



REPUBLIC OF CROATIA  
MINISTRY OF FINANCE



CROATIAN NATIONAL BANK

CLASS: 910-01/19-01/48  
REG. No.: 513-01-20-20

Ref. No: 478/020/20-1/BV

**President of the Eurogroup**

**President of the European Central Bank**

**Finance Ministers of the Euro Area Member  
States**

**Finance Minister and Central Bank  
Governor of Denmark**

**Executive Vice-President of the European  
Commission for An Economy that Works for  
People**

Zagreb, 8 June 2020

**Notification of the implementation of the policy measures the Republic of Croatia committed to in its letter of intent to join the ERM II and a request for a formal assessment of the implementation of these policy commitments**

In the letter of intent dated 4 July 2019, the Republic of Croatia expressed its firm intention to enter the Exchange Rate Mechanism II (ERM II) and ultimately introduce the euro once the convergence criteria in accordance with Article 140 of the Treaty on the Functioning of the European Union have been fulfilled. While aiming at simultaneously joining the ERM II and the Banking Union, the Republic of Croatia committed to implement nineteen prior commitments grouped into six policy areas that are of high relevance for a smooth transition to, and participation in, the ERM II.

Irrespective of the adverse circumstances caused by both the COVID-19 pandemic and the devastating earthquake that we have been confronted with, the Croatian authorities remained highly committed to its aim of joining the ERM II. Hence, we are pleased to inform you that the

Croatian authorities have made significant efforts and that in line with our plan we fully implemented all measures in the reform areas under titles 2-6 as defined in the Action Plan for joining the ERM II and the Banking Union (listed below).

- Developing a macro-prudential framework by providing a legal basis for borrower-based measures, in addition to the existing capital-based measures
- Strengthening of the anti-money laundering framework through early adoption of legislation transposing and fully implementing the 5th Anti-Money Laundering Directive (AML5-Directive)
- Improvement of collection, production and dissemination of statistics, by strengthening the institutional and methodological capacity in relation to the quality of National Accounts and GFS/EDP reporting
- Enhancement of public sector governance through improved governance of state-owned property, intensified sale of stakes in companies and disposal of non-essential assets, increased efficiency, rationalization, and further legal harmonisation and depoliticization across the Croatian civil service
- Reduction of administrative and financial burden through a reduction in the number and overall burden of para-fiscal charges, alleviation of excessive administrative obligations for entrepreneurs, and liberalisation of selected professional services.

With regard to the reform area under title 1 – commitment to further strengthen banking supervision by entering into a close cooperation with the European Central Bank – as defined in the Action Plan for joining the ERM II and the Banking Union, you are certainly aware that it runs its own course. Hence, it is undergoing its own assessment procedure. Nonetheless, let us remind you that on 27 May 2019 the Republic of Croatia requested to enter into a close cooperation with the European Central Bank pursuant to Article 7 of Regulation (EU) No 1024/2013 and in accordance with the provisions of Decision ECB/2014/5 of 31 January 2014 on the close cooperation with the national competent authorities of participating Member States whose currency is not the euro. This was done in anticipation of our prior commitment to further strengthen banking supervision by entering into the close cooperation with the ECB and in line with our aim to do it simultaneously with the ERM II entry, as well as to ensure enough time to fulfil all the prerequisites. In that context the ECB is assessing relevant Croatian legislation, ensuring that the Croatian National Bank will be obliged to adopt all measures requested by the ECB in relation to Croatian credit institutions. The ECB is also undertaking its comprehensive assessment of five Croatian banks. This process started in September 2019 and is progressing as envisaged by the ECB's timetable, which should allow for a conclusion of the comprehensive assessment within approximately one year after Croatia's formal application for close cooperation.

Considering the above, we hereby notify the ERM II parties of the progress made, i.e. of the full implementation of the prior commitments as listed in the letter of intent and the Republic of

Croatia's Action Plan for joining the ERM II and the Banking Union from July 2019, excluding the measure on establishing a close cooperation with the European Central Bank, which is subject to a separate assessment procedure by the European Central Bank. Hence, we request the ERM II parties to invite the European Commission and the European Central Bank to formally assess the implementation of these prior commitments acting within their respective areas of competence as provided for by the Treaties and secondary legislation.

