CROATIA AND INTERNATIONAL FINANCIAL INSTITUTIONS

30 YEARS OF COOPERATION

Editors: Hrvoje Mršić and Jakša Puljiz

IRMO 60 years
INSTITUTE FOR DEVELOPMENT AND INTERNATIONAL RELATIONS

REPUBLIC OF CROATIA
Ministry of
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List of Abbreviations

AIIB	Asian Infrastructure Investment Bank
CEB	Council of Europe Development Bank
CEF	Connecting Europe Facility
CPF	Country Partnership Framework
CROGIP	Croatian Growth Investment Programme
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EFSF	European Financial Stability Facility
EGF	European Guarantee Fund
EIB	European Investment Bank
EIBG	European Investment Bank Group
EIF	European Investment Fund
EMU	Economic and Monetary Union
ESM	European Stabilization Mechanism
EU	European Union
HANFA	Croatian Agency for Financial Services Supervision
HBOR	Croatian Bank for Reconstruction and Development
HNB	Croatian Central bank
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of International Disputes
IDA	International Development Association
IDB	Inter-American Development Bank
IFC	International Financial Corporation
IFI	International Financial Institution
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
MFF	Multiannual Financial Framework
MIGA	Multilateral International Guarantee Agency
MVEP	Ministry of Foreign and European Affairs
NPOO	National Recovery and Resilience Plan
OECD	Organization for Economic Co-operation and Development
RRF	Mechanism for Recovery and Resilience
SDR	Special Drawing Rights
WB	World Bank

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The Word of The Minister

As the Minister of Finance and Governor in international financial institutions of which the Republic of Croatia is a member, I am pleased to commemorate the 30 years of full membership of the Republic of Croatia in the most significant international financial institutions with the publication of this document.

The Republic of Croatia established cooperation and a strategic dialogue with the World Bank, the International Monetary Fund, the European Bank for Reconstruction and Development, and the Inter-American Development Bank in the early months of its independence and statehood. This dialogue was soon transformed into full memberships starting in 1993, laying the foundation for a longstanding collaboration.

By implementing the investment projects that were initiated at that time, primarily the reconstruction following the war damages, and by initiating a new investment cycle and structural adjustment programs, a new chapter in Croatia's cooperation with the international community began. We achieved credibility and obtained credit ratings. Leading global credit rating agencies granted the Republic of Croatia its first investment-grade credit rating in early 1997. This had a subsequent positive impact on attracting other foreign partners in the public and private sectors.

During those years, we witnessed thousands of lives lost, hundreds of thousands of displaced people, and thousands of kilometers of roads, railways, telecommunications, and power lines destroyed or damaged. These were the years when we faced the consequences of the Great Serbian aggression against Croatia and the wartime devastation during the Homeland War, which would have a long-term impact on Croatia's demographic and economic landscape. All key macroeconomic indicators were unfavorable. Production drastically declined, tourism revenues vanished, and unemployment rates surged. Foreign exchange reserves were practically depleted, access to foreign financing became difficult, and annual inflation rates were historically high.

During that period, international financial institutions began their significant role in establishing the democratic and open economy that Croatia has today, starting from post-war reconstruction and the transition to a market economy in the 1990s, through the consolidation of democratic and market institutions and preparation for European Union accession in the 2000s, and up to the present day, as we are a member of the closest Euro-Atlantic integrations.

The first loan to the independent and sovereign Republic of Croatia was from the World Bank for the Emergency Reconstruction Project, totaling USD 128 million. This was followed by numerous other financial instruments and models, with the funds supporting a wide range of projects in various areas such as justice, science and innovation, healthcare, social welfare systems, and transportation. The current scope of cooperation amounts to nearly 11.5 billion euros in loans from international financial institutions for financing public projects in the Republic of Croatia. This data undoubtedly reflects mutual trust and the versatile and continuous readiness of international financial institutions to support the economic and social development challenges of the Republic of Croatia, as well as the strengthening of the market economy and competitiveness.

Over the past 30 years and in just 10 years of full European Union membership, Croatia has achieved significant successes and realized key European goals. Today, as a member of the euro area and the Schengen area, we are part of the core of European integrations. Our strong commitment and dedication to achieving these strategic goals have been recognized, resulting in a historic achievement that we are proud of. This year, we also joined the European Stability Mechanism (ESM) as a full-fledged 20th member. The ESM is often colloquially referred to as the IMF of the euro area. It is one of the key institutions in the European financial architecture, which was not initially foreseen in the Economic and Monetary Union, and it is also the last international financial institution to which we became a member.

In these 30 years of cooperation with international financial institutions, Croatia has progressed from a low-income country and a significant recipient of development aid to a nation that strategically employs financial instruments and becomes a donor of development assistance. We are proud that Croatia is now classified as a high-income country. Last year, Croatia joined the group of countries that provide funds for low-income countries within the International Development Association (IDA). In this way, the Republic of Croatia actively contributes to global development goals. This year, we also established significant cooperation with the Inter-American Development Bank (IADB) by creating a mechanism that will provide advisory assistance from Croatian institutions to interested partners in the Latin American and Caribbean region in designing solutions for extended stays in schools. We will continue to develop models of cooperation with international financial institutions, including those in which the Republic of Croatia will increasingly appear as a donor, in the future.

All our past successes are the result of the efforts we have made in synergy with our international partners. Nevertheless, there are still many challenges ahead of us. On this journey, Croatia counts on the continued support of development and investment institutions, with whom we have built the foundations, grown, and improved standards. This is the result of a process that began and has been successfully led all these years, and it will continue to have long-term transformative effects on our country, economy, and society.

On the occasion of this significant and respectable anniversary, I would like to express my gratitude to all individuals who have selflessly and devotedly participated in the work of expert teams from the Republic of Croatia and international financial institutions on numerous projects, contributing to the creation of the foundation for a resilient and prosperous long-term economy.

Marko Primorac, Ph.D.

1.

INTRODUCTION

By: Hrvoje Mršić and Jakša Puljiz

Three decades of cooperation between the Republic of Croatia and international financial institutions (IFIs) provide an opportunity to reflect on the past relationships and achievements. Collaboration with IFIs began in the early 1990s when the Republic of Croatia did not yet have full territorial integrity, making IFI assistance strategically vital for overcoming various developmental challenges. Today, Croatia is a member of the European Union, the Eurozone, the Schengen Area, and various other integrations, demonstrating and confirming its strong international position. In such circumstances, it is clear that the relationship with IFIs has evolved, and it is now much richer and more complex than it was in the first two decades of membership and cooperation.

The nature of cooperation with IFIs is twofold. On one hand, it involves various forms of IFI support to the development of the Republic of Croatia. On the other hand, cooperation implies Croatia's contribution to addressing global developmental challenges. In other words, through international financial institutions, the Republic of Croatia acts both as a recipient of programs and instruments of international financial institutions and as a donor that supports the work of IFIs in line with its economic and other capacities and developmental interests. In the context of being a recipient of development aid, cooperation with international financial institutions is based on joint strategies and policies of the Government of the Republic of Croatia and these institutions to address various developmental challenges. In the context of being a donor, cooperation is based on strategies and policies of the Government of the Republic of Croatia aligned with the strategic framework of development cooperation of the European Union, international financial institutions, and other international organizations. Over time, the context of being a donor is becoming increasingly important in Croatia's collaboration with international financial institutions.

The gradual change in the character of cooperation is primarily linked to two important developments. On one hand, the increase in the economic development level of the Republic of Croatia led to its reclassification. Since 2011, according to the OECD categorization, Croatia has been classified as a developed country, which allows for exclusion from the list of recipients of development assistance by the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD DAC). Furthermore, by becoming a full member of the European Union in 2013, Croatia adopted the strategic and legislative framework for the development policies of the European Union, including various forms of cooperation with IFIs. In this context, the most important is the New European Consensus on Development from 2017, in which EU member states and EU institutions outlined a new direction for EU contributions to the development of low-income countries and cooperation with international financial institutions. Consequently, Croatia is increasingly focusing on providing different forms of development assistance to low-income countries, either through financial support or through the transfer of knowledge and experience from Croatian institutions in various fields. In this regard, there are more opportunities to transfer knowledge and experiences from Croatian institutions and experts with the assistance and within the framework of IFIs.

Simultaneously, the importance of financial support from IFIs (except European ones) in addressing Croatia's national development needs is gradually diminishing, which is an expected development given the generous support Croatia receives from the European Union budget. However, the need for knowledge sharing and experience exchange with IFIs does not end there, and these institutions remain important agents for the transfer of global knowledge to domestic institutions in areas where there is a need.

Croatia is in the process of developing a new legislative framework to establish a national policy for international development cooperation and humanitarian assistance, as one of the key components and an important instrument of its foreign policy. In the future, the work and cooperation with EU competent bodies and international financial institutions will increasingly focus on achieving national economic, foreign policy, and geostrategic objectives. In this regard, it is worth mentioning Croatia's new memberships in international financial institutions – the Inter-American Investment Corporation since 2018 and the Asian Infrastructure Investment Bank since 2021, which represent new opportunities for promoting cooperation with Asian countries and countries in Central and South America. With its entry into the Eurozone in March 2023, Croatia also becomes a member of the European Stability Mechanism, a kind of additional insurance for the financial and economic stability of Eurozone member states.

The purpose of this publication, among other things, is to provide insight into the activities of IFIs and the significance of Croatia's membership in IFIs. To that end, this publication offers a systematic overview of Croatia's past collaboration with IFIs. It was prepared in collaboration between the

Ministry of Finance and the Institute for Development and International Relations in Zagreb. These two institutions worked together on the first publication dealing with the cooperation between Croatia and IFIs, which was published in 1996 when the Republic of Croatia was just beginning its collaboration with IFIs.

The following sections include a description of the strategic, institutional, and normative framework of Croatia's cooperation with IFIs. Additionally, these sections contain key indicators of cooperation from 2005 to 2022, primarily related to various financial metrics. Subsequent sections provide descriptions of cooperation with individual IFIs, including a total of eight institutions: the World Bank Group, the International Monetary Fund, the European Investment Bank Group, the European Bank for Reconstruction and Development, the Council of Europe Development Bank, the Inter-American Development Bank Group, the Asian Infrastructure Investment Bank, and the European Stability Mechanism. The final two sections offer insights into the future of Croatia's cooperation with IFIs and concluding considerations.

2.

COOPERATION FRAMEWORK WITH INTERNATIONAL FINANCIAL INSTITUTIONS

By: Hrvoje Mršić

2.1 International Framework for Development Cooperation Policy

Global strategies and policies for development cooperation, faced with numerous global challenges, have undergone significant changes in the new century. Development cooperation is a mechanism through which developed and developing countries jointly find answers to key questions such as poverty alleviation and the promotion of human development. The main tools of this mechanism are financial aid and investments, as well as new, more dynamic forms of cooperation that include not only financial but also technical and other non-financial assistance.

A new paradigm in development cooperation also includes a shift towards respecting the ownership of developing countries over the development process itself, encouraging mutual responsibility in achieving the set goals. These relationships also involve new, non-traditional institutional and non-institutional actors. In addition to influential civil society, the private sector and private donors are playing an increasingly significant role. All of these fundamental principles have been outlined in documents adopted by the international development community over the past two decades.[1]

Finally, in order to achieve development strategies, it was necessary to establish a new global framework for sustainable development after 2015, considering the deadline for achieving the Millennium Development Goals. The outcome of the United Nations Conference on Sustainable Development, Rio+20, held in 2012, was the adoption of the Sustainable Development Goals (SDGs) in New York in September 2015 (UN Department of Economic and Social Affairs, 2015).

The G-20, composed of the world's most developed countries and the European Union (EU), plays a special role in the development community.[2] It represents an informal intergovernmental forum working on addressing major issues related to the global economy, such as international financial

1 Busan Partnership Declaration on Effective Development Cooperation, Busan, 2011; Paris Declaration on Aid Effectiveness, Paris, 2005; Accra Action Plan, Accra, 2008.

2 Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom, United States.

stability, climate change mitigation, and sustainable development. It is particularly important for multilateral development banks as leaders of international financial institutions in achieving development goals. Their recommendations and guidelines to international financial institutions lead to significant changes in their operations, which are soon implemented. Examples of such implementation activities include strengthening the capital positions of multilateral development banks and maximizing the use of their balance sheets to achieve their development mandates. An independent review of the adequacy of the capital framework of multilateral development banks, known as the Capital Adequacy Framework Report (CAF Report), commissioned by the G20 in 2022, outlined numerous measures that would allow global development banks to significantly expand their activities without the need for additional capital. A clear lesson from the report was that these institutions can take on more risk without compromising their AAA credit rating. If implemented, many of the proposed measures, such as adjusting their risk assessment approach and giving more importance to callable capital, will ultimately increase the flow of private capital.

In addition to the global and strategic framework for development cooperation, the European financial architecture for development is important for Croatia. The mechanisms and instruments in the European Union through which this strategic framework is implemented include the EU's Instrument for Neighbourhood, Development and International Cooperation - Global Europe (NDICI Global Europe), adopted within the Multiannual Financial Framework 2021-2027, the European Fund for Sustainable Development Plus (EFSD+), and the Guarantee for External Action (EAG). Important roles in international financial institutions, i.e., multilateral development banks, are played by the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and the Council of Europe Development Bank (CEB). Through these, especially the NDICI Regulation and the aforementioned multilateral development banks, the actions of the European Union are covered, with the support and coordination through Team Europe as a joint platform of the European Union and its member states.

In recent years, the world has faced a series of unprecedented crises, presenting new challenges for multilateral organizations and IFIs in addressing urgent issues such as climate and social change, health and energy challenges, food crises, and many others. In this atmosphere, necessary reforms of the global, and consequently, European financial architecture for development, as well as the opportunities for the actions of international financial institutions in the face of new challenges in the future, are discussed in the concluding chapters of the book.

Official development assistance is a crucial tool in achieving global sustainable development. The European Union, along with its member states, is the world's largest provider of development assistance, accounting for 43% of the global total (Government of Croatia, 2022). In this regard, the European strategic framework for development assistance holds special international significance, and for Croatia as a member state, it represents an important determinant for shaping its own approach to cooperation with IFIs.

2.2 Institutional and Normative Framework of Cooperation

The Republic of Croatia is a full member of the World Bank Group, the International Monetary Fund (IMF), the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB), the Inter-American Development Bank (IDB), the European Investment Bank (EIB), the Asian Infrastructure Investment Bank (AIIB), and the European Stability Mechanism.[3] [4] In accordance with the regulations mentioned, the

3 On December 28, 1992, the then Croatian Parliament's House of Representatives passed the Law on the Acceptance of the Republic of Croatia's Membership in the International Monetary Fund and Other International Financial Organizations Based on Succession (Official Gazette No. 89/1992). This law became the foundation for future legal regulations regarding relations with international financial institutions. Based on this law, the Republic of Croatia accepted membership in the International Monetary Fund, the International Bank for Reconstruction and Development, the International Finance Corporation, the International Development Association, and the Agency for Multilateral Investment Guarantees. Article 1 of this law states that Croatia joined these institutions based on the succession of membership from the former SFR Yugoslavia in these institutions, in accordance with the conditions set out in the Fund's Executive Board Decision of December 14, 1992, and the corresponding decisions of the Bank, Corporation, Association, and Agency.

4 In accordance with the laws on Croatia's acceptance of membership in the World Bank Group, EBRD, CEB, IDB, and AIIB (Official Gazette No. 89/1992, Official Gazette No. 25/1993, Official Gazette-MU No. 8/1997, Official Gazette No. 94/1993), the Law on the Ratification of the Agreement Establishing the European Stability Mechanism (Official Gazette No. 2/2023), and the Law on the Ratification of the Framework Agreement between the Republic of Croatia and the European Investment Bank governing the activities of the EIB in the Republic of Croatia (Official Gazette-MU, No. 6/2001).

Ministry of Finance is the body responsible for cooperation with international financial institutions (IFIs), while the Croatian National Bank is responsible for the International Monetary Fund.

In the Strategic Plan of the Ministry of Finance (2020-2022), it is stated that:

> "The Ministry of Finance will continue to develop financial relations with leading international financial institutions (the World Bank Group, the International Monetary Fund, the European Investment Bank, the European Bank for Reconstruction and Development, the Council of Europe Development Bank, the Inter-American Development Bank, etc.), organizations, development banks, and other financial organizations, which includes monitoring and participation in decision-making regarding business policies, programs, decisions of administrative bodies, standards, rules, and working procedures of these institutions, especially those of interest to the Republic of Croatia. Furthermore, strategies for cooperation with international financial institutions will be developed, and coordination will be strengthened in the preparation and supervision of the implementation of public projects co-financed by loans from international financial institutions."

At the end of the quoted passage, the cooperation strategies are mentioned, which establish common priorities between the beneficiary country and individual international financial institutions for addressing structural and development challenges and achieving sustainable growth. Cooperation strategies usually cover a medium-term four-year period and are ultimately accepted by the highest governing body of the international financial institution, as well as by the Government of the Republic of Croatia, which often accepts them by Conclusion. These documents define sectoral priorities agreed upon between the country and IFIs. Various financial instruments such as loans, guarantees, and technical assistance are used for the implementation of strategies. It is through these documents that the contribution of IFIs to global development goals is visible, while the role of the Republic of Croatia as a developing country and recipient of development assistance. In this segment of cooperation, the institutional framework is clearly defined by regulations mentioned in the following sections.

Based on the Law on the System of Implementing European Union Programs and the System of Implementing Projects Financed from Loans and Grants from Other Foreign Sources (Official Gazette No. 58/2006), the Regulation on the Management and Supervision of Projects Financed from Loans and Grants from Other Foreign Sources to the Republic of Croatia (Official Gazette No. 33/2007), and the aforementioned laws on memberships in IFIs, the responsibility for overall cooperation with IFIs rests with the national coordinator, who, by function, is the Minister of Finance and is responsible for coordinating and overseeing the implementation of the system management and project implementation tasks. These tasks fall under the jurisdiction of the Directorate for Macroeconomic Analysis, EU, and International Financial Relations, specifically within the Department for European Union and International Financial Relations of the Ministry of Finance.

On the other hand, deficiencies in the institutional framework for cooperation with international financial institutions are evident in the lack of regulations and implementing acts related to the role of the Republic of Croatia in creating, maintaining, and strengthening its international reputation, as well as in achieving its economic, foreign policy, and geostrategic objectives. In this regard, cooperation regulations mainly rely on the fundamental legal documents of IFIs, such as their statutes and derived acts, which are incorporated into the aforementioned laws on membership.

However, indications of Croatia's strategic orientations are reflected in three documents: the Law on International Development Cooperation and Humanitarian Aid of the Republic of Croatia Abroad (Official Gazette No. 146/08), the National Strategy for Development Cooperation of the Republic of Croatia for the period from 2017 to 2021 (Official Gazette No. 107/2017), and the National Development Strategy of the Republic of Croatia until 2030 (Official Gazette No. 13/21). These documents result from alignment with the agreed-upon positions of global development platforms and the European Union. While their implementation has not yet seen a shift from development and humanitarian assistance toward more comprehensive development and partnership cooperation, they do promote coordination, inter-institutional cooperation, and collaboration with non-institutional partners. Finally, these documents only marginally recognize the importance of international financial institutions.

2.3 Activities, Contributions, and Role of the Ministry of Finance

As already mentioned, the Ministry of Finance, within its scope of responsibilities, develops and implements cooperation with international financial institutions, organizations, and their administrative and expert bodies. Through the institutional and normative framework mentioned earlier, the Ministry of Finance primarily focuses on coordinating the receipt of development assistance from international financial institutions (IFIs). The role of the Ministry of Finance is most accurately described in the Regulation outlining the scope and content of the tasks of the internal sectoral organizational unit for cooperation with IFIs:

> "…develops and implements cooperation with international financial institutions, organizations, development banks, and their administrative and expert bodies within the scope of the Ministry, based on the strategy and policies of the Government of the Republic of Croatia for addressing structural and developmental issues, achieving sustainable growth, and creating, maintaining, and strengthening the international reputation of the Republic of Croatia; carries out administrative, expert, and coordination tasks related to the rights and obligations arising from membership in international financial institutions; executes financial obligations arising from the membership of the Republic of Croatia in international financial institutions and based on loan and/or grant agreements and technical assistance received from these institutions; prepares draft proposals for laws and other regulations governing financial relations with international financial institutions; provides opinions on draft proposals for laws and other regulations in the field of financial relations with third countries… carries out tasks in the field of bilateral and multilateral financial relations of the Republic of Croatia with third countries within the Ministry's scope…" (Official Gazette No. 33/2007).

On the other hand, according to the Law on Development Cooperation and Humanitarian Aid of the Republic of Croatia Abroad (Official Gazette No. 146/08), the Ministry of Foreign Affairs and European Integration (MFAEI) serves as the coordinating body of the state administration responsible for international development cooperation and humanitarian aid abroad provided by the Republic of Croatia. This makes the scope of MFAEI's tasks more focused on providing assistance and on Croatia as a donor country. In its materials dedicated to multilateral development cooperation, MFAEI also states the following:

> "By profiling itself as a young and credible donor, the Republic of Croatia strengthens its foreign policy position. Effective development cooperation consequently contributes to enhanced security and stability of Croatia, both in a regional and global context. Respecting the key principles of aid effectiveness outlined in the final document of the Fourth High-Level Forum on Aid Effectiveness in Busan, development cooperation remains closely linked to the achievement of Croatia's foreign policy, security, and economic interests in third countries, while respecting the priority development needs of partner countries" (MFAEI).

The National Strategy for Development Cooperation for the period from 2017 to 2021 (Official Gazette No. 107/17) (hereinafter referred to as the National Strategy) sets out sectoral and geographical priorities for the implementation of international development cooperation. It mentions that the national strategy also serves as a tool for implementing official development assistance (ODA). Within the sectoral priorities, the strategy is focused on areas that enhance the dignity of every human being through activities in the fields of education, health, the promotion of human rights, and the protection and empowerment of women, children, and youth. Another sectoral priority is in the area of peace, security, and development, as well as the building of democratic institutions, with an emphasis on sharing Croatia's specific experiences in wartime and post-war stabilization. The third sectoral priority involves activities to support responsible economic development.

Additionally, there are expectations from the European Commission and the Council of the European Union regarding achieving a common level of development aid expenditure of 0.7% of gross national income (GNI) and ODA to least developed countries of 0.2% of GNI by 2030. According to the latest report, Croatia's total expenditure on ODA in 2020 amounted to HRK 516.89 million.

In addition to its role as a coordination body for receiving aid, the Ministry of Finance also plays an important role in supporting the goals of the Republic of Croatia as a donor country. Namely, the state budget, directly or indirectly, provides official development assistance to various countries and recipient organizations. The Reports on the Implementation of Official Development Assistance from the Republic of Croatia Abroad also show the role of the Ministry of Finance in various payments, mostly membership fees, to organizations receiving official development assistance.

The Republic of Croatia contributes to global development goals through capital payments to international financial institutions. These contributions are also recorded as official development assistance. In this way, through its membership capital in IFIs and active participation in their activities, the Republic of Croatia actively engages in development assistance to less developed regions and countries. As seen in Table 1, the financial contribution to IFIs is significant and has reached over 180 million euros in direct monetary contributions by the end of 2022. Taking into account potential callable capital commitments, the overall contribution amounts to nearly 2 billion euros.

Table 1: Republic of Croatia's Membership Capital in Multilateral Financial Institutions, as of December 31, 2022.

Name of the institution	Total capital (Paid-in capital + callable)	Paid-in capital (promissory notes + cash)	Callable capital
IBRD	395.803.435 USD	28.224.970 USD	367.578.464 USD
IDA	5.904.927 USD	5.904.927 USD	-
IFC	24.794.000 USD	24.794.000 USD	-
MIGA	3.570.600 USD	677.759 USD	2.892.841 USD
MMF	717.400.000 SDR	717.400.000 SDR	-
EIB	1.062.312.542 EUR	94.750.368 EUR	967.562.174 EUR
EBRD	109.420.000 EUR	22.820.000 EUR	86.600.000 EUR
CEB	21.375.899 EUR	2.372.578 EUR	19.003.321 EUR
IDB	86.679.183 USD	6.433.232 USD	80.245.951 USD
IIC	248.159 USD	248.159 USD	-
AIIB	4.200.000 USD	200.000 USD	4.000.000 USD
UKUPNO USD	**521.200.304**	**66.483.048**	**445.717.256**
UKUPNO EUR	**1.193.108.441**	**119.942.946**	**1.073.165.495**
UKUPNO SDR	**717.400.000**	**717.400.000**	**-**

Source: Ministry of Finance

In the end, in addition to the array of instruments they use to assist a country's development, international financial institutions also create the best global practices in various areas. This is made possible by their exceptionally modern and high-quality capabilities. Their knowledge and insights are often expressed through various publications, research, rankings, and similar means. Although sometimes overrated and subject to biased interpretations, such documents have a certain influence on policy-making and stability within individual countries. In this regard, the Ministry of Finance actively monitors the periodic releases of these international financial institutions, aiming to contribute to a more accurate representation of the situation in the Republic of Croatia. These tasks require significant expertise and negotiation skills. Namely, certain reports from these institutions can have consequences for shaping the opinions of international financial circles. This, in turn, can potentially impact macroeconomic stability and economic developments within a particular country.

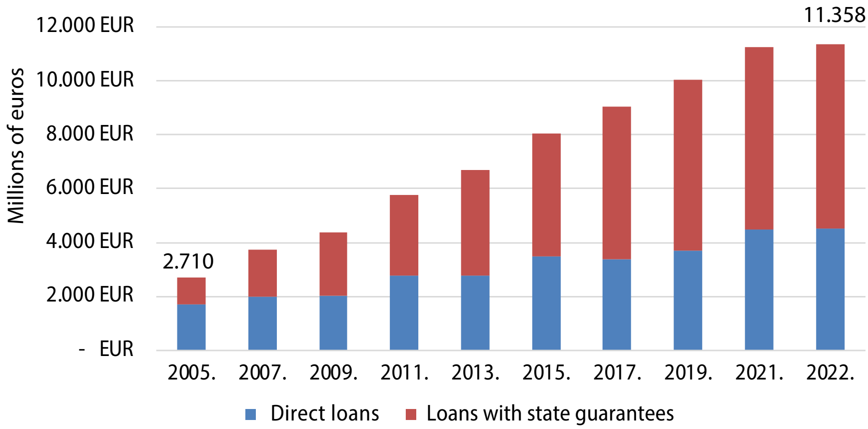
2.4 Basic Indicators of the Importance of International Financial Institutions for the Republic of Croatia

2.4.1 Trends in Total Loans and Governance Challenges

International financial institutions are significant partners in financing and co-financing public and private projects and programs in the Republic of Croatia. For this purpose, IFIs utilize instruments with more favourable financial terms than those available on the market, which manifest as lower interest rates, longer maturities, and extended grace periods for principal repayment. Financial instruments commonly applied include favourable long-term loans, framework credit lines, guarantees, grants for project preparation, implementation, and management, as well as co-financing for projects from EU funds and other national and international financial institutions. In this context, the Republic of Croatia collaborates with the International Bank for Reconstruction and Development (IBRD), the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and the Council of Europe Development Bank (CEB). According to the regulatory framework, cooperation and the use of instruments and arrangements are also possible with the following institutions: the International Monetary Fund, the European Stability Mechanism, and the Asian Infrastructure Investment Bank. However, at this moment, such collaboration is either under consideration or arrangements, such as those with the IMF, have expired. These possibilities are discussed in individual chapters.

A good indicator of the intensity of cooperation with IFIs is the data on the movement of the total value of loans contracted with IFIs. The following graph illustrates the trends in the outstanding balances of loans from the mentioned IFIs in the period from 2005 to 2022, while also monitoring the relationship between direct loans to the state budget and loans to extrabudgetary users and other entities in public ownership contracted with state guarantees.

Figure 2.1 Trends in the Total Value of Loans Approved by Grafikon 2.2IFIs, 2005-2022.



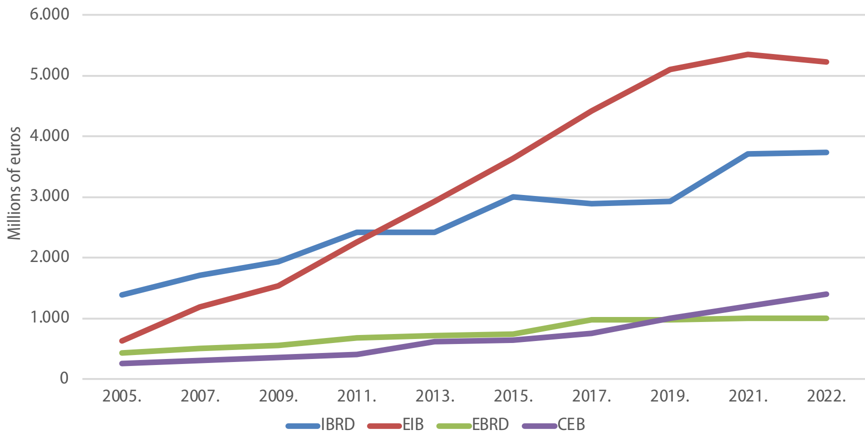
Source: Ministry of the Finance

By December 31, 2022, IFIs had approved a total of EUR 11.4 billion in loans for financing projects in Croatia, of which EUR 4.5 billion were through direct loans to the Republic of Croatia, and EUR 6.8 billion were loans to other entities with state guarantees. Compared to 2005, the total value of contracted loans has increased by a significant 3.2 times. The average annual increase in the level of loan commitments from 2005 to 2022 was approximately EUR 508 million. However, in 2022, there was a decrease in the overall level of lending, primarily due to the increasing inflow of funds from the European Union budget. The very strong financing of Croatia's development needs from the EU budget will further intensify in the coming years, which will subsequently affect the conclusion of new loan arrangements with IFIs. In the 2021-2027 financial perspective, Croatia has secured more than EUR 25 billion in grants and favourable loans from various EU programs, of which about EUR 20 billion relates to grants. By comparison, in the previous 2014-2020 financial perspective, grants in the amount of EUR 10.7 billion were available. Nevertheless, it is worth noting that EU accession and the significantly greater availability of grant funding from the EU budget have not led to a halt or significant slowdown in loan borrowing from IFIs. The need for additional financing, including loans from IFIs, remains due to the strong increase in total investments in the public sector, only partially financed through grants from the EU budget. Additionally, over time, there is an increasing need for co-financing the national contribution to certain EU projects, which also utilizes loans approved by IFIs, especially the EIB. Therefore, despite the very generous funds made available from the EU budget to Croatia, continued borrowing from IFIs can be expected, albeit at a slower pace than before. What is crucial is a significant strengthening of the management system for all available resources from various financial instruments. In this regard, successful coordination at the interdepartmental level plays a key role. It is necessary to ensure the coordinated action of all entities responsible for managing individual instruments in order to better focus on achieving the development goals of Croatia and to achieve a coherent approach to end-users of funds, who are the holders of development projects. A coherent approach entails clear rules for the use of funds that stimulate project preparation and application processes and avoid possible overlaps of different instruments competing for the same groups of users. Institutional cooperation between the Ministry of Finance as the national coordinator for cooperation with IFIs, the Ministry of Regional Development and EU Funds as the coordinator for the use of ESIFs and the coordinator of the strategic planning system, as well as the entire Government of the Republic of Croatia and the Office of the Prime Minister, is of particular importance for a more coordinated strategic and operational approach when it comes to cooperation with IFIs. The years 2022 and 2023 are particularly challenging as the deadlines for using the financial envelope from the 2014-2020 CF expire, and the use of funds from the new 2021-2027 CF begins. At the same time, significant use of funds from the National Recovery and Resilience Plan (NRRP) has started, with the expectation that 50% of the allocation of grants, or nearly EUR 3 billion, will be disbursed to Croatia by the end of 2023. In addition, funds from the favorable SURE loan and the Solidarity Fund have been utilized. This results in a total inflow of EU funds of nearly EUR 5.5 billion in a relatively short period. These are the main reasons for the visible slowdown in the approval of new IFI loans, and this trend can be expected to continue in the coming years until the expiration of the possibility to use funds from the NRRP in mid-2026.

2.4.2 Loan Movements by Institutions

According to the share of total loans approved by IFIs, the most generous sources of financing are: EIB with EUR 5.2 billion (46.0%), followed by IBRD with EUR 3.7 billion (32.9%), CEB with EUR 1.4 billion (12.3%), and EBRD with EUR 1 billion (8.8%).

Figure 2.2 Movement of total loan values by institutions, 2005-2022.

