



SPRING 2019 REFORM BAROMETER – CROATIA

European Semester - Overall assessment of 2018 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (March 2018) is appropriate.	To a large extent	Sound public finances, based on further reduction of public debt, balanced budget, 3rd phase of tax system improvement, measures intended to make the pension system sustainable; pilot phase of education reform.
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	improvement still needed in the judiciary reform, especially in commercial court disputes, in order to reduce backlog and shorten the duration of disputes; reducing overlapping in different public authorities and between local and state administration.
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	Well-balanced but still missing strong actionable approach, specific guidelines for improving governance and efficiency of state-owned companies still missing.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To a large extent	The number of imbalances continue to diminish and are smaller in size, but positive contribution comes mostly from external factors: low interest rates, strong demand from mayor export markets and tourist sector strong income,



Assessment of Country Specific recommendations 2018 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Strengthen the fiscal framework, including by strengthening the mandate and independence of the Fiscal Policy Commission. Introduce a recurrent property tax.	Extremely important	Satisfactory	The new Law on Fiscal Policy Commission is adopted which strengthen its independence and mandate. On the other hand, the guarantees for Croatian Shipyards are being used, in the amount of approx. 3% of the State budget.
CSR 2	Discourage early retirement, accelerate the transition to a higher statutory retirement age and align pension provisions for specific categories with the rules of the general scheme. Deliver on the reform of the education and training system to improve its quality and labour market relevance for both young people and adults. Consolidate social benefits and improve their poverty reduction capacity.	Important	Mixed	We are assessing the short-term effect of the pension system changes as positive, but in the long run they are mostly dubious. Pilot project of the Educational system reform shows mostly good results, but its roll-out infrastructure and HR are not properly prepared.
CSR 3	Reduce the territorial fragmentation of the public administration, streamline the functional distribution of competencies and enhance the capacity to design and implement public policies. In consultation with social partners, introduce harmonised wage-setting frameworks across the public administration and public services.	Important	Unsatisfactory	There's no political will to reform territorial fragmentation and to introduce modern, EU standards-based e-governance on state and local level. The new Law on public servants' wage setting is in the process of preparation (it is on the Legislative agenda for 2019.)



		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 4	Improve corporate governance in state-owned enterprises and intensify the sale of state-owned enterprises and non-productive assets. Significantly reduce the burden on businesses arising from parafiscal charges and from cumbersome administrative and legislative requirements. Enhance competition in business services and regulated professions. Reduce the duration of court proceedings and improve electronic communication in courts.	Extremely important	Unsatisfactory	There's no improvement in management of loss-making SOE. Parafiscal charges will be slightly reduced, mostly related to the use of IT and reducing the number of administrative steps. The Government neglected the importance of Center of shared services in public sector. Potential for privatisation of SOE is not used at all.

Reform Progress in your Member State in 2018

How would you assess reform progress in 2018, for the following broad areas:

Taxation and Public Finances	Satisfactory
Business environment (regulation/access to markets)	Unsatisfactory
Labour market	Unsatisfactory
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 2019 Reform Barometer?

Further progress in the deregulation and liberalisation of the sector of professional services, in accordance with OECD recommendations.



Reform priorities for 2019

	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 and the standard cost and RIA to all mayor business-oriented legislation.	yes
Priority 2	R&D and Innovation	High quality smart specialisation, supported by the quadruple helix and finance is needed.	no
Priority 3	Labour market mismatch and labour mobility	There's no synergy between labour market policies and labour market, Long-term perspective on LM is highly needed.	no
Priority 4	ICT	Strategy for digital transformation of economy and society as whole is long overdue. Multiple individual actions lack common ground.	no
Priority 5	Public sector efficiency	Entire Public sector misses the comprehensive, long-term strategy and implementation programme.	no