For the Republic of Croatia



Zdravko Marić  
Minister of Finance

For the Croatian National Bank



Boris Vujčić  
Governor

cc:

President of the Economic and Financial Committee and the Eurogroup Working Group

President of the Council (ECOFIN)

**Attachment**

Report on the Implementation of the Republic of Croatia's Action Plan for Joining the Exchange Rate Mechanism II (ERM II) and the Banking Union

**Report on the Implementation of the Republic of Croatia's Action Plan for Joining the Exchange Rate Mechanism II (ERM II)  
and the Banking Union**

**1. BANKING SUPERVISION / RESOLUTION**

**BROAD DESCRIPTION OF COMMITTED POLICY ACTIONS**

**Strengthening banking supervision by entering into close cooperation with the ECB and undertaking the necessary preparations in line with the prescribed procedures**

**Measures:**

- 1.1. Request letter to enter into close cooperation with the ECB pursuant to Article 7 of Regulation (EU) No 1024/2013, Act on amendments to the Act on the Croatian National Bank, Act on amendments to the Credit Institutions Act – COMPLETED
- 1.2. Act on Amendments to the Act on the Resolution of Credit Institutions and Investment Firms – COMPLETED
- 1.3. Act on Ratification of the Agreement on the transfer and mutualisation of contributions to the Single Resolution Fund – COMPLETED

MEASURES TAKEN	IMPACT AND RATIONALE
1.1.1. On 27 May 2019 the Republic of Croatia submitted a letter requesting to enter into close cooperation with the ECB, pursuant to Article 7 of Regulation (EU) No 1024/2013.	This was the first step in the process of establishing close cooperation with the ECB and undertaking necessary preparations in line with the procedures prescribed under Article 7 of the Regulation 1024/2013 and Article 3 of Decision ECB/2014/5.
1.1.2. The Act on Amendments to the Credit Institutions Act was adopted by the Croatian Parliament on 12 July 2019 and published in the “Official Gazette”, No. 70/19. The Act entered into force on 1 August 2019, except for Article 11a, which will enter into force on the date of application of the Decision on	This first set of amendments to the Credit Institutions Act aimed at ensuring that the Croatian National Bank will be obliged to abide by ECB requests, instructions, and guidelines, and that ECB legal acts will be binding and enforceable in the Republic of Croatia. In addition, it provided the legal basis to enable credit institutions to directly

<p>the close cooperation which will be published in the Official Journal of the European Union.</p>	<p>provide the European Central Bank with the necessary information to conduct the comprehensive assessment.</p>
<p>1.1.3. The Act on Amendments to the Credit Institutions Act and the Act on Amendments to the Act on the Croatian National Bank were adopted by the Croatian Parliament on 7 April 2020 and published in the “Official Gazette”, No. 47/2020.</p> <p>The Acts entered into force on 25 April 2020, with the exception of the provisions relating to the application of Guideline (EU) 2016/2249 of the European Central Bank, which will enter into force on 1 January 2021 and the provisions which will enter into force upon establishment of close cooperation, and on the day of introducing the euro as the official currency in the Republic of Croatia.</p>	<p>These amendments aimed at reviewing prudential legislation applicable in the Republic of Croatia, having in mind but not limited to the need of ensuring the practical application of the provisions allowing the ECB to conduct supervision vis-à-vis credit institutions with head offices in the Republic of Croatia. In particular, the amendments clarified processes and aligned the processes of the Croatian National Bank to those of the ECB.</p>
<p>1.2. The Act on Amendments to the Act on the Resolution of Credit Institutions and Investment Firms was adopted by the Croatian Parliament on 7 April 2020 and published in the “Official Gazette”, No. 47/2020.</p> <p>1.3. The Act on Ratification of the Agreement on the transfer and mutualisation of contributions to the Single Resolution Fund (IGA) was adopted by the Croatian Parliament on 28 February 2020.</p>	<p>By establishing close cooperation with the ECB, the Republic of Croatia is also becoming a participant Member State within the Single Resolution Mechanism. The amendments to the Act on the Resolution of Credit Institutions and Investment Firms aligned its provisions with Regulation (EU) No 806/2014. Those are in particular provisions related to powers of the National Resolution Authorities over institutions for which the Single Resolution Board will become directly responsible, and provisions related to the resolution fund due to mutualisation of contributions to the Single Resolution Fund. In addition, since there are several National Resolution Authorities in the Republic of Croatia, their powers and obligations in the process of</p>

<p>Both Acts will enter into force upon establishment of close cooperation.</p>	<p>implementing decisions and instructions taken by the Single Resolution Board for institutions under its direct responsibility have been specified.</p>
---------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------

## 2. MACRO-PRUDENTIAL FRAMEWORK

### BROAD DESCRIPTION OF COMMITTED POLICY ACTIONS

**Expanding the scope of the macro-prudential framework, by providing the legal basis for borrower-based measures, in addition to the existing capital-based measures**

**Measure:**

2.1. Act on amendments to the Act on the Croatian National Bank, Act on amendments to the Credit Institutions Act – COMPLETED

