in general the labour market policies, strategies and actions.

In the field of education projects aim at increasing investment in human capital through better education and skills.

The reform of the VET sector was one of the primary targets of the CARDS programme. In particular, the process of modernisation of the Croatian VET system has received continuous TA support. A VET strategy and a proposal for the content of VET legislation was elaborated with support of CARDS 2002 VET: Modernisation and Institution building programme.

A grant scheme, launched within the same programme and implemented under the CARDS 2003 VET Project aimed to improve the quality and responsiveness of vocational education and training in Croatia through the development of partnership-based initiatives to raise the quality and responsiveness of VET and increase its relevance to the needs of the labour market and individuals. The Grant Scheme within the CARDS 2003 project was successful in terms of the number of applications received but the 'centres of excellence' approach was not pursued as originally intended. However, this concept, as well as wider VET reform, will be given further consideration. These CARDS projects are also supporting the development of Sector Councils and the creation of new qualifications and learning programmes. The CARDS programme was also assisted in developing modern and flexible concept of adult education for Croatia in line with new labour market requirements, the lifelong learning approach and EU best-practice examples.

The set of projects already launched or ready to be launched under IPA OPHRD represents the continuation of reforms related to VET and adult education started in CARDS, with the simultaneous introduction of conditions for ensuring quality throughout the full spectrum of education.

A CARDS programme in the higher education sector has been focusing on legal approximation and strengthening the administrative capacity of the relevant state administration bodies for the implementation of the aligned legislation. This primarily relates to the issues of accreditation and



quality assurance of higher education institutions, with the aim of removing the obstacles for the mobility of students and creation of a flexible labour market.

Through the TEMPUS programme, the Croatian authorities and universities acquired experience in the management of grant schemes in the field of higher education. The National Tempus office is placed within the Agency for Science and Higher Education and it is responsible for coordinating the implementation of the TEMPUS program; in the experience in the management of grant schemes remains within various universities, which are the main beneficiaries of the TEMPUS programme.

In the social inclusion sphere, interventions under the Phare programme was supported full participation of the Roma and other minorities in the economic, educational, cultural and social life of Croatian society.

A CARDS 2002 project supporting Social service delivery by the non-profit sector ended in 2006. This marked the first substantial support to partnerships with the voluntary sector in the provision of social services. Key outputs included technical assistance to the National Foundation for Civil Society Development, line ministries and end-beneficiaries as well as implementation of the Grant Scheme. 105 project proposals were submitted, ten selected and nine completed.

A CARDS 2003 project supporting Social service delivery by the non-profit sector continued to support the innovative capacities of NGOs in this area and another such project was implemented under CARDS 2004.

IPA 2007-2009 projects in the field of social inclusion aimed to promote social inclusion of the long-term unemployed social assistance beneficiaries, persons with disabilities by supporting their access to the labour market and also increasing employability of disadvantaged women and their access to the labour market.