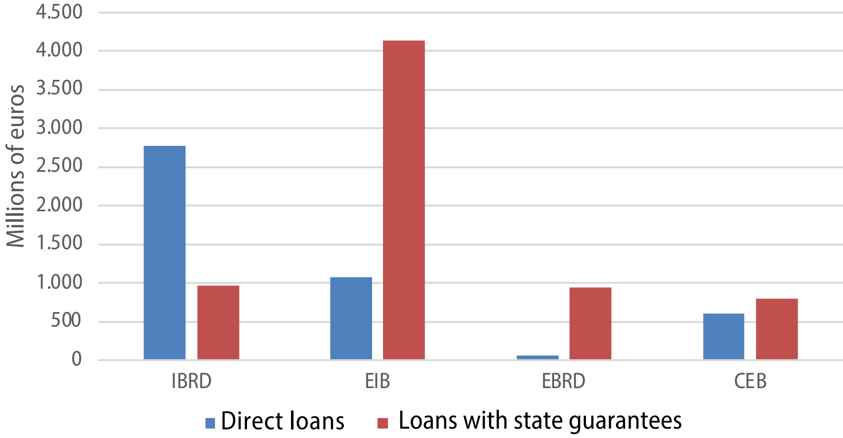


Source: Ministry of the Finance

Since 2012, EIB has become the largest lender among IFIs, surpassing IBRD as the biggest lender. By 2022, EIB remained the largest lender, which was expected given Croatia's status as a member of the European Union. Additionally, financing through the other two European development banks, EBRD and CEB, has also increased, although the financing amounts are significantly smaller compared to EIB. EU membership did not lead to a reduction in IBRD's lending activities in Croatia. On the contrary, from 2013 to 2022, IBRD continued to strongly support investments in Croatia, and even slightly increased the average intensity of new lending on an annual basis compared to the pre-membership period.

As a direct beneficiary of loans, out of the total of EUR 4.5 billion by the end of 2022, the IBRD provided the most funding to the Republic of Croatia (61.6%), followed by EIB (24.4%), CEB (13.4%), and EBRD (1.3%).

Figure 2.3 Movement of the value of direct loans and loans with state guarantees by institutions in the period 2005 – 2022.



Source: Ministry of the Finance

The approach of IFIs to lending when it comes to the loan beneficiary varies. While IBRD disburses most loans directly to the Republic of Croatia (with the government budget being the beneficiary), EIB and EBRD disburse most of their loans to public beneficiaries with state guarantees. In the latter case, the most common beneficiaries are public enterprises (such as HBOR, HAC, Plinacro, etc.). In the case of CEB, loans with state guarantees slightly outweigh direct loans to the state budget.

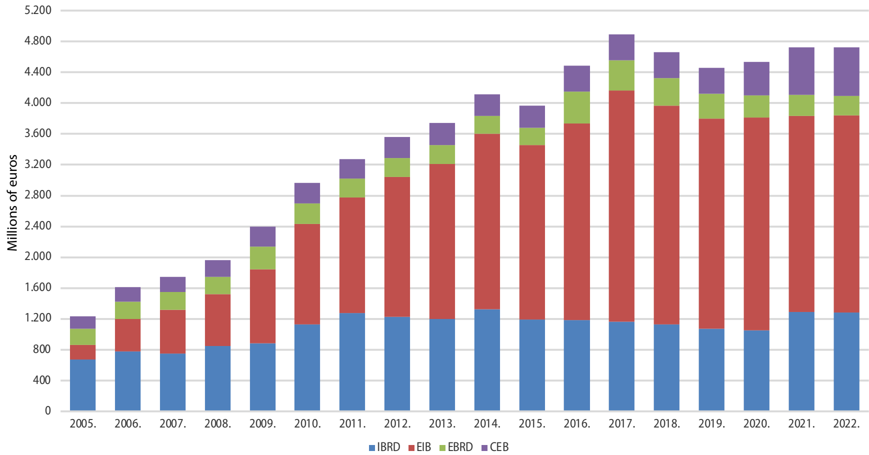
2.4.3 Trends and Status of MFI Debt in Croatia

The State Budget Act defines the fundamental goal of borrowing and debt management, focusing on meeting the financial needs of the state budget while achieving the lowest medium and long-term financing costs with a reasonable level of risk. Membership in international financial institutions is comprised of rights and obligations, largely defined by international agreements that often supersede domestic legislation and can have significant financial consequences if not adhered to. Croatia utilizes financial and non-financial instruments provided by IFIs, which create obligations and have implications for the state budget, public debt, and Croatia's deficit. Certain obligations arising from membership, such as subscribing to member capital, do not impact public debt. In summary, public debt is influenced by loan drawdowns and repayments to IFIs. Conversely, the deficit is affected by interest expenses as financing costs from dedicated receipts related to borrowing. Ultimately, the state budget is influenced by the allocation of funds across various ministries, which must align with established total expenditure limits.

Regarding capital subscription obligations to IFIs and their impact on the general government debt, capital subscriptions themselves do not change the debt. It is also crucial to understand the influence on the deficit and the method of payment, such as whether it involves regular capital increase payments, callable capital investments, or temporary investments with a predetermined exit moment. As for the impact on the central government deficit, and thereby the general government, it depends on whether IFIs provide interest-free loans and/or loans with significantly lower interest rates than market rates, along with longer grace periods for principal repayment (concessional loans), or primarily provide loans at market terms (non-concessional loans). The importance of comprehending these standards and their impact on the overall development cooperation strategy, as well as the realization of foreign policy goals, is evident not only in assessing the fiscal impact of borrowing but also in decisions regarding long-term capital increases for IFIs and new memberships in significant international financial institutions.

Below are data on the status of debt to IFIs at the end of each year, which can be used to track the level of indebtedness in Croatia. Unlike previous data related to the total value of contracted loans, the debt status considers repayments of previously contracted loans. The total debt to MFIs as of December 31, 2022, amounted to 4.7 billion euros. Of this amount, 2.0 billion euros (42.7%) of debt arises from direct loans to the Republic of Croatia, repaid at the expense of the Ministry of Finance, while 2.7 billion euros (56.8%) of debt relates to loans from IFIs with state guarantees, repaid by the beneficiaries.

Figure 2.4 Debt Status by Institutions on December 31st from 2005 to 2022.

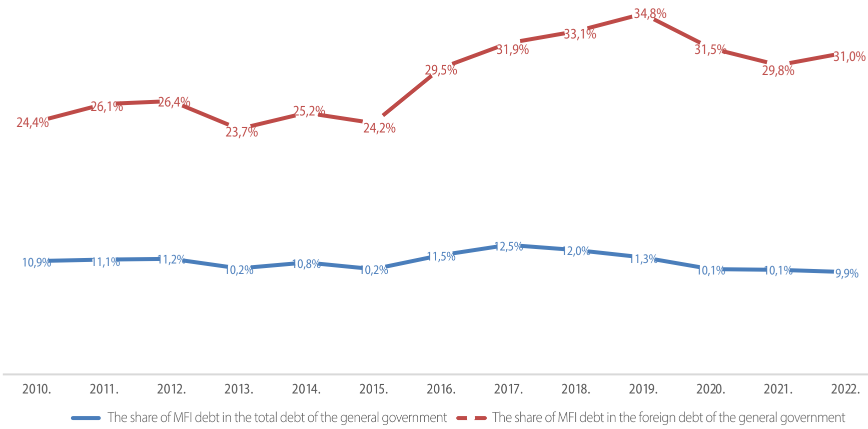


Source: Ministry of the Finance

From 2005 to 2022, the debt status increased from 1.2 billion euros to 4.7 billion euros, nearly quadrupling. The debt level consistently and significantly increased from 2005 to 2014. After a brief decline in 2015, it continued to rise until reaching its peak in 2017 at 4.9 billion euros. A moderate decrease in debt was recorded until 2019, and in the last two years, the debt has remained at a similar level. Debt to the EIB increased significantly until 2017, after which a reduction in debt began. Debt to the IBRD has remained at a similar level with minor fluctuations since 2011. The level of debt to the EBRD also shows a very similar trend with some deviations in specific years. In the case of the CEB, there is a significant increase in the level of indebtedness, mainly due to newly contracted loans in 2021 and 2022.

The debt of Croatia to MFIs represents an important component of the total debt and, especially, external debt of Croatia. The share of debt to IFIs in Croatia's total debt is slightly less than 10%, and from 2010 to 2022, it ranged from a maximum of 12.5% in 2017 to a minimum of 9.9% in 2022. Therefore, one can speak of a gradual decline in the importance of debt to IFIs in the total debt. In the case of external debt, the share of debt to IFIs in the total external debt was 31% in 2022, and from 2010 to 2022, it ranged from 23.7% in 2013 to 34.8% in 2019. The general trend is an increasing importance of IFIs in the total external debt with occasional fluctuations.

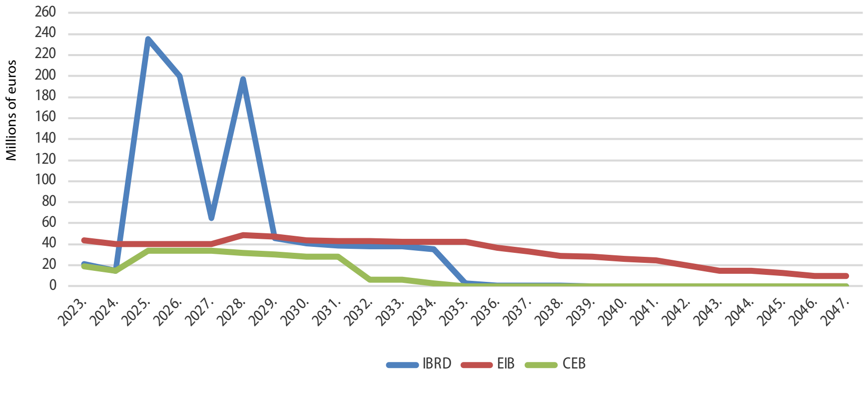
Figure 2.5 IFI Share in Total and External Debt, as of December 31st.



Source: Ministry of the Finance

The following image depicts the dynamics of debt repayment for direct IFI loans, the repayment of which is scheduled to conclude no later than in 2047. The most substantial burden is expected in 2025 (309 million euros), followed by 2026 (274 million euros) and 2028 (278 million euros), when the repayment of three IBRD loans, concluded in 2010, 2011, and 2014, falls due.

Figure 2.6 Debt Repayment for Direct IFI Loans to the Republic of Croatia until 2047 (as of December 31, 2022).



Source: Ministry of the Finance

In the case of loans with state guarantees, the largest portion of debt to IFIs is related to the Croatian Bank for Reconstruction and Development (HBOR), which amounted to 1.81 billion euros as of December 31, 2022 (53% of the total debt based on loans with state guarantees). The remaining part of the debt for loans with state guarantees is the responsibility of the following borrowers:

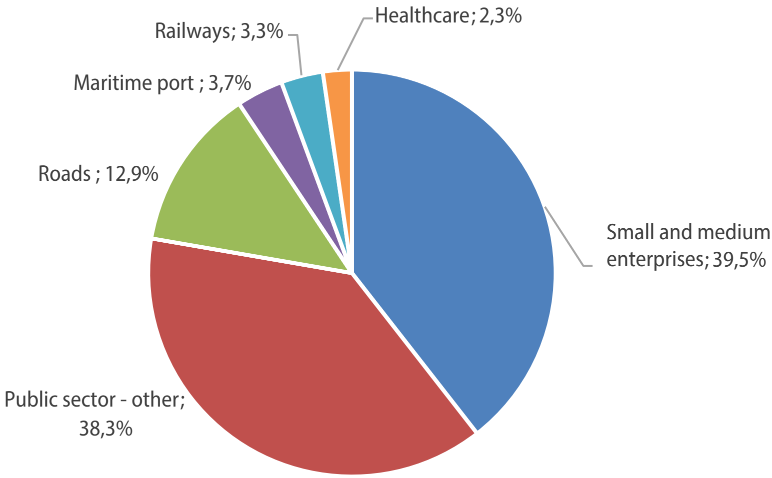
Table 2. Status of Debt to IFIs for Loans with State Guarantees (as of December 31, 2022)

Loan recipient	Amount in million euros
HBOR	1.811,0
Croatian Motorways d.o.o.	360
Croatian Roads d.o.o.	126
Plinacro d.o.o.	99
Port Authority Rijeka	67
Port Authority Zadar	56
HŽ Infrastructure d.o.o.	49
Port Authority Ploče	47
HŽ Passenger Transport	31
Port Authority Split	11
Croatian Air Traffic Control d.o.o.	3
Port Authority Šibenik	2
Total	**2.662,0**

Source: Ministry of the Finance

The sectoral distribution of loans is shown in the following figure. The majority of IFI loans are directed towards the development of small and medium-sized enterprises, accounting for almost 40% of all placements. Among other sectors, roads represent 12.9% of all placements. Approximately 7% of the total financing goes to maritime ports and railways, while 2.3% is allocated to healthcare. The remaining investments cover various other areas, from water supply to energy infrastructure and more.

Figure 2.7 Distribution of Loans by Sectors

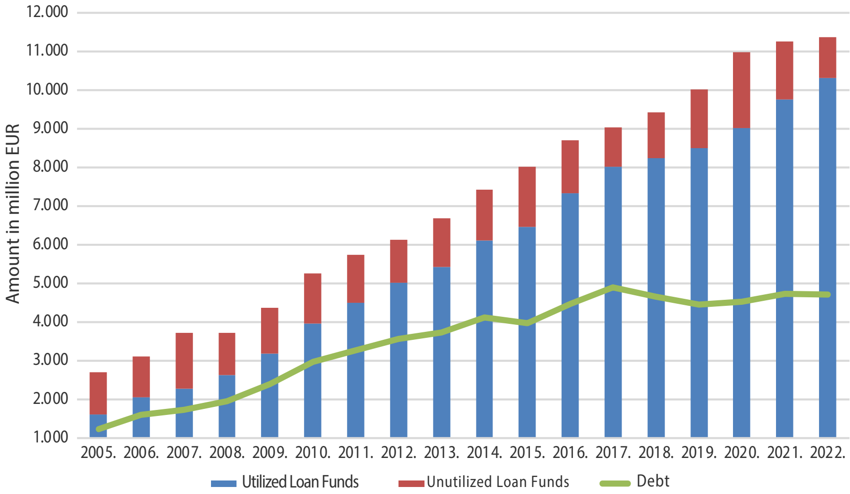


Source: Ministry of the Finance

The overall development impact of IFI loans is significantly influenced by the utilization rate of approved funds. At the end of 2022, there were still available unutilized funds from MFI loans, totaling 1.05 billion euros, of which 274 million euros (26.1%) came from direct loans to the Republic of Croatia, and 775 million euros (73.9%) from loans with state guarantees. The largest amount of unutilized funds pertains to HBOR (714 million euros, or 71%), primarily related to placements from the EIB (625 million euros). The reasons for not utilizing these funds vary and depend on the project cycle stage, the status of individual project implementations, liquidity, and demand for funds. For example, in the case of HBOR, the utilization of EIB funds largely depends on the demand for loans from small and medium-sized enterprises, fluctuations in interest rates, HBOR's liquidity, and the utilization of previous credit lines.

The following graph illustrates the movement and relationship between total disbursements/undisbursed funds and the debt incurred using IFI resources. Since 2017, there has been a noticeable slowdown in the growing trend of debt accumulation, with stagnation over the past five years. This debt stagnation has been achieved despite the ongoing increase in the total disbursements from loans, as a result of increased debt repayment dynamics.

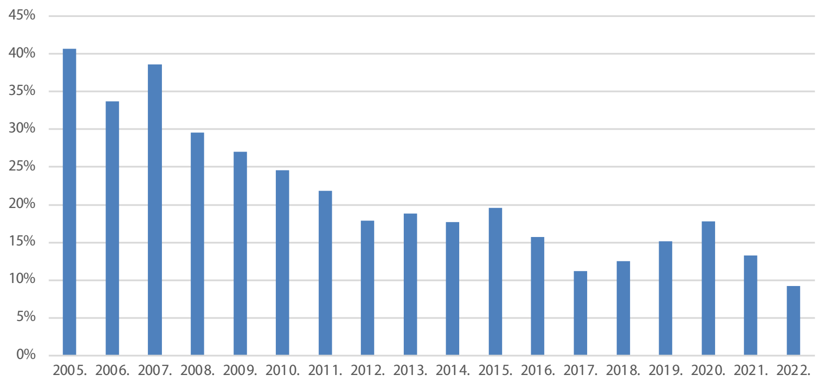
Figure 2.8 Overview of Utilized/Unutilized Loan Funds and Debt by Institutions from 2005 to 2022



Source: Ministry of the Finance

It is important to highlight that the utilization rate of approved loans has significantly improved over time. While in 2005, the unutilized value of MFI loans amounted to as much as 40.6% of the total value of contracted loans, by 2022, this share had decreased to only 9.2%. This is a good indicator of the growing efficiency in planning loan needs and their structuring.

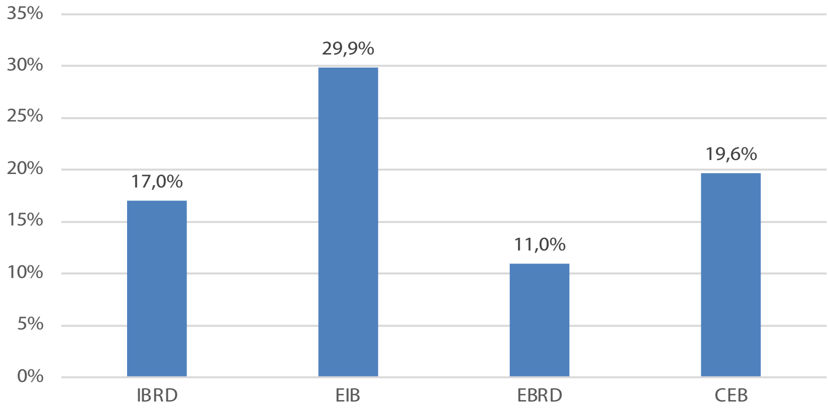
Figure 2.9 Share of Unutilized Loan Portion in Total Contracted Loans, as of December 31, 2022



Source: Ministry of the Finance

When looked at individual institutions, the lowest level of loan utilization is observed with EIB, where during the period from 2005 to 2022, the share of unutilized loan portion in total contracted loans amounted to as much as 29.9%. On the other hand, the highest level of loan utilization is recorded with EBRD, where the average share of unutilized loan portion over the observed period amounted to only 11% of the total loan value.

Figure 2.10 Share of Unutilized Loan Portion in Total Contracted Loans on December 31, average for the period 2005-2022



Source: Ministry of the Finance

A detailed overview of the status of loans, fund utilization, and debt status with respect to each international financial institution, as well as a summary of grants, is provided in Appendix 1 of this book.

3.

WOLD BANK GROUP

By: Jadranka Hajdinjak and Sanja Flegar

3.1 Structure and Mission of the World Bank Group and the Framework for Cooperation with Member Countries

The World Bank Group (WBG) consists of five distinct yet interconnected institutions:

1. International Bank for Reconstruction and Development (IBRD)
2. International Development Association (IDA)
3. International Financial Corporation (IFC)
4. Multilateral International Guarantee Agency (MIGA)
5. International Center for Settlement of International Disputes (ICSID).

The IBRD was founded as a result of the Bretton Woods Conference in 1944, and later, other institutions of the World Bank Group were established, which will be discussed further below. The term "World Bank" is used to refer to the World Bank Group as an international financial institution that provides grants and loans to approximately 100 developing countries. Generally, when the term "World Bank" is used, it refers to financing activities, as opposed to other services and products of the WBG. In common speech, IBRD and IDA are often referred to as the "World Bank." The headquarters of the World Bank Group is located in Washington, D.C, United States.

WBG has defined its mission to achieve two key goals (the so-called Twin Goals) by 2030: to eradicate extreme poverty (a population living on less than $1.90 per day) to less than 3% of the total population and to increase prosperity by raising the income of the poorest 40% of the population in each country. To attain these objectives, WBG offers various forms of collaboration to its members, which will be briefly described below.

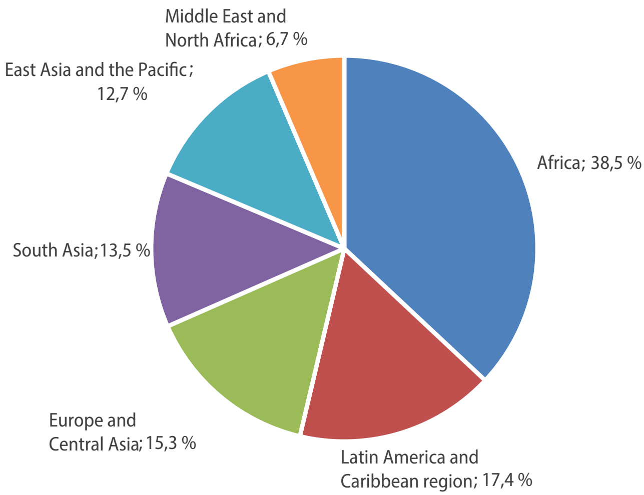
In addition to its role as the primary financial institution, WBG places a strong emphasis on analytical and research activities, which serve as a crucial input for decisions regarding the methods and levels of funding for individual countries. This is why WBG is often recognized as the "Knowledge Bank," highlighting the importance of its research for the overall operation of WBG.[5]

5 The empirical analysis conducted by Cormier and Manger (2022) confirmed the connection between the conclusions of economic research carried out by GSB and the specific conditions included in various credit assistance programs for member countries.

The collaboration between member countries and WBG is based on the Country Partnership Framework (CPF). The CPF aims to systematically determine the areas and forms of cooperation between member countries and WBG, relying on the results of conducted analyses. These analyses are formally referred to as Systematic Country Diagnostic (SCD) and are used to identify the most significant challenges and opportunities that a country faces in achieving its national development goals and contributing to WBG's twin goals.

The geographical distribution of WBG's placements for the financial year 2022 shows that out of the $104.1 billion in approved placements, the majority of funds were directed to countries in Africa (38.5%), followed by the Latin America and Caribbean region (16.7%), Europe and Central Asia (14.7%), South Asia (13%), East Asia and the Pacific (12.2%), and the Middle East and North Africa (6.4%).

Figure 3.1 Approved placements by WBG during FY 2022 by regions



Source: World Bank Group

The key areas of WBG's activities can be most easily recognized through the results published in the annual reports of the group. Although, based on data from the 2023 report covering the period 2019-2022, the following key results were achieved:

- 96 million people gained improved access to transportation services.

- 58 million people were provided with or experienced improved access to electricity.
- 58 million people gained access to the internet.
- 135 million women were covered by social security network programs.
- An expected annual reduction of 147 million tons of greenhouse gas emissions.
- 10 million farmers gained access to better technology.
- 23 million people benefited from financial services.
- 371 million students received some form of support.
- 49 million people gained access to higher-quality water sources.
- 68 million individuals, households, businesses, and others benefited from access to new or better jobs.
- 506 million people received basic healthcare services.
- 191 million people gained access to improved sanitation services.

While these are very important and significant achievements, the global fight against poverty and climate change requires even greater efforts from all involved IFIs, including WBG. The following will describe the actions of individual components of WBG, with a special focus on the cooperation between the Republic of Croatia and specific components.

3.2 International Bank for Reconstruction and Development (IBRD)

3.2.1 Establishment, Operations, and Governance of the Bank

The goal of establishing the IBRD was to assist war-torn European countries and Japan in rebuilding their infrastructure and economies. When it began operations in 1946, it had 38 member countries. Today, most countries in the world are members of the IBRD. To become a member of the IBRD, according to its Charter, a country must first be a member of the IMF and other institutions of the World Bank Group. After completing post-war reconstruction activities, the IBRD expanded its mandate to promote global economic growth and poverty reduction by providing loans to low-income countries.

Together, the IBRD and IDA constitute the World Bank, which offers financial products, policy advice, and technical assistance to the governments of developing countries to help reduce poverty and expand the benefits of sustainable growth to all their citizens. IDA focuses on the world's poorest countries that are not creditworthy, while the IBRD assists middle-income countries and creditworthy low-income countries. Eligibility for IDA support primarily depends on a country's relative poverty, defined as GDP per capita below a certain threshold, updated annually (USD 1,255 in fiscal year 2023). IDA also supports some countries above this threshold that lack the creditworthiness needed for borrowing from the IBRD. Some countries qualify for IDA based on their income per capita and are also creditworthy for certain IBRD borrowing.

The IBRD provides loans from capital contributed by member countries as well as by borrowing in the international capital markets. Maintaining the highest credit rating (AAA) in the market allows it to secure funds on very favorable terms and offer low-cost loans. The World Bank's positive rating for financing approval provides private capital with a certain guarantee for investment in the member country, thereby attracting and stimulating international investments. According to the IBRD's annual report for fiscal year (FY) 2022[6], the total capital of the IBRD amounts to USD 307.1 billion (with a 0.12% share from Croatia), of which paid-in capital is USD 20.5 billion. The Bank's total assets amount to USD 317.54 billion.

The IBRD is a global development institution owned by 189 member countries. As the world's largest development bank, it supports the World Bank Group's mission by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries, as well as coordinating responses to regional and global challenges. It closely collaborates with all institutions of the World Bank Group, the IMF, other international financial institutions, and the public and private sectors in developing countries to reduce poverty and build shared

6 Fiscal year 2022 covers the period from July 1, 2021, to June 30, 2022. (The 2022 report was adopted at the GSB Annual Assembly in October 2022.)

prosperity. The governance of the bank is led by the Board of Governors, the Executive Directors, the President of the Bank, and the Bank's Secretariat.

The Board of Governors consists of representatives from member countries who are the primary policymakers in the World Bank. They make decisions regarding capital increases, the selection of Executive Directors, amendments to the Charter, and more. In general, the Governors are typically the Ministers of Finance or Ministers responsible for development. They convene at the annual (usually in October) and spring meetings (usually in April) of the World Bank Group and the International Monetary Fund. Annual meetings are held in Washington, D.C., for two consecutive years and in one of the member countries for the third year. The Governor for the Republic of Croatia at the World Bank is typically the Minister of Finance, and the Deputy Governor is the State Secretary in the Ministry of Finance.

The Executive Directors' Board is the executive body responsible for implementing the policies of the Group. It consists of 25 directors, with five appointed by countries with the largest shares and the remaining 20 appointed by the Governors of other member countries. All 189 member countries are divided into 25 constituencies, each headed by an Executive Director. Croatia falls within the Netherlands constituency, with Mr. Eugene Rhuggenaath serving as the Executive Director and the representative of the Netherlands since November 1, 2023. The Netherlands constituency includes 13 countries: Armenia, Bosnia and Herzegovina, Bulgaria, Cyprus, Montenegro, Georgia, Croatia, Israel, Moldova, the Netherlands, Romania, North Macedonia, and Ukraine. Regular constituency meetings occur during the annual and spring meetings of the World Bank and the IMF, as well as additional meetings hosted in one of the member countries of the constituency.

The Executive Boards of the World Bank Group are responsible for the four separate entities: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). Each board comprises Executive Directors who are representatives of member countries of the World Bank Group. They exercise powers delegated to them by the Boards of Governors. Member countries of the World Bank Group appoint or elect Executive Directors to the boards of IBRD, IDA, IFC, and MIGA. Although there are four separate boards, the Executive Directors serving on these boards are usually the same.

Executive Directors serve a dual role as officials of the World Bank Group and as representatives of the member country or countries that appointed or elected them. According to the IBRD Charter, Executive Directors are responsible for conducting the general operations of the IBRD. They review and decide on proposals for IBRD loans and guarantees, as well as proposals for IDA loans, grants, and guarantees. They make decisions on policies that govern the general operations of the World Bank Group. The Office of the Executive Director is also responsible for presenting to the Board of Governors during annual meetings, reviewing financial statements, administrative budgets, and annual financial reports and policies of the World Bank. The Board typically meets twice a week, on Tuesdays and Thursdays. A quorum for any board meeting consists of a majority of Executive Directors, holding at least half of the total voting power of the Board. The voting power of each member country is based on the number of shares they hold.

The President of the World Bank Group is the Chairman of the Board and is elected by the Executive Directors. The President chairs the meetings and usually does not have a voting right except in the case of a tied vote. Mr. Ajay Banga (USA) has been elected as the President of the World Bank Group for a five-year term starting from June 2, 2023.

The Secretariat provides support to the boards of directors and governors. It is responsible for coordinating the membership process and assisting members in completing the subscription of their allocated shares during periodic capital increases in the IBRD, IDA, IFC, and MIGA. It provides advice on procedures for subscribing additional shares according to decisions approved by the executive boards, including the necessary documentation and capital payments.

3.2.2 Key activities of the IBRD

Key activities of the IBRD include the following:

- Financing development projects and providing technical support at every stage of project development. This ensures not only the necessary funding but also facilitates the global transfer of knowledge in various sectors.
- Supporting member countries in public financial management, improving the investment climate, strengthening institutions, and

various public policies.

- Providing financial products, technical advice, and analysis to address development challenges, helping countries find solutions for achieving sustainable and inclusive development.
- Supporting budget financing for member countries to achieve their development goals and meet the needs of political and institutional reforms.

There are three types of financial instruments that the IBRD offers to member countries:

1. Investment Project Financing: Provides funding for activities that support physical or social infrastructure needed to reduce poverty and achieve sustainable development.
2. Development Policy Financing: Offers budget support to governments or political units for policy programs and institutional actions that help achieve sustainable shared growth and poverty reduction.
3. Program-for-Results: Links World Bank disbursements directly to the delivery of defined results, helping countries improve the design and implementation of their development programs and achieve lasting results by strengthening institutions, improving systems, and building capacity. Implementation relies on domestic institutions, thus directly strengthening the institutional capacity of member countries.

Additionally, the IBRD provides advisory services and analytics (ASAs/AAA) to support the creation or implementation of better policies, institution strengthening, capacity building, development strategy formulation, and contributions to global development goals. The results of these services include analytical reports, policy notes, practical advice, and workshops or training programs for knowledge exchange. The IBRD also provides fee-based advisory services (Reimbursable Advisory Services – RAS) in response to member countries' requests, following agreed-upon contracts.

During Fiscal Year 2022, the IBRD invested $33.07 billion, approximately 8.4% more than in Fiscal Year 2021. Of this amount, Latin America and the Caribbean received $9.41 billion, Europe and Central Asia (including Croatia) received \$5.97 billion, East Asia and the Pacific received \$5.48 billion, South Asia received \$4.78 billion, the Middle East and North Africa received \$4.14 billion, East and Southern Africa received \$2.91 billion, and West and Central Africa received \$0.39 billion. Disbursements in Fiscal Year 2022 amounted to \$28.17 billion, approximately 18.9% more than in Fiscal Year 2021. Since the beginning of the COVID-19 pandemic, the Bank (IBRD+IDA) has approved a total of \$270 billion, with \$50 billion approved in the period from April to June 2022. The latter amount represents the first part of a \$170 billion package designed to provide support for alleviating ongoing global crises, including support for Ukraine and neighboring countries most affected, mitigating disruptions in global trade, supply chains, and foreign direct investments, and addressing the growing impact of climate change on the global economy and living standards. As of June 30, 2022, the IBRD's capital adequacy ratio was 22%, compared to 22.6% in Fiscal Year 2021, indicating a very high level of capital adequacy.

In granting loans, the IBRD promotes a common set of behavior norms regarding public debt sustainability. To prevent sovereign debt crises, the institution has developed a set of procedures and policies that determine the level of debt sustainability risk in borrowing countries, interest rates, and other costs of using loans for borrowers, and the appropriate combination of grants and loans (IDA and IMF, 2018).

3.2.3 Current Challenges and Criticisms of the World Bank's Work

The World Bank is the largest multilateral lender in the world. However, it is frequently criticized for not fully utilizing its lending potential, similar to other international financial institutions.[7] Like the IMF, its operations are increasingly influenced by Chinese lending to developing countries, leading to growing dependence of these countries on Chinese creditors. According to an analysis conducted by Morris et al. (2020), the terms of Chinese lending are less favourable than those provided by the World Bank in terms of interest rates, loan maturity, and grace periods. Nevertheless, this has not deterred many countries from contracting significant amounts of Chinese loans, implying that the potential risk of over-indebtedness for some countries is not negligible, especially given the rising global interest rates

7 According to IEG (2023), relative to the GDP of borrower countries, the gross disbursements of IFIs in 2022 were half of what they were in 1990.

in 2022 and 2023. On the other hand, the willingness of Chinese creditors to continue financing development projects in low-income countries could easily change if significant disruptions occur in China's domestic financial market. Therefore, it is essential to maintain a high level of involvement of multilateral financial institutions like the World Bank in financing the development of low-income countries. A recent report prepared for the G20 particularly emphasizes the importance of stronger involvement of Multilateral Financial Institutions (MFIs), including the World Bank, in financing climate challenges (IEG, 2023).

The actions of the World Bank have been the subject of numerous criticisms, especially in the period after 1990 when the bank's access to many countries involved very similar reform proposals, such as fiscal discipline, financial market liberalization, market exchange rate mechanisms, reducing barriers to external trade and foreign investment, privatization, and deregulation.[8] However, the lack of visible success in achieving development goals in many countries led to a change in perspective and the understanding that there is no single universal set of rules for development success (World Bank, 2005; Chang H. J, 2008). Some criticisms of the bank relate to the democratic deficit in the institution's governance, including the outdated model of voting rights based on past economic power and the excessive role of finance ministers in decision-making (Stiglitz, 2008).[9] The President of the World Bank is traditionally selected based on the recommendation of the United States (while the IMF President is chosen from among European countries), further reinforcing the perception of a lack of democracy in the governance of the World Bank.