MEASURES TAKEN	IMPACT AND RATIONALE
<p>2.1. The Act on Amendments to the Credit Institutions Act and the Act on Amendments to the Croatian National Bank Act were adopted by the Croatian Parliament on 7 April 2020 and published in the “Official Gazette”, No. 47/2020. The Acts entered into force on 25 April 2020 with the exception of the provisions relating to the application of Guideline (EU) 2016/2249 of the European Central Bank, which will enter into force on 1 January 2021 and the provisions which will enter into force upon establishment of close cooperation, and on the day of introducing the euro as the official currency in the Republic of Croatia.</p>	<p>The legal amendments are aimed at strengthening the macro-prudential framework in Croatia. In particular, the Act on Amendments to the Act on the Croatian National Bank explicitly empowers the Croatian National Bank for the implementation of macro-prudential measures. Furthermore, the Act on Amendments to the Credit Institutions Act explicitly authorises the Croatian National Bank to implement borrower-based measures through legally binding acts. The list of potential borrower-based measures is comprehensive, as recommended by the ECB Governing Council for all euro area countries.<sup>1</sup> It includes the possibility to set requirements to credit institutions with regard to:</p> <ul style="list-style-type: none"> <li>- the ratio between the amount of credit exposure and the value of the collateral;</li> <li>- the ratio between total debt or credit exposure to the annual income of the borrower;</li> <li>- the ratio between debt service costs and the income of the borrower in a certain period;</li> <li>- the duration of the credit contract;</li> </ul>

<sup>1</sup> ECB press release, 16 December 2016, [https://www.ecb.europa.eu/press/pr/date/2016/html/pr161215\\_1.en.html](https://www.ecb.europa.eu/press/pr/date/2016/html/pr161215_1.en.html)

- |  |                                                                                                                                                                |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <ul style="list-style-type: none"><li>- the amortization requirements and</li><li>- other requirements aimed to prevent and mitigate systemic risks.</li></ul> |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------|



### 3. ANTI-MONEY LAUNDERING

#### BROAD DESCRIPTION OF COMMITTED POLICY ACTIONS

**Strengthening of the anti-money laundering framework through early adoption of legislation transposing and fully implementing the 5th Anti-Money Laundering Directive (AML5-Directive)**

**Measures:**

- 3.1. Ordinance on the Register of Beneficial Owners – COMPLETED
- 3.2. Ordinance on the Unified Account Register – COMPLETED

MEASURES TAKEN	IMPACT AND RATIONALE
<p>3.1. Adoption of the Ordinance on the Register of Beneficial Owners</p> <p>The Ordinance on the Register of Beneficial Owners (Official Gazette 53/2019) entered into force on 25 May 2019.</p> <p>Data entry into the Register of Beneficial Owners started on 3 June 2019 and finished on 31 December 2019.</p>	<p>The Register of Beneficial Owners contains information on beneficial owners of the legal persons established in the territory of the Republic of Croatia and trusts and entities equal to them.</p> <p>From 1 January 2020, according to the Articles 34 and 35 of the Act on Anti-Money Laundering and Terrorist Financing (Official Gazette 108/2017 and 39/2019), information from the Register of Beneficial Owners is available to competent authorities, reporting entities (banks and other entities), and the public. Act on Anti-Money Laundering and Terrorist Financing and The Ordinance on the Register of Beneficial Owners, in line with provisions of Art. 30 para 5(c) of the AML Directive, prescribes that certain information contained in the Register of Beneficial Owners is publicly available.</p>
<p>3.2. Adoption of the Ordinance on the Unified Account Register</p> <p>The Regulation on Amendments of Law on Enforcement of Funds (OG</p>	<p>The Unified Bank Account Register, containing information on bank accounts of legal entities and natural persons, is operational in the Republic of Croatia since 2010. By adopting the Ordinance on the Unified</p>

2/2020) was adopted by the Government of the Republic of Croatia on 3 January 2020.

The Law on Amendments to the Law on Enforcement of Funds was adopted by the Government of the Republic of Croatia on 12 March 2020 and was adopted by the Parliament on 23 April 2020 (OG 46/20). According to the Article 23, paragraph 10 of the Law, the Minister of Finance adopts The Ordinance on the Unified Account Register.

The Minister of Finance adopted the Ordinance on the Unified Account Register which was published in the "Official Gazette" on 30 April 2020 (OG 53/2020).

Account Register, the scope of data in the Unified Account Register is expanded with information on safe deposit boxes, beneficial owners of account holders and persons acting on behalf of the customer (account holder). The Ordinance also regulates centralised automated mechanisms for bank and payment accounts. The Croatian financial intelligence unit has access to the Register and can use it in financial investigations and in the prevention of money laundering and terrorist financing.

