



Croatia:

Helping Croatia Prepare for Successful EU Integration



IBRD Results

SYNOPSIS

Croatia aims to crown 15 years of impressive economic and social progress by joining the European Union, but to do so, it will need to bolster its economic competitiveness, ensuring Croatians enjoy sustainable improvements in their quality of life. The International Bank for Reconstruction and Development (IBRD) is helping the government invest in important trade infrastructure and research and development initiatives and cut red tape, such as the time it takes to register property, and support a wide range of social projects, ranging from more energy-efficient schools to the removal of land mines.

Challenge

Over the last 15 years, Croatia achieved impressive economic and social progress. Prior to the onset of the global crisis, the Croatian economy grew at a healthy 4-5 percent annually, incomes doubled, and economic and social opportunities dramatically improved. Croatia's per capita income reached about 63 percent of the European Union (EU) average, and EU membership is well within reach. Croatia's overarching priority is to enter the EU with a competitive and growing economy and the institutional capacity to meet the demands of EU membership. To achieve this, several challenges need to be overcome, including completing Croatia's transition to a market economy with a focus on private sector growth, fostering greater competitiveness, and achieving convergence with EU income levels, in a way that improves the quality of life for all Croatians, and that is fiscally, socially and environmentally-sustainable. These priorities are shared across the political spectrum and society, and have formed the basis of International Bank for Reconstruction and Development (IBRD) assistance to Croatia. The priorities set forth are proving to be more challenging in the current global setting and given the impact of the global crisis on Croatia. IBRD has been assisting Croatia in addressing those challenges.

Approach

IBRD has been focusing its assistance on helping Croatia prepare for successful EU integration by raising the competitiveness of the economy through long-term investments in major trading routes such as the Port of Rijeka in the northern Adriatic Sea and the Port of Ploce in the southern Adriatic sea, promoting research and development (R&D) and commercialization of research, supporting exports and jobs during the crisis by ensuring that a steady flow of credit is available to private businesses as well as assisting the authorities in mitigating the impact of the global economic crisis through timely budget support. IBRD is assisting the authorities to improve the quality of life of the population through revitalization of war-affected areas with job creation and mine clearing, improvements in the quality and delivery of social services to the most vulnerable, and contributing to the enhancement of the quality of education and provision of emergency medical services. IBRD is also assisting Croatia in the protection of the environment and promotion of energy efficient solutions. All of these efforts aim to help Croatia enter the EU as prepared as possible.

Results

- ↘ IBRD contributed to Croatia's efforts in maintaining macroeconomic stability, further strengthening the financial sector, and protecting the most vulnerable groups of society, through timely budget support through the Fiscal, Social and Financial Development Policy Loan in January 2010.
- ↘ Jobs and exports are being preserved and boosted through loans to private companies for working capital and new investments, through a EUR 100 million loan to the Croatian Bank for Reconstruction and Development.
- ↘ The Port of Rijeka has become a more attractive trading route and a desirable port of call for many shipping companies, and the tourism potential of the city of Rijeka has been increased through IBRD-supported investments in the construction of a new passenger terminal and the adjoining breakwater, which is now an attractive promenade for tourists and locals alike.
- ↘ Through the implementation of the Real Property Registration and Cadastre Project, the backlog of property registration has been reduced by 83 percent since 2004. It is now much easier for businesses and individuals to buy and register property, creating a better business climate. Now, new mortgages are registered within 7 days or less nationwide as compared to within 40 days in 2003.
- ↘ The Agriculture Acquis Cohesion Project has helped Croatia meet the EU accession requirement in the agriculture and rural development areas; build the capacity of civil servants to manage EU pre-accession and accession funds for rural development programs and improve Croatia's food safety system. In particular, the project has supported the establishment of the Paying Agency for the EU's Special Accession Programme for Agriculture and Rural Development (SAPARD), which will, upon Croatia's EU membership, administer support for agricultural production and rural development. One of the key elements in the accession negotiation in the agriculture chapter -- Land Parcel Information System (LPIS) -- was also developed under the project.
- ↘ The Science and Technology Project's "Unity Through Knowledge Fund" is backing 55 R&D

projects with Croatian companies and institutions, through collaboration with the diaspora in the fields of scientific and technology projects.