3.2.4 Membership of the Republic of Croatia in the International Bank for Reconstruction and Development (IBRD)

The Republic of Croatia became a full member of the IBRD on February 25, 1993, and holds 3,093 shares. Croatia's subscribed capital in the IBRD amounts to 384.46 million USD (of which paid-in capital is 26.60 million USD, and callable capital is 357.86 million USD). Croatia's current share in the subscribed capital of the IBRD is 0.12% (subject to changes based on

8 The approach is often referred to in the literature as the Washington Consensus.

9 Stiglitz's criticism also applies to the IMF.

capital contributions from other member countries), resulting in 0.15% voting power.

Based on the decision of the Government of the Republic of Croatia dated August 1, 2019 (Official Gazette 74/2019), Croatia participates in the general and selective capital increase of the IBRD from 2018, amounting to a total of 7.5 billion USD (referring to the capital being paid in). Of this amount, 5.6 billion USD comes from the general capital increase, while the selective increase amounts to 1.9 billion USD. The capital increase is presented as a necessity due to the increasing volume of activities and the high ambitions set out in the "Forward Look" document (World Bank Group, 2016) outlining the strategic priorities of the IBRD until 2030. Croatia also participated in the previous general capital increase of the IBRD in 2010, with a contribution of 4.4 million USD (all obligations were duly fulfilled), but did not participate in the selective capital increase at that time.

As part of the general capital increase of the IBRD in 2018, Croatia subscribed to 281 shares, resulting in total obligations of 33,898,435.00 USD (including paid-in capital of 6,779,687.00 USD and callable capital of 27,118,748.00 USD). Additionally, through participation in the selective capital increase of the IBRD in 2018, Croatia incurred total obligations of 22,800,015.00 USD (with paid-in capital of 1,368,000.90 USD and callable capital of 21,432,014.10 USD). The obligation of effective payment, totaling 8,147,687.90 USD, is being fulfilled over a period of 5 years (commencing in December 2019) in the form of equal annual installments (concluding on October 1, 2023). By subscribing to the mentioned number of shares, Croatia maintains its ownership stake in the IBRD, which would have decreased by 0.01% due to the application of the dynamic formula for calculating the share, resulting in 0.12%.[10] The share in voting power would decrease from 0.15% to 0.14%. Through participation in the general and selective capital increase, Croatia contributes to the achievement of the IBRD's objectives.

According to the Law on Acceptance of the Membership of the Republic of Croatia in the IMF and Other International Financial Organizations Based on Succession (Official Gazette No. 89/92), the Ministry of Finance is designated as the competent body for cooperation with the IBRD and is authorized to

10 By adopting the IBRD's share calculation formula in 2016, the reform of the voting structure and shares continued, aiming to provide greater representation to developing and transitioning countries.

carry out all activities and transactions permitted under the IBRD's Articles of Agreement on behalf of the Republic of Croatia.

3.2.5 The Cooperation between the Republic of Croatia and the International Bank for Reconstruction and Development (IBRD)

The cooperation between the Republic of Croatia and the International Bank for Reconstruction and Development (IBRD) is extensive and multifaceted. Since the early 1990s, when other sources of financing were unavailable to Croatia, IBRD has played a significant role in providing financial support for various investment needs. However, this collaboration goes beyond financial assistance and extends to maintaining macroeconomic stability and achieving sustainable economic growth through support for reform activities.

The World Bank Group (WBG) has had an office in Zagreb since 1998, which initially covered Croatia, Romania, and Bulgaria. Although the regional office was relocated to Washington, D.C., in late 2006 as part of the World Bank's restructuring, the Zagreb Office for Croatia remains. As of July 1, 2021, Mr. Jehan Arulpragasam is the head of the office.

From 1993 to the end of 2022, Croatia has contracted 67 loans with IBRD for public sector needs, totaling approximately EUR 3.74 billion. Out of these, 46 loans were extended directly to the Republic of Croatia, amounting to around EUR 2.78 billion, while 21 loans were guaranteed by the state, totaling around EUR 964.52 million. Additionally, 53 grant agreements with IBRD have been signed, amounting to around EUR 65.81 million. IBRD served as the implementing agency for these grant funds, which originated from international technical assistance funds (Institutional Development Fund - IDF, Policy and Human Resources Fund - PHRD, Global and Environmental Facility - GEF) and donations from the governments of Japan, the United Kingdom, Norway, the Netherlands, Sweden, and the EU CARDS program.

The first loan extended to the independent and sovereign Republic of Croatia by IBRD in 1994 was for the Emergency Reconstruction Project, amounting to USD 128 million. Subsequently, projects in the healthcare and road sectors followed. Starting from the late 1990s, the focus shifted to supporting Croatia's transition to a market economy. IBRD provided support for financial sector reform and budgetary assistance through the Financial

Sector Adjustment and Enterprise Restructuring Program. Significant assistance was also directed towards developing the capital market and its institutions, as well as a multi-pillar pension system. For many years, IBRD supported the ports of Rijeka and Ploče, aiding in their modernization to enhance capacity, trade, and Croatia's connectivity on a global scale. IBRD particularly supported the Republic of Croatia in its journey towards European Union membership. Numerous reforms were initiated with IBRD's support to align with EU legal norms and standards and absorb EU funds. After joining the EU, Croatia continues to cooperate with IBRD in various areas crucial for its economic development, including transportation (highways, roads, railways, seaports), science and technology, improving the business environment, entrepreneurship development, reducing administrative barriers, healthcare, education, and the judiciary.

Croatia benefits from IBRD's investment and structural loans under very favourable financial terms that IBRD secures on the international financial market. Additionally, in recent years, Croatia has been a beneficiary of IBRD's Reimbursable Advisory Services (RAS), financed through EU funds and the Croatian state budget. RAS provides access to global best practices with the support of World Bank expert teams. To date, Croatia has signed 13 contracts for RAS with IBRD, with a total value of EUR 32.41 million, covering areas such as higher education financing reform, poverty mapping, cluster and global value chain assessments, support for strategic planning, the Croatian Development Strategy 2030, job growth in eastern Slavonia, strategic transformation in agriculture and rural areas, public expenditure review in science, technology, and innovation, circular economy concept in solid waste management, strategic partnership for research, innovation, and growth, public sector wage determination mechanism reform, long-term adequacy and sustainability of the Croatian pension system, support for developing pension simulation models and individual pension calculators, and transitioning from institutional care to community-based care for vulnerable children and persons with disabilities.

Considering Croatia's classification as a high-income country by IBRD, future cooperation is expected to increasingly focus on RAS. Furthermore, IBRD offers Advisory Services and Analytics (ASAs/AAA) in various fields, financed from the IBRD budget.

Strategic Framework of Cooperation between the Republic of Croatia and the IBRD

The first Country Assistance Strategy of the World Bank Group to the Republic of Croatia (referred to as the Strategy) was adopted by the World Bank Group (WBG) on April 4, 1995, covering the period until 1998. The three main areas of cooperation were public finance reform, private sector development, and infrastructure financing. The 1999 Strategy aimed to support the reduction of the size and enhancement of the efficiency of the public sector, improve governance, create conditions for a competitive business environment, and reduce poverty.

The primary objectives of cooperation outlined in the Strategy for the period from 2005 to 2008 were to support the growth and reform strategy for Croatia's successful accession to the European Union (EU). The focus was on macroeconomic stabilization, reducing the size of the public sector, promoting private sector-led growth, and building the capacity to implement key aspects of EU legal requirements. The cooperation strategy for the period 2009 to 2012 included loans for projects in the fields of transport, energy, education, environmental protection, climate adaptation, healthcare, and the judiciary. It also encompassed analytical support and Development Policy Loans (DPL) to aid in implementing structural reforms.[11]

The cooperation strategy for the period 2014 to 2017 consisted of three separate strategic pillars. The first pillar focused on public finance, emphasizing fiscal consolidation to ensure sustainable growth and fiscal sustainability in the medium term. The second pillar aimed at improving competitiveness to drive growth. The third pillar concentrated on maximizing the benefits of EU membership by aligning policies, enhancing Croatia's capacity to access EU funds, and providing assistance for their effective utilization.

Despite being classified as a high-income country by the IBRD, Croatia still requires support in various areas. The long-standing knowledge of Croatia's needs and implementation capacities by the Bank, the unavailability of EU grants for certain sectors, and the ongoing need for external support in planning and implementing reform activities are essential arguments for

11 Development Policy Loans (DPLs) are loans tied to the implementation of reform activities, typically in the form of quickly disbursed direct budget support resulting from implementation reforms, as opposed to the usual funding designated for infrastructure projects.

continuing cooperation. In light of these considerations, the Government of Croatia adopted a Conclusion on April 25, 2019, accepting a new strategy, namely, the Country Partnership Framework (CPF) for Croatia for the Fiscal Years 2019–2024. The same was approved by the WBG's Executive Directors on May 2, 2019.

The CPF is designed to meet the needs of a high-income country as classified by the WBG, aiming to support institutional development to further strengthen Croatia's position within the IBRD, including ending borrowing from the IBRD in the future. Cooperation under CPF focuses on three main areas:

1. Strengthening the efficiency of the public sector and institutions (improving public administration efficiency in implementing the strategy and service delivery, supporting policies to reduce fiscal vulnerability, with an emphasis on state-owned enterprises, and creating opportunities for the population, particularly in less developed regions).

2. Preserving and harnessing natural capital for low-carbon growth (reducing the energy intensity of the economy and transitioning to clean energy, improving water management, wastewater, and solid waste management).

3. Enhancing market institutions to promote a dynamic entrepreneurial sector (enhancing the business environment and increasing the role of the private sector in the economy, promoting entrepreneurship, competition, and innovation).

Within the new CPF, by the end of 2022, five loans totaling EUR 784.8 million were approved and contracted: Efficient Judiciary for a Better Business Environment Project (EUR 100 million), Earthquake Recovery and Strengthening Public Health Preparedness Project (EUR 183.9 million), Development Policy Loan for Crisis Response and Recovery Support (EUR 275.9 million) were contracted in 2020, while the Business Liquidity Support Project in Croatia (EUR 200 million) and the Croatia: Towards Sustainable, Inclusive, and Effective Education Project (EUR 25 million) were contracted in 2021.

The CPF emphasizes the increasing use of Reimbursable Advisory Services (RAS) to provide support through a multisectoral and multi-year approach to improving the utilization of EU funds. The CPF also foresees the strengthening of IFC's role in Croatia and exploring possibilities for MIGA operations, which currently do not have an active portfolio in Croatia.

The responsible ministries and other public bodies are tasked with implementing projects and utilizing active loans. The Ministry of Finance coordinates the planning, proposal, and contracting of new loans and grants and oversees the implementation of projects funded from these sources. It also financially monitors and records their use, executes the repayment of obligations arising from loans contracted directly by Croatia with IBRD, and acts as a guarantor for IBRD loans under state guarantees (which are repaid directly by the borrowers). The Government of the Republic of Croatia appoints the Minister of Finance as the national coordinator for the implementation of projects financed by loans and grants to the Republic of Croatia from other foreign sources. The Ministry of Finance reports annually to the Government of the Republic of Croatia on the status of the portfolio of public projects financed by IBRD loans and grants, as well as other international financial institutions (NN 33/2007).

EU Natura 2000 Integration Project; Public Loan, IBRD No. 80210-HR

- Loan amount: EUR 20,796,332.67 (A loan of EUR 20.8 million was contracted for this Project).
- Signing date: February 22, 2011.
- Loan closing date: April 30, 2017 (initially: April 30, 2016).

The project aimed to support national parks, nature parks, and county public institutions responsible for managing protected natural values in implementing the goals of the European ecological network Natura 2000 into their investment programs; strengthen the capacity for monitoring biodiversity and reporting in line with the European Union requirements, and introduce programs involving a wider range of stakeholders in the management of the Natura 2000 network. The project consisted of the following components:

1. Investment in the ecological network – under this component, the following actions were taken:

   a) Procurement of goods, works, and consulting services to support selected investments in protected areas and areas of the ecological network in Croatia to promote and enhance alignment with Natura 2000 goals.

   b) Procurement of necessary fire-fighting equipment for coastal national parks and nature parks and the purchase of priority technical equipment for the Ministry of Culture and institutions within the nature protection system.

2. Ecological network information systems – under this component, the following actions were carried out:

   a) Procurement of goods and consulting services to: strengthen the capacity of the State Institute for Nature Protection to assist in biodiversity planning, priority setting, and inventorying, and enhance the information system to meet EU reporting requirements.

b) Fieldwork for biodiversity inventory and habitat mapping, as well as monitoring.
c) Consulting services for aligning data systems with the central geoportal in line with EU INSPIRE Directive requirements.
d) Software and hardware upgrades.

3. Capacity building for ecological network management – under this component, the following actions were conducted:

a) Assistance in developing agri-environment measures for Natura 2000 areas to: (a) establish minimum cross-compliance criteria for Natura 2000 areas; (b) develop an effective inspection system for cross-compliance conditions; (c) develop additional measures for the conservation of habitats and species of European interest; and (d) develop a methodology for calculating agri-environment payments.
b) Improved determination of protected area boundaries through organizing pilot programs in two selected protected areas.
c) Development and introduction of a volunteer program in parks.
d) Assessment of various financing mechanisms for protected areas and improvement of monitoring and diversification of financing for protected areas.
e) Support for the long-term and continuous training program for protected area staff on access to EU nature protection fund programs and tools to improve park management; learning through study tours and seminars; public information campaigns; and redesign and implementation of supervisor education programs.
f) Project management, including support for financial management and procurement functions, monitoring, and evaluation.

The IBRD assessed the project in the Final Report on the results and implementation of the Project with a “Satisfactory” rating, which is the highest rating. The same rating was confirmed in the review of the final report conducted by the Independent Evaluation Group.

Picture 1: Example of a project financed with the assistance of the IBRD: Port of Ploče, Main Terminal

Source: Port of Ploče d.d.

3.3 The International Finance Corporation (IFC)

3.3.1 Establishment, Activities, and Structure

The International Finance Corporation (IFC) was founded in 1956 and is part of the World Bank Group. IFC is legally and financially independent from the World Bank Group and has its own charter, capital, governance, and staff. Membership in IFC is open only to member countries of the World Bank. Currently, IFC has 186 member countries. IFC provides support for investments in the private sector of developing countries. Its core activities include financing private sector projects, assisting private companies in accessing funding in international capital markets, and providing advice and technical assistance to companies and governments.

IFC is the largest global development institution focused on the private sector in developing countries. Its activities are aimed at improving people's lives through investments in businesses, mobilizing new investors, and sharing expertise. IFC's financial products help companies manage risk and access foreign and domestic capital markets, while its advisory services support private sector investments, which are crucial for expanding businesses, creating jobs, and fostering economic growth.

IFC provides support in various industries, with a particular focus on infrastructure, manufacturing, the agri-food sector, services, and financial markets, with the goal of promoting production, increasing liquidity, and expanding access to credit for small bussines owners. As 2.5 billion adults in developing countries do not have bank accounts and 200 million businesses lack access to credit, IFC enables access to financing for individuals and micro, small, and medium-sized enterprises through financial institutions. This is an important part of the World Bank Group's strategy to eradicate extreme poverty and build shared prosperity.

IFC collaborates with around 800 financial institutions, providing financial and advisory support for microfinance and insurance and offering loans to small and medium-sized enterprises and women-owned businesses. IFC's expert advice assists clients in addressing systemic issues such as risk management, corporate governance, and the adoption of environmental and social standards. IFC is highly active in mobilizing institutional investors, insurance companies, and development banks for joint equity investments in companies in developing countries, thereby improving access to financing in the private sector. Additionally, IFC closely collaborates with venture capital funds. The lack of venture capital is one of the significant barriers to economic growth and entrepreneurship development in developing countries, particularly for innovative companies. Therefore, through cooperation with venture capital funds, the aim is to mitigate this issue and encourage faster development of the private sector.

Furthermore, through its advisory services, IFC assists governments and local authorities in developing countries in partnering with the private sector through public-private partnerships to enhance access to education, energy, transportation, and healthcare. IFC supports member states in developing local currency capital markets by issuing bonds in local currency. In addition to local currency financing, it collaborates with governments and regulators to promote reforms and policies that support local capital markets and local currency financing. IFC is an active issuer of social and green bonds, and in addition to raising capital through bond issuance, it invests in global liquid assets and manages them. IFC also offers long-term financing and advisory services for infrastructure projects in the areas of power supply, telecommunications, transportation, water supply, and sanitation.

The President of the World Bank Group also serves as the President of IFC. The CEO of IFC is Makhtar Diop. Each member country appoints one governor and one alternate governor to the Board. The executive directors of IFC deliberate and decide on investments and provide general strategic guidance to IFC management.

3.3.2 Membership of the Republic of Croatia in IFC

The Republic of Croatia became a full member of the World Bank and IFC based on the Law on the Acceptance of the Membership of the Republic of Croatia in the International Monetary Fund and Other International Financial Organizations on the Basis of Succession (Official Gazette No. 89/92) on February 25, 1993. Croatia's capital in IFC amounts to USD 24.794 million or 0.11%, granting Croatia the right to 31,702 votes or 0.14% of the voting power.

In April 2020, IFC adopted resolutions for a general and selective capital increase totaling USD 5.5 billion and called on its shareholders to initiate capital subscription procedures. The proposed general capital increase for IFC amounts to a total of USD 4.6 billion. On December 7, 2020, the Government of Croatia adopted a Decision on the participation of the Republic of Croatia in the general capital increase of the International Finance Corporation (IFC), under which the Republic of Croatia has the right to subscribe to 7,047 shares. Accepting the subscription of these shares creates a direct financial obligation in the amount of USD 7,047,000.00 for capital subscription, payable within five years from the date of adoption of IFC Resolution No. 272 (April 16, 2020). Croatia will increase its ownership stake in IFC from 0.11% to 0.12% with the payment of this amount and will retain its share of voting power at 0.14%.

3.3.3 Cooperation of the Republic of Croatia with IFC

The Ministry of Finance of the Republic of Croatia has been designated as the competent body for cooperation with IFC and is authorized to perform all tasks and transactions permitted under the IFC Agreement on behalf of the Republic of Croatia.

From the beginning of its membership to the present day, the total investments made by IFC in Croatia amount to approximately USD 1.4 billion (including USD 400 million mobilized from the market). The current portfolio of IFC in the Republic of Croatia amounts to USD 247 million for 4 projects in the financial and infrastructure sectors.

As part of the current Country Partnership Framework of the International Bank for Reconstruction and Development and the International Finance Corporation and the Multilateral Investment Guarantee Agency with the Republic of Croatia for the period 2019–2024, IFC is focused on providing support for regionally competitive and innovative domestic companies, especially in less developed regions, in the manufacturing industry, agri-food sector, and the service sector, including sustainable tourism. IFC plans to invest in innovative capital market instruments such as green bonds and covered bonds, as well as equity investments through private capital funds aimed at supporting sophisticated technologies and innovations. IFC will collaborate with the World Bank in promoting a favorable environment for private sector investments. There is also the possibility of IFC's engagement in the renewable energy sector through investment and, potentially, advisory projects.

3.4 International Development Association (IDA)

3.4.1 Establishment, Activities, Structure

The International Development Association (IDA) is an institution within the World Bank Group established in 1960 with the goal of reducing poverty by financing programs that support economic and social development, reduce inequalities, and improve living conditions in the world's poorest countries. IDA supports development projects in various areas such as education, primary healthcare, access to clean water and sanitation, agriculture, improving the business environment, infrastructure, and institutional reforms. IDA currently has 174 member countries and represents one of the largest sources of financing for the 75 poorest countries in the world, with 39 of them located in Africa. To date, IDA has provided financing of $496 billion to 114 countries.

Through the Private Sector Window (PSW), IDA closely collaborates with private sector institutions within the World Bank Group, including the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), to increase IDA's resources and facilitate the mobilization of sustainable private sector investments in the poorest and most vulnerable markets. New sources of financing, knowledge, partnerships, and innovation create opportunities for the poorest countries. IDA helps low-income economies work on policy reforms to improve the business climate, facilitating private sector investments and job creation. The private sector plays a central role in sustainable development and constitutes a significant source of employment in IDA countries. The IDA PSW was launched in 2017 as part of the 18th replenishment of IDA resources to complement IDA's public sector lending and assist in directing private sector investments into the poorest IDA countries, with a focus on fragile and conflict-affected states. IDA PSW blends concessional resources with private investments to mitigate specific risks, from credit risk and currency devaluation to political risks, within high-impact development projects.

IDA is also a key partner during crises and emergencies through its Crisis Response Window (CRW). CRW has supported countries facing severe crises such as famine in East Africa and Yemen and provided assistance after earthquakes in Haiti in 2010 and Nepal in 2015, as well as West African countries affected by the Ebola epidemic. Since its introduction in IDA 16, CRW has allocated $3 billion for crisis response and emergencies in 26 IDA countries across five regions.

IDA's operational work is complemented by analytical studies that support policy design for poverty reduction. IDA provides advice to governments on how to promote economic growth and protect the poor from economic shocks. IDA also assists countries in managing their debt, enhancing debt transparency, and ensuring fiscal sustainability as part of its Policy on Sustainable Development Finance.

For a country to be eligible for IDA's concessional credits or highly concessional credits (with repayment terms of 30 to 40 years), its gross national income per capita, based on fiscal year 2023 data (from July 1, 2022, to June 30, 2023), must not exceed $1,255.

IDA's financial resources primarily consist of contributions from member countries, and additional financial sources include transfers from the International Bank for Reconstruction and Development (IBRD) net income, donations from IFC, and repayments from previously approved IDA credits. Replenishments of IDA resources are conducted every three years to maintain its financial stability and enable continuous development assistance to the world's poorest countries. The replenishment process typically involves four formal meetings held within one year. During these meetings, member countries, donor representatives, and borrowing country representatives negotiate policies and financial frameworks in alignment with the needs of recipient countries.

The latest replenishment of IDA resources was agreed upon in December 2021, with the Board of Governors adopting Resolution No. 248 on the 20th replenishment of IDA resources. IDA 20 is being implemented one year earlier due to increased costs resulting from the impact of the COVID-19 pandemic and the global economic crisis. The total agreed amount for IDA 20 is $93 billion, equivalent to 65.1 billion Special Drawing Rights (SDR), of which $23.5 billion (16.5 billion SDR) are in the form of grants. This total replenishment amount includes $11 billion transferred from IDA 19 due to the acceleration of IDA 20 by one year. IDA 20 covers financing activities from July 1, 2022, to June 30, 2025. As part of the IDA 20 replenishment, the Republic of Croatia has joined IDA as a donor for the first time, expressing its interest in providing a donation of $2.3 million.

The strategic focus of IDA 20 is achieving a balance between continuity and innovation, a green, resilient, and inclusive future, with the main theme being "Enhanced Post-Crisis Recovery" (Building Back Better). A significant portion of these funds will be directed towards addressing climate change, with an emphasis on helping countries adapt to growing climate impacts and preserve biodiversity. IDA 20 will also enhance support for countries to better prepare for future crises, including pandemics, financial shocks, and natural disasters. The program of IDA 20 will assist countries in prioritizing investments in human capital, education, health, nutrition, vaccines, and safety nets, as well as support for persons with disabilities. IDA 20 will also increase its support for addressing other major development challenges such as gender inequality, job creation, conflict resolution, and violence prevention. Emphasis will be placed on governance and institutions, debt sustainability, and interventions in digital infrastructure to promote economic and social inclusion.

Based on the Agreement Establishing the International Development Association (published in the Official Gazette - International Treaties, No. 5/93), member countries of IDA were divided into two groups of countries. The first group consisted of donor countries (Contributing Members), whose contributions constitute the most significant financial source for IDA. The second group consisted of all other member countries (Subscribing Members), and their payments based on subscribed resources and contributions would not be used to approve IDA credits without specific approval from the member country.

Since the IDA voting framework had not been updated since the 3rd IDA Replenishment (IDA 03), was complex, outdated, and did not reflect global changes, and the voting power of borrowing countries had been weakening compared to donor countries, a review and amendment of the voting framework (IDA Voting Rights Review) was conducted. After the voting rights changes in IDA were completed in September 2021, IDA member countries were divided into countries eligible to receive IDA resources (lower tier) and all other member countries (upper tier). Voting shares continue to be based on subscriptions (Subscribing Votes) and payments (Membership Votes). After depositing the Instrument of Commitment, the number of votes is increased based on subscriptions, and after funds are paid, the number of votes is increased based on payments.

IDA is overseen by the Board of Governors consisting of 174 member countries. The day-to-day development work of IDA is managed by the Bank staff, the Board of Executive Directors, and implementing agencies.

3.4.2 Membership of the Republic of Croatia in IDA

The Republic of Croatia became a member of IDA on February 25, 1993, based on the Law on the Acceptance of Membership of the Republic of Croatia in the International Monetary Fund and Other International Financial Organizations on the Basis of Succession (Official Gazette, No. 89/92), and the Decision on the Membership of the Republic of Croatia in the International

Bank for Reconstruction and Development and its Affiliates (Official Gazette, No. 14/93). According to the new voting structure framework of IDA, the Republic of Croatia falls under the category of member countries that are not recipients of IDA resources (upper tier).

From 1993 to the present day, Croatia has participated in all regular replenishments of IDA resources, thereby maintaining its share of the total voting power of IDA. Croatia has contributed to IDA by issuing fourteen interest-free, non-negotiable promissory notes in favor of IDA, totaling HRK 2,999,304.65, which are held with the Croatian National Bank. None of these fourteen promissory notes have been cashed (i.e., IDA has not called for their redemption). The Republic of Croatia possesses 93,103 votes in IDA. On December 10, 2021, the Government of the Republic of Croatia issued a conclusion expressing Croatia's interest in providing a donation to IDA as part of the 20th replenishment of IDA resources, in the total amount of USD 2.3 million. On August 18, 2022, the Government of the Republic of Croatia issued a decision on the participation of the Republic of Croatia in the 20th replenishment of IDA resources. This decision accepts the Republic of Croatia's participation in the 20th replenishment of IDA resources, and the Government of the Republic of Croatia commits to depositing an Instrument of Commitment with IDA, pledging to contribute HRK 21 million as a donation over three annual installments. The Instrument of Commitment was submitted to IDA on October 4, 2022. Through the 20th replenishment process of IDA resources, the number of votes will increase by 3,935, and the Republic of Croatia will have a total of 97,038 votes, representing a share of 0.26% of the total voting power.

3. 5 Multilateral Investment Guarantee Agency (MIGA)

3.5.1 Establishment, Activities, Structure

The Multilateral Investment Guarantee Agency (MIGA), headquartered in Washington, D.C., is part of the World Bank Group (WBG). Although MIGA is an integral part of the WBG, it is legally and financially independent from the Group, having its own founding charter, capital, governance, and staff. It was established in 1988 and currently has 182 member countries, open to all WBG member countries.

MIGA's mission is to promote foreign direct investment in developing countries by providing guarantees to investors and creditors. MIGA encourages cross-border investments by offering coverage against specific non-commercial or political risks, providing protection for risks that include: non-convertibility and transfer restrictions; expropriation; war, terrorism, and civil disturbances; breach or violation of contracts. MIGA also offers coverage for the failure of financial obligations by states, local units, or state-owned enterprises, based on unconditional financial obligations or given guarantees. Each project can be insured by MIGA for an amount of up to USD 220 million, covering up to 90% of principal and interest for a period of 15 or even 20 years.

The highest governing bodies of MIGA are the same as those of the World Bank Group, and Croatia is represented in them in the same way. The President of the WBG serves as the President of MIGA by virtue of his office and chairs the Board of Governors. The Board of Governors consists of the governors of all member states together with their alternates, and they meet at least once a year. The Governor for Croatia at MIGA is the Minister of Finance by function. The Executive Directors of MIGA are the Executive Directors of the International Bank for Reconstruction and Development (IBRD). The Executive Vice President of MIGA is Mr. Hiroshi Matano, and he has held this position since November 2019.

3.5.2 Croatia's Membership in MIGA

The Republic of Croatia became a full member of MIGA on March 19, 1993, based on the Law on Acceptance of Membership of the Republic of Croatia in the International Monetary Fund and other International Financial Organizations on the Basis of Succession (Official Gazette, No. 89/92). The Ministry of Finance of the Republic of Croatia is designated as the competent body for cooperation with MIGA, according to Article 38 of the Convention Establishing the Multilateral Investment Guarantee Agency with Commentary on the Convention (Official Gazette - International Treaties, No. 6/93).

Croatia's total capital in MIGA amounts to USD 3.571 million, with paid-in capital of USD 678,000 and callable capital of USD 2.893 million. Accordingly, the Republic of Croatia holds 330 MIGA shares and is entitled to 572 votes, representing 0.26% of the total voting power.

3.5.3 Croatia's Cooperation with MIGA

The Government of the Republic of Croatia and MIGA entered into a Agreement on the Legal Protection of Foreign Guaranteed Investments (Official Gazette - International Treaties, No. 6/97) signed on January 25 and September 3, 1996. According to Section I of the Agreement, the Ministry of Finance is designated as the competent body for communication with MIGA on all matters within the framework of the Convention establishing MIGA. According to Section II of the Agreement, the Republic of Croatia undertakes to provide MIGA with treatment no less favorable than that of any other investor or investment insurer in Croatia concerning investments guaranteed by MIGA, regarding the rights it may acquire as the successor of the compensated guarantee holder.

During the duration of the Partnership Strategy of the World Bank Group with the Republic of Croatia for the period 2014 - 2017, MIGA did not issue any new guarantees for the insurance of foreign direct investments in Croatia. The main reason for this is the perception of foreign investors who did not have the need to contract guarantees against political risks or guarantees for non-fulfillment of financial obligations by the state, local and regional units, and state-owned enterprises. As part of the Country Assistance Framework (CAF) 2019 - 2024, MIGA will continue to support foreign direct investments in Croatia by providing guarantees, with a focus on infrastructure and financing projects aimed at mitigating the effects of climate change, specifically reducing the negative impact on the climate.

3.6 International Centre for Settlement of Investment Disputes (ICSID)

3.6.1 Establishment, Activities, Structure

The International Centre for Settlement of Investment Disputes (ICSID), headquartered in Washington, D.C., is a part of the World Bank Group (WBG). Although ICSID is an integral part of the WBG, it is legally and financially independent from the Group, having its own founding convention, capital, governance, and personnel. It was established in 1966 by the Convention on the Settlement of Investment Disputes and currently counts 158 contracting states and 7 signatory states, open to all member countries of the WBG.

ICSID is an institution dedicated to resolving international investment disputes. ICSID assists investors and states in promoting international investments by providing confidence in the dispute resolution process. It also works on settling intergovernmental disputes involving investment contracts and free trade agreements and acts as an administrative registry. ICSID allows for dispute resolution through mediation, conciliation, arbitration, or fact-finding. In conducting the proceedings, it takes into account the key characteristics of international investment disputes and the parties involved, maintaining a careful balance between the interests of investors and the states from which the dispute arises. Each case is independently considered by a Mediation Commission or an Arbitration Tribunal after hearing the evidence and legal arguments of the parties. Each case is assigned a carefully chosen ICSID expert team to provide expert assistance throughout the process. To date, ICSID has handled over 900 such cases.

ICSID is governed by an Administrative Council, consisting of one representative from each contracting state. The Governor or alternate Governor of the WBG serves as the representative of the Administrative Council. The Administrative Council meets at least once a year, usually during the annual meetings of the WBG. It can meet more frequently as needed and can also vote by written means without physical meetings. The President of the WBG also serves as the President of the Administrative Council. The Governor of ICSID for the Republic of Croatia, by function, is the Minister of Finance. The Secretary-General of ICSID is Ms. Meg Kinnear, who has held the position since June 2009.

Each member state has the right to appoint up to four individuals to the Panel of Arbitrators and up to four individuals to the Panel of Conciliators for a renewable six-year term. The same person may be appointed to both Panels simultaneously.

3.6.2 Membership of the Republic of Croatia in ICSID

The Republic of Croatia became a full member of ICSID on October 22, 1998, based on the Decision to Publish the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (Official Gazette – International Agreements, No. 2/98).

4.

INTERNATIONAL MONETARY FOND (IMF)

By: Jakša Puljiz and Ana Budimir

4.1 Establishment, Governance Structure, and Funding Sources

4.1.1 Establishment and Governance Structure

The International Monetary Fund (IMF) was officially established on December 27, 1945, based on decisions made in July 1944 at a conference held in the town of Bretton Woods, USA.[12] During the same conference, a decision was made to establish the International Bank for Reconstruction and Development (later the World Bank), which is why both institutions are often referred to as the Bretton Woods institutions. Key figures in the establishment of these first international financial institutions included the renowned British economist John Maynard Keynes and the American economist employed at the U.S. Treasury, Harry Dexter White.

At the founding of the IMF, the institution's main objectives were set as follows:

- Enhancing international monetary cooperation
- Promoting international trade
- Currency stabilization and preventing devaluation for the benefit of national interests
- Eliminating various foreign exchange restrictions to establish a transparent international payment system
- Correcting disruptions in national balance of payments through IMF resources.