#### 4. STATISTICS

##### BROAD DESCRIPTION OF COMMITTED POLICY ACTIONS

**Improvement of collection, production and dissemination of statistics, by strengthening the institutional and methodological capacity in relation to the quality of National Accounts and GFS/EDP reporting**

**Measures:**

- 4.1. Regulation on the Internal Organization of the Croatian Bureau of Statistics, Official Statistics Act (regulation of professional independence of the Director General of the Croatian Bureau of Statistics, also in regard of his/her appointment/dismissal) – COMPLETED
- 4.2. Revision Policy for National Accounts Statistics adopted by the Croatian Bureau of Statistics – COMPLETED
- 4.3. Memorandum of Understanding between the Croatian Bureau of Statistics, the Ministry of Finance and the Croatian National Bank – COMPLETED
- 4.4. Official Statistics Act - COMPLETED

MEASURES TAKEN	IMPACT AND RATIONALE
<p>4.1.1. Adoption by the Government of the Republic of Croatia of the new Regulation on the Internal Organization of the Croatian Bureau of Statistics</p> <p>The new Regulation was signed on 20 September 2019 with prior approval the Ministry of Public Administration. It was previously adopted by the Government of the Republic of Croatia on 1 August 2019 and published in the "Official Gazette", No. 74/2019, on 2 August 2019.</p>	<p>The new Regulation on the Internal Organization of the Croatian Bureau of Statistics is in force as of 2 August 2019 (Official Gazette 74/2019 dated 2 August, 2019). According to the new Regulation, CBS adopted new Ordinance on internal organisation structure, on September 23, 2019, in order to establish economically effective organization structure and the improvement of functioning of organizational units. Since the CBS adopted new Ordinance on internal organization structure, the CBS has employed 43 new employees. The new organization and scope of the Macroeconomic Statistics Directorate ensures more efficient and more functional conduct of work related to the calculation of macroeconomic statistical data. Compared to the previous Regulation the total number of working posts enlarged by 11, which gives opportunity to the CBS to increase personnel resources of the Macroeconomic Statistics Directorate filling vacancies with new and qualified</p>

	<p>young professionals. In terms of employment within the Macroeconomic Statistics Directorate five (5) vacancies for permanent employment in civil service were publicly announced and one (1) on maternity leave replacement, of which the CBS hired four (4) employees; two (2) employees were internally transferred from the other CBS Directorates and one (1) IT internal expert is engaged on a full time disposition. Certain number of civil servants (10) were promoted within the Macroeconomic Directorate, some of them to manage/lead departments. Four (4) civil servants (amongst those being mentioned) with most methodological experience were promoted to the highest range as the experts in the field of macroeconomic statistics. Regarding human resources capacities within the Macroeconomic Statistics Directorate and Information Technologies Directorate, higher job complexity ratios were proposed and sent to Ministry of Administration for approval.</p>
<p>4.1.2. Adoption of the new Official Statistics Act (regulation of professional independence of the Director General of the Croatian Bureau of Statistics, also in regard of his/her appointment/dismissal)</p> <p>The new Official Statistics Act was adopted by the Croatian Parliament on 28 February 2020.</p>	<p>The new Official Statistics Act defines the conditions for election and appointment, reasons for and manners of dismissal, and prescribes professional independence of the Director General of the CBS, thus ensuring complete transparency in the procedure of appointment, action and dismissal of the Director General, and professional independence of the national statistical institute.</p>

#### 4.2. Adoption of the Revision Policy for National Accounts Statistics by the Croatian Bureau of Statistics

The measure was completed on 30 April 2020.

<https://www.dzs.hr/Hrv/National%20Accounts/Revision%20policy%20for%20the%20domain%20of%20National%20Accounts%20and%20Government%20finance%20statistics%20-%20Excessive%20deficit%20procedure%20statistics.pdf>

The main goal of the Revision Policy is to improve documentation of procedures for the production and dissemination of National Accounts and GFS/EDP statistics, which will lead to timely publication of time series in an accessible format on the CBS website. This is the first time that the document on Revision Policy of National Accounts and Government finance statistics/Excessive deficit procedure was prepared, finalized and published on the CBS website. It covers following statistical areas:

- Main aggregates - quarterly data
- Main aggregates - annual data and detailed annual tables (e.g. balance sheets, with industry breakdowns, etc.)
- Non-financial accounts by sector - quarterly
- Non-financial accounts by sector - annual
- Excessive deficit procedure data
- Main aggregates of general government - quarterly
- Main aggregates of general government, detailed taxes and social contributions, COFOG data - annual
- Supply and use tables and Input output tables
- Tables by industry and by region, NUTS level 2 — annual

As revisions are an essential part of a good quarterly and annual National Accounts (NA) compilation practice as well as compilation of a Government finance statistics / Excessive deficit procedure (GFS/EDP) statistics, they enable statisticians to provide users with data that are as timely and accurate as possible. Achieving full consistency between all domains is complex task and long-term process that requires the cooperation of all departments in the Macroeconomic Statistics Directorate, other statistics producers as well as the Ministry of Finance and the Croatian National Bank.