- ↘ Over 80 science and research institutes, and more than 200 researchers from Croatia and abroad are working on joint projects.
- ↘ About 1,270 new jobs have been created in underdeveloped and war-affected areas across the country, rebuilding lives and livelihoods through activities under the Social and Economic Recovery Project.
- ↘ Since 2005, the Social and Economic Recovery Project helped clear some 12 square kilometers of mine-contaminated land allowing people to use their land safely without fearing for their lives or property.
- ↘ From the beginning of 2006, 3,400 beneficiaries (including elderly, disabled people and children-at-risk) have benefited from new and innovative social services programs supported through the Social Welfare Development Project that emphasize their reintegration into society over institutionalization.
- ↘ Since 2007, the Education Sector Development Project has been helping eliminate three-shift schools, improving the quality of education, through the construction or renovation of

Children and youth without proper parental care or those with disabilities, elderly or sick, unemployed or unable to work, all deserve the best quality service and assistance a social welfare system can offer. Under the Social Welfare Development Project, much work has been done on improving the quality and delivery of social services to the most vulnerable. Some 3,400 beneficiaries (including elderly, disabled people and children-at-risk) have benefited from new and innovative social services programs that emphasize their reintegration into society over institutionalization.

One such program is called Together through Life, run by the non-governmental organization Center for Inclusion of Pula, which is helping people with developmental disabilities overcome big and little problems in life, such as cooking, paying bills, shopping for food - all those things we take for granted. More than 100 people with developmental disabilities for the first time felt what it is like to have a normal life, since IBRD provided funds for equipping the premises and purchase a vehicle for transportation of beneficiaries.



schools throughout Croatia – with 24 completed, 14 ongoing and another 7 schools slated for construction until the end of 2010.

- ↘ The Education Sector Development Project has also made learning more effective and fun in over 600 primary and secondary schools, which received didactic equipment (laboratory equipment, musical instruments, sports equipment, audio-visual equipment, and furniture).
- ↘ From mid-2004 until the end of 2009, the Energy Efficiency Project helped introduce energy efficient lighting, heating and thermal insulation in more than 50 schools across the country.
- ↘ In Zagreb, by 2005 upgrades in emergency vehicles, communications systems and training of emergency medical staff under the Health System Project dramatically improved an average response time of emergency medical services from 30 to 9 minutes.
- ↘ Half a million people, including visiting tourists are experiencing the benefits of cleaner seawater and improved living conditions, through construction of wastewater treatment plants along the Adriatic coast undertaken under the Coastal Cities Pollution Control Project.
- ↘ About 8,000 square kilometers of national and nature parks are now under the surveillance of around 100 park staff trained under the Karst Ecosystem Conservation Project, protecting national preserves such as Paklenica, the Plitvice lakes, Risnjak, Northern Velebit, and the Velebit nature park.
- ↘ By beginning of 2010, the District Heating Project helped eliminate energy and water losses in the

city of Zagreb through the replacement of over 90 percent of the main district heating pipelines.

Bank Contribution

IBRD has been extensively engaged in providing financial support, technical assistance, policy advice and analytical services to Croatia since the country joined IBRD in 1993. To date, the Bank has supported 45 operations amounting to around US\$3 billion, and approved 52 grants with a total value of US\$70 million. Currently, 15 projects are under implementation with a total commitment value of around US\$1.2 billion. Croatia's portfolio has traditionally focused on infrastructure and environment, while current operations are designed to assist the country's EU accession efforts and mitigation of the impact of the global economic crisis. Critical consideration is given to the EU-related agenda, helping build capacity for absorption of EU funds. These contributions were complemented by 50 analytical studies, sector studies and technical assistance grants, including periodic country economic memoranda, public expenditure and fiduciary reviews and living standards assessments, including policy workshops in partnership with the Croatian authorities that have helped shape Croatia's institutional and policy reform agenda.

Partners

Throughout its engagement in Croatia, IBRD has developed and maintained excellent partnerships with key international institutions active in the country. Key partners include the European Commission, the European Bank for Reconstruction and Development, United Nations agencies and several bilateral donors, who have either co-financed many projects or been involved in

Dijana Dobran, Mother of a beneficiary of the Center for Inclusion: "This is finally a burden off the chests of us parents, because our children have devoted friends and affectionate educators here. All people are happy when their children are happy. Thank God that there are, in a way, not institutions, but organizations which operate on the principle that our children – in other words, all those who have specific difficulties – get to learn about the true, real life."