The establishment of the IMF is a response to the negative experiences of international financial and currency instability that greatly contributed to the outbreak of the Great Depression in 1929. The IMF, through its founding documents, was therefore granted the authority to oversee exchange rate relationships and macroeconomic policies of its member countries with the

12 At the conference, 44 countries participated. Interestingly, representatives of the USSR signed the decision to establish, but it was never ratified by the then-state leadership (Boughton, 2014). More information about the establishment of the IMF can be found on the website https://www.elibrary.imf.org/display/book/9781498306836/ch01.xml).

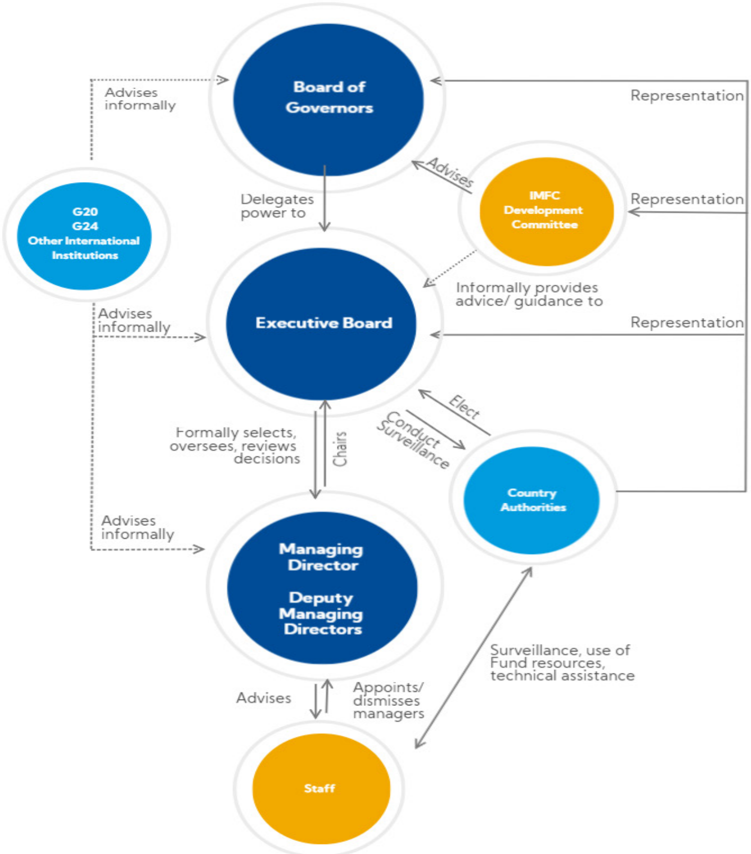
aim of creating favorable conditions for international trade and economic cooperation (Radošević, 1996).

From its initial 29 founding countries, the number of members has significantly increased over time, and the IMF currently has 190 member countries. The IMF is headquartered in Washington, D.C., USA. The governing bodies of the IMF consist of the Board of Governors, the Executive Board, and the Managing Director. The Board of Governors is the primary administrative body, composed of governors and alternate governors appointed by member countries, who then select the Chairman. They meet at least once a year. The Board of Governors closely collaborates with the Board of Governors of the World Bank. The Board of Governors holds all powers except those it has chosen to delegate to the Executive Board, and their specific powers include setting quotas, admitting new members, and allocating Special Drawing Rights.

On the other hand, the Executive Board is comprised of executive directors, alternate executive directors, and the Managing Director of the IMF. Eight members of the Executive Board are appointed by the United States, Japan, Germany, the United Kingdom, France, Russia, China, and Saudi Arabia, while the remaining 16 are elected by other member countries in groups. The Executive Board's responsibilities include selecting the Managing Director of the IMF, making decisions on day-to-day operations, and presenting an annual report on the organization's activities. The IMF has 2,000 experts, and the Managing Director is responsible for leading the organization and managing human resources. As of July 2023, the Managing Director of the IMF is Kristina Georgieva. Member states represent their interests through the Executive Board, within which constituencies are formed.

In addition to these bodies, the IMF has two advisory bodies, the International Monetary and Financial Committee and the Development Committee. The International Monetary and Financial Committee has 24 members selected from the Board of Governors. They meet twice a year to discuss the international monetary and financial system and potentially propose changes to the agreement among member countries. The Development Committee advises the Boards of Governors of the IMF and the World Bank on key economic issues in developing countries. It has 25 members, mostly finance or development ministers. The governance structure and the interaction between different bodies of the IMF are illustrated in Figure 2.

Picture 2: Management structure in the IMF



Source: https://www.imf.org/en/About/Factsheets/Sheets/2022/How-the-IMF-makes-decisions

4.1.2 Special Drawing Rights (SDRs)

Special Drawing Rights (SDRs) are international reserve assets (reserve currency) created by the IMF and allocated to its member countries with the aim of improving the liquidity of member countries for the purpose of financing balance of payments imbalances. Growing distrust in the U.S. dollar, caused by high current account deficits of the United States during the 1960s, seriously threatened the role of the dollar as the world's reserve currency. Therefore, the IMF created SDRs to effectively support the stability of the international financial system.

Each member country is allocated a certain value of SDRs in accordance with established quotas for each country, which are calculated based on a specific formula. The formula takes into account a country's GDP, official reserves, openness to international trade, and the variability of current account income for the member country. IMF member countries facing balance of payments imbalances can use their allocated SDRs to exchange them for foreign currency (if another member country is willing to engage in such an exchange), making it easier for them to meet obligations in foreign currencies. In this process, the member country whose currency is sought charges interest on the requested amount of its currency.

Special Drawing Rights consist of a basket of the world's most important currencies (the U.S. dollar, the euro, the Chinese yuan, the Japanese yen, and the British pound), which leads to diversification and risk reduction, making Special Drawing Rights the most stable means of payment in the international economy. Special Drawing Rights also serve as an accounting unit for the IMF's internal purposes.

4.1.3 Financing of the IMF

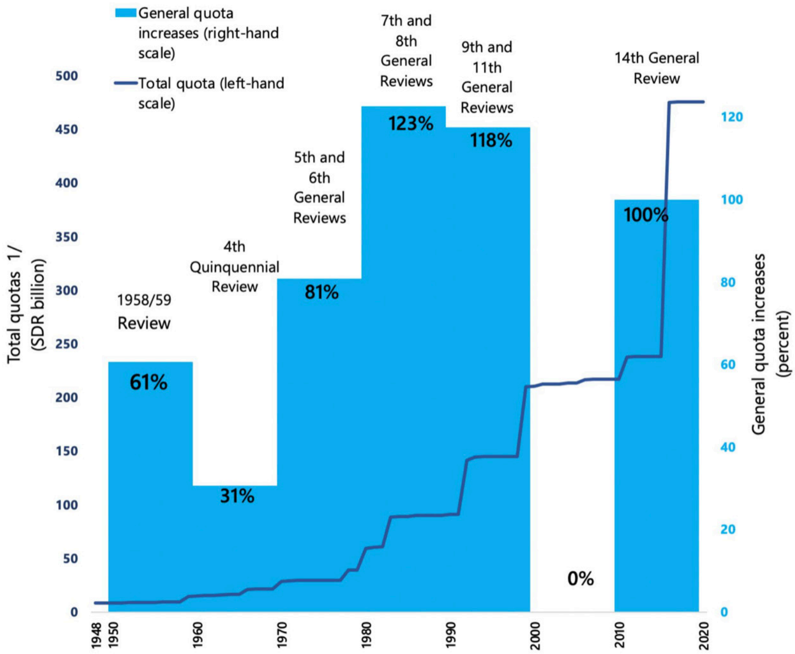
The prerequisite for providing loans is the availability of financial resources, which the IMF collects through the following means:

- Payment of quotas by member countries,
- Multilateral borrowing from a group of member countries,
- Bilateral borrowing from individual countries.

Each member country is assigned a specific amount of funds it must contribute, known as a quota. The size of the quota depends on the economic strength of the member country. The United States holds the largest quota (17%). The quota size is also important as it represents the voting share of each member country in decision-making. Ultimately, the quota size determines the maximum borrowing capacity of each member country from the IMF.

Graph 4 illustrates the historical increase in quotas from the establishment of the IMF until 2020. It shows that the most significant increases in quotas occurred during the 7th and 8th, as well as the 9th and 11th General Quota Reviews in the 1990s. The discussion then proceeds to the most recent, 16th General Quota Review, which is expected to conclude no later than December 15, 2023.

Figure 4.1 Increase in Quotas in billions of SDRs over time



Source: https://www.imf.org/en/About/Factsheets/Sheets/2022/IMF-Quotas

Multilateral and bilateral borrowing aim to provide additional financial capacity for the IMF's operations, as various financial and economic crises have shown that quota-based resources are insufficient to effectively assist affected countries. Countries participating in IMF lending have what is known as an FTP (Financial Transactions Plan) status. FTP status is granted based on the IMF's findings that a member's balance of payments and reserve position are strong enough, with the assessment relying on a range of variables such as the current account balance, exchange rate movements, short-term debt, and debt servicing, among others.

According to IMF data as of June 2022, out of the 977 billion SDRs available to the IMF, 477 billion (48.8%) come from paid quotas, 361 billion (36.9%) from multilateral borrowing, and 139 billion (14.2%) from bilateral financing.

The total amount of SDR resources at the IMF's disposal serves as the basis for determining the IMF's lending capacity to member countries. As of June 2022, the IMF's lending capacity amounted to 713 billion SDRs.

In 2021, the IMF further bolstered global liquidity and resilience by allocating its largest-ever SDR allocation of 456 billion SDRs (equivalent to 650 billion USD). The newly created SDRs were allocated to member countries based on their quota shares. To support low-income countries, the IMF initiated an initiative for the voluntary reallocation of SDRs from countries with strong external positions through lending/donations to low-income and vulnerable middle-income countries. In October 2021, the leaders of the G20 called for the mobilization of 100 billion USD for this purpose.

In April 2022, the IMF's Executive Board decided to launch a new Resilience and Sustainability Fund (RSF). The goal of this new fund is to provide affordable, long-term financing to support countries undertaking macroeconomic reforms to reduce risks to future balance of payments stability, including those related to climate change and pandemics. The plan is to raise approximately 30 billion SDRs through contributions from countries with strong balance of payments positions.

4.2 Key Activities

4.2.1 Loans

The goal of the International Monetary Fund (IMF) today remains similar to its founding years: to support and promote economic and financial cooperation among member countries to achieve global trade growth. The key mechanism for achieving this goal is providing financial assistance to member countries facing balance of payments difficulties. Traditionally, the IMF does not provide loans for specific projects but rather offers financing to overcome financial difficulties. However, in recent years, this approach has been evolving, and the IMF is beginning to engage in areas of financing that were previously the exclusive domain of the World Bank (specific projects related to the environment, health, etc.).

There are various types of loans that the IMF provides, with the basic distinction being between loans granted on market terms and loans granted on concessional terms. In the former case, the main beneficiaries are middle and high-income countries, while in the latter case, it involves low-income countries. In terms of the value of allocated funds, the most important credit instruments granted on market terms include:

1. Flexible Credit Line (FCL) – launched in 2009, this is designed for countries with strong macroeconomic fundamentals and a proven track record of successful economic policy implementation throughout their history. The credit arrangement lasts for up to 2 years.

2. Extended Fund Facility (EFF) – this type of arrangement is primarily for member countries facing serious medium-term balance of payments difficulties, especially due to structural weaknesses or countries characterized by weak economic growth and persistent balance of payments problems. Drawing on credit resources lasts 3-4 years, with repayments falling due over a period of 5-10 years from the disbursement of funds.

3. Stand-By Arrangements: provide short-term assistance in eliminating balance of payments deficits and typically last for 12 to 18 months. Disbursements are quarterly and depend on meeting criteria set by the IMF. The requesting country needs to develop an economic policy program to fulfill the specified criteria.

The most important concessional lending instruments are:

1. Extended Credit Facility (ECF): provides assistance to low-income countries facing balance of payments difficulties and includes loans with a term of up to 5 years at 0% interest.

2. Rapid-Credit Facility (RCF) – provides smaller amounts of financial assistance (0% interest) to countries in urgent need of addressing balance of payments problems (e.g., due to natural disasters, wars, etc.). It is used in situations where a full-fledged, traditional financial arrangement is not necessary (e.g., due to a temporary or limited economic shock) or not feasible (requiring an extremely urgent response or limited capacity to implement economic policies).

3. Stand-By Credit Facility (SCF) – intended for providing financial assistance to low-income countries with short-term balance of payments vulnerabilities. Therefore, its duration is limited to

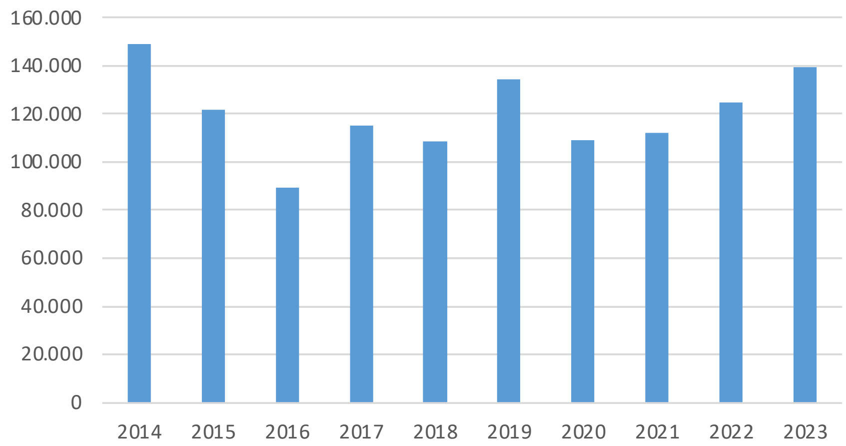
1-2 years. This type of financial arrangement can also be used preventively. The interest rate is currently 0%.

All three credit instruments for lending to low-income countries are part of a special mechanism known as the Poverty Reduction and Growth Trust (PRGT), which the IMF launched in 2009 with the aim of strengthening support for impoverished countries.

The value of contracted financial arrangements with member states in the period 2014-2023 is depicted in the following figure.

The value of IMF financial arrangements from 2014 to 2023 as of April 30th.

Figure 4.2 The value of IMF financial arrangements from 2014 to 2023 as of April 30th



Source: MMF (2023)

As can be seen, the value of arrangements during the observed period remains stagnant. The highest amount was recorded in 2014 (148.9 billion SDRs), while the lowest was in 2016 (89.4 billion SDRs). Since 2020, there has been a gradual increase in disbursements.

IMF Response to the COVID-19 Pandemic Crisis

In response to the global crisis caused by the COVID-19 pandemic, the IMF allocated approximately $650 billion in Special Drawing Rights (SDRs) to its member countries. This represents the largest issuance of Special Drawing Rights in the history of the IMF. For comparison, additional Special Drawing Rights were last issued in 2009, totaling $250 billion, with the aim of mitigating the consequences of the global financial crisis. Additionally, the IMF also received and approved a high number of requests for emergency financing. A total of 85 member countries received funds through an emergency procedure to help them cope with the consequences of the pandemic.

Source: https://www.imf.org/en/About/FAQ/imf-response-to-covid-19#Q1

Generally, the allocation of loans is associated with the application of the conditionality principle, which involves a member country committing to implementing various policy measures aimed at its fiscal and economic stabilization. This, in turn, ensures the conditions for the repayment of borrowed funds to the IMF. Loan conditionality consists of primary and secondary objectives (Grgić and Bilas, 2008). While primary objectives may include factors like balance of payments adjustment and price stability, secondary objectives can encompass goals such as poverty reduction or improved environmental protection. Borrowing countries that fail to meet their obligations under the arrangement face specific financial and reputational costs because the IMF suspends disbursements of financial resources stipulated in the arrangement. This action also sends a negative signal to international investors and creditors (Andrijić, 2016).

IMF and Climate Change

Due to the growing interest and macroeconomic significance in many member countries, the IMF has been more actively addressing the issue of climate change since 2015. The IMF had previously incorporated these issues into surveillance and programs in member countries where they were macroeconomically critical or a priority for the country's authorities.

However, the IMF is now working to systematically include them in consultations and in Financial Sector Assessment Program (FSAP) programs. This topic has also been included in key IMF publications and the Regional Economic Outlook in recent years.

The IMF's two key areas of work on this issue are (i) climate change mitigation and (ii) adaptation to climate change. The IMF focuses on policy areas where it has expertise: macroeconomic and fiscal policies, while collaborating with other international institutions and organizations. In July 2021, the IMF's Executive Board adopted a strategy to assist members in addressing challenges related to climate change. The strategy aims to enhance the IMF's engagement on climate issues across a wide range of activities. Additionally, in April 2022, the IMF established a new fund under its umbrella, the Resilience and Sustainability Trust (RST), which is directed, among other things, at addressing climate change. The first loans from this fund were approved in late 2022.

4.2.2 Macroeconomic Policy Surveillance and Advisory

One of the fundamental roles of the IMF is to conduct surveillance of the macroeconomic policies of its member countries. Surveillance encompasses monitoring exchange rates, monetary and fiscal policies, financial sector stability, and institutional and structural issues. A crucial component of the macroeconomic surveillance system involves regular statistical reporting and data exchange, which the IMF uses to produce publications such as the International Financial Statistics, World Economic Outlook, Global Financial Stability Report, and others.

The same principle applies to the surveillance of financial markets, which is conducted through the Financial Stability Assessment Program (FSAP), established in 1999. It is a joint project between the IMF and the World Bank, aimed at conducting an in-depth assessment of the member country's financial sector. The IMF covers the assessment of financial system stability (Financial System Stability Assessment - FSSA), while the World Bank assesses the development of the financial sector.

Additionally, the IMF carries out bilateral forms of surveillance of individual member countries through annual consultations. These consultations include visits (so-called missions) by IMF experts to member countries, during which they meet with representatives of key stakeholders, such as ministries, central banks, domestic economic experts, as well as representatives of employers, unions, and civil society.

In addition to loans and surveillance, the IMF also provides advisory assistance to member countries regarding their fiscal and monetary challenges. The primary beneficiaries of the IMF's technical assistance are low and middle-income countries, particularly in Africa and Asia, where the IMF helps strengthen institutions for managing economic and fiscal policies.

4.3 Critiques of IMF's Work and Current Challenges

Historically, the work of the IMF has faced various criticisms. The first set of criticisms is related to the conditionality of loans with structural reforms, many of which focused heavily on economic liberalization and deregulation. The second set of criticisms pertains to the distribution of influence within the IMF. Many critics argue that the IMF is excessively influenced by major economies, particularly the United States, at the expense of smaller and less developed countries. The third line of criticism concerns the lack of transparency in how the governance structure of the IMF operates. Moreover, the IMF's impact on global financial stability has also been subject to criticism, ranging from claims that it did not do enough to stabilize the situation to accusations that it contributed to global financial instability. One of the most well-known critics is economist and Nobel laureate Joseph Stiglitz, who has long pointed out the shortcomings of the IMF in achieving its goals (Stiglitz, 2002; 2010). The IMF has attempted to address these criticisms through various reforms implemented within the organization. One response has been to place greater emphasis on cooperation with the G20 group instead of the G7, aiming to increase the influence of a broader group of the world's most developed economies on the institution's operations. Additionally, the introduction of the PRGT instrument in 2009 allowed the IMF to increase support to its poorest member countries, partially responding to criticisms of inadequate assistance to the poorest member countries.

One of the main current challenges in the IMF's work is the difficulty in disbursing financial assistance relative to the fund's financial capacity.

According to data from The Economist, the value of IMF disbursements has increased by only $51 billion since the outbreak of the COVID-19 crisis, despite a significant increase in financing capacity. Through new financial instruments designed for combating climate change and addressing food scarcity issues, only 8.5% of the available funds have been approved, and not all funds have been disbursed (The Economist, 2023). Simultaneously, the IMF is facing increasing pressure from China to finance low and middle-income countries without the conditionality associated with fiscal and economic policy measures. The growing indebtedness of middle and low-income countries to Chinese financial institutions makes it difficult for them to enter into agreements with the IMF, which typically involve the need to restructure the recipient country's existing external debt. In such situations, aligning the positions of Chinese creditors and the IMF is challenging, and negotiations often take a long time, consequently slowing down the disbursement of IMF loan funds. China's rise as a major lender in the last 20 years has led to at least 65 countries owing China more than 10% of their external debt, directly impacting the operational functioning of the IMF and raising questions about the IMF's identity as a global creditor.

4.4 Republic of Croatia's Membership in the IMF

The Republic of Croatia became a member of the IMF on December 14, 1992, based on the succession of membership from the former Socialist Federal Republic of Yugoslavia (SFRY). The initial quota of 261.6 million SDR (349 million USD) was increased to 365.1 million SDR by adopting the 11th quota increase in 1999. In 2009, the IMF Board of Governors accepted a resolution for a new general allocation of SDR, equivalent to 250 billion USD, where each member was allocated 74.13% of its IMF quota at that time. The Republic of Croatia was allocated 270,652,208 SDR through this allocation. In addition to the general allocation, a special allocation of SDR was carried out in 2009, resulting in an additional allocation of 32,484,735 SDR to Croatia. In 2021, the IMF Board of Governors approved a new general allocation of SDR equivalent to 650 billion USD (456 billion SDR). Allocations were made to members in proportion to their IMF quotas. Croatia received 687,595,635 SDR (832.3 million EUR) through this allocation, making its total allocation of special drawing rights 1,034,937,947 SDR, representing 0.15% of voting rights. The received allocation, along with previous SDR allocations, constitutes an integral part of Croatia's international reserves.

Since its initial membership in the IMF, the Republic of Croatia has been part of a constituting group initially led by the Netherlands. The total number of constituting groups within the IMF is 24. As part of the reform of constituting groups outlined in the 2010 Resolution, Belgium and Luxembourg joined this constituting group in 2012, making it the Dutch-Belgian constituting group. This group now consists of 16 countries (Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Cyprus, Montenegro, Georgia, Croatia, Israel, Luxembourg, North Macedonia, Moldova, Netherlands, Romania, and Ukraine). With 5.47% of voting power, it is the fourth-largest constituting group within the organization, following the United States, Japan, and China.

4.5 Cooperation between the Republic of Croatia and the IMF

The Republic of Croatia is not part of the group of IMF creditors, i.e., it is not a member of the Financial Transaction Plan (FTP) and has not signed a Bilateral Borrowing Arrangement with the IMF. Croatia has not acquired FTP status because its external position has not been assessed as sufficiently strong by the IMF.

As part of the IMF's surveillance activities, its expert teams regularly visit the Republic of Croatia annually to conduct consultations on macroeconomic and fiscal policies. Documents related to these consultations are published on the IMF's website as well as by Croatian institutions.[13] Regarding financial activities with the IMF, the most recent financial arrangement that Croatia had with the IMF was concluded in 2006. In the 1990s, Croatia used three financial arrangements with the IMF: Stand-by Arrangement (1994), Systemic Transformation Facility (1994), and Extended Fund Facility (1997). In the following decade, Croatia also had three stand-by arrangements with the IMF, but unlike the previous ones, no funds were drawn, and these arrangements were used purely as precautionary measures. These stand-by arrangements were established in 2001, 2003, and 2004, respectively.

Here is a more detailed overview of each of the aforementioned financial arrangements, taken from the official website of the Ministry of Finance of the Republic of Croatia:

13 You can find the concluding statement of the IMF Mission from 2023 at this link: https://mfin.gov.hr/vijesti/republika-hrvatska-zakljucna-izjava-nakon-posjeta-misije-mmf-a-republici-hrvatskoj-2023-u-vezi-s-clankom-iv-statuta-mmf-a/3464

1. Stand-By Arrangement was approved for the Republic of Croatia on October 14, 1994, in the amount of 65.40 million SDR (25% of the quota at that time) for a period of 18 months. Only one tranche of 13.08 million SDR was drawn on October 19, 1994. The arrangement was repaid on October 18, 1999. The arrangement was not fulfilled in full and expired on April 13, 1996. Alongside the Stand-By Arrangement, the Republic of Croatia was granted Systemic Transformation Facility (STF) in the amount of 130.80 million SDR on October 14, 1994. The funds under this Facility were fully disbursed (in two installments: October 19, 1994, and April 13, 1995) and repaid on December 27, 2002.

2. Extended Fund Facility (EFF) was approved for Croatia on March 12, 1997, in the amount of 353.16 million SDR (135% of the quota at that time) for a period of 3 years. Only one tranche of 28.78 million SDR was drawn on March 17, 1997. The arrangement was repaid on December 27, 2002, and it expired on March 11, 2000.

3. A Stand-By Arrangement of 200 million SDR (55% of the quota) was approved for the Republic of Croatia by the IMF Executive Board on March 19, 2001, for a period of 14 months, until May 18, 2002. This arrangement was established as a precautionary measure, with no intention to withdraw the approved funds. Croatia successfully completed this arrangement within the stipulated time frame, and no funds were withdrawn. Another Stand-By Arrangement was approved for the Republic of Croatia by the IMF Executive Board on February 3, 2003, for a period of 14 months, with an amount of 105.88 million SDR (29% of the quota). This arrangement was also established as a precautionary measure, with no intention to withdraw the approved funds. This arrangement was not successfully completed and expired on April 2, 2004. The IMF Executive Board approved another Stand-By Arrangement for the Republic of Croatia on August 4, 2004, in the amount of 97 million SDR (26.6% of the quota) for a period of 20 months. This arrangement was also established as a precautionary measure, with no intention to withdraw the approved funds. During the second review of the arrangement in March 2006, it was extended until November 15 of the same year, with an increased utilization amount of 99 million SDR. Croatia successfully completed this arrangement, which expired on November 15, 2006.

5.

EUROPEAN INVESTMENT BANK GROUP (EIBG)

By: Silvija Belajec and Ana-Maria Boromisa

The European Investment Bank Group comprises the European Investment Bank (EIB), the European Investment Fund (EIF), and EIB Global. All three institutions work in synergy, share a common mission, and are dedicated to achieving common goals and implementing Union policies. Their role is to stimulate employment and economic growth in Europe, support measures to mitigate climate change, and promote EU policies beyond the EU borders.

5.1 European Investment Bank

5.1.1 Establishment and Objectives

The European Investment Bank (EIB) was established in 1958 in Brussels under Article 308 of the Treaty on the Functioning of the European Union (TFEU). With the entry into force of the Treaty, the EIB's headquarters moved to Luxembourg.

According to the Treaty, the EIB is a financial institution with legal personality, and its members are exclusively European Union member states. The Bank conducts its activities in accordance with the provisions of the Treaty and its Statute, which is an integral part of a special Protocol to the Treaty.

The decision to establish the EIB was made to facilitate balanced development within the Union by granting loans to less developed regions and supporting the internal market of the Union. The Bank operates on a nonprofit basis by providing loans and guarantees that facilitate the financing of projects for the development of less developed regions, projects for the modernization or restructuring of enterprises, or the development of new activities that cannot be fully financed by the resources available to individual member states. It also supports projects of common interest to multiple member states in all economic sectors.

In carrying out its mission, the Bank facilitates the financing of investment programs and projects funded by structural funds and other Union financial instruments. The EIB is one of the world's largest multilateral financial institutions and is often referred to as the financial arm of the European Union. It operates in 140 countries worldwide. Since its inception, the Bank has invested over a trillion euros in various areas and is one of the largest financiers of activities related to climate change.

The EIB's activities are focused on the following priority areas:

- Climate and the environment,
- Innovation and skills,
- Small and medium-sized enterprises,
- Infrastructure and cohesion.

The EIB closely collaborates with other EU institutions to strengthen European integration, promote overall development, and support EU policies.

5.1.2 Management

The European Investment Bank (EIB) has legal personality in accordance with Article 308 of the Treaty on the Functioning of the European Union. EIB shareholders are the member states of the EU. Article 6 of the Bank's Statute defines that the Board of Governors, the Board of Directors, and the Management Committee manage the EIB, and in accordance with Article 12 of the Statute, the Audit Committee reviews the Bank's activities. The Board of Governors consists of ministers (mostly finance ministers) from all EU member states and determines the Bank's general credit policy. The Board of Governors has the following key tasks:

- Deciding on an increase in subscribed capital
- Establishing the principles applied to financing operations carried out within the Bank's tasks
- Exercising powers delegated to it for the appointment and removal of members of the Board of Directors and the Management Committee
- Approving funds for investments that are to be carried out entirely or partially outside the EU
- Approving the annual report of the Board of Directors, the annual balance sheet, the profit and loss account, and the Bank's rules of procedure
- Appointing members of the Audit Committee and members of the Board of Directors and the Management Committee.

The Board of Directors consists of 28 directors and 31 alternate directors.

Directors are appointed by the Board of Governors for a period of five years. Each member state proposes one director, and one is proposed by the Commission. The Board of Directors makes decisions regarding:

- Approval of loans and guarantees
- Borrowing
- Determining the interest rate on approved loans.

The Board of Directors ensures the Bank's management in accordance with the provisions of the Treaty and the Statute and the general guidelines set by the Board of Governors. The Management Committee consists of the Bank's President and eight Vice-Presidents appointed by a qualified majority vote of the Board of Governors, on the proposal of the Board of Directors, for a term of six years, with the possibility of reappointment. The Management Committee is responsible for the day-to-day operations of the Bank, under the leadership of the President and under the supervision of the Board of Directors. The Management Committee prepares decisions for the Board of Directors and ensures the implementation of decisions. The Audit Committee consists of six members appointed by the Board of Governors. It verifies whether the activities of the EIB are carried out correctly, in accordance with procedures set out in the Statute and Rules of Procedure. It also confirms that the financial statements and all other data contained in the annual report provide a true and fair view of the Bank's financial position.

5.1.3 Funds and Instruments

The EIB primarily uses its own resources and funds raised in international capital markets to achieve its objectives. In addition to traditional instruments like loans and guarantees, it also utilizes instruments with a higher level of risk, such as equity investments. In collaboration with other EU institutions, it develops new instruments (e.g., the Innovation Fund, CEF, etc.) and provides advisory services.

Own resources come from EIB shareholders, i.e., member states. The capital contribution made by each individual member state is determined in Article 4 of the EIB Statute and is calculated based on the economic strength of the member state. After the United Kingdom's withdrawal from the EU, the EIB Board of Governors decided that the remaining member states would proportionally increase their subscribed capital to maintain the same level of total subscribed capital (€243.3 billion). Since March 2020, the subscribed capital of the EIB has increased by an additional €5.5 billion as two member states decided to increase their share of capital (Poland and Romania). The total subscribed capital of the EIB now amounts to €248.8 billion.

The EIB raises most of its credit resources from international capital markets, primarily through bond issuances, and is one of the world's largest lenders. Major credit rating agencies currently assign the highest rating to the EIB, reflecting the quality of its credit portfolio and enabling cost-effective financing.

Loans

Lending is mainly carried out in the form of direct loans or loans that are facilitated through intermediaries. Projects for direct financing through loans must meet certain conditions, such as total investment costs exceeding EUR 25 million, and the loan can cover up to 50% of the project costs. The EIB provides loans to local banks or other intermediaries, who then support the ultimate recipients.

The financing provided by the EIB can be combined with funding from other sources, such as EU budgets, other public sources, philanthropic organizations, and more.

The EIB approves loans to both the public and private sectors, either directly or through intermediaries. The types of loans include:

1. Public Sector Loans - loans of at least EUR 25 million to public sector entities to finance individual large investment projects or investment programs, aligned with EIB priorities. These loans offer attractive financing terms (pricing), long tenors (up to 30 years) tailored to the client's needs, project support, and more. They are intended for states, national agencies, institutions, ministries, regional and local units, and public sector companies. Investment costs are typically financed over a period of up to three years but can be longer.

2. Framework Public Sector Loans - flexible loans for financing investment programs typically starting at EUR 100 million, consisting of smaller projects. The bank usually covers up to 50% of the total project costs. These loans have predefined objectives

aligned with one or more of EIB's priorities. They are also intended for states, national agencies, institutions, ministries, regional and local units, and public sector companies. Investment costs are typically financed over a period of three to five years for various subprojects within the investment program. If the program uses EU funds, EIB and EU financing must not exceed 70% of the total project costs, with some exceptions.

3. Private Sector Loans - loans for financing projects or investment programs in line with one or more of EIB's priorities. They typically involve debt or hybrid debt instruments. Loans are usually aligned with the project's economic life, often up to 10 years for bullet or amortizing loans. Project financing may have tenors of up to 30 years. These loans are intended for large enterprises, medium-capitalized companies, special purpose vehicles for project financing (including public-private partnerships and concessions). The loan is for investment costs, typically provided for a period of up to three years but can be longer, and can also cover expenses related to research and development, among other things. The minimum loan amount is EUR 25 million, with exceptions where EIB may approve lower amounts. Financing options include corporate loans, growth loans for medium-capitalized companies, project finance loans, and hybrid debt for companies.