<p>4.3. New Memorandum of Understanding (signed by the Croatian Bureau of Statistics, the Ministry of Finance and the Croatian National Bank)</p> <p>The Memorandum was updated according to the suggestions of the signatory institutions. It was signed by the Croatian Bureau of Statistics on 31 January 2020 and subsequently by the Croatian National Bank and the Ministry of Finance.</p> <p><a href="https://www.dzs.hr/Hrv/National%20Accounts/GovernmentFinance/Sporazum%20o%20suradnji%20na%20podru%C4%8Dju%20statistike%20nacionalnih%20ra%C4%8Duna%20op%C4%87e%20dr%C5%BEave%20i%20s%20njom%20povezanih%20statistika.pdf">https://www.dzs.hr/Hrv/National%20Accounts/GovernmentFinance/Sporazum%20o%20suradnji%20na%20podru%C4%8Dju%20statistike%20nacionalnih%20ra%C4%8Duna%20op%C4%87e%20dr%C5%BEave%20i%20s%20njom%20povezanih%20statistika.pdf</a></p>	<p>In order to strengthen cooperation and communication between institutions involved in compilation process of the government finance and EDP statistics (GFS/EDP) the second Memorandum of Understanding (signed in 2013) has been updated during the November and December 2019 and signed on January 31, 2020. It is important to emphasize that the previous Memorandum of Understanding stipulated very well the modes of mutual cooperation and data exchange flows on who-to-whom basis but unfortunately practice was a little bit different, i.e. stipulated deadlines were not met in practice. Therefore, the most important issue for the Croatian statistical authorities (CSAs) is to strengthen cooperation between institutions involved (CBS, CNB and MoF) which will consequently lead to improvement of the procedures, obligations and timeliness of data exchange between the three institutions. The main changes within the updated Memorandum of Understanding are as follows:</p> <p>Provisions of Council Regulation (EC) No. 2533/98 were added, defining the scope of the statistical production system under the responsibility of the CNB. CBS responsibility in relation to the publication of data on contingent liabilities and NPLs according to requirements of Directive No. 2011/85 was</p>

	<p>defined. In particular, this concerns the publication of data according to the deadlines specified by Eurostat and DG ECFIN.</p> <p>The role of the Working Group of Sector Classification is emphasized. In addition, it is clearly stated the decisions have to be reached by consensus; otherwise the CBS makes the final decision on its own or in consultation with Eurostat.</p> <p>Also, the CBS is responsible for informing institutional units which do not have budgetary accounting that, according to the rules of the ESA 2010 methodology, is classified in the government sector, while further changes in financial reporting will be agreed between the CSAs.</p> <p>The deadline of data delivery in March was shortened from 15th to 12th March, and the cut-off date was introduced, i.e. it was emphasized that all inputs which will be incorporated in the calculation process should be received 4 working days before delivery date to Eurostat at latest.</p> <p>It was introduced that memorandums or contracts could be signed with other institutions in order to get all data from different areas needed for compilation e.g. concessions, PPPs etc.</p>
<p>4.4. Adoption of the new Official Statistics Act (stipulating free access to all administrative sources by the Croatian Bureau of Statistics)</p> <p>The Official Statistics Act was adopted by the Croatian Parliament on 28 February 2020.</p>	<p>Reasons for adoption of the new Official Statistics Act are:</p> <ol style="list-style-type: none"> <li><b>1. Harmonisation of the national and European statistical legal framework</b> in regards to the procedure and conditions for the appointment and dismissal of the head of the national statistical authority under Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics and Regulation (EU) 2015/759 of the European Parliament and of the</li> </ol>

Council of 29 April 2015 amending Regulation (EC) No 223/2009 on European statistics. The new Act on Official Statistics was adopted in Parliament on 28 February 2020. The main change in new Act in comparison to the previous one defines transparent procedure and conditions for the election of the Director General of the CBS, reasons for and manners of dismissal as well as fix term mandate. The Director General is thus a managing civil servant, appointed and dismissed by the Government based on a public vacancy announcement for a period of 5 years. Amendment of the Act providing the Director General with a fixed term mandate further strengthens the institutional safeguards of the professional independence of CBS.