Danijela Jović, Beneficiary of the Center for Inclusion: “I never had a clue about kitchen work. Since my Danijela (one of the educators) taught me how to cook, I enjoy this job, I love it very much and it makes me happy.”

preparatory work. IBRD also maintains regular dialogue with other stakeholders, including members of parliamentary committees, academics, bankers, entrepreneurs, leaders of the trade unions, and non-government organizations.

Moving Forward

The Croatian authorities, so far, have been managing the impact of the global crisis relatively well. Nonetheless, the crisis is having a significant impact on the economy and society. The challenge now is to implement further structural reforms needed for continued convergence with the EU member countries, with a special focus on reforms of the judiciary, public administration and fighting corruption, while striving for better living standards for its citizens.

Despite Croatia’s relatively high-income level, access to EU funds and the forthcoming EU membership, there is a clear demand for IBRD’s assistance in the years to come. Operations are under preparation in the areas of port development (Port of Ploce additional financing) and nature protection and there is a recently approved operation in the judiciary sector aimed at improving the efficiency of the justice system. There have also been requests for additional financing or follow-up operations for projects which are close to completion, indicating

the authorities’ satisfaction with IBRD’s contribution to the development efforts of Croatia.

On the advisory side, IBRD has shared widely the findings of the recently completed EU Convergence Report that examines different aspects of Croatia’s convergence, including the investment climate, infrastructure, the labor market, education and skills, and research and development. An assessment of the impact of the crisis on poverty and employment has been jointly carried out with the United Nations Development Programme, helping to identify the most vulnerable groups and advise the government on suitable labor market and social protection policies. In support of the government’s anti-corruption efforts, preparations for a governance assessment, including public administration, public finance management, and judicial reform, have begun.



LEARN MORE

Documentary

- ***Putting People First*** – short documentary on impact of WB projects on people’s lives in Croatia produced in cooperation with Croatian Television for the Good Morning Croatia show: <http://lnweb90.worldbank.org/ECAIM/multimedialib.nsf/svdo/1252198924389A1485257625004AD04A?Opendocument>
- ***New Jobs*** - short documentary on impact of WB projects on people’s lives in Croatia produced in cooperation with Croatian Television for the Good Morning Croatia show: <http://lnweb90.worldbank.org/ecaim/multimedialib.nsf/country/Croatia?opendocument&did=9A130A37F20710AF8525775A006312E1>
- ***When You are Left on Your Own*** - short documentary on impact of WB projects on people’s lives in Croatia produced in cooperation with Croatian Television for the Good Morning Croatia show: <http://lnweb90.worldbank.org/ecaim/multimedialib.nsf/country/Croatia?opendocument&did=9A130A37F20710AF8525775A006312E1>

Results stories:

- Croatia – Coastal Cities Pollution Control Program
- Croatia – Rijeka Gateway Program
- Croatia – Trade and Transport Integration Project
- Croatia – Municipal Environmental Infrastructure Project
- Croatia – Energy Efficiency Project
- Croatia – Karst Ecosystem Conservation Project

Videos related to the Karst Ecosystem Conservation Project:

- Guardians of the Karst
- Shingle – Preserving the Old Skills Documentary produced by one of the Conservation and Rural Revitalization Grants under the KEC project

Link to both videos on external WB site:

- <http://www.worldbank.hr/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/CROATIAEXTN/0,,contentMDK:21917414~pagePK:141137~piPK:141127~theSitePK:301245,00.html>

Links on Youtube:

- Guardians of the Karst
- <http://www.youtube.com/watch?v=UnWCttNoA24>
- Shingle – Preserving the Old Skills – Documentary produced by one of the Conservation and Rural Revitalization Grants under the KEC project
- <http://www.youtube.com/watch?v=0JsOymgdbXM>

*Croatia: Results brochure***Working Together for a Better Future – October 2009**

- http://siteresources.worldbank.org/INTCROATIA/Resources/wb_better_futureENG.pdf

Croatia: Civil Society Fund success story – Debating society

- <http://www.worldbank.hr/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/CROATIAEXTN/0,,contentMDK:21995988~pagePK:141137~piPK:141127~theSitePK:301245,00.html>