CEA
Croatian Employers' Association

SPRING 2018 REFORM BAROMETER – CROATIA

European Semester - Overall assessment of 2017 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (April 2017) is appropriate.	To a large extent	sustainable fiscal consolidation, reduction of the budget deficit and public debt, improving efficiency of public administration,
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	reform of the expenditure side of state budget, implementing the rule of law and the law enforcement, pension system reform, health care reform and labour market reform - both individual reforms and inter-related as a whole, more attention should be paid to serious demographic situation, i.e. ageing population and migration of Croatian citizens towards other countries (EU and other)
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	in the line with overall macroeconomic situation, well-balanced, but missing strong actionable approach
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To a large extent	The number of imbalances has been reduced, due mostly to very good external trends such as historically low interest rates, strong demand at mayor export markets in EU, in tourism sector - security risk is lower compared to competitive touristic countries at the Mediterranean

Assessment of Country Specific recommendations 2017 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR **1**	Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium-term budgetary objective in 2018. By September 2017, reinforce budgetary planning and the multiannual budgetary framework, including by strengthening the independence and mandate of the Fiscal Policy Commission. Take the necessary steps for the introduction of the value-based property tax. Reinforce the framework for public debt management, including by ensuring annual updates of the debt management strategy.	Extremely important	Excellent/No further progress needed	Fiscal year 2017 ended with surplus at the account of general state for the first time, due primarily to the increase of tax income and better control of expenditures
CSR **2**	Discourage early retirement, accelerate the transition to the higher statutory retirement age and align pension provisions for specific categories with the rules of the general scheme. Improve coordination and transparency of social benefits.	Important	Unsatisfactory	Pension system reform should be carefully prepared, different options should be examined and valued in a comprehensive approach. This reform should have long-term perspective. No partial measure are acceptable.
CSR **3**	Improve adult education, in particular for older workers, the low-skilled and the long-term unemployed. Accelerate the reform of the education system.	Important	Mixed	Some private initiatives are progressing particularly good, gaining ground in the public by improving basic education in the fields of ICT and robotics for children. We still miss the comprehensive programme at the national level.
CSR **4**	Reduce the fragmentation and improve the functional distribution of competencies in public administration, while enhancing the efficiency and reducing territorial disparities in the delivery of public services. In consultation with social partners, harmonise the wage-setting frameworks across the public administration and public services.	Important	Unsatisfactory	Different interest groups are resisting the reform of public administration. The law on wage-setting is in preparatory phase.

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR **5**	Speed up the divestment of state-owned enterprises and other state assets, and improve corporate governance in the state-owned enterprise sector. Significantly reduce the burden on businesses stemming from costs of regulation and from administrative burdens. Remove regulatory restrictions hampering access to and the practice of regulated professions and professional and business services. Improve the quality and efficiency of the justice system, in particular by reducing the length of civil and commercial cases.	Extremely important	Unsatisfactory	Attention is focused mainly on new law on management of state portfolio. Actions focused mostly to sell a number real estates of smaller value. The biggest problems related to the largest SOE remained almost untouched.

Reform Progress in your Member State in 2017

How would you assess reform progress in 2017, for the following broad areas:

Taxation and Public Finances	Satisfactory
Business environment (regulation/access to markets)	Mixed
Labour market	Mixed
Innovation and skills	Unsatisfactory
Access to finance and Financial stability	Mixed

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2018 Reform Barometer?

Progress in the deregulation and liberalization of the sector of professional services, in accordance with the OECD recommendations

CEA
Croatian Employers' Association

Reform priorities for 2018

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Business Environment - Regulatory barriers to entrepreneurship	Roll- out of the standard cost and RIA to all mayor business-oriented regulation	yes
Priority 2	Public sector efficiency	Reengineering and digital transformation of SOP in public sector, compensation payment reform	yes
Priority 3	Pension and health care reforms	Redefine interrelation between 1st, 2nd and 3rd pension pillars, improve economics of health system	yes
Priority 4	Consolidation of public expenditures	Implement cyclically balanced budget policy, increase income from privatization of SOE	yes
Priority 5	Competition policy framework	Implant in full good governing practice in SOE and public utility companies	no