- 2. Strengthening of the coordination role of the Croatian Bureau of Statistics**
- 3. Implementing simpler normative solutions for the organisation and functioning of the official statistics system of the Republic of Croatia**
- 4. Dissemination deadlines of official statistical data** – determined by the Calendar of Statistical Data Issues instead of the Annual Implementation Plan; producers of official statistics adopt and publish the Calendar on their website.
- 5. Statistical Council of the Republic of Croatia** – has 13 members instead of 19 (representatives of the Ministry of Finance, Ministry of Economy, Croatian National Bank, Croatian Chamber of Economy, Croatian Chamber of Trades and Crafts, bodies of local and regional self-government units, scientific organisations registered in the Register of Scientific Organisations (two representatives), employers, trade unions,



civil society organisations, the media and the General Director of the CBS, ex officio).

**6. In relations of improving access to administrative data**, the new Official Statistics Act lays down clear provisions that ensure comprehensive impact of CBS, as well as Other National Authorities responsible for collecting, producing and dissemination of official statistics (ONAs) to the holders of administrative data sources, as well as on administrative database:

- in the event of *introduction* of the collection of administrative data, the holders of administrative data sources are obliged to inform CBS in writing and in a timely manner and after that CBS would immediately inform ONAs to which statistical data would be relevant for implementation of official statistics activities within their scope
- before amending or eliminating administrative data sources the holders of administrative data are required to notify in writing and in a timely manner CBS and ONAs that are using administrative data for official statistics activities
- in the event of the performing statistical activities determined by the Annual Implementing Plan using administrative data, the holders could reduce coverage or eliminate administrative data source only with prior consent issued by CBS and activities of the official statistics defined in that Annual Implementing Plan

## 5. PUBLIC SECTOR GOVERNANCE

### BROAD DESCRIPTION OF COMMITTED POLICY ACTIONS

**Enhancement of public sector governance through improved governance of state-owned property and disposal of non-essential assets, as well as rationalization and further legal harmonisation and de-politicization across the Croatian civil service**

#### Measures:

- 5.1. A tender for the sale of shares/stakes in at least 90 companies – COMPLETED
- 5.2. Law on Unvalued Construction Land – COMPLETED
- 5.3. State Administration System Act, Act on Amendments to the Act on Duties and Rights of State Officials – COMPLETED
- 5.4. Act on Amendments to the Institutions Act – COMPLETED

MEASURES TAKEN	IMPACT AND RATIONALE
<p>5.1. Sale of shares and stakes of companies that are not listed as companies of strategic interest (at least 90)</p> <p>Step 1 – A tender for the sale of shares/stakes in 30 companies was conducted. Altogether, shares and stakes of 10 companies were sold and generated revenue of HRK 2,594,823.</p> <p>Step 2 – A tender for the sale of shares/stakes in additional 30 companies was conducted. Altogether, shares and stakes of 9 companies were sold and generated revenue of HRK 244,602.</p> <p>Step 3 – A tender for the sale of shares/stakes in additional 30 companies was conducted. Altogether, shares and stakes in 9</p>	<p>Three public calls for the purchase of shares and stakes in 90 state minority-owned companies were published between August 2019 and March 2020, leading to the sale of shares/stakes in 28 companies (or around 30% of the published number of companies (generating HRK 4,479,309 or EUR 591k, and sales contracts for 2 companies are yet to be signed)). This is a better result than in previous tenders. As a consequence, the number of companies in the state portfolio has reduced, with the proceeds benefitting the State Budget.</p> <p>Following this, tenders for the sale of 20 new minority-owned companies have been prepared for publication. After the end of the COVID-19 pandemic, a public announcement for the sale of this next group of companies will be published.</p>

<p>companies (sales contracts for 2 companies are still not signed) and generated revenue of HRK 1,639,884.</p>	
<p>5.2. Adoption of the Law on Unvalued Construction Land</p> <p>The Law on Unvalued Construction Land was adopted on 17 April 2020.</p>	<p>This law aims to solve a long-standing source of potential conflict on property rights between the Republic of Croatia and private companies (mostly in the tourism sector), originating from the conversion and privatisation of land property in the 1990s. The law will strengthen legal certainty for investors and create the preconditions for the activation of currently unused assets and new investment.</p>
<p>5.3. Adoption of the State Administration System Act and the Act on Amendments to the Act on Duties and Rights of State Officials</p> <p>The State Administration System Act was adopted on 28 June 2019 (Official Gazette 66/2019) and entered into force on 18 July 2019.</p> <p>The Act on Amendments to the Act on the Obligations and Rights of State Officials was adopted on 28 June 2019 (Official Gazette 66/2019) and entered into force on 18 July 2019 (except for Article 1, paragraphs 2 and 3, and Article 2, paragraph 2 of the Act, which entered into force on 1 January 2020).</p>	<p>The measure of de-politicisation and professionalization of the state administration ensures that administrative organisations within ministries will be headed by directors, who are civil servants appointed by the Government of the Republic of Croatia for a period of four years, instead of the former assistant ministers, who were politically appointed state officials. This measure also reduces the number of state officials.</p> <p>The goal of the above measure is to reduce the number of politically appointed state officials. The measure serves to strengthen expertise and professionalism in the performance of functions, since experts with the necessary competences and</p>