4. Intermediated Loans for Small and Medium Enterprises (SMEs), Medium-Cap Companies, and Other Priorities - loans to financial institutions (commercial banks, leasing companies, and development banks and institutions) that further extend the funds (on-lend) to end users. Intermediated loans are used to finance smaller investments, such as:

    a. Loans to SMEs and medium-capitalized companies for tangible and intangible assets, including asset acquisition or renovation, and working capital.

    b. Local entities and public sector entities or private promoters of any size in projects that promote at least one of EIB's priorities.

5. Microfinance - financing options facilitated through intermediaries (investment funds and microfinance institutions) for those without access to the banking sector.

EIB credit lines support the development of small entrepreneurs and offer opportunities for long-term financing. The EIB provides favourable terms to support financial institutions and banks, thereby increasing access to credit for SMEs.

Guarantees

EIB guarantees can cover the risks of one or more projects. They provide access to additional financing for SMEs or medium-capitalized companies by covering a portion of potential losses from the loan portfolio. Two primary instruments have been developed:

- Project Financing Guarantees
- Guarantees for Supporting SMEs, Medium-Cap Companies, and Other Objectives

Project Financing Guarantees take the form of subordinate financing and include funded or unfunded guarantees and credit lines to enhance credit ratings.

Guarantees for supporting small and medium-sized enterprises, medium-capitalized companies, and other objectives enable additional financing for SMEs and medium-capitalized companies, covering a portion of potential losses from the loan portfolio.

EIB provides two basic forms of equity investment: through investment funds and as venture debt. Through investment funds, EIB directs investments into infrastructure, climate action, and the development of the private sector, promoting goals of social impact worldwide. These funds align with EU priorities, such as the circular bioeconomy or energy efficiency and renewable energy. For example, for the European Circular Bioeconomy Fund (ECBF), EIB has provided EUR 100 million, and it has been active since 2020. In the field of energy efficiency and renewable energy, multiple funds are in operation:

- Foresight Energy Infrastructure Partner, active since 2019. EIB provides EUR 75 million for projects in Europe, Australia, and North America.
- Pearl Environmental Infrastructure Fund, active since 2019. EIB provides EUR 40 million for projects in Europe.

- Amundi European Green Credit Continuum Fund, active since 2019. EIB provides EUR 50 million for projects in Europe.
- Breakthrough Energy Ventures Europe, active since 2019. EIB provides EUR 50 million for projects in Europe.

Instruments Developed in Partnership with Other Institutions

EIB develops specific financial instruments for individual regions or types of investments in collaboration with EU institutions and donors such as the European Guarantee Fund, InvestEU, the European Sustainable Development Guarantee Fund, and others, as described below.

The European Guarantee Fund (EGF), worth €24.4 billion, was established by the EIB Group to assist businesses in recovering from the effects of the COVID-19 pandemic. The fund supports innovation and business transformation. EGF allows risk-sharing (including guarantees from national development institutions: at least 75% of EGF financing) and offers equity instruments and venture capital instruments (including venture debt): up to 25% of EGF financing.

The InvestEU program consists of the InvestEU Fund, InvestEU Advisory Hub, and InvestEU Portal. The program is implemented by the European Commission and the EIB Group in partnership. The EIB Group provides guarantees, contributes to investment guidelines, defines risk identification and mapping methodology, offers technical advice, and more.

The European Guarantee Fund for Sustainable Development is part of the EU's investment framework for external action. It ensures the availability of blended finance, guarantees, and other financial operations worldwide. It is included in the EU's long-term budget program for external action: Global Europe. It includes guarantees and grants provided under "blended finance" (a combination of EU grants with bank loans), technical assistance to improve project quality and reform implementation, and other tools to support the development of partner countries.

The EU blending facility is a financial instrument used to combine funds from different sources to support development and infrastructure projects in partner countries outside the EU. The fundamental idea of blending is to combine EU donor funds with other public or private sources of financing to achieve greater impact and contribute to development goals. This allows for better utilization of available resources and enhances the financial sustainability of projects.

Innovfin is an initiative launched by the EIB Group in collaboration with the European Commission under the Horizon 2020 program. InnovFin aims to facilitate and expedite access to financing for innovative entrepreneurs, supporting projects with higher risk and more challenging assessments than traditional investments. It offers guarantees, loans, and equity capital, depending on the innovator's needs, directly or through intermediaries. The program is implemented in the EU and associated countries. Since 2021, thematic financing has been carried out within InnovFin, focusing on key sectors where a financial gap has been identified, such as demonstration projects in energy and projects related to infectious diseases.

The European Innovation Fund (EIF) is one of the world's largest funding programs for demonstration projects of low-carbon technologies. EIF provides financing to innovative companies through various financial instruments, including venture capital investments, venture capital funds, loans, and other forms of funding. Its goal is to stimulate research, development, and innovation and facilitate access to capital for innovative projects.

The Connecting Europe Facility (CEF) is a financial instrument of the European Union (EU) designed to support the development and modernization of infrastructure in the fields of transport, energy, and digital communication in Europe. This instrument was established to promote the integration of European markets, improve connectivity between EU Member States, and enhance sustainability, security, and competitiveness. CEF provides financial support for cross-border infrastructure projects or projects contributing to common European objectives. CEF funds are used to co-finance investments in transport, energy, and digital communication.

The Modernization Fund is a funding program aimed at supporting climate neutrality in ten less developed EU Member States (Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia). The fund supports investments in: (i) the production and use of energy from renewable sources, (ii) energy efficiency, (iii) energy storage, (iv) modernization of energy networks, including district heating, pipelines, and networks, (v) a just transition in carbon-dependent regions, including reallocation, reskilling, and upskilling of workers, education, job search initiatives, and startups.

The Natural Capital Financing Facility (NCFF) is a financial instrument of the European Investment Bank (EIB) aimed at supporting projects that promote sustainable management of natural resources and biodiversity. NCFF was established to encourage investment in projects that contribute to environmental conservation and the enhancement of the natural capital base. NCFF provides financial support to companies, organizations, and projects with a positive impact on the preservation and restoration of natural ecosystems. This instrument supports projects in various sectors related to natural capital, such as the protection of natural habitats, ecosystem restoration, water resource conservation, energy efficiency, sustainable agriculture, and other initiatives aimed at sustainable use of natural resources. NCFF offers various forms of financing, including loans, guarantees, and other financial instruments. Additionally, NCFF provides technical assistance and expertise to facilitate financing and project implementation for initiatives promoting the sustainable management of natural capital.

The Recovery and Resilience Facility (RRF) is a financial instrument of the European Union (EU) designed as part of the NextGenerationEU program. RRF was established to provide financial support to EU Member States in their recovery from the economic and social impacts of the COVID-19 pandemic. Funding through RRF is intended to support projects contributing to key areas, including digital transformation, green transition, increased productivity and economic resilience, and social cohesion.

The Western Balkans Investment Fund (WBIF) is an initiative launched in 2009 to promote economic development and regional cooperation in Western Balkan countries. The WBIF was initiated by the European Commission in collaboration with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the World Bank, and the German Development Bank (KfW). The main role of the European Investment Bank (EIB) within the WBIF is to provide financial support for projects in Western Balkan countries. EIB offers long-term financing and technical assistance for various types of projects, including infrastructure projects and investments in energy efficiency and renewable energy.

Advisory Services

In addition to project financing, EIB also provides advisory services. EIB offers its clients technical and financial expertise for implementing investment projects and programs, as well as for improving institutional and regulatory frameworks (strategic development, market development, and project development).

The level and structure of EIB Group placements

The total value of approvals by the EIB Group in 2022 was 72.4 billion euros. Of this, 77.3% pertained to placements by the EIB within the EU, 12.6% to placements by the EIB outside the EU, and 12.7% to placements through the EIF (EIB, 2023). A very similar structure and financing level were observed in the period 2020-2022.

5.1.4 EIB Global

EIB Global was established at the beginning of 2022 as a special part of the EIB responsible for activities and operations outside the European Union. It supports initiatives in combating climate change and promotes economic growth and development, especially in low-income countries. EIB Global is a key financial mechanism within the Team Europe initiative.

The primary objectives of EIB Global are:

- Creating financial tools and aiding communities facing the most challenging conditions.
- Supporting women in equal participation in society and business.
- Promoting peace, security, and sustainable living.
- Climate policy and economic resilience.
- Innovative development financing.

Although the EIB had financed projects outside the EU before the establishment of EIB Global (approximately 70 billion euros over a 10-year period), the creation of this dedicated instrument allows for more systematic and targeted financing. In 2022, EIB Global invested around 10.8 billion euros, including a loan of 1.7 billion euros to support Ukraine. The planned investment dynamics are approximately 10 billion euros annually outside the EU to aid cities, regions, small and medium-sized enterprises, especially those led by women. Nearly half of the activities in 2022 were focused on climate action and environmental sustainability; 47% of the investments were directed towards the least developed and fragile states, and about 25% contributed to gender equality.

The regions where EIB Global operates include: the Southern Neighborhood (Morocco, Tunisia, Algeria, Egypt, Jordan, Lebanon, Israel, Syria, Palestine), the Eastern Neighborhood (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine), enlargement countries (Albania, Moldova, Montenegro, Serbia, North Macedonia, Turkey, Ukraine, Kosovo, and Bosnia and Herzegovina), Africa (Kenya, Madagascar, Malawi, Mali, Senegal, Tanzania, Zambia, Cameroon), Pacific countries, South America and the Caribbean (Mexico, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Haiti, Bahamas, Jamaica, the Dominican Republic, Argentina, Brazil, Ecuador, Peru, Chile, Bolivia, Paraguay), and Asia (India, China, Mongolia, Indonesia, Laos, Thailand, Uzbekistan, Kazakhstan).

EIB Global offers loans (including microfinance), grants, technical assistance, and develops venture capital funds.

5.1.5 Membership of the Republic of Croatia in the EIB

The European Investment Bank (EIB) has been operating in Croatia since 1977, providing long-term financing and advisory services. Upon joining the European Union on July 1, 2013, the Republic of Croatia became a full member of the EIB. The total subscribed capital of Croatia in the EIB amounts to 1.06 billion EUR (with paid-up capital of 94.75 million EUR and callable capital of 967.56 million EUR). Croatia's share in the subscribed capital of the EIB is 0.43%.

Additionally, Croatia has contributed to the reserves of the EIB in the amount of 128.4 million EUR. According to the EIB's financial report for the year 2021, the total capital of the EIB amounts to 248.8 billion EUR, with paid-up capital of 22.2 billion EUR and callable capital of 226.6 billion EUR. The total amount of the EIB's reserves is 51.3 billion EUR.

In the Board of Governors of the EIB, the highest statutory body, the Republic of Croatia is represented by the Minister of Finance. Since 2019, Croatia has been in a constituency with Poland and Hungary based on a mutual agreement between these countries to ensure representation of common interests at the level of the Bank's governance structures.

5.1.6 Cooperation between the Republic of Croatia and the European Investment Bank

The European Investment Bank (EIB) has been operating in Croatia since 1977. Cooperation between Croatia and the EIB regarding the financing of new projects was renewed after the Council of the EU approved a mandate for the EIB to financially support infrastructure projects and private sector development in Croatia in 2000. Consequently, on December 13, 2000, Croatia and the EIB entered into a Framework Agreement that regulates the EIB's activities in Croatia. Based on this agreement, the Board of Governors of the EIB approved loans for investment projects in Croatia on February 6, 2001. Since then, the EIB has been collaborating with the Croatian Bank for Reconstruction and Development (HBOR) to support projects in both the public and private sectors.

Under the European Fund for Strategic Investments (EFSI), also known as the Juncker Plan, which concluded in 2020, Croatia was allocated 443 million EUR for 22 projects, triggering 1.575 billion EUR in investments, ranking Croatia 15th among EU member states.

Since October 2015, the EIB has had a Representation Office in Zagreb, which focuses on enhancing the visibility of the EIB among potential clients, with an emphasis on attracting private investors.

Entrepreneurship credit lines constitute 56% of the total EIB portfolio, while 16% is allocated to the transport sector, 12% to infrastructure, and 6% to energy. The remaining 10% pertains to industry, services, urban development, municipal infrastructure (water supply, sewage), and others.

Between 2001 and December 31, 2022, the EIB contracted approximately 6.68 billion EUR for projects in Croatia (both public and private sectors) through 90 loans. Notably:

- 46 loans, totaling around 5.22 billion EUR, were for projects in the public sector with state guarantees.

- 6 loans, totaling 158 million EUR, were for public sector projects without state guarantees.
- 38 loans, totaling 1.29 billion EUR, were allocated to private sector projects.

Public infrastructure is a crucial part of the EIB's lending activities in Croatia, encompassing the renovation of water, healthcare (reconstruction of KBC Rijeka), transportation (multiple sections of the national railway network in Croatia, highway sections on the Pan-European Corridor Vc connecting Croatia with Hungary and Bosnia and Herzegovina, expansion and upgrading of Dubrovnik Airport), and energy infrastructure (modernization of the municipal heat and power supply system in Zagreb).

In 2017, the European Investment Bank approved a multi-year framework loan of 800 million EUR for the Croatian Bank for Reconstruction and Development (HBOR). A tranche of 250 million EUR is allocated to support micro, small, and medium-sized enterprises (MSMEs) in industries such as manufacturing, services, tourism, and other eligible sectors. Another tranche of 392.5 million EUR, provided through two loans, is dedicated to supporting medium-sized enterprises and other priorities. A 15 million EUR tranche assists MSMEs, medium-sized companies, and other priority projects under the Natural Capital Financing Facility (NCFF). This instrument combines funding from the European Investment Bank and funds from the European Commission's LIFE Program (for environmental and climate activities) to support green infrastructure, ecosystem maintenance, mitigation of detrimental effects on biodiversity, and promotion of biodiversity and environmental protection.

The EIB's engagement with the private sector in Croatia largely revolves around small and medium-sized enterprises (SMEs) through intermediary and direct loans. In 2018, under the European Fund for Strategic Investments, the EIB contracted its first loan with a private entity, Valamar Riviera d.d., in the amount of 16 million EUR, complementing a 44 million EUR loan extended to Valamar through HBOR. EIB loans for small and medium-sized enterprises across various sectors in Croatia are accessible through HBOR and commercial banks (ERSTE & STEIERMAERKISCHE BANK d.d., Hrvatska poštanska banka d.d., Privredna banka Zagreb d.d., Raiffeisen Leasing d.o.o., Zagrebačka banka d.d.).

As a climate bank of the EU, the EIB directs financing toward energy efficiency and biodiversity protection projects in Croatia. The EIB signed a 40 million EUR loan agreement with Zagrebačka banka under the Private Finance for Energy Efficiency (PF4EE) instrument, a joint program of the European Investment Bank and the European Commission. This loan supports energy efficiency and small-scale renewable energy investments, primarily in the private sector. These projects will achieve energy savings and enhance the energy efficiency of buildings and manufacturing facilities, contributing to Croatia's and the European Union's climate change mitigation and energy supply security goals. Within climate financing, the EIB has supported Rimac Automobili in the development of innovations in electromobility (30 million EUR).

In addition to lending activities, the European Investment Bank assists Croatian partners throughout the entire project lifecycle with advisory services. The EIB Group has signed an agreement on advisory services with the Ministry of Regional Development and EU Funds, enabling the EIB Group to provide advisory services to public and private entities. Advisory services help identify, prepare, and develop investment projects through the European Investment Advisory Hub. This center has aided in financing the renovation of the Clinical Hospital Center Rijeka, involving the development of a strategic development plan and ensuring that the project and financing comply with sustainability standards.

The Bank's advisory teams also work on Croatian smart cities. In collaboration with partners from the public and private sectors, the Bank's advisory services explore new ways in which smart financing solutions and investment platforms can help cities and islands become more successful and sustainable. Technical assistance for smart cities considers broader applications of new financial tools (instead of grants), consolidates projects that would otherwise be too small to receive funding, and coordinates broader advisory support in the field of urban issues.

EIB and Financing of National Contributions to EU Projects

During the 2014-2020 and 2021-2027 periods, the European Investment Bank (EIB) entered into two loans (EIB No. FINo. 84.395 and FINo. 89.118) with the Republic of Croatia, totaling 600 million euros. The first loan, amounting to 300 million euros, was signed in March 2015, while the second loan was signed in December 2018. The deadline for disbursing both loans is by the end of 2027.

These loans support the implementation of the Partnership Agreement between the Republic of Croatia and the European Commission for the use of EU Structural and Investment Funds for growth and employment during the 2014-2020 period, as well as selected investments under the Operational Program "Competitiveness and Cohesion 2014-2020." An amendment concluded in 2021 allowed the use of these loans in the 2021-2027 programming period, with the requirement that they be utilized no later than the end of 2027. The loans enable pre-financing and national co-financing of projects, primarily in the sectors of transportation, energy, environment, health, research and development infrastructure, nature conservation, social infrastructure, information and communication technologies, urban regeneration, water, and waste.

Large projects financed under the loan signed in 2015 include:

- The wastewater collection, drainage, and treatment project in the area of the island of Krk
- Wastewater collection and treatment system for the Varaždin agglomeration
- Improvement of water and communal infrastructure in the agglomerations of Vinkovci Otok, Ivankovo, and Cerna for the construction of water and communal infrastructure
- Regional water supply system of Zagreb County - Zagreb East
- Construction of the state road DC403 from the Škurinje junction to the port of Rijeka
- Road connectivity with southern Dalmatia
- e-Schools.

The funds from the loan contracted in 2018 are allocated for financing the following major projects:

- Improvement of water and communal infrastructure in the Rijeka agglomeration
- Wastewater collection and treatment system for the Velika Gorica agglomeration

- Construction of wastewater collection and drainage systems for the Zabok drainage system and the Zlatar drainage system
- Improvement of water and communal infrastructure for the Nin-Privlaka-Vrsi agglomeration
- Improvement of water and communal infrastructure for the Split-Solin agglomeration
- Improvement of water and communal infrastructure for the Kaštela-Trogir agglomeration
- Development of water and communal infrastructure in Dubrovnik.

Picture 3: An example of a project financed with the assistance of the EIB: Gaženica Passenger Port.

Source: Port Authority Zadar

5.2 EUROPEAN INVESTMENT FUND (EIF)

5.2.1 Establishment and Objectives

The European Investment Fund (EIF) is a specialized financial institution founded in 1994 with the aim of providing support to small and medium-sized enterprises (SMEs) and promoting entrepreneurship, innovation, and economic growth in Europe. Its primary purpose is to enhance access to financing for SMEs, fostering their development, and contributing to economic stability and job creation.

EIF employs various financial instruments to achieve its goals. It provides guarantees and counter-guarantees to financial intermediaries such as banks and venture capital funds, enabling them to increase lending and investment in SMEs. It also invests in venture capital funds targeting innovative startups and technology-based companies. Additionally, EIF manages loan and microfinance funds to facilitate access to financing for micro-enterprises and underserved sectors.

The European Investment Fund was established in 1994 as a public-private partnership (PPP) with three main shareholder groups: the European Investment Bank (EIB), the EU (represented by the European Commission), and financial institutions from the EU, the United Kingdom, and Turkey. It operates in all EU member states, candidate countries, Liechtenstein, and Norway.

The ownership structure changed in 2000 when the EIB became the majority shareholder, leading to the creation of the EIB Group. In 2021, the General Assembly approved a capital increase from 4.5 to 7.37 billion euros. Each of the 7,370 shares has a nominal value of 1 million euros. The EIB is the majority shareholder (59.8%), followed by the EU (29.7%) and financial institutions (10.5%).

The main objectives of EIF include:

- • Promoting EU objectives, especially in the areas of entrepreneurship, growth, innovation, research and development, employment, and regional development.

- • Generating returns for shareholders through a commercial pricing policy and income balance based on fees and risk.

EIF finances small and medium-sized enterprises (SMEs) through entrepreneurial capital and risk financing instruments.

5.2.2 Management

The governance structure of EIF consists of an Executive Director, a Board of Directors, an Assembly, and an Audit Committee.

- The Executive Director is responsible for the day-to-day management of EIF and reports to the Board of Directors.
- The Board of Directors is responsible for strategic decisions and oversight. It includes representatives from each stakeholder group (EIB, European Commission, and member states). The Board meets nine to ten times a year and approves EIF's activities. The Board of Directors is accountable to the Assembly.
- The Assembly is composed of one representative from EIB (usually the President or one of the Vice Presidents), one Commissioner from the European Commission representing the EU, and one representative from each financial institution that is a shareholder of EIF. All shareholders meet once a year at the Annual General Meeting to approve EIF's annual report and financial statements, which are audited by the Audit Committee. Shareholders also meet at informational meetings throughout the year.
- The Audit Committee is an independent body directly accountable to all shareholders. The role of the Audit Committee is to confirm that EIF's activities are carried out in accordance with the procedures defined in EIF's Statute and Rules of Procedure, and that the financial statements accurately represent assets and liabilities.

5.2.3 Instruments

EIF's mission is to facilitate access to capital for SMEs, and to achieve this, it develops three main groups of financial instruments: equity investments, loans, and their combinations. EIF carries out its activities using its own resources or funds secured through the EIB, the European Commission, other EU member states, or other third parties. By developing and offering targeted financial products to financial intermediaries (e.g., guarantees for financial institutions for SME lending), EIF improves access to financing for small and medium-sized enterprises.

Equity investment instruments are the cornerstone of EIF's operations. EIF invests in venture capital funds, development funds, and mezzanine funds for SMEs. Equity investment activities also involve technology transfer and business incubators. EIF provides loans to partner institutions (banks, leasing agencies, microfinance institutions, private venture capital funds, and others) acting as intermediaries.

Combined financing includes both equity investments and borrowing, guarantees, and technical assistance for a wide range of intermediary institutions, both non-banking and banking, to promote microfinance development. EIF assists EU member states and candidate countries in developing the venture capital market.

5.2.4 Cooperation between the Republic of Croatia and the European Investment Fund

HBOR is among the financial institutions that are shareholders of EIF. Out of a total of 7,370 subscribed shares, each with a nominal value of 1 million EUR, the European Investment Bank holds 4,406 shares, the EU (represented by the European Commission) holds 2,190 shares, and financial institutions hold 774 shares. Out of these 774 shares, 13 are owned by HBOR.

The European Investment Fund has been present in Croatia since 2010. EIF actively supports SMEs and entrepreneurship in Croatia through its financial instruments. EIF has established collaboration with HBOR to support the financing of innovative Croatian SMEs, thereby increasing access to funding for Croatian SMEs. As a European institution, EIF reduces the risk for other investors, thus creating more favorable financing conditions for SMEs.

EIF and HBOR, in joint cooperation and with the assistance of the EU's COSME program for strengthening small and medium-sized enterprises, have enabled the activation of a guarantee mechanism worth 100 million euros, thereby enhancing access to financing for Croatian SMEs. Furthermore, EIF has provided guarantees to Croatian financial intermediaries, including the Croatian Bank for Reconstruction and Development (HBOR), to implement the InnovFin SME Guarantee program, thereby supporting access to credit for innovative Croatian SMEs. The total value of the guarantee amounted to 200 million euros.

Example of EIF Investment in Croatian Start-up Companies

EIF has invested 8 million euros in the South Central Ventures fund, which focuses on technology start-ups in Southeastern Europe, including Croatia. This investment aims to stimulate the growth of innovative companies in Croatia. An example of a successful project funded from this fund is the company Agrivi, which has developed software for farm management. Agrivi was named the best start-up company in the world in 2014. The South Central Ventures fund provided funding to Agrivi, accelerating the company's growth. The company now has over 30,000 software users in 150 countries.

The Croatian Growth Investment Programme (CROGIP) is an initiative launched in collaboration between EIF and HBOR to promote investments in the equity capital of companies in later stages of development. The total value of the program is 100 million euros.

CROGIP Financing Programme

CROGIP is a financing program initiated by EIF as part of the EIF-NPI Equity platform and the Investment Plan for Europe in collaboration with national development institutions in the EU. HBOR has been one of the founders of this platform since September 2016. In January 2019, EIF and HBOR signed a contract worth 70 million euros, launching the Croatian Growth Investment Programme (CROGIP), an initiative aimed at facilitating investments in small and medium-sized enterprises and mid-cap companies. In August 2020, the contract amount was increased to 80 million euros. In July 2021, the contract with EIF was further increased to 100 million euros to enable the establishment of a dedicated fund for technology transfer from universities and research institutes and centers.

In addition to the general objective of supporting Croatian companies and creating new jobs by ensuring access to risk capital, the purpose of CROGIP is to develop market and institutional capacities for venture capital financing in Croatia by supporting fund management companies that direct a significant portion of their investments into Croatian companies.

EIF implements CROGIP by investing in private equity funds and co-investing alongside funds and private investors on market terms. The program is not limited to any specific sector, but investments in companies operating in the financial services and real estate sectors, as well as sectors listed in EIF's Restricted Sectors Guidelines, are not allowed.

6.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

By: Domagoj Čipčić and Nevenka Čučković

6.1 Establishment, Objectives, and Shareholder Structure

The European Bank for Reconstruction and Development (EBRD) was founded in May 1990 to assist in the construction of a new post-Cold War era in Central and Eastern Europe. EBRD was established in a rush to address an extraordinary moment in European history, the collapse of communism in its eastern part. Moreover, only 18 months passed between the first idea of a European development bank, proposed by French President François Mitterrand in October 1989, and its opening for business based in London in April 1991. EBRD was founded by thirty-nine countries and two institutions—the European Investment Bank and the European Union. Currently, EBRD has 73 members, of which 36 are countries benefiting from its resources, known as operation countries.

Urgency and the ability to respond swiftly and decisively to significant events, whether it be the dissolution of the Soviet Union, financial crises, the Arab Spring, the COVID-19 pandemic, or Russia's aggression against Ukraine, have been among EBRD's characteristics from the very beginning.

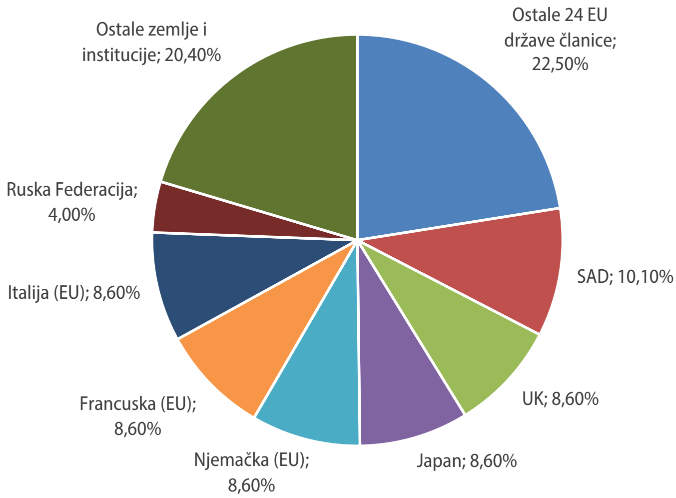
During the turbulent early 1990s, EBRD's emphasis on the private sector as the main driver of change in Central and Eastern Europe was repeatedly validated. It was a period in which EBRD gained a reputation as an expert in helping transition to open-market economies. EBRD was deeply involved in areas such as banking system reform, price liberalization, privatization, and the creation of an appropriate legal framework for property rights—all vital components of social and economic change. The 1990s also marked the beginning of EBRD's work in assisting the protection and transformation of the Chernobyl disaster site in Ukraine and EBRD's engagement in nuclear safety.

The highest body of EBRD is the Board of Governors, consisting of representatives from all member countries and institutions (mostly finance ministers) who have delegated most of their powers to the Board of Directors, comprising 23 members representing all member countries. The Board of Directors oversees the work of EBRD's management, responsible for day-to-day business operations.

EBRD is a unique institution among development banks because it has a specific political mandate embedded in its founding document. Specifically, EBRD operates only in countries that are "committed to and applying the principles of multi-party democracy and pluralism." Environmental protection and a commitment to sustainable energy have also always been at the core of EBRD's activities.

Another interesting aspect of EBRD is its shareholder structure. As mentioned earlier, EBRD has 73 members from around the world, with the United States being the largest individual shareholder with 10.09%. According to the Agreement Establishing the Bank, the majority of EBRD shares should be owned by member countries of the European Union, the European Investment Bank, and the European Union as institutions. This majority from the European Union has been maintained even after the United Kingdom's exit from the European Union. However, the Group of Seven (G7) countries (USA, Canada, Japan, the United Kingdom, Germany, France, and Italy) collectively hold more than 50% of the shares in EBRD as well. Given that EBRD has a resident Board of Directors, the representatives of shareholders, namely directors, their alternates, and advisers, regularly convene in informal groups that outline global or regional areas of interest, among others. This results in a visible transfer of global policies to EBRD. Nevertheless, regardless of the influence of so-called major members, the Agreement Establishing the Bank stipulates a double majority for significant strategic and operational decisions, preventing the overriding of so-called minor members and operation countries. All of this makes EBRD a smaller reflection of the global geopolitical forum.

Figure 6.1 Shareholder Structure of EBRD



Source: EBRD

6.2 Transition Concept and EBRD's Operations

The "transition" concept is central to defining EBRD's purpose. Article 1 of the Agreement Establishing the Bank states the following: "The purpose of the Bank shall be to promote the transition [transition] towards market-oriented economies and to promote private and entrepreneurial initiative in [the countries of its operation regions] by committing to and applying the principles of multi-party democracy, pluralism, and market economics." Article 2, which outlines EBRD's functions, among other things, mentions that the Bank, in all of its activities, will promote environmentally sound and sustainable development (NN 4/93, 4/04, 3/12).

The concept of transition was first defined in EBRD in 1997 in a document presented to the EBRD Board of Directors by the Chief Economist of EBRD. The purpose of that document was practical: to establish a framework for the systematic assessment of projects in light of EBRD's mandate. The focus was on how projects contribute to the promotion of "market-based economic interactions and private initiatives." At that time, three main areas (and seven sub-areas) were identified to which a project contributes to the transition process:

- Market Structure and Scope, including (i) increased competition in the sector of the individual project and (ii) the expansion of competitive market interactions in other sectors.
- Institutions and Policies that support markets, including (i) a wider private ownership and (ii) institutions, laws, and policies that promote market functioning and efficiency.
- Market Behavior Patterns, Skills, and Innovation, including (i) the transfer and dispersion of skills, (ii) demonstrating new activities that can be replicated, financed, restructured, and (iii) setting standards for corporate governance and business conduct.

Over the past quarter-century, there has been a global evolution in defining a successful market economy. This includes the current emphasis on sustainable energy, the key role of governance and institutions that proved fragile during the 2008 crisis, and a growing understanding of the need for markets to provide opportunities for women and other disadvantaged groups. Furthermore, the expansion of EBRD's operations to countries in the southern and eastern Mediterranean in 2013 resulted in a diverse set of operation countries, some of which never had a planned economy but require different sets of reforms.

All of this led to the development of a new transition concept in 2016 that refines the notion of transition as formulated in 1997, placing emphasis on desirable qualities of market economies, making it more understandable, and striking a balance between market and state reform. The 2016 transition concept recognizes and promotes six qualities of a sustainable market economy (EBRD, 2016):

1. Competitiveness – represents a key characteristic that supports the transition from a state-controlled, top-down planned economy to a more flexible and market-responsive economy. A competitive market economy has: (i) market structures that ensure competition among firms, with each market having enough players and rules that facilitate entry and exit; (ii) firms with the capacity to add value either by increasing production or through innovation; (iii) firms incentivized to compete and make commercially sound decisions.

2. Inclusion – an inclusive market economy ensures that everyone, regardless of gender, place of birth, socio-economic background, age, or other circumstances, can access labor markets, entrepreneurship, and economic opportunities in general. Promoting an inclusive market-based system is, therefore, about efficiently distributing human resources within the economy rather than social policy.

3. Good Governance – key prerequisites for the functioning of a market based on private ownership and entrepreneurship include efficient institutions of both the private and public sectors that collaborate effectively, as well as a business culture and code of conduct shaped by competition law, law enforcement mechanisms, and business ethics. A well-governed market economy includes national or local institutions that ensure transparency, accountability, control, and a fair market game.

4. Green – as a transition quality, Green relates to the interconnectedness of a market economy, human well-being, and environmental sustainability. It highlights the necessity to consider the "transition to a green economy" for several reasons: the importance of natural goods (land, water, minerals, biosphere, atmosphere) for human well-being; how natural resources provide benefits to people;

the ethical imperative to consider not only the well-being of the current population but also future generations who will also need to use natural resource stocks for their prosperity; accounting for the damage to the economy and people's well-being caused by the degradation of the natural environment (adverse impacts of climate change and biodiversity loss).

5. Resilience – resilience is the ability of a given system to restrain potential vulnerabilities, reduce the likelihood of crises, and enhance the capacity of the broader economy to recover quickly from shocks. A resilient market economy, for EBRD's operational purposes, is one that develops an efficient financial sector and infrastructure system that supports growth while avoiding excessive volatility, supply disruptions, and lasting economic upheavals. It involves the ability of markets and the institutions that support them to resist shocks, policy predictability, and balance and sustainability in financial, infrastructural, and productive sectors.

6. Integration – an integrated market economy has policies, institutions, and connectivity (energy, infrastructure, and IT) that enable reducing transaction costs of trade, support competition in product and service markets, and use a wide range of sources of financing. The level of openness to trade and investment, as well as the quality of cross-border and domestic infrastructure, are good indicators of the degree of integration in a country.

The new transition concept developed in 2016 enables EBRD to undertake targeted activities and provide higher-quality services to its current operation countries, preparing EBRD for challenges it may face in expanding to new operation regions.

6.3 Membership of the Republic of Croatia in the EBRD

The Republic of Croatia became a full member of the EBRD on April 15, 1993, based on the succession of membership from the former Socialist Federal Republic of Yugoslavia. The current subscribed capital of the Republic of Croatia in the EBRD amounts to 109.42 million euros, of which the paid-up capital is 22.82 million euros, and callable capital is 86.6 million euros. Accordingly, the Republic of Croatia holds 10,942 shares in the EBRD, 10,942 votes, which represent 0.37% of the voting power (EBRD Board of Governors).

In accordance with the Law on the Acceptance of the Membership of the Republic of Croatia in the European Bank for Reconstruction and Development (Official Gazette No. 25/93), the Ministry of Finance of the Republic of Croatia is designated as the competent body for cooperation with the EBRD. It is authorized to perform all tasks and transactions permitted under the Agreement Establishing the European Bank for Reconstruction and Development (Official Gazette No. 4/93, 4/04, and 3/12) on behalf of the Republic of Croatia. The Governor of the EBRD for the Republic of Croatia is, by function, the Minister of Finance, and the Deputy Governor is the State Secretary in the Ministry of Finance.

As mentioned earlier, the Board of Governors has delegated most of its powers to the Board of Directors. The Board of Directors consists of 23 directors, each representing the member countries in the constituency that appoints its votes to one director. Each director has the right to appoint one deputy. On December 1, 1993, the Republic of Croatia joined the constituency of Hungary, the Czech Republic, and Slovakia, with Georgia being appointed as the fifth member on October 10, 2011. Due to the voting power of individual constituency members, the positions of director and deputy director alternate between individuals nominated by the Czech and Hungarian governors. To enhance the visibility and representation of smaller member countries, the constituency director may, subject to agreement among the constituency members, engage one or more advisors upon the proposal of the constituency governor.

6.4 Cooperation between the Republic of Croatia and the EBRD

The EBRD is an international financial institution that, in line with its mandate, directs the majority of its investments toward the private sector. The total value of EBRD investments in Croatia from 1994 to the end of 2022 amounts to 4.46 billion euros, financing 242 projects. Of this investment amount, 72% pertains to the private sector. The EBRD's active portfolio as of the end of 2022 is valued at 989 million euros and consists of 89 active projects in various sectors. Of the mentioned active portfolio value, 59% relates to the private sector.

Regarding the public sector, from 1994 to the end of 2022, Croatia has signed 3 public loans (with a total amount of approximately 57.9 million euros) and 22 loans with state guarantees (totaling approximately 943.43 million euros) with the EBRD. The financed areas include: transportation infrastructure - 18 projects; energy - 2 projects; shipbuilding - 1 project; tourism - 1 project; local infrastructure and environmental protection - 1 project; small and medium-sized enterprises - 1 project; national wholesale markets - 1 project.

Although the EBRD primarily focuses on private sector development, it has also made a significant contribution to the development of the public sector. Framework 1 shows an example of a successful public sector project that the EBRD financed with a loan guaranteed by the state.

Title: Project for the Upgrade of the Croatian Air Traffic Management System

Client: Croatian Air Traffic Control Ltd. (HATC)

Financing: EBRD Loan with State Guarantee

- Loan Amount: 47,000,000.00 EUR
- Signing Date: September 29, 2011
- Project Completion Year: 2018

The purpose of the Project is to modernize the air traffic management system in Croatia with the aim of enhancing safety and increasing air traffic capacity. Project components include the procurement of equipment and systems envisaged within the COOPANS program (international cooperation among air navigation service providers), upgrading and replacement of equipment and systems for air navigation services, consultancy services, including project implementation assistance, and an institutional support program for Croatian Air Traffic Control Ltd. (HATC) and the regulator of air navigation service providers within the technical cooperation program initiated by the EBRD.

The EBRD loan finances a part of the broader modernization program of HATC, which encompassed 34 separate sub-projects, with 17 of them funded by the EBRD loan.

Significant aspects of the Project include the construction and equipping of a new main technical center, the construction and equipping of an air traffic controller training simulator center, facilities for the development and testing of operational environments, implementation and integration of a network of radio telephone control centers for air traffic control, construction and equipping of new very high and ultra high-frequency radio centers at Biokovo, Srđ, and Psunj for air traffic control, modernization of radio centers at airports, equipping regional air traffic control and airport systems with operational recording systems, construction of a new integrated transport telecommunications network, modernization of optical telecommunications infrastructure at airports, procurement of new equipment for the collection, processing, and distribution of meteorological content and products, and the acquisition of radio navigation equipment. The data link between controllers and pilots (AGDL - "Air-Ground Data Link") project has also been completed. Particular emphasis is placed on the commissioning of the new Regional Air Traffic Control Center system.

All 17 sub-projects funded by the EBRD loan have been completed.

The need for such a Project, given the growth in air traffic and the requirements of air carriers for modern and safe services, as well as the impact of the Project's implementation, is best illustrated by the annual reports of HATC. Below are some operational and financial indicators for 2011 (the beginning of Project implementation), 2018 (Project completion year), and 2019:

- In 2011, HATC conducted 497,276 controlled operations (flights). In 2018, this number increased to 646,656, while in 2019, it reached 714,216.
- The number of chargeable en-route units in routine air traffic was 1,634,250 in 2011, and it increased to 1,993,898 in 2018 and 2,193,426 in 2019.
- All of this had a positive impact on HATC's financial performance. HATC's revenues were 599.13 million Croatian Kuna (79.52 million euros) in 2011, 849.14 million Croatian Kuna (112.7 million euros) in 2018, and 845.46 million Croatian Kuna (112.21 million euros) in 2019.
- HATC's profit in 2011 was 11.31 million Croatian Kuna (1.5 million euros), while in 2018, it amounted to 62.74 million Croatian Kuna (8.33 million euros), and in 2019, it was 32.65 million Croatian Kuna (4.33 million euros).

NOTE: The official conversion rate of 1 EUR = 7.53450 HRK was used to convert Croatian Kuna amounts to euros.

Tables in Annex 1 provide an overview of EBRD's public loans to the Republic of Croatia and EBRD loans guaranteed by the Republic of Croatia as of December 31, 2022.

The cooperation between the Republic of Croatia and EBRD is based on periodic medium-term strategies prepared by EBRD individually for all its country operations. The EBRD strategy for the Republic of Croatia for the period 2017 – 2022 was accepted by the Government of the Republic of Croatia on June 1, 2017, and by the EBRD Board of Directors on June 7, 2017. The EBRD strategy reflects the needs of the Republic of Croatia and the joint efforts of the Government of the Republic of Croatia and EBRD in identifying priority directions and financing opportunities for EBRD-funded projects during the specified period. The strategy outlines the key areas of cooperation until 2022.

The EBRD strategy for the Republic of Croatia for 2017 – 2022 identifies the following priorities:

1. Supporting the competitiveness of the private sector by promoting innovation, operational efficiency, effective resource management, improving the business environment, and economic inclusivity.

2. Enhancing access to financing sources by deepening financial markets, with a focus on capital markets.

3. Supporting the commercialization of public companies through improved corporate governance and assistance in privatizing certain state-owned enterprises.

The amount of EBRD's investment in the Republic of Croatia during the 2017 – 2022 Strategy period is not predetermined as it depends on demand. However, during this period, EBRD approved slightly over 1 billion euros for financing projects in Croatia. Of this amount, 52% is allocated to the first priority, 31% to the second priority, and 18% to the third priority. Additionally, EBRD provided 4.3 million euros worth of technical assistance in the form of grants for project preparation or implementation, including assistance in preparing projects for the reconstruction of public buildings after the earthquakes that struck Zagreb and Petrinja with their surroundings in 2020, strengthening the capacity of state administration bodies related to state property management, and assistance to several Croatian cities in preparing urban regeneration projects.

In 2022, EBRD, in collaboration with government bodies, public companies, local government bodies, the private sector, and non-governmental organizations, began developing a strategy for the period 2023 – 2028. The strategy, accepted by the Government of the Republic of Croatia on April 6, 2023, [14] and adopted by the EBRD Board of Directors on May 10, 2023,[15] focuses on the following strategic priorities:

1. Strengthening competitiveness through innovation, digitalization, and good governance: The aim of this priority is to help Croatia enhance the competitiveness of the private sector after the COVID-19 crisis, increase levels of digitalization and innovation, and improve economic governance.

2. Accelerating Croatia's transition to a green economy and aligning with the Paris Agreement: The goal of this priority is to increase capacity for renewable energy production and diversify the energy source structure. It also aims to improve energy efficiency, resource efficiency, and resilience to climate change, achieving alignment with the Paris Agreement.

3. Increasing resilience through stakeholder engagement and enhanced stakeholder participation: The objective of this priority is to achieve more effective stakeholder and institutional management at the national level with greater private sector involvement. Additionally, EBRD aims to help Croatia strengthen national and municipal infrastructure, making it more resilient. It should also facilitate access to skills acquisition, employment opportunities, and financing for marginalized segments of society.

According to the plans, EBRD continues to prepare projects for public infrastructure construction, renewable energy production, and financing projects for cities and local government units. Additionally, EBRD continues to collaborate with government and non-governmental organizations on projects for earthquake damage recovery in 2020 and particularly on projects to assist the integration of refugees who fled the unjustified Russian aggression in Ukraine.

14 https://vlada.gov.hr/sjednice/206-sjednica-vlade-republike-hrvatske-38090/38090

15 https://www.ebrd.com/news/2023/ebrd-adopts-new-fiveyear-strategy-for-croatia.html

Picture 4: Part of the Vc Corridor – EBRD co-financed the construction of a highway through Croatia on the Vc Corrdior

Source: Croatian Government

6.4.1 Support from the EBRD for Strengthening the Competitiveness of the Private Sector in Croatia, with a Focus on Small and Medium-sized Enterprises (SMEs)

From the very beginning of cooperation in 1993, and particularly after the establishment of the EBRD Office in Croatia in 1995, the Bank has been particularly focused on providing support to strengthen the development of the private sector as a crucial pillar of the transition towards a competitive and efficient market economy. Over the past nearly 30 years, a series of programs have been implemented, with their implementation aimed at achieving this goal. According to the Bank's data, more than 70% of all investments were investments in the private sector. This priority has been a common focus and an integrative component of numerous previously adopted cooperation strategies and remains primary in the EBRD's Strategy for Croatia for 2023 - 2028. The Strategy makes it clear that the EBRD will remain committed to supporting the competitiveness and resilience of the private sector in Croatia "by promoting innovation, operational efficiency, effective resource management, improving the business environment, and economic inclusivity." The EBRD plans to allocate more than half of the envisaged financial resources for this purpose (EBRD, 2023).

Since Croatia's accession to the EU in July 2013, the importance of the small and medium-sized enterprises (SME) sector in Croatia has been continuously growing, especially in terms of creating new jobs and overall employment, as well as an important generator of increased exports and overall competitiveness and resilience of the economy. Small entrepreneurs today dominate the total number of companies (99.7%), employ over 70% of the workforce, and create about 60% of the total value added. In terms of overall economic importance, this sector has surpassed the large enterprise sector, which traditionally had a dominant role in the economy.

The role of micro, small, and medium-sized enterprises has proven to be very important and beneficial during the long-lasting six-year recession period following the global financial crisis in Croatia (2009 - 2015) and during the recovery from the recession caused by the COVID-19 pandemic in 2020 (Čučković, 2020). It should be noted that this sector, due to its flexibility, adaptability, resourcefulness, and innovation, has proven to be the most resilient to the effects of the crisis, both short-term and long-term. It is worth mentioning the extremely rapid adaptation of certain SME activities to the "new normal," including a complete transition to online and "delivery" business models (restaurants, grocery stores, family farms) and "drive-in" sales (e.g., markets). This demonstrates the great adaptability of SMEs to new circumstances and their success in maintaining a certain level of demand for their products even during complete economic lockdowns and the prohibition of "normal" operations. Furthermore, experiences after the gradual reopening of the economy show that the most affected sectors are also the ones that can be restarted most quickly, as illustrated by the rapid reopening of many cafes, restaurants, non-food stores, shopping centers, hair and beauty salons, gyms, and the like, which quickly adapted to new epidemiological rules on social distancing and other business operation conditions.

During this turbulent period, EBRD actively provided advisory and financial support to small private entrepreneurs in Croatia, especially those in severely affected sectors such as hospitality and tourism, to successfully cope with the necessary rapid adaptations to the new business conditions caused by the pandemic. Through this active action, the Bank contributed to the overall mitigation of the crisis's effects on private companies in Croatia, strengthening their resilience and recovery capabilities.

It is worth noting that during the recession caused by the COVID-19 pandemic, the SME sector relatively quickly adapted to disrupted global supply chains by launching their own new products and services to substitute imported demand in the domestic market. This particularly applies to SMEs that were more flexible in terms of market shifts, had greater capacity for rapid digitalization of parts of their business, quickly developed new products and services, did not face issues in hiring additional workforce, and were more inclined to innovation, not relying solely on one dominant product or service. Concerning innovation, this sector has often been the most innovative, especially in terms of developing completely new ideas and quick solutions to meet market and citizen needs, such as innovative solutions in the ICT industry that were witnessed even during the most intense battle against the COVID-19 virus (e.g., the Andrija assistant app, e-permits, etc.).

Finally, it is important to highlight that according to data from the Croatian Financial Agency (FINE, 2022), the SME sector played a crucial role in the rapid recovery of the real economic growth rate in 2021, reaching as much as 13.1%. This significantly increased overall income, profit, employment levels, and exports while reducing losses from the previous period. SMEs also contributed to a 6.3% growth in 2022, dealing with the mitigation of the negative effects of the energy crisis caused by Russia's invasion of Ukraine.

Out of the total of 1.44 billion euros of EBRD's net investments in industry, trade, and agriculture in Croatia, 729 million euros were directed towards direct financing of the small and medium-sized enterprise (SME) sector. During the period from 2017 to 2022 alone, a total of 91 million euros in direct financial assistance from the EBRD was directed to this sector.[16]

During this period, the EBRD implemented a wide range of different programs,

16 EBRD Croatia: Results Snapshots, https://www.ebrd.com/what-we-do/country-results-snapshots#croatia

initiatives, and measures to support the development and competitiveness of the SME sector, including programs for supporting women entrepreneurs (EBRD Women in Business Programme), support for start-up companies by young entrepreneurs (Private Sector Youth Initiative), support for fast-growing SMEs, especially those based on innovation and knowledge (EBRD Knowledge Economy Initiative), integration of local producers into tourism value chains (Inclusive Tourism Framework), advisory services for SMEs (EBRD Advice for Small Businesses), and many others. EBRD's business advisory projects aimed at Croatian SMEs were funded by the European Investment Advisory Hub and EBRD's Small Business Impact Fund.

Some of the direct effects of these EBRD support programs and initiatives on the development of businesses and improving the competitiveness of the SME sector in the period from 2017 to 2022 can be summarized as follows:[17]

- Small and medium-sized enterprises (SMEs) that were recipients of business advisory programs (Advice for Small Businesses) achieved significant growth in important business indicators: according to EBRD data, 79% of them increased their total revenue, reaching around 54 million euros in additional revenue, while 63% of total companies demonstrated increased productivity.
- By using support under the business advisory program, 47% of SMEs increased their overall exports, creating an additional 26.9 million euros in export revenue.
- 61% of SMEs covered by EBRD's support increased their total number of employees during this period.
- Regarding support for women's entrepreneurship, through the Women in Business and Advice for Small Businesses programs, EBRD supported 273 small businesses led by women, primarily in the fields of digitalization, trade, and energy, between 2017 and 2022. Among the companies supported were BIOVITALIS, tea producer SUBAN, fashion company Ksenia Design, book publisher Fraktura, agency Señor, PAR Business School, and others.
- During the COVID-19 pandemic, EBRD engaged 340 SMEs in the hospitality sector in comprehensive training to acquire important

17 EBRD Croatia: Competitive Private Sector, SMEs, and Corporate Governance, https://www.ebrd.com/what-we-do/country-results-snapshots#croatia

skills needed for assessing business sustainability, investments, sales trends, total revenue, costs, and comprehensive crisis management.

- Direct financial support of 10 million euros was provided to strengthen and facilitate access to long-term financing through equity intermediation of SMEs (Invera private investment fund).
- More than 650 SMEs participated in business advisory projects, seminars, training sessions, and mentoring workshops from 2018 to 2022.
- Several important initiatives were launched to support private fast-growing start-up companies in the technology sector, especially in 2022.

In addition to small and medium-sized enterprises, the Bank has particularly supported the strengthening of the international competitiveness and internationalization of larger private companies, especially by enhancing their position in international and regional markets. Over the past three decades, EBRD has supported cross-border expansions of Croatian companies such as Podravka, Atlantic Group, Orbico, as well as increasing the production capacities of JGL, Aluflexpack, and AD Plastik. The Bank has also supported the investments of several regional investment funds in the private sector, such as South Central Ventures, which initially invested in Croatian companies Agrivi, Bulb Technologies, and Sentinel. Financial support was provided for the restructuring and business expansion of the Studenac retail chain in the domestic market.

In 2022, EBRD invested a record 297 million euros in Croatia (EBRD, 2022), with the majority allocated to further development of the private sector (82% of the Bank's annual business volume in the country) (SEEbiz, 2023). The Bank primarily supported projects transitioning to a green economy and enhancing resilience to climate change, which remains an important strategic priority for adapting the economy to the most significant global challenges in the period from 2023 to 2028 (EBRD, 2023:13).

The table below provides a more detailed presentation of the key objectives and activities of the first priority of the EBRD's Strategy for Croatia for the period 2023 - 2028. This vividly illustrates how the EBRD, through grants and loans, will continue to assist SMEs in further adopting good business practices, encourage their innovation activities, especially those that can help them internationalize their business and have a stronger engagement in global value chains. As in the past, it will also support the development of existing small and medium-sized enterprises and the establishment of new enterprises (start-ups) through entrepreneurial incubators and accelerators.

Table 3. Key Objectives and Activities of the EBRD's Strategy for Croatia for the Period 2023-2028.

Key Objectives	**Activities**
Enhanced Competitiveness of the Private Sector After the COVID-19 Crisis	• Direct lending, equity and quasi-equity financing, and advisory services for companies, financial institutions, and SMEs with a focus on achieving close coordination and complementarity based on the competitive advantages of individual financial institutions. • Support for domestic SMEs in adopting innovative practices and product innovation through indirect financing (possibly through IPR) and advisory services, potentially in collaboration with the EIB (e.g., SMP). • Support for the development of capital markets, including participation in capital market transactions in the FI and corporate sectors, among other things, with innovative financial products (such as green and covered bonds). • Exploring possibilities to support IPOs and investments in IPOs, including state-owned enterprises. • Support for cross-border investments (ITP and PFT), assistance to exporters, and exploring possibilities for using portfolio risk-sharing instruments. • Financing of foreign direct investments in strategic sectors (e.g., renewable energy), technology transfer, and innovation.
Increased levels of digitization and innovation.	• Support for digitization and innovation in the private sector, including micro, small, and medium-sized enterprises (MSMEs). • Strengthening digital infrastructure (e.g., broadband network, 5G, fiber-optic network) and skills through direct funding and advisory services. • Support for start-up companies by providing advice and continuing support for entrepreneurial incubators and accelerators.
Improved economic governance	• Focusing on improving corporate governance in state-owned enterprises • Supporting reforms to encourage better utilization and efficiency of state assets (e.g., optimizing the management of state-owned real estate). • Continuing support for regulatory compliance in the banking sector

Source: EBRD (2023)

6.4.2 EBRD Support for Strengthening the Business Environment as a Key Factor in Enhancing the Competitiveness of Croatia's Private Sector

Reform of the business environment in Croatia, as a pivotal factor for accelerating long-term economic growth and for establishing conducive conditions for competitive enterprise development and higher productivity levels, has long been a significant area of EBRD support, emphasized also in the 2017-2022 cooperation strategy with Croatia (EBRD, 2018). These efforts align with the important reform objectives of the annual national reform programs of the Croatian Government, targeting the reduction of administrative barriers and regulatory restrictions in daily business operations, and also with the goals of the National Recovery and Resilience Plan (NRRP 2021-2026). Particular focus has been on promoting the development of those business environment components where Croatia, according to numerous comparative analyses, lagged behind new EU member states. [18] The largest differences, when compared to new EU members, are seen in areas such as the quality of the business regulatory framework perceived as overly restrictive by the business sector, the assurance of rule of law or practical regulatory implementation, and anti-corruption efforts. EBRD's support targeted areas especially related to further easing and accelerating company registrations, property title registration, issuing of construction permits, accelerating bankruptcy proceedings, and faster judiciary actions in property rights protection. The EBRD supported these areas in strategic partnership and synergy with other international and local financial institutions and organizations in accordance with EU policies (e.g., EIB, World Bank, HBOR).

By focusing on eliminating numerous administrative barriers and para-fiscal charges and digitizing the public administration and judiciary, the overall business environment for promoting private sector development has significantly improved. From 2017-2022, with the help of EBRD and other domestic and foreign financial institutions, the following improvements were achieved:

- Support in activities for reducing para-fiscal burdens on the business sector.

18 See World Bank (2021),,Ease of Doing Business i European Commission (2022), Croatia: Convergence Report.

- Assistance in assessing the impact of administrative relief on the economy and removing the most burdensome administrative barriers for the private sector.
- Further strengthening of the digital capabilities of administration and public services for online applications for citizens and businesses, especially post-COVID-19 pandemic.
- Support for the development of the 2021-2026 Anti-Corruption Strategy.
- Strengthening the legislative framework and capacities of the Office for the Prevention of Conflicts of Interest.
- Enhancing electronic communication in courts (e-courts) and capacity-building to shorten court proceedings.

Improving the functionality of administrative institutions, strengthening their capacities (including digital), and enhancing the transparency of the overall public administration have also been target areas of EBRD support, which will continue into the future strategic period. The bank particularly supported, in line with EU policy, government measures targeting better budget planning for EU funds, as well as measures to combat corruption in the use of EU funds and overall better management of such financial sources. Given the significant anticipated EU funding in the 2021-2027 financial framework, the priority is to establish an efficient EU funds management framework that would enable the public administration's increased capacity for effective EU project implementation. Although all necessary legal bases exist (2021-2030 Anti-Corruption Strategy and the Prevention of Conflicts of Interest Act), their operational implementation remains sub-optimal to encourage investment, particularly foreign. According to Transparency International, in 2022, Croatia ranked 57th out of 180 countries in the corruption index, which, despite representing progress from 2021, still positions Croatia among the 5 lowest-ranked EU member states (Transparency International Croatia, 2023).

The 2023-2028 EBRD Strategy for Croatia states that the successful use of EU funds under the Recovery and Resilience Mechanism (RRM) and the implementation of related reforms from the NRRP 2021-2026 will be crucial for achieving the anticipated transition effects, as well as for strengthening the resilience and competitiveness of both Croatia's private and public sectors. The primary levers for achieving these objectives are innovations, digitalization, and good governance through engagement and enhanced stakeholder dialogue, and the business environment must be conducive and qualitatively enable these levers in the private and public business sectors.

6.4.3 Governance and Commercialization of State-Owned Enterprises

Throughout EBRD's presence in Croatia, the development of corporate governance in private corporations and state-owned enterprises, including their commercialization or sale, has been a significant priority for support. In the period 2017-2022, EBRD supported the development of improved corporate governance and commercialization of state-owned enterprises, primarily through the following activities:

- Supporting the efforts of HANFA and the Zagreb Stock Exchange aimed at further strengthening regulations through the adoption of a new Corporate Governance Code, as well as training members of the Boards of Directors and Supervisory Boards of state-owned enterprises, in line with the best practices of OECD and the EU.
- Supporting the improvement of the management of state and local/municipal enterprises through the establishment of transparent contracts between cities and public service providers and municipal companies.
- Supporting the introduction of corporate governance reforms at all levels that ensure the independence of board members and corporate governance transparency at all levels of governance bodies.
- Promoting public-private partnerships (PPPs), restructuring, and the commercialization of state-owned enterprises, especially in the provision of public services and infrastructure.

Additionally, from 2017-2022, EBRD provided support for the adoption of best practices in corporate governance for companies listed on the Zagreb Stock Exchange, offering training to more than 70 Supervisory Boards from 36 state-owned enterprises. Within this, more than 50 women board members completed corporate governance training that promotes gender equality in the work of Supervisory Boards.

As evident from Priority 1 within the Strategy for Croatia 2023-2028, EBRD will continue to provide targeted support to enhance the overall quality of economic governance by:

- Focusing on improving corporate governance in state-owned enterprises.
- Supporting government reforms to promote better utilization and efficiency of state assets (e.g., optimizing property management in state ownership).
- Continuing support for regulatory compliance in the banking sector in line with EU practices.

To realize these goals, the Bank intends to collaborate with the Government of Croatia to provide special support to state and local authorities in strengthening their institutional capacities and skills to enhance good economic governance practices at all levels, including enhancing the overall resilience of the economy to future external shocks.

Picture 5: Exterior of the Split Port Breakwater

Source: Port Authority Split

7.

COUNCIL OF EUROPE DEVELOPMENT BANK (CEB)

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7.1 Establishment, Activities, and Structure

7.1.1 Establishment of CEB

United by the idea of strengthening political cooperation, ensuring respect for human rights and fundamental freedoms, and promoting economic and social progress, ten European countries (signatory states of the 1948 Brussels Agreement: Belgium, France, Luxembourg, the Netherlands, and the United Kingdom, along with five other European countries: Denmark, Ireland, Italy, Norway, and Sweden) established a new organization in May 1949 - the Council of Europe. Greece and Turkey soon joined the Council of Europe, followed by Iceland and Germany a year later.

One of the first issues that the Council of Europe showed interest in was the fate of so-called national refugees, i.e., the forced movement of people caused by political reasons or natural disasters within one country, as well as movement driven by economic reasons due to overpopulation in certain European countries. However, the Council of Europe's goal was not only humanitarian but also to prevent political and social instability that uncertain situations for these population groups could cause. By developing opportunities for work and employment, it aimed to improve the prospects of countries facing such situations. Therefore, in 1951, a committee of experts was established within the Council of Europe (comprised of representatives from member countries, representatives of the OEEC, and the International Labour Organization - ILO) to monitor the situation regarding refugee issues in each member country and make recommendations. After completing its work, this committee crystallized recommendations to provide refugees with a home and employment on the national territory, and also to encourage migration between European countries for a more rational distribution of the population. It also aimed to facilitate emigration abroad if necessary. The challenge for implementing these recommendations was the issue of funding, for which the committee of experts proposed the establishment of a kind of European subsidiary of the World Bank to provide loans for these purposes. However, the committee emphasized that the Council of Europe should retain coordination throughout the process, given its established relationships with the governments of its member countries as well as certain international organizations.

In line with these recommendations, in 1954, a special representative of the Council of Europe, Mr. Pierre Schneiter, the former French Minister of Health, presented a program in which he proposed the establishment of a fund to provide loans for settling refugees and absorbing excess population in overcrowded member countries of the Council of Europe. Divided in their views on this proposal, eight member countries of the Council of Europe (Belgium, France, Greece, Iceland, Italy, Luxembourg, Germany, and Turkey) out of 15 signed a partial agreement on April 16, 1956, establishing the Council of Europe Resettlement Fund for National Refugees and Over-Population in Europe (hereinafter referred to as the Fund) as a separate legal entity, financially independent of the Council of Europe. This marked the creation of the oldest European international financial institution, the precursor to today's Council of Europe Development Bank (CEB), headquartered in Strasbourg with administrative offices in Paris.

7.1.2 History of Operations

The initial total capital of the Fund was only 6.7 million US dollars (CEB, 2006: 24). It was primarily invested in the securities of member countries, which served as collateral for raising funds in the capital market, either through the issuance of Fund bonds or by investing in national markets. However, the Fund's financing capabilities were initially limited as its capacity was proportional to its own resources. During the first 20 years of operation, six more countries joined the Fund (Cyprus, Vatican City, Malta, Switzerland, Liechtenstein, and Portugal), but its capital increased by only 600,000 US dollars (to 7.3 million) (ibid.: 25). Nevertheless, thanks to the policy of building reserves through profit accumulation from the earliest years of operation, by 1976, the Fund had managed to double its reserves compared to its capital. Additionally, as the Fund's reputation grew, its capacity to raise funds in the capital market strengthened.

In addition to projects in line with the Fund's core mandate, which focused on the resettlement of refugees and overpopulated areas, activities increasingly turned towards social housing, vocational education, and territorial development.

By the late seventies and throughout the eighties of the 20th century, the economic downturn and rising unemployment in Europe intensified migration flows from Southern Europe to the wealthier North, increasing the demand for Fund loans. During this period, six more countries severely affected by population movements joined the Fund (Spain, the Netherlands, Sweden, Denmark, Norway, and in 1986, the former Yugoslavia). In order to meet the demands for support, the Fund carried out three capital increases during that period, resulting in its own resources exceeding 800 million US dollars by the end of 1988 (ibid.: 45).

Starting from the mid-seventies, the Fund's areas of operation expanded to include employment promotion, strengthening social infrastructure, and rural and urban development. In 1989, the Fund adopted a simplified name, the Council of Europe Social Development Fund, which became its official name with the entry into force of the new Statute in March 1997 (Council of Europe Social Development Fund, 1998: 68).

The focus of the Fund then shifted to Central and Eastern European countries, and later Southeastern Europe, which needed support in overcoming social challenges during their transition. In 1990, the Fund decided to implement another capital increase, resulting in its own resources reaching approximately 2 billion euros by early 1992 (CEB, 2006: 61). The accession of new members was foreshadowed by the Vienna Summit of the Council of Europe held in 1993 (CEB, 2016: 4). However, given the high indebtedness of these countries at the time and their slow accession to the Council of Europe and the Fund, lending to them without jeopardizing the Fund's financial stability posed a new challenge. The breakup of the former Yugoslavia, whose debt was assumed by the successor states (only) in 1996, added further pressure. To facilitate borrowing for transition countries, the Selective Trust Account (now the Social Dividend Account - SDA) was established in 1995, funded in part by the Fund's profits, allowing interest rate subsidies for high-impact social projects and granting donations to the benefit of transition countries.

In 1997, the Council of Europe held another significant summit in Strasbourg, expanding the Fund's mandate to include social cohesion (CEB, ibid). From 1989 to the end of 1998, 14 new member countries joined the Fund: first San Marino and Finland, and then Central, Eastern, and Southeastern European countries (Slovenia, Bulgaria, Lithuania, Romania, Croatia, North Macedonia, Hungary, Estonia, Moldova, Poland, Latvia, and Slovakia). During the observed period, the Fund disbursed a total of 6.9 billion ECU (mostly to Turkey, Germany, Italy, Spain, Greece, and Cyprus) (CoESDF, 1998: 22). Also, due to the expansion of its areas of operation and new operational methods, in November 1999, the Fund changed its name to the Council of Europe Development Bank - CEB (hereinafter referred to as the Bank).

Starting from 1999 (when two more members, the Czech Republic and Albania, joined CEB, followed by three more - Bosnia and Herzegovina, Serbia, and Ireland, by 2004), transition countries began to play an increasingly important role in CEB's five-year strategy that followed, covering three areas of operation: strengthening social integration, human resource development, and environmental management. By the end of 2004, the Bank had undergone a significant transformation, operating in 31 out of its 38 member countries (compared to 20 in 1999), and during the period of 1999 - 2004, it approved approximately 21% of the total approved funds of 11.1 billion euros for transition countries (compared to the period of 1989 - 1998 when it approved about 1.6% of the total approved 12.9 billion ECU) (CEB, 1999: 26-27, 2004: 10, 20, 26). Most of the funds (about 58%) were approved for Italy, Spain, Germany, Turkey, and France. The latter received around 60% of the total disbursements of about 10 billion euros during the observed period, while transition countries received about 15.2%.

Following the aforementioned strategic directions from the previous period, in mid-2004, the Bank adopted a new five-year Development Plan for the period 2005 - 2009, introducing the concept of "Target Group Countries" for 19 Eastern, Central, and Southeastern European countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Moldova, Poland, Romania, Serbia and Montenegro (former), Slovak Republic, Slovenia, former Yugoslav Republic of Macedonia, and Turkey. The goal was for 50% of the disbursed funds during the duration of the Development Plan to be allocated to the target group, which represented only one-fifth of CEB's capital (CEB, 2005: 15). Borrowers were granted approximately 11.9 billion euros in new loans, of which 60% (7.1 billion euros) went to the target group. CEB's own resources amounted to 4.9 billion euros at the end of 2009, and borrowers' debt reached 12.2 billion euros (13% higher than at the end of 2004), of which 5.9 billion euros (48%) were for the target group of countries (ibid.: 4). The Bank then had 40 member countries (two more, Georgia and Montenegro, joined in 2007), with 21 countries belonging to the target group.

With the new Strategic Development Plan for 2010-2014 (CEB, 2009), which aimed to address the economic and social challenges in the post-recession period following the major financial crisis in Europe, CEB set more ambitious plans compared to the previous period. The plan envisaged a 15% increase in lending volume and achieving a target group's share of 60% in the total debt of CEB's borrowers by the end of 2014. To support these goals, in 2011, the Bank implemented its sixth capital increase, from 3.3 billion euros to 5.5 billion euros (an increase of 67%, funded from the Bank's reserves without the need for actual contributions from member countries). It was expected to raise CEB's own resources to 6.8 billion euros by mid-2012 (CEB, 2011).

However, despite the decision to increase capital, the credit rating agency Fitch downgraded CEB's rating from AAA to AA+ in September 2012, citing that the Bank was less capitalized compared to comparable international financial institutions (which maintained top ratings). This was due, in part, to multiple downgrades of several EU countries in 2012, especially Spain (BBB/Negative), Italy (A-/Negative), and Cyprus (BB+/Negative), which weakened the quality of the Bank's assets (Fitch, 2012). CEB's credit rating was also downgraded by S&P to AA+ in December 2012 (CEB, 2012: 2,6) and by Moody's to Aa1 in June 2014 (CEB, 2014a: 15).

Continuing with the objectives set by the Development Plan, the planned share of the target group in the total debt of borrowers at the end of the period was achieved (out of a total debt of 12.6 billion euros, around 7.4 billion euros were related to the target group). However, the observed period was marked by a kind of stagnation in the volume of general activity compared to the previous decade (CEB, 2014a: 7, 16, and 17). Specifically, 10.5 billion euros in new investments were approved, which was about 12% less than in the previous 5-year period, of which 56% (around 5.9 billion euros) pertained to the target group. At the same time, approximately 8.8 billion euros were disbursed to borrowers, with 55% (4.8 billion euros) going to the target group. The most significant amount was disbursed to Poland, Spain, Turkey, Belgium, and France, and these countries also led in terms of the volume of newly approved loans.

Influenced by significantly changed external circumstances, in 2013, the Bank decided to conduct a mid-term review of the Development Plan and adopted a new Plan for 2014-2016 at the end of that year, shortening the period compared to previous plans due to the pronounced global volatility. However, in the period from 2010 to 2014 (which was supposed to cover the initial Development Plan), the sectoral investment structure of CEB followed the then-current post-recession efforts of member countries in overcoming economic and social challenges in Europe. Notably, 35% of new investments in the period from 2010 to 2014 were directed towards a new sectoral line – support for micro, small, and medium-sized enterprises (CEB, 2014b: 16). These enterprises were seen as generators of economic activity, preserving jobs, and creating new ones in an environment of persistently high unemployment rates across Europe. As a result, CEB became the second international financial institution, after the EIB, to contribute to job creation in most Eastern European countries through approved loans (CEB, 2013: 3). As they recovered from the crisis, members also increased investments in social integration and social infrastructure, sectors that represented 27% and 22% of the Bank's total activity between 2010 and 2014.

The next period in CEB's history was marked by a kind of return to its roots in the fullest sense (especially considering its status at the end of 2016 - the 60th anniversary of the Bank's founding), although this was not foreseen in the 2014-2016 Development Plan. Despite the expected low growth rates in member states, which focused on budget consolidation and stricter debt control, CEB could not count on significant demand for its loans. Therefore, the Bank focused on improving the quality of its operations, supporting member countries in absorbing EU funds for social sectors, as well as supporting job creation and preserving existing jobs. Additionally, CEB planned to strengthen its role as a provider of assistance through a range of trust accounts it managed, complementary to its lending activity. Considering that some members outside the target group of countries were even more affected than the target group countries, the Bank concluded for the first time that the "unique character of the needs of the target group of countries, defined in 2004, no longer applied" and therefore abandoned the previous definition of its Development Plan's activity volume in favor of the target group.

The most significant moment in the Bank's history in the 2014-2016 period took place in 2015. Starting in 2014, when about 200,000 people sought refuge in Europe using routes across the Mediterranean Sea, the migrant and refugee wave, the largest since World War II, flooded the European continent in 2015, with around 1.3 million people seeking asylum (Pew Research Center, 2015). This crisis raised numerous humanitarian, social, security, and economic issues. In August of the same year, German Chancellor Angela Merkel stated that the asylum issue could be the next major European project, one that would occupy Europe much more than the issues of Greece and the stability of the euro. Amid the crisis, in October 2015, at the proposal of Governor Rolf Wenzel, CEB's Administrative Council approved the establishment of the Migrant and Refugee Fund (MRF), a financial instrument based on grants to assist member countries in addressing urgent needs caused by the crisis, as well as to support the integration of migrants and refugees in the medium and long term (CEB, 2015: 7). After an initial allocation of 5 million euros from CEB's SDA, contributions to the MRF amounted to a total of 15 million euros by the end of 2015. In the same year, CEB approved approximately 880 million euros in loans (about 38% of total lending activity that year) for projects related to the integration of migrants and refugees, including the reconstruction of urban and rural infrastructure under pressure from the aforementioned wave (ibid.: 7). This marked a revival of the Bank's fundamental mandate.

Significant increase in activity was recorded by the Bank, particularly in the environmental management sector (30% of total activity), which was undoubtedly influenced by the fact that it was the year of the historic United Nations conference on climate change (COP21) held in December 2015 in Paris, resulting in the signing of the Paris Agreement. The following year, 2016, also became a historic year for the Bank, with a 50% increase in lending activity compared to the previous period (CEB, 2016b: 28-29). CEB approved a record 3.5 billion euros, with the majority allocated to strengthening social integration (38%), supporting micro, small, and medium-sized enterprises (35%), and financing public infrastructure with social impact (23%). In the same year, the Bank (re)activated cooperation with several countries outside the target group, such as the Netherlands, Sweden, Italy, and others.

The long-term effects of the 2009 financial crisis, still strongly felt throughout Europe, were compounded by the shock of the United Kingdom's vote to leave the European Union, setting the context for CEB at the end of 2016. During this time, the Bank adopted a development plan for the next three-year period, 2017-2019, focusing on sustainable and inclusive growth, with an emphasis on social projects for public social infrastructure, job creation and preservation, labor market access, housing construction, integration of vulnerable groups, refugees, and migrants (CEB, 2016c: 7). The new plan also aimed to integrate CEB into global efforts to protect the environment, including measures for climate change mitigation and adaptation, which the Bank embedded horizontally into its projects. The plan also emphasized improving the quality and social added value of funded projects and ensuring funding sustainability through innovative instruments such as issuing Sustainability Bonds (during the observed period, the Bank issued its first three Social Inclusion Bonds, each worth 500 million euros).

By the end of 2019, the debt of borrowers amounted to 15.4 billion euros (CEB, 2019a: 4), and the Bank's own resources reached 7.9 billion euros (CEB, 2019b: 7). Due to CEB's increased activity in fulfilling its mandate, S&P upgraded its rating for CEB from AA+ to AAA with a stable outlook in February 2019 (CEB, 2019c). In the spring of 2019, a capital adequacy review was conducted, confirming the strength of CEB's credit indicators and its ability to withstand risks associated with lending activity.

In January 2020, the Bank announced a Development Plan for 2020-2022, which continued the strategic focus of the previous plan. However, it placed greater emphasis on the United Nations Sustainable Development Goals (SDGs), signaling a shift toward sustainable and socially responsible financing. The plan continued to target the group of countries, comprising 66% of risk-weighted assets relative to capital at the end of 2018. The Bank aimed to diversify its client base by strengthening cooperation with subnational entities, such as regional and local authorities and specialized financial institutions for smaller municipalities. In operational terms, it planned to approve 4 billion euros annually and gradually increase loan disbursements from 3 to 3.5 billion euros by the end of the period. However, the circumstances that unfolded in the first quarter of 2020, marked by the onset of the COVID-19 pandemic in Europe and worldwide, significantly shaped CEB's operations in that year and beyond. In 2020, CEB experienced record-breaking performance in various parameters (CEB, 2020: 4). It approved 6 billion euros in new loans, a 51% increase compared to 2019, with half of it aimed at supporting pandemic-related needs (total pandemic support reached approximately 3.8 billion euros by the end of 2021). Concurrently, 4.5 billion euros were disbursed to borrowers, a 57% increase over 2019, driven by increased demand for liquidity due to lockdown measures affecting economies across Europe. CEB also raised funds by issuing two bonds for social inclusion related to COVID-19 (worth 1 billion euros and 500 million U.S. dollars) (CEB, 2020: 48). In the same year, Andorra became the 42nd member of CEB.

The new armed conflict initiated by Russia in Ukraine in February 2022 (following the 2014 annexation of Crimea) led to a new wave of refugees and displaced people seeking safety in neighboring European countries. Within just two weeks of the conflict's onset, over 2.3 million people fled

Ukraine, causing an unprecedented influx of population from Ukraine into other CEB member countries in Eastern Europe. In this context, on March 11, 2022, CEB approved 150,000 euros in grants from the Migrant and Refugee Fund (MRF) to the International Organization for Migration (IOM) in Slovakia to support incoming refugees and third-country nationals from Ukraine (CEB, 2022a). Although it was a modest amount, CEB became the first international financial institution to support efforts and emergency measures in assisting displaced populations fleeing Ukraine (ibid.: 10). In the same year, CEB approved 1.3 billion euros in loans for similar purposes, representing about 31% of the Bank's annual lending activity (ibid.: 10). Among the loans approved was the largest in CEB's history, a 450 million euros operation in Poland, which shares a border with Ukraine and had received approximately 8.5 million refugees and displaced persons by the end of 2022 (ibid.: 11). To secure funds for loan disbursements related to the Ukrainian crisis, CEB issued two bonds in 2022, each worth 1 billion euros or U.S. dollars (CEB, 2022b).

During the period from 2020 to 2022, a total of 14.4 billion euros in new loans were approved, surpassing the operational targets set in the Development Plan, as did the total disbursements of 12 billion euros (CEB, 2020: 58). The majority of funds were allocated to projects in Spain, Italy, Poland, Germany, and France, with disbursements going to borrowers in Spain, Poland, Italy, France, and Germany. At the end of the period, the total debt of borrowers amounted to 19.9 billion euros, with the Bank's own resources reaching 8.3 billion euros (CEB, 2022c: 3,7). Given the increased activity resulting from the overlapping crises caused by the COVID-19 pandemic and the Ukrainian crisis, CEB made two significant decisions at the end of 2022. The first was the adoption of a new Development Plan for the five-year period from 2023 to 2027, outlining the path for the Bank's first investments in Ukraine and the continuation of support for social needs throughout Europe (CEB, 2022d). CEB will remain selective but maintain activities in all its areas of operation. Sectors of particular focus will include healthcare and social welfare, education and vocational training, social and affordable housing, urban, rural, and regional development, financing small and medium-sized enterprises, and microfinance. Additionally, CEB's activities will address climate action, gender equality, and digital transition.The Bank will prioritize services to vulnerable groups. By the end of 2027, CEB commits to further focus on target group countries, especially where CEB's value-added is greater.

To support these activities, a decision was made in December for the seventh increase in capital, amounting to a record 4.25 billion euros, of which 1.2 billion euros of paid-in capital would be contributed through actual payments by member states, the first such contribution since the Bank's establishment.[19] Following the completion of the subscription process, which extends until the end of 2023, and taking into account a 100% subscription rate, CEB's capital is expected to increase from the current 5.48 billion euros to 9.73 billion euros (of which the paid-in portion would be 1.81 billion euros). As a result of this historic decision by CEB's governing bodies, Moody's rating agency in March 2023 assessed that "the capital increase will significantly enhance the Bank's creditworthiness and reduce its financial leverage ratios" and upgraded its credit rating from "Aa1" to "Aaa stable" for the first time since mid-2014, while Fitch, in mid-July 2023, also upgraded CEB's rating from "AA+" to "AAA, stable," citing the strengthened solvency assessment of the Bank following the capital increase, as well as its role in providing support to refugees in the recent crisis, including the Russia-Ukraine conflict (Fitch, 2023). As of the time of writing this work, the conflict in Ukraine is ongoing, and Ukraine became the 43rd full member of CEB on June 15, 2023. This paves the way for Ukraine to apply for Bank support for emergency short-term measures, as well as reconstruction and recovery in the medium and long term when conditions permit, as the war in Ukraine continues.

7.1.3 Current Mission and Investment Areas

The current mission of CEB is to promote social cohesion in Europe, defined as society's ability to ensure the well-being of all its members, minimizing differences and avoiding marginalization. CEB follows its mission by financing social investments and projects that serve vulnerable individuals through three lines of action:

1. Investing in people and strengthening human capital;
2. Promoting inclusive and resilient living environments;
3. Supporting employment, economic, and financial inclusion.

19 All previous increases in capital have been made at the expense of the reserves of the CEB, without the need for actual member contributions.

CEB is active in the sectors of healthcare and social welfare, education and vocational training, administrative and judicial infrastructure, historical and cultural heritage, social and affordable housing, urban, rural, and regional development, natural or ecological disasters, environmental protection, financing micro, small, and medium-sized enterprises, and microfinance. Three cross-cutting themes are essential for how CEB's activities are conceived and implemented across all sectors, namely: climate activities, gender equality, and digitization.

7.1.4 Governance Structure

In accordance with the CEB's Statute, the organization, management, and oversight of the Bank's operations are divided among four bodies:

- The Governing Board is the highest body, typically composed of the ambassadors of the member countries to the Council of Europe. The Board has a Chairman (elected by the Board, which can also consider candidates from outside the Board) and a Vice-Chairman (chosen from the ranks of the Board). The Board's working procedures are defined in its Rules of Procedure. Currently, Mr. Toma Galli, the Permanent Representative of the Republic of Croatia to the Council of Europe in Strasbourg, serves as Croatia's representative on the Board, in the capacity of an extraordinary and plenipotentiary ambassador of the Republic of Croatia (appointed on March 8, 2019).
- The Administrative Council is a non-resident body that carries out tasks assigned to it by decisions of the Governing Board. Among its most important responsibilities, it establishes and supervises operational policies, approves investment projects submitted by the members, and votes on the Bank's operational budget. It consists of representatives from all member countries. The Council has a Chairman (elected by the Board, which can also consider candidates from outside the Council) and a Vice-Chairman (chosen from the ranks of the Council). The Council's working procedures are defined in its Rules of Procedure. The current representative of Croatia on the Council is Mr. Stipe Župan, the State Secretary in the Ministry of Finance (appointed on July 18, 2018).
- The Governor is the legal representative of the CEB accountable

to the Council, and is appointed by the Board. The Governor is assisted by three Vice-Governors (appointed by the Board upon the Governor's recommendation) responsible for: social development strategy, financial strategy, and targeted group of countries. The current Governor is Mr. Carlo Monticelli (Italian).

- The Auditing Board is comprised of three members from member countries (appointed by the Governing Board each year at its first meeting), and the composition is determined based on a rotational agreement (established by the Governing Board). The Auditing Board also has a special advisor, and its operations are governed by its Rules of Procedure.

7.2 Croatia's Membership in the CEB

With its full membership in the Council of Europe on November 6, 1996, Croatia gained the right to become a member of the CEB, then known as the Council of Europe Development Bank. This membership was officially established on June 24, 1997. "Croatia's interest in joining the Fund was primarily related to projects of reconstruction and development (basic and social infrastructure, employment promotion, etc.), and as a country with a large number of refugees and war victims, as well as with destroyed and damaged public facilities, to utilize favorable conditions for long-term loans from the Fund and/or to finance these projects through co-financing with other international financial institutions. Therefore, the Government of Croatia established direct relations with the Fund in early 1992 in order to establish better financial relations with this specific institution. Numerous activities followed with the aim of first comprehensively regulating the legal and financial relations regarding the old long-term loans that Croatian companies had used from 1987 to 1990 to finance projects in the territory of Croatia. Legal and financial relations with the Fund regarding the old outstanding debts were regulated through the conclusion of:

1. An Agreement between the Government of the Republic of Croatia and the Fund, accepting the distribution of loans utilized by Croatian beneficiaries and the state of debt, assuming the obligation to settle overdue unpaid debts, and ensuring the repayment of the remaining debt until its final repayment;
2. A Loan Agreement between the Fund and the Republic of Croatia,

regulating the settlement of overdue unpaid debts and the remaining debt for loans previously used by Croatian companies through three banks from other countries; and

3. Six Loan Agreements between the Fund and banks (Dalmatinska banka d.d., Zadar; Privredna banka Zagreb d.d., Zagreb; Riječka banka d.d., Rijeka; Slavonska banka d.d., Osijek; Splitska banka d.d., Split; and Zagrebačka banka d.d., Zagreb), regulating the settlement of overdue unpaid debt and the remaining debt of bank customers-users.[20] By assuming these obligations, Croatia fulfilled one of the prerequisites for becoming a member of the Fund.

In order to become a member, Croatia, through the Law on the Accession of the Republic of Croatia to the Council of Europe Development Fund and the Confirmation of the Statute of the Council of Europe Development Fund dated June 8, 1993 ("Narodne novine," No. 8/1997), accepted the following financial conditions for Croatia established by the Fund's Administrative Council in December 1996:

- Subscribing to shares in the Fund in the amount of 5,534,000 ECU.
- Payment of the subscribed capital in the amount of 611,000 ECU.
- Payment of shares in the Fund's reserves in the amount of 250,000 ECU.
- Payments are made in four annual installments, with the first installment due no later than 30 days after accession to the Fund.

Since joining the Fund, Croatia has participated in all capital increases (in 2000, the fifth[21], and in 2011, the sixth[22]) carried out at the expense of the CEB's reserves without the need for actual payments. Today, Croatia possesses

20 According to the Proposal of the Law on the Accession of the Republic of Croatia to the Council of Europe Development Bank and the Confirmation of the Statute of the Council of Europe Development Bank dated June 8, 1993.

21 Decision on the official use of the new name of the Council of Europe Development Fund - "Council of Europe Development Bank" (CEB) and the acceptance of the fifth capital increase of the Council of Europe Development Bank ("Official Gazette," number 59/2000).

22 Decision on the participation of the Republic of Croatia in the sixth increase of the subscribed capital of the Council of Europe Development Bank (nn.hr) ("Official Gazette," number 132/2011).

a subscribed capital of 21.38 million euros, based on which it holds 0.383% of the voting rights. Of this amount, 2.37 million euros represent paid-up capital, while the difference of 19 million euros constitutes callable capital (potential liability of Croatia). In connection with the Bank's decision on the seventh capital increase, Croatia was proposed to subscribe to 16.59 million euros of new capital, of which 4.68 million euros pertain to paid-up capital, and 11.90 million euros to callable capital. Since Croatia supported the adoption of the CEB's Development Plan for 2023-2027 and to contribute to its implementation while retaining its voting power, the Government of Croatia, in July 2023, adopted a Decision on Croatia's participation in the mentioned increase. Therefore, upon the entry into force of the increase (which requires the subscription of 67% of the proposed capital by the members), Croatia's subscribed capital will amount to 37.96 million euros, of which 7.06 million euros will be paid-up capital, and 30.91 million euros will be callable capital.

7.3 Cooperation Between the Republic of Croatia and CEB

Since 1998, CEB has approved approximately 1.5 billion euros for financing projects in Croatia through 28 loans:

- For the public sector, 26 loans totaling approximately 1.45 billion euros were approved, of which two loans (56.5 million euros for the prison system) were canceled in full.
- For the private sector (Privredna banka Zagreb and Raiffeisen Leasing Zagreb), 2 loans totaling 40 million euros were approved, which were ultimately canceled in full.

Additionally, around 24.6 million euros in grants were approved:

- For the public sector, approximately 17.1 million euros were approved to support the implementation of the Croatian part of the Regional Housing Program and around 6.70 million euros for subsidizing interest on loans with a highly social context.
- The International Organization for Migration received 0.8 million euros for activities in Croatia related to the refugee and migrant crisis.

Public Sector

Loan Activities

A total of 26 loans were approved, amounting to 1.45 billion euros:

a.1. Fifteen loans from CEB directly to Croatia, with a total value of 603 million euros, for financing: 4 projects for the renovation of healthcare infrastructure and healthcare institutions, 3 projects for the construction and renovation of schools, 2 projects for housing displaced persons and refugees, 2 projects for the renovation and revitalization of cultural heritage, 1 project for the construction of communal and social infrastructure on islands, 1 project for financing water and sanitation infrastructure, 1 project for flood protection, 1 project to support measures in Croatia related to the COVID-19 pandemic.

a.2. Two loans directly to Croatia, with a total value of 56.5 million euros, for financing 2 prison infrastructure projects, both of which were ultimately abandoned.

b. 9 loans from CEB to the Croatian Bank for Reconstruction and Development (HBOR) with state guarantees, totaling 793 million euros, for financing: 7 credit lines of HBOR aimed at promoting the development of micro, small, and medium-sized enterprises, 1 project for KBC RI (Rijeka Clinical Hospital Center), 1 project for financing investments in social infrastructure, support for job creation, and earthquake recovery in Croatia.

The total debt to CEB as of June 30, 2023, amounts to approximately 631 million euros (261 million euros for Croatia and 370 million euros for HBOR). There is only one active loan, which is the loan to HBOR (200 million euros, approved in 2021 and contracted in May 2022) for financing investments in social infrastructure, support for job creation, and earthquake recovery in the Republic of Croatia.

Example of CEB Loan

The most recent loan directly granted to Croatia was in July 2020 for the "Support for Measures in the Republic of Croatia Related to the COVID-19 Disease Pandemic – Public Sector Financing Instrument" (Loan LD 2056 (2020)), amounting to 200 million euros.

- Estimated total project costs including VAT: 563,301,300.00 EUR
- Loan amount: 200,000,000.00 EUR
- Signing date: July 7 and 15, 2020
- Project completion deadline: December 31, 2022
- Loan withdrawal deadline: December 31, 2022
- Total amount withdrawn: 200,000,000.00 EUR (100.00%)

The public sector financing instrument, through support to the state budget of Croatia, focused on reducing the spread and consequences of the coronavirus infection. It aimed to preserve the availability of medical services to those directly and indirectly affected by the virus, ensure the necessary pharmaceutical products, medical supplies, and protective equipment, as well as provide support for the continuity of public services provided by local and regional self-government units, which faced reduced revenue due to tax relief and deferred payments of income tax and surtax. The loan was withdrawn in two tranches:

- The first tranche of 150 million euros was withdrawn in August 2021, with a fixed interest rate of only 0.09% and principal repayment from February 2025 to August 2031.
- The second tranche of 50 million euros was withdrawn in April 2022, with a fixed interest rate of 1.75% and principal repayment from October 2025 to April 2023.

Considering the types of eligible expenses covered by the loan, the Project ultimately utilized approximately 563.30 million euros. These expenses included:

- Procurement of goods and consumable materials for inventory (approximately 37.12 million euros).

- Costs related to the Croatian Institute for Health Insurance (HZZO) for COVID-19 testing and vaccination in public institutions and the purchase of medicines (approximately 234.23 million euros).
- Employee salaries of the ten largest public healthcare institutions in Croatia (approximately 44.1 million euros).
- Interest-free loans granted by the Ministry of Finance to local and regional self-government units (approximately 104.81 million euros to ensure the continuation of financing public services) and to HZZO (approximately 143.08 million euros for the continuity of its functions). This support was necessary due to variations in the inflow of funds and obligations' maturity dates resulting from deferred payments and installment repayments, refunds, or exemptions from income tax and surtax (for local self-government units) or contributions (for HZZO).

Non-Repayable Funds from CEB

So far, approximately 24.6 million euros in non-repayable funds from CEB-managed trust accounts have been approved for the territory of Croatia:

- SDA: Approximately 6.70 million euros have been approved from this account to subsidize interest incurred by the withdrawal of certain loans. According to CEB's report for the first quarter of 2023, approximately 6.52 million euros have been utilized.
- 0.8 million euros have been approved for the International Organization for Migration (IOM) from the MRF for activities in the territory of Croatia in the context of the refugee and migrant crisis.
- Regional Housing Programme (RHP) fund totaling 17.1 million euros, which finances the implementation of the Regional Housing Programme for housing solutions in Croatia.

Example of the use of non-repayable funds managed by CEB - Regional Housing Programme

The Joint Regional Programme for Durable Solutions for Refugees and Displaced Persons (Regional Housing Programme - RHP) is a joint initiative of Bosnia and Herzegovina, the Republic of Croatia, Montenegro, and the Republic of Serbia (partner countries). The aim of this initiative (which is an integral part of the Sarajevo Process for Refugees and Displaced Persons initiated in 2005, re-launched at the Belgrade Conference in March 2010, and committed to by partner countries through the Belgrade Declaration in November 2011) is to contribute to resolving the protracted displacement situation of the most vulnerable refugees and displaced persons following the conflicts from 1991 to 1995 on the territory of the former SFRY, including internally displaced persons in Montenegro since 1999. The initiative has been supported by the international community, including the European Union/European Commission, the United States, the Office of the United Nations High Commissioner for Refugees (UNHCR), and the Organization for Security and Cooperation in Europe (OSCE).

In this context, a multi-donor fund for financing projects under the RHP was established at CEB in 2012. For Croatia, it was initially estimated that housing would be needed for 3,541 families, or 8,529 individuals, with a required budget of 119.7 million euros. However, Croatia has since become a member of the EU, and the earmarked funds from the Fund in the amount of 119 million euros are no longer available. For this reason, Croatia has been granted financing for 9 sub-projects and financial support for co-financing the operational costs of the implementation structure. A total of 17.1 million euros in non-repayable funds from the RHP Fund has been allocated for these purposes, aiming to provide housing for 410 families.

The status of the RHP Fund related to the territory of Croatia as of June 30, 2023, is as follows:

- Date of signing the Framework Agreement: December 3, 2013.
- The beneficiary of the funds is the Central State Office for Reconstruction and Housing (SDUOSZ).
- Estimated total Program costs without VAT: 23,225,346 EUR.

- Program completion deadline: June 30, 2023 (initially: December 31, 2017).
- Total contracted amount of non-repayable Fund funds: 17,123,136 EUR.
- Total amount of non-repayable Fund funds withdrawn: 15,195,397 EUR (88.74%).
- Total amount of non-repayable Fund funds not withdrawn: 1,927,739 EUR (11.21%).

Picture 6. Construction of the riverbank protection on the left bank of the Sava River in Slavonski Brod co-financed by a CEB loan

Source: Croatian Waters, Final Project Report (September 2022).

Picture 7: The construction site of the new KBC Rijeka hospital in the Sušak area is co-financed by loans from the CEB (Council of Europe Development Bank).

Source: Grad Rijeka, https://www.rijeka.hr/obilazak-gradilista-nove-bolnice-na-susaku-za-clanove-gradskog-vijeca-grada-rijeke-2/

8.

INTER-AMERICAN DEVELOPMENT BANK (IDB)

By: Jadranka Hajdinjak and Hrvoje Mršić

8.1 Establishment, Activities, and Structure

The Inter-American Development Bank Group consists of the following institutions: the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC), and the Multilateral Investment Fund (MIF), known as IDB Lab since October 2018. The headquarters of the IDB Group are located in Washington, the United States.

The Inter-American Development Bank (IDB) is the world's oldest regional development bank, founded in 1959 with the purpose of contributing to the economic and social development process in the Latin America and Caribbean (LAC) region. Through financial and technical assistance, the IDB aims to promote social equality, poverty reduction, improve healthcare and education, and advance infrastructure. The IDB's goal is to achieve sustainable and climate-friendly development. It is the largest multilateral lender in the region, providing assistance through loans, grants, guarantees, and technical and expert support.[23]

Through its instruments, the IDB annually approves approximately USD 12 billion, which it invests in various projects across 26 member countries in the LAC region. In 2020, the IDB Group approved a record amount of USD 26.1 billion for financing projects in member countries, with USD 12.6 billion dedicated to projects in the public sector.

In 2022, the IDB Group approved a total financing of USD 21.1 billion. The IDB approved USD 12.8 billion for financing 96 projects, while IDB Invest approved operations totaling USD 8.3 billion and mobilized an additional USD 3.1 billion. IDB Lab, the innovation incubator of the IDB Group, approved 92 operations with a total value of USD 101 million. The IDB plans to fully align its operations with the Paris Agreement, making it a leader among multilateral development banks.

The sectors in which the IDB approved projects in 2022 are as follows: infrastructure and the environment (36%), development institutions - financial markets, industry, SME development, reform implementation,

23 Funds for the poorest countries (Bolivia, Guyana, Honduras, and Nicaragua) were provided until 2017 through the Fund for Special Operations (FSO) in the form of interest-free and subsidized loans. Starting from January 1, 2017, all obligations and assets of the FSO were transferred into the capital of the IDB.

science, and technology (42%), the social sector - education, healthcare, social investments (15%), the integration and trade sector (3%), and other sectors (4%). The IDB allocated the most funding for projects to Argentina (USD 2.37 billion), Mexico (USD 1.3 billion), Brazil (USD 1.1 billion), Peru (USD 774 million), and Ecuador (USD 774 million).

Currently, the IDB has 48 member countries, with 26 of them located in the Latin America and Caribbean (LAC) region. The regional group of borrowing countries holds a total of 50.02% of the voting power. The group of non-regional member countries, including Croatia, which do not borrow funds, comprises 22 countries. This group of countries has the right to participate in projects financed by the IDB and the right to decision-making. The United States is the largest individual shareholder in the IDB, holding a 30.01% share of the capital.

The Inter-American Investment Corporation (IIC)[24] is an international organization founded in 1986 under the Agreement Establishing the Inter-American Investment Corporation, which commenced operations in 1989. It is legally separate and a distinct member of the Inter-American Development Bank Group. The IIC supports the private sector in regional member countries of Latin America and the Caribbean (LAC) to promote competitiveness and inclusive economic growth.

Since 2016, when it began operating as a new organization within the IDB Group, the IIC manages all operational and administrative functions for the private sector to better serve and maximize the developmental impact on clients and partners in the LAC region.

The IIC offers financial and mixed financial products in the form of loans, guarantees, debt securities, and equity investments. To enhance its impact, the IIC mobilizes funds from other investors through loan participations, syndicated loans, guarantees, and debt security issuances. Additionally, to complement and improve the effectiveness of its development operations, the IIC provides clients with advisory services and technical assistance to build capacity and knowledge. These products aim to facilitate access to financing for small and medium-sized enterprises, promote infrastructure development, support innovation and technological advancement, improve the provision of essential goods and services, and stimulate green growth by addressing climate change and digital transformation.

24 Since November 2017, the name "IDB Invest" has been used.

The financing instruments of the IIC include loans, equity investments, debt securities investments, and guarantees. The Corporation also participates in co-financing with other investors in the market and provides advisory and technical assistance to clients.

The Multilateral Investment Fund (MIF; since October 2018, known as IDB Lab) is an innovation incubator within the IDB Group that provides support to the private sector in the regional member countries of Latin America and the Caribbean. MIF was established in 1992, and the founding agreement came into force on January 7, 1993. IDB Lab has 40 member countries, and Croatia is not a member of IDB Lab. Member countries are represented in the Donors Committee.

The purpose of IDB Lab is to promote economic growth and poverty reduction in the regional member countries of LAC by encouraging increased private investments and enhancing private sector development.

The financing instruments include grants, loans, equity investments, and guarantees, as well as combinations thereof. IDB Lab fosters innovation in areas such as education, healthcare, financial inclusion, public services, and the green economy.

Since its inception, IDB Lab has funded more than 2,300 projects in 26 countries, with a total value exceeding USD 2 billion from donor funds and USD 8 billion from mobilized resources of other organizations. Over the last five years, IDB Lab has supported three million small and medium-sized enterprises through grants, loans, direct and indirect investments, benefiting 100 million low-income individuals. In 2022, IDB Lab approved 92 operations with a total value of USD 101 million, including USD 28.0 million from IDB Lab funds and USD 32.8 million from mobilized resources.

The Board of Governors has the highest authority in IDB and IIC. The Governor for Croatia in IDB is the Minister of Finance. The Board of Executive Directors is responsible for the management of IDB and IIC, composed of directors chosen by the countries grouped in constituencies for a three-year term. Croatia is part of the constituency in IDB together with Slovenia, the United Kingdom, Portugal, and Korea. Croatia is represented by an Executive Director from Japan, with a Deputy Executive Director from the United Kingdom. In IIC, Croatia is in the constituency with Japan, Israel, Korea, Portugal, Slovenia, and Spain. The President of IDB is the legal representative of the IDB Group.

8.1 Membership of the Republic of Croatia in the IDB and IIC

Through the mutual division of the total subscribed capital of the former SFRY in the IDB (according to the formula established by the International Monetary Fund - IMF), the Republic of Croatia acquired 28.49% of the total capital, thereby initiating the process of its membership in this institution. By adopting the Law on Acceptance of the Membership of the Republic of Croatia in the Inter-American Development Bank (Official Gazette No. 94/1993), the Republic of Croatia accepted membership in the IDB through succession. The law also obligated the Republic of Croatia to comply with the rules of membership for non-regional member states, as well as the methods and conditions for settling the financial obligations arising from the purchase of IDB capital shares. On December 16, 1993, the Executive Board approved the resolution accepting the Republic of Croatia's membership, making us a full member of the IDB. The Republic of Croatia holds 6,895 shares, totaling USD 83.18 million in IDB capital (USD 2.9 million paid-in capital and USD 80.2 million callable capital), representing a 0.05% stake in the capital. The IDB's regular capital, after the capital increase in 2012, amounts to USD 170.94 billion. The Ministry of Finance is responsible for cooperation with the IDB.

The Republic of Croatia participated in the ninth capital increase of the IDB and the replenishment of the Special Operations Fund (FSO). The decision of the Government of the Republic of Croatia to participate in the general capital increase of the IDB and the replenishment of the FSO of the IDB was made on January 27, 2011 (Official Gazette No. 16/2011). As part of the general capital increase of the IDB, the Republic of Croatia had the right to subscribe to 70 shares of paid-in capital and 2,807 callable shares, maintaining its voting power share in the IDB at 0.050%. The direct financial obligation amounted to USD 844,440.25 for the subscription of paid-in capital, while the potential financial obligation for callable capital subscription was USD 33,862,055.00. As part of the replenishment of the FSO of the IDB, the Republic of Croatia had the right to contribute in proportion to its 0.06% share of the total Fund resources. The direct financial obligation for the Republic of Croatia amounted to USD 312,975.00, payable over five annual installments. Payments for new shares of paid-in capital as part of the IDB's capital increase were made in five equal annual installments, starting in 2012. For the Republic of Croatia, the annual installment for paid-in capital amounted to USD 168,888.05. All payments have been made (the last for the FSO was in November 2015, and for the general capital increase in March 2016). The FSO funds of USD 3,501,819.00 (paid-in capital) were included in the Bank's general capital on January 1, 2017.

By participating in the capital increase and replenishment of the FSO, Croatia demonstrates its credibility on the international stage and actively contributes to the goals of the IDB and the international community, which are poverty reduction and the development of countries in the Latin America and Caribbean region. Contributions to the regular capital of the IDB since 2009 are not recorded as Official Development Assistance (ODA), while contributions to the FSO are recognized as ODA.

Since the Republic of Croatia is a non-regional member, it cannot use the funds of the IDB and IIC but rather serves as a donor country through its membership. However, membership opens up opportunities for Croatian companies to participate in tenders within projects financed by the IDB and IIC. A special comparative advantage of membership in the IDB and IIC is that, along with Slovenia, we are the only members from the Central, Eastern, and Southeastern European region.

At the Annual Meeting of the Inter-American Development Bank and Inter-American Investment Corporation held in Busan, South Korea on March 30, 2015, Resolution (AG-9/15 and CII AG-2/15) was adopted, consolidating the private sector of the IDB Group into the IIC. The Governors of the IDB and IIC decided that the capitalization model of the IIC would include a USD 2.03 billion increase in capital, of which USD 1.305 billion would be new contributions from IIC members over a period of 7 years starting from 2016. The remaining USD 725 million increase in capital includes capital transfers from the IDB starting from 2018, which are approved annually by the IDB Governors, with the aim of maintaining the IDB's long-term "AAA" investment rating.

As part of the Resolution, the Governors of the IDB and IIC decided to accept the membership of the Republic of Croatia, the Republic of Slovenia, and the United Kingdom in the IIC. According to Annexes A and B of the Resolution, two capitalization models were defined for the three new members (one through share subscriptions and the other through capital transfers). Since the Republic of Croatia holds shares in the IDB and participated in the ninth capital increase of the IDB, a portion of shares and voting power will be transferred to the IIC (in accordance with Annex B of the Resolution - through capital transfers from the IDB to the IIC). As this option was chosen, membership in the IIC does not entail additional financial obligations for Croatia. From 2018 to 2025, the Board of Governors approves transfers each year. For the benefit of Croatia, 21 shares with a total value of USD 352,776.07 will be transferred from the IDB's capital to the IIC.

The Government of the Republic of Croatia adopted a decision on August 26, 2015, to initiate the process of Croatia's membership in the Inter-American Investment Corporation, and on March 22, 2018, the Government of the Republic of Croatia adopted a decision to initiate the process of concluding the Agreement on the Establishment of the Inter-American Investment Corporation. The agreement was signed by Croatia on July 10, 2018, in Washington (the Law on the Ratification of the Agreement was published in the Official Gazette - International Treaties No. 1/2019).

Croatia formally became a member of the IIC on April 12, 2019. As of December 31, 2022, Croatia holds 15 shares with a total value of USD 248,159.72 in the IIC, giving it a voting power share of 0.0088%.

Example of Establishing New Forms of Cooperation through Croatia's Donor Role

During the Annual Meeting of the IDB on March 18, 2023, the Ministry of Finance of the Republic of Croatia and the IDB signed a Memorandum of Understanding (hereinafter referred to as the Memorandum). The aim of the Memorandum of Understanding is to formalize a framework for cooperation and facilitate collaboration between institutions to promote programs and projects that foster mutual cooperation, including in the field of education, with the intention of addressing social challenges in the Latin America and Caribbean (LAC) region. Under the Memorandum, the Ministry of Finance and the IDB will jointly encourage the participation of Croatian companies in projects financed by the IDB and work on establishing collaboration with universities and other actors in the academic community, including internships, research scholarships, and other programs.

Additionally, within the framework of the Memorandum, an agreement has been prepared regarding the establishment of the EXPLEARN Mechanism (hereinafter referred to as the Mechanism), which will provide advisory assistance from Croatian institutions to interested partners in the LAC region in designing solutions for extended stays in schools. All IDB member countries that are borrowers will be considered potential beneficiaries of the Mechanism.

The Mechanism will consist of three components:

Component 1: Support for the implementation of priority activities. This component will finance the following activities: (i) improvement and diversification of learning opportunities; (ii) data-informed decision-making (i.e., strengthening information systems for educational management for monitoring student pathways, tracking knowledge acquisition for instructional adaptation, and enhancing early warning systems); and (iii) innovative teaching and learning strategies. Technological innovations and education to promote the scalability of these initiatives will also be considered eligible.

Component 2: Promotion of dialogue and knowledge exchange in the LAC region. This component will finance the following activities: (i) thematic seminars, technical training, workshops, and study visits; (ii) research and development of regional knowledge products on extended school day; and (iii) development, implementation, and/or evaluation of new mediation models to support extended school day in response to obstacles and challenges identified in workshops and study visits.

Component 3: Administrative and management costs. This component will finance costs related to monitoring, supervision, and evaluation of the Mechanism.

The Mechanism represents a contribution to the goals set at the EU-CELAC Summit of Heads of State or Government of the European Union (EU) and the Community of Latin American and Caribbean States (CELAC) held on July 17-18, 2023, in Brussels, where the EU-CELAC Declaration was adopted with the aim of renewing and further strengthening the longstanding partnership between the EU and CELAC based on their shared values and interests and strong economic, social, and cultural ties. At the same time, the Mechanism serves as an instrument to promote Croatian experiences and enhance cooperation between Croatia and the countries of Latin America and the Caribbean.

9.

ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB)

By: Irina Obućina

9.1 Establishment, Structure, and Activities

The Asian Infrastructure Investment Bank (AIIB), headquartered in Beijing, the People's Republic of China, is a new international development bank established in 2015 at the initiative of the Government of the People's Republic of China. The Bank's purpose is to promote sustainable economic development, create wealth, and enhance infrastructure connectivity in the geographical area of Asia and Oceania (as classified by the United Nations) by investing in infrastructure and other productive sectors.[25] Sometimes, AIIB's mandate is mistakenly equated with the initiative of the Government of the People's Republic of China launched in 2013 under the name "Belt and Road" (also known as "One Belt, One Road"), which aims to improve connectivity and cooperation on a transcontinental level. Although there is some overlap between the Belt and Road initiative and AIIB's operations, these are two complementary but separate initiatives. Additionally, the Bank promotes regional cooperation and partnerships to address developmental challenges by closely collaborating with other multilateral and bilateral development institutions. In this context, the Bank has been granted the status of a permanent observer in the United Nations General Assembly and the Economic and Social Council.

The Bank's founding document (Articles of Agreement) was initially accepted by 57 countries, divided into two groups:

a. Regional members - countries from Asia, Oceania, and Russia, which were initially required to provide at least 75% of the capital (initially, 37 countries joined, including those with the highest shares: China, India, Russia, South Korea, Australia, Indonesia, Turkey, Saudi Arabia, etc.).

b. Non-regional members - other countries that can make up to 25% of the capital. Initially, 20 countries joined, including 13 European Union member states (Germany, France, Italy, Spain, the Netherlands, Poland, Sweden, Austria, Denmark, Finland, Luxembourg, Portugal, Malta), as well as the United Kingdom, Switzerland, Norway, and Iceland.

25 According to the Statute, and contrary to the UN classification, the coverage of the region also includes the Russian Federation. Due to the war in Ukraine, in March 2022, the Bank's management decided to put on hold all projects approved in the territories of Russia and Belarus (source: AIIB Statement on war in Ukraine - News - AIIB).

The Bank has been operational since January 2016, with its initial capital totaling USD 100 billion, divided into 1 million shares, each valued at USD 100,000: 20% constitutes paid-in capital, while 80% represents callable capital. 85% of capital contributions are recognized as official development assistance. Since mid-2017, according to leading credit rating agencies (S&P/Moody's/Fitch), the Bank holds the highest AAA/Aaa rating with a stable outlook.

The governance structure of AIIB consists of:

- The Board of Governors as the highest body, representing all member states.
- The President of AIIB and Chairman of the Board of Directors, Mr. Jin Liqun (People's Republic of China), who was elected for his second consecutive 5-year term on July 28, 2020. In addition to the President, the senior management of AIIB includes 5 Vice Presidents, Chief Counselor, Chief Financial Officer, Chief Risk Officer, and Chief Economist. The Bank also has an International Advisory Panel that supports the President and senior management on strategic, policy, and general operational matters of the Bank.
- The Board of Directors (non-resident), consisting of 12 directors, including 3 directors representing non-regional constituencies.

Membership in AIIB is open to members of the International Bank for Reconstruction and Development (IBRD) or the Asian Development Bank (ADB, Manila, Philippines).[26] After its establishment, AIIB approved membership for an additional 49 countries, bringing the total membership to 106 countries (51 regional and 55 non-regional). Among these, 93 are full members (47 regional and 46 non-regional, including 20 European Union member states[27]), and 13 countries (4 regional and 9 non-regional) are in the process of meeting the requirements for full membership.[28] In terms of the number of member countries, AIIB ranks among the top international financial institutions, just behind the International Monetary Fund and the World Bank.

In terms of voting power, the most important members are: China (26.58%), India (7.60%), Russia (5.98%), Germany (4.16%), South Korea (3.50%),

26 Source: AIIB_Articles-of-Agreement, article 3.

27 DE, FR, IT, ES, NL, PL, SE, AT, DK, FI, GR, BE, RO, IE, LU, PT, HU, MT, HR (as non-regional members) and CY (as a regional member).

28 Source: Members of the Bank - AIIB, status on 18.09.2023.

Australia (3.46%), France (3.18%), Indonesia (3.16%), UK (2.89%), Turkey (2.50%), Italy (2.46%), and Saudi Arabia (2.44%). The overall voting power of EU member states in AIIB is 18.12%. Among other European countries, AIIB members include the UK, Norway, Switzerland, Iceland, and Serbia. Among G7 and G20 countries, the only ones not members of AIIB are the United States, Japan, and Mexico.

Table 4: A Comparison of AIIB's Position with Other Development Banks

	AIIB	ADB	AfDB	EBRD	EIB	IADB	IBRD	IFC[3]
Shareholders	**106**	68	81	71	27	48	189	186
Credit Rating	**AAA**	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Paid in Capital[1] (USD billion)	**19**	7	11	6	22	11	21	22
Paid-in Capital/Total Subscribed Capital	**20%**	5%	5%	21%	10%	6%	7%	92%
Total Assets (USD billion)	**54**	287	49	70	532	148	333	99
Treasury Liquidity Assets (USD billion)	**32**	45	18	34	76	33	79	42
Risk-Adjusted Capital	**63%**	31%	23%	31%	23%	22%	27%	34%
Equity Capital[2] (USD billion)	**21**	51	14	19	77	38	58	33

Notes:

1. Paid-in capital includes received amounts, due but not yet received amounts, and overdue amounts.

2. Equity capital includes paid-in capital, reserves, and retained earnings.

3. IFC does not have callable capital.

Source: S&P Global Ratings Supranationals Special Edition October 2022

Amounts for AfDB (published in UA) have been converted to US dollars at the rate of 1UA = 1.347862 USD as of March 31, 2023.

Amounts for EBRD and EIB (published in EUR) have been converted to US dollars at the rate of 1EUR = 0.97680 USD as of March 31, 2023

According to the Bank's Corporate Strategy for the period 2021 - 2030, the Bank's mission is defined as "Infrastructure for Tomorrow – I4T" (AIIB, 2020). All of the Bank's investments in infrastructure and other productive sectors are expected to add value and align with at least one of the following four thematic priorities:

1. Green Infrastructure
2. Connectivity and Regional Cooperation
3. Technology-Enabled Infrastructure
4. Mobilization of Private Capital

The stated strategy sets the following objectives:

a. By 2025, financing for climate change should constitute 50% of approved investments.

b. By 2030, 50% of projects supported by the Bank should relate to the private sector.[29]

c. 25% to 30% of projects should focus on cross-border connectivity.

The Bank's operations are primarily focused on the Asian region, the largest and fastest-growing region in the world, representing 45% of the global economy and 60% of the world's population. Since its establishment, the Bank has approved approximately USD 44.61 billion (of which USD 36.81 billion has been contracted) for 233 projects in 35 member countries, including some non-regional states (AIIB, 2023a).[30] The Bank's previous investments have been in the energy sector (22%); transportation sector (17%); multisector projects (15%); strengthening economic resilience – COVID-19 Crisis Response Facility (CRF) (11%); strengthening the health sector – CRF (9%); strengthening financial institutions/liquidity – CRF (7%); water sector (7%), etc. Most funding has been approved for individual projects in India, Turkey, China, Bangladesh, and Indonesia (AIIB, 2023b).

29 Currently, 62% of approved projects relate to the public sector, while 38% (i.e., 80 of them) pertain to the non-public sector.

30 Belarus, Brazil, Ivory Coast, Ecuador, Egypt, Hungary, Rwanda, and Romania. Details are available in a separate document.

Based on a decision from July 2022, in April 2023, AIIB signed an agreement with the United Arab Emirates (the founding state) to open its first overseas office in Abu Dhabi. The office will serve as a temporary operational hub, a platform for managing AIIB's growing portfolio, bringing it closer to global financial centers and connecting with the international infrastructure ecosystem, which is important for maintaining AIIB's growth momentum (AIIB, 2023c).

While AIIB's priority is to invest in the region, the Bank can also invest in the territory of non-regional members and exceptionally (with a special decision of the Board of Governors) in non-member countries. However, the statutory requirement is that the Bank's investments in a territory outside the region must have a significant impact on the region in terms of promoting its economic development and wealth creation or improving infrastructure connectivity in the region. Additionally, in 2018, the Bank established a cap on the proportion of funds that can be allocated to projects in non-regional members, within the total approved funds of the Bank, which is set at 15% and can be adjusted within the Bank's business plan. AIIB also emphasizes that operations in non-regional members will generally be carried out in collaboration with, and under the leadership of, partner international development institutions.

There are three main areas for the Bank's investments in non-regional areas:

1. Proposed investments in non-regional areas will primarily be approved for those investments aimed at supporting trade and connectivity with the region, including ports, transportation links, electricity production and transmission, and gas pipelines. Such investment proposals may be considered if trade and connectivity with the region are explicit objectives of the proposed investment, and they will be monitored during implementation. It is expected that the majority of non-regional financing will be directed towards this area.

2. Investments in global public goods, especially projects for renewable energy production (including storage or transmission), where these investments should be embedded in the country's nationally determined contributions (NDCs) as defined by the Paris Agreement (on climate change) that came into force on November 4, 2016. Since the region represents 60% of the world's population

and 45% of the global economy, investments in renewable energy production, whether in a regional or non-regional member state of AIIB, bring significant benefits to the region itself.

3. Investments in non-regional members that the Bank's Board of Executive Directors deems to be geographically close to the region and closely economically integrated with it.

9.2 Membership of the Republic of Croatia in AIIB

The initiative for the Republic of Croatia to join AIIB was presented by the Chinese side during the organization of the China+16 summit held in Dubrovnik in April 2019. At that time, the Bank had 26 full non-regional members, including 17 EU members. After considering the proposal from the Chinese side, the Government of the Republic of Croatia adopted a conclusion on April 4, 2019, expressing interest in becoming a member of AIIB. Through this conclusion, the Government of the Republic of Croatia tasked the Minister of Finance with sending a letter of interest to AIIB, and authorized the Ministry of Finance for further communication and collaboration with AIIB.

AIIB reviewed Croatia's expression of interest, and on May 28, 2019, provided the Ministry of Finance with an indicative offer for Croatia to become a member, subject to the following indicative provisions and conditions:

- The Republic of Croatia may subscribe up to 50 shares of AIIB's capital, of which the value of 10 shares is paid-in shares, while 40 shares are callable shares. The nominal value of each share is USD 100,000.
- Subscribing to 50 shares would allow the Republic of Croatia to have a total capital in AIIB of USD 5,000,000, with 20% (or USD 1,000,000) effectively paid to AIIB for the mentioned 10 shares. The remaining 80% (or USD 4,000,000) for 40 callable shares represents a potential obligation for the Republic of Croatia, and the payment of the subscribed callable capital can only be the subject of a call by AIIB when needed to meet its obligations.
- Payments related to the paid-in shares subscribed by the Republic of Croatia would be made in five (5) equal annual installments, with

the first installment paid by the date of submission of the Republic of Croatia's instrument of accession to AIIB's Statute, and subsequent installments by the first, second, third, and fourth anniversaries of the date on which the Republic of Croatia became a member of AIIB. Each installment is paid in US dollars.

On August 1, 2019, the Government of the Republic of Croatia adopted a decision giving consent to initiate the process of Croatia's membership in AIIB. Through this decision, the Government of the Republic of Croatia tasked the Minister of Finance with sending a letter of application for membership to AIIB, and authorized the Ministry of Finance to handle communication and collaboration with AIIB, as well as to undertake and coordinate further legal and procedural steps in the process of Croatia's membership. At the end of 2019, the Bank informed the Ministry of Finance that the Bank's Board of Governors had adopted Resolution No. 90 on the admission of the Republic of Croatia to its membership, subject to the following conditions:

- Submitting to the Bank the instrument of accession to the Statute no later than December 31, 2020.
- Subscribing to fifty (50) shares of the Bank's capital, of which ten (10) shares shall be paid, and forty (40) shares shall be callable. The nominal value of each share is one hundred thousand (100,000) USD.
- The payment of the amount subscribed to the Bank's basic capital, which is paid, is made in five (5) installments of twenty (20) percent of that amount each. The first installment is due on the date or before the date of submission of the instrument of accession to the Statute, and the remaining four (4) installments become due successively one (1) year after the due date of the previous installment.
- The Republic of Croatia becomes a non-regional member of the Bank on the date mentioned in the previous paragraph after the payment of the first installment.

Furthermore, the Board of Governors drew attention to the obligation under Article 44.2 of the Statute, which requires each member to take immediate action necessary to bring into effect the provisions concerning the status, immunities, privileges, and exemptions defined in Chapter IX of the Statute, which are granted to the Bank on the territory of each member, to enable the Bank to fulfill its purpose and perform the functions entrusted to it. Given the outbreak of the COVID-19 pandemic in early 2020, the Bank's Board of Directors adopted an additional Resolution No. 102 on December 17, 2020, extending the deadline for accession to the Bank until December 31, 2021, for Croatia and all other potential members not listed in Appendix A of the Statute.

Having met the requirements for membership in AIIB, Croatia became the 88th full member of the Bank on December 17, 2021, acquiring a share of 0.0052% in the capital of AIIB. According to the current status, based on its share in AIIB's capital, Croatia currently has 1521 votes, or a voting power of 0.1348%. The only remaining step was a special decision by AIIB that was excluded from the regular process of becoming a full member of the Bank, relating to the selection of a constituency, i.e., the allocation of votes to one of the directors of the non-regional constituency. In this context, since one of the non-regional constituencies consists exclusively of European area countries, Croatia, in light of its upcoming accession to the European area in June 2022, decided to allocate its vote to the director of the respective constituency, which includes Austria, Belgium, Cyprus, Finland, France, Greece, Germany, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, and Spain.

It is expected that Croatian companies will benefit the most from Croatia's membership in AIIB, as it will increase their visibility in tenders for projects financed by AIIB in the reference region. Since this is a competitive market, this expansion creates room for gaining new experiences, additional knowledge, and skills for Croatian entrepreneurs, with an expected multiplier effect on the Croatian economy. By becoming a member of AIIB, Croatia strengthens its relations with international partners and contributes to the economic recovery of its private sector, as well as strengthening the foundations for resilience to future crises.

* * *

Picture 8: Representatives of the 57 founding member states of AIIB gathered on June 29, 2015, in Beijing for the signing ceremony of the Bank's Statute.

Source: AIIB (50 Countries Sign the Articles of Agreement for the Asian Infrastructure Investment Bank - News - AIIB)

Picture 9: Alexandria-Abou Qir Metro Line Project

Note: In December 2022, the AIIB Board of Directors approved a loan of 250 million euros to Egypt for the Alexandria-Abou Qir Metro Line Project. The project aims to increase access to efficient, safe, and low-carbon public transportation in the city of Alexandria. The project is co-financed by the EBRD, EIB, and Agence Française de Développement.

Source: AIIB (AIIB Extends EUR250M to Support Egypt's Green Public Transportation - News - AIIB)

10.

EUROPEAN STABILITY MECHANISM (ESM)

By: Jadranka Hajdinjak and Hrvoje Mršić

10.1 Establishment, Activity, and Structure

The European Stability Mechanism (ESM) is an intergovernmental organization established by euro area member states in 2012. Its mission is to enable euro area countries to avoid and overcome financial crises while maintaining long-term financial stability and prosperity.

In this role, the ESM succeeded the European Financial Stability Facility (EFSF), a temporary institution established in 2010. Both institutions played a crucial role in preserving the integrity of the euro area during the sovereign debt crisis, providing a total of 295 billion euros in loans to five member states (Ireland, Portugal, Greece, Spain, and Cyprus). As part of their ESM/EFSF programs, these countries implemented the necessary reforms to address the economic and financial challenges they faced.

The ESM fulfills its role by approving loans and other forms of financial assistance to member states facing severe financial situations or threats. In other words, the ESM acts as the "lender of last resort" to euro area members when they are unable to refinance their government debt at sustainable interest rates in financial markets. Member states receive loans in exchange for committing to implement economic reforms, known as "Conditionality."

On December 4, 2019, the Eurogroup agreed in principle, in accordance with national procedures, on elements related to the reform of the ESM. The basic elements of the reform include: a) strengthening the ESM's role in preparing and monitoring future programs; b) establishing a Common Backstop for the Single Resolution Fund; c) improving the effectiveness of preventive financial assistance instruments; d) promoting a sustainable level of debt; and e) introducing new modes of cooperation between the ESM and the European Commission.

Heads of state or government of euro area member states approved a package of reforms in December 2018 to strengthen the Economic and Monetary Union (EMU) and the ESM (including work on completing the Banking Union and introducing a new budgetary instrument for the euro area). The intention is to further enhance the euro area's ability to prevent crisis situations and capacity to address them by strengthening the role of the ESM. The expanded mandate of the ESM will come into effect upon the acceptance of the Amendment Agreement to the ESM Treaty, which requires ratification by all 20 ESM member countries.[31] The Amendment Agreement introduces a Common Backstop (CB) and Collective Action Clause (CaCs) provisions.

In accordance with the Amendment Agreement to the ESM Treaty, the ESM will have a stronger role in designing, negotiating, and monitoring conditionality in future financial assistance programs. When an ESM member requests financial assistance, the European Commission, in cooperation with the European Central Bank and the ESM, will work closely together to develop ESM crisis management measures aimed at achieving financial stability. This includes assessing debt sustainability and the borrower's ability to repay debt, as well as risk assessment. The ESM will conduct its analysis and assessment from the perspective of the lender and will be involved in developing policy conditions. Each future Memorandum of Understanding that outlines the conditions related to the financial assistance instrument will be signed by both the European Commission and the Managing Director of the ESM. The ESM will also monitor compliance with the conditions related to the financial assistance instrument jointly with the European Commission, in cooperation with the European System of Central Banks (ESB).

Financial Instruments of the ESM

Due to the strong interconnectedness within the euro area, serious risks to the financial stability of member states using the euro as their currency can jeopardize the financial stability of the entire euro area. Therefore, the European Stability Mechanism (ESM) can provide support for the stability of an ESM member under strict conditions that correspond to the chosen instrument of financial assistance, if it is necessary to protect the financial stability of the euro area as a whole and its member states. The financial instruments of the ESM are:

1. Loans under Macroeconomic Assistance Programmes

ESM loans provide financing to an ESM member state that has lost access to financial markets, meaning it cannot refinance its debt by issuing bonds in the financial markets due to difficulties in finding investors or because of excessively high financing costs that would negatively impact the sustainability of its public finances.

31 The Italian Republic is the only member state of the ESM that has not yet ratified the Amendment Agreement to the ESM Treaty.

ESM loans are conditioned on the implementation of macroeconomic reform programs prepared by the European Commission (EC) in cooperation with the European Central Bank (ECB) and, if necessary, the International Monetary Fund (IMF). These institutions oversee the implementation of the macroeconomic adjustment program, and the ESM member state is required to cooperate with them. If a beneficiary state of ESM loans significantly deviates from the macroeconomic adjustment program, disbursements of the loans can be withheld.

Loans are approved in one or more tranches, each of which may consist of one or more disbursements. Loans can be granted with a grace period for repayment. Each tranche of the loan has its own specified repayment or maturity date. Interest on loans is applied after the first disbursement. Beneficiary member states can make early repayments of loans on a voluntary basis, subject to a fee.

ESM loans are granted at an interest rate determined by adding to the base rate at which the ESM raises funds in financial markets by issuing bonds and notes: a) a service fee (covering ESM operational costs), b) a margin, and c) a commitment fee.

2. Preventive Financial Assistance

Preventive financial assistance is granted to ESM member states whose economic conditions allow them continuous access to financial markets.

ESM provides preventive financial assistance through two types of credit lines:

a. **Precautionary Conditioned Credit Line (PCCL)**: It is available to an ESM member state with fundamentally sound economic and financial conditions that meet eligibility criteria, such as the level of public debt, external position, or access to financial markets on reasonable terms.

b. **Enhanced Conditions Credit Line (ECCL):** It is granted to euro area member states whose economic and financial conditions remain sound but do not meet the eligibility criteria for PCCL. The ESM member is required to implement corrective measures to address such weaknesses and avoid future issues related to market financing access. The ESM member has flexibility in requesting financial resources under ECCL at any time during the availability period.

ESM member states granted ECCL or PCCL are subject to enhanced monitoring by the EC.

3. Market Support Instrument

ESM can engage in the purchase of bonds or other debt securities issued by ESM member states at market prices in the primary market to facilitate the maintenance or reestablishment of relationships with investors and thereby reduce the risk of a failed issuance. This instrument can be complemented by an ESM loan under a macroeconomic assistance program or a precautionary conditioned credit line. ESM can purchase up to 50% of the issuance amount. Such purchases are typically conducted toward the end of the adjustment program to assist the ESM member in returning to the financial market.

4. Secondary Market Support Instrument

This instrument is applied when market liquidity is low, and if the economic and financial situation of the member state is fundamentally sound.

Decisions on interventions in the secondary market to prevent the spread of problems are made based on an analysis by the ECB that identifies the presence of exceptional circumstances in the financial market and risks to financial stability.

5. Loans for Indirect Bank Recapitalization

These loans are granted to ESM member states to preserve the financial stability of the euro area in cases where the cause of the crisis is the financial sector rather than fiscal or structural policies.

Loans for indirect bank recapitalization are granted when an ESM member state demonstrates that it cannot meet capital requirements through the private sector and is unable to recapitalize the institution without negative effects on its own financial stability and fiscal sustainability. The institutions being recapitalized should be of systemic importance or represent a serious threat to the financial stability of the euro area or its member states. The ESM member state should demonstrate its ability to repay the loan.

If the recipient bank is solvent, the recapitalization is referred to as "precautionary recapitalization." In this case, state aid rules apply, and the

Directorate-General for Competition of the European Commission will decide on possible measures on a case-by-case basis.

If the recipient bank is failing or likely to fail, the rules of the Bank Recovery and Resolution Directive (BRRD) apply. The Single Resolution Board, in the case of systematically important banks and other banks benefiting from ESM assistance, can decide to initiate a bank resolution procedure and may restructure the bank using resolution tools available under the BRRD. Bail-in of creditors and shareholders is one such tool, and an 8% bail-in of total liabilities is a condition for using any public support (including ESM assistance) in the resolution. Therefore, the rescue of subordinated debt should be mandatory before any public support (including ESM loans) is provided.

6. Loans for Direct Bank Recapitalization

These loans are granted to ESM member states with the aim of reducing the risk from the financial sector to the state through the direct recapitalization of institutions. The total amount of assistance for this instrument is limited to 60 billion euros, from the ESM's maximum lending capacity of 500 billion euros. This instrument is relevant to banks (systemically important credit institutions), financial holdings, and mixed financial holdings as defined by European Union legislation.

Loans for direct bank recapitalization are granted when an ESM member state demonstrates that: a) the bank in question is unable to meet the relevant capital requirements and cannot attract sufficient capital through support from the private sector; b) there is no possibility to recapitalize the bank without compromising its own financial stability; c) the bank has systemic importance or represents a serious threat to the financial stability of the euro area as a whole or the ESM member state making the request; d) the institution is supervised by the ECB.

Since all components of the Banking Union have been operational since January 2016, the instrument of direct recapitalization will only be applicable when all other measures, including the bail-in mechanism, have been exhausted.

ESM can take on the role of a shareholder in the bank it recapitalizes. ESM will then acquire ordinary shares in the bank through the direct recapitalization instrument. ESM's participation is temporary, so it can sell its shares in the recapitalized institution after some time.

Direct recapitalization means that ESM directly injects capital into the bank, which differs from indirect recapitalization, where ESM lends funds to the country whose government then uses the funds for bank recapitalization.

ESM can directly recapitalize a bank only if the bank is unable to raise sufficient capital from private sources, such as bail-in. The beneficiary institution must also pose a serious threat to the financial stability of the euro area as a whole or one of its member states.

The EC, in collaboration with the ECB and IMF (where appropriate), will assess whether the ESM member state making the request meets the eligibility criteria specified in the ESM Treaty and the Guidelines on the Direct Recapitalization Instrument. Additionally, in collaboration with the EC, the relevant resolution authority, and the ECB as the supervisor, the ESM will assess whether the institution meets the eligibility criteria specified in the Guidelines on the Direct Recapitalization Instrument.

7. Loan for COVID-19 Financing

These loan funds were intended to cover the healthcare costs of euro area member states related to the pandemic. Euro area member states that sought support were required to commit to using the loan funds only for domestic financing of direct and indirect healthcare costs, treatment, and prevention related to the COVID-19 crisis. The credit line was available until the end of 2022.

Conditionality policy applies to the following ESM financial assistance instruments:

a. Loans to ESM members under macroeconomic assistance programs

b. Loans to ESM members for bank recapitalization

c. Loans for the direct recapitalization of financial institutions

d. Purchase of bonds in primary and secondary markets

e. Precautionary conditioned credit line

f. Enhanced conditions credit line

Conditionality implies that the beneficiary country is obliged to implement reforms to overcome the issues that led it to seek financial assistance. These reforms are typically aimed at addressing or reducing weaknesses in the beneficiary country's economy, restoring competitiveness, and regaining access to financial markets. Conditioned policies are outlined in a Memorandum of Understanding signed by the member states implementing the program and the EC on behalf of the ESM.

Between 2011 and 2018, the ESM and EFSF provided 295 billion euros in loans to five countries: Ireland, Portugal, Greece, Cyprus, and Spain. ESM raised funds for financing through the issuance of bonds and commercial paper (short-term securities) to investors worldwide.

10.2 Governance Structure of the ESM

The governing bodies of the ESM are the Board of Governors and the Board of Directors. The Managing Director of the ESM is appointed by the Board of Governors for a five-year term and can be reappointed once. The Managing Director, along with the ESM Management, is responsible for the day-to-day operations of the ESM under the guidance of the Board of Directors.

Board of Governors

The Board of Governors is the highest decision-making body of the ESM. It consists of representatives of the government