	<p>experience, appointed upon open competition procedure, will perform these functions.</p> <p>De-politicisation will strengthen the competence and independence of the state administration and ultimately lead to efficiency improvements within the state administration. Moreover, it will ensure continuity in the work of the state administration, given that it will no longer be affected by political changes.</p>
<p>5.4. Adoption of Amendments to the Institutions Act</p> <p>The Act on the Amendment to the Institutions Act was adopted on 13 December 2019 (Official Gazette 127/2019) and entered into force on 1 January 2020.</p>	<p>The Act on Amendments to the Institutions Act applies to all existing institutions vested with public powers (colloquially known as “agency-type legal persons”) and the institutions that will be established after its entry into force. Therefore, as of 1 January 2020, all institutions vested with public powers must perform their activities in accordance with the provisions of the new Act, regardless of whether the legal acts of such institutions (acts issued by the institutions' bodies) have been aligned with the Institutions Act or not.</p> <p>Article 64 of the Institutions Act stipulates that supervision of the legality of work and general legal acts of an institution is to be conducted by the state administration body whose remit includes the activity of the relevant institution, unless otherwise stipulated by the law governing the performance of the specific activity.</p>

## 6. BUSINESS ENVIRONMENT

### BROAD DESCRIPTION OF COMMITTED POLICY ACTIONS

**Reduction of administrative and financial burden through the reduction in the number and overall burden of para-fiscal charges and administrative obligations for entrepreneurs, and liberalisation of selected professional services**

**Measures:**

- 6.1. Online registration of business, implementation of at least 100 measures for reduction of administrative burden, Action Plan for Administrative Burden Reduction – COMPLETED
- 6.2. Thorough analysis of para-fiscal charges and adoption of Action Plan for Parafiscal Charges Reduction – COMPLETED
- 6.3. Act on Amendments to the Act on Physical Planning and Building Tasks and Activities – COMPLETED
- 6.4. Bylaws within the field of competences of the Ministry of Health and the Croatian Chamber of Pharmacists – COMPLETED
- 6.5. Croatian Health Insurance Fund's tender for the provision of physical therapy services, bylaws within the field of competence of the Croatian Chamber of Physical Therapists – COMPLETED

MEASURES TAKEN	IMPACT AND RATIONALE
<p>6.1. Reduction of administrative burden</p> <p>Online registration of businesses made possible through a web application that is established and available to users.</p> <p>A total of 101 measures from the Action Plans for Administrative Burden Reduction for 2018 and 2019 were implemented.</p> <p>On 30 April 2020, the Government of the Republic of Croatia adopted the Action Plan for Administrative Burden Reduction for 2020.</p>	<p>The online application for the registration of companies is set up and available to users. By 7 May 2020, 301 companies and 49 crafts have been established using the online platform.</p> <p>101 measures of administrative burden reduction have been implemented since early July 2019.</p> <p>The 4th Action Plan for Administrative Burden Reduction contains 10 sets of measures through which administrative procedures should be optimised and digitalised, with the expected reduction in cost amounting to HRK 686.6 million. The procedures included in the Action Plan were identified in close cooperation with the</p>

	<p>business representative organisations, and according to the business community those are the procedures that are most burdensome for the companies.</p>
<p>6.2. Reduction of para-fiscal charges</p> <p>The Action Plan for the Reduction of Non-tax and Parafiscal Charges for 2020 was adopted by the Government of the Republic of Croatia on 7 May 2020.</p>	<p>A thorough analysis of all para-fiscal charges was completed and the Para-Fiscal Charges Registry was updated on 2 December 2019.</p> <p>The new Action Plan contains 33 measures to reduce parafiscal charges which include abolishment or reduction of administrative fees that are paid into the central state budget and 17 measures to reduce fees charged for sector-specific exams, with the estimated total relief for businesses amounting to HRK 531.9 million.</p> <p>In addition, specific relief measures in terms of reduction of parafiscal charges have been adopted over the past months in response to the COVID-19 crisis, thus making the total cumulative relief for businesses amounting at HRK 752 million.</p>
<p>6.3.1. Adoption of the Act on Amendments to the Act on Physical Planning and Building Tasks and Activities</p> <p>The Act was adopted on 31 October 2019 (Official Gazette 110/2019).</p>	<p>The entry into force of this Act has led to:</p> <ul style="list-style-type: none"> <li>- Abolishing compulsory membership of the Chamber of site engineers and/or performance managers, whereby approximately 5,500 site engineers and/or performance managers are exempted from paying membership fees to the Chamber (about 1,800 HRK per year) if they do not wish to be members of the Chamber. The implementation of this measure will not affect the safety and quality of construction and/or works, since the contractor (i.e. legal entity or natural person craftsman) is responsible for the quality and safety of the performed works and ultimately for the protection of consumers.</li> <li>- Abolishing compulsory professional insurance for site engineers and/or performance managers. By implementing this measure, site engineers and/or performance managers are exempted from entering into a professional insurance</li> </ul>

	<p>policy (the result of membership fees in the Chamber). This prevents the transfer of responsibility from the contractor to the expert, which also protects the profession.</p> <p>- Replacement of the existing legal requirements for performing the job of site engineers and/or performance managers with milder conditions. The implementation of this measure ensures the liberalization of the labour market, faster and easier access of the youth to the labour market in the Republic of Croatia in the area of their professional qualification and quality market competition based on competences.</p>
<p>6.3.2. Adoption of by-laws within the field of competences of the Ministry of Health and the Croatian Chamber of Pharmacists</p> <ol style="list-style-type: none"> <li>1. The Ordinance on Standards and Norms regarding Facilities, Medical and Technical Equipment and Workers in the Healthcare Sector was published on 29 April 2020 in the "Official Gazette", and entered into force eight days later.</li> <li>2. The Ordinance on the Beginning, Completion and Schedule of Working Hours of Health Care Institutions and Private Healthcare Professionals in Practices within the Public Health Service Network was published on 6 November 2019 in the "Official Gazette", No. 106/2019, and entered into force on 14 November 2019.</li> </ol>	<p>The Ordinance reduces the minimum standards for pharmacies. In particular, it removes the requirement for a special room for a pharmacy manager and a separate entrance for the delivery of goods, which will facilitate the opening of new pharmacies and their access to the market.</p> <p>With the entry into force of the Ordinance working hours of pharmacies were liberalized, without having to seek prior approval of the Minister of Health. 396 pharmacies informed the Croatian Chamber of Pharmacists and the Croatian Health Insurance Fund about a change in working hours.</p>

<p>3. The Ordinance on Advertising of Pharmacists' Work was adopted at the session of the Chamber Council and published on the website of the Croatian Chamber of Pharmacists on 12 November 2019, and entered into force on 27 November 2019.</p>	<p>The Ordinance allows advertising pharmacy services and public health facilities indefinitely and extends the deadlines for one-time advertising of the pharmacy when opening and relocating the pharmacy. 23 pharmacies used the extended advertising opportunity when opening (18 pharmacies) and relocating (5 pharmacies). Since the Ordinance went into effect, 56 public health actions have been carried out in collaboration with physicians and patient associations to provide advice on health and treatment, promote a healthy lifestyle and prevent disease, monitor pharmacotherapy, and implement pharmacist interventions to improve patient adherence and medical treatment outcomes.</p>
<p>6.3.3. Croatian Health Insurance Fund announcing a tender for the provision of physical therapy services and adoption of bylaws by the Croatian Chamber of Physical Therapists</p> <ol style="list-style-type: none"> <li>1. On 18 December 2019, the Board of Directors of the Croatian Health Insurance Fund (CHIF) issued a Decision on Invitation to Tender for Contracts for the Provision of Health Care Covered by Compulsory Health Insurance regarding Physical Therapy Activities in the Patient's Home. The Tender for Contracts for the Provision of Health Care Covered by Compulsory Health Insurance regarding Physical Therapy Activities in the Patient's Home was published on 30 December 2019.</li> <li>2. The Ordinance on the Manner of Advertising Physical Therapy Activities was adopted by the Council of the Croatian Council of Physiotherapists and published on the Council's bulletin</li> </ol>	<p>The Croatian Health Insurance Fund concluded contracts with 2 new providers of in-home physical therapy, following a tendering procedure that was completed on 24 February 2020.</p> <p>The Ordinance entered into force on 8 January 2020. This Ordinance abolishes the payment of fees for special advertising licenses for registered physical therapy providers or physical therapists. It also defines the manner of permitted advertising.</p>



board on 31 December 2019, and entered into force on 8 January 2020.	
----------------------------------------------------------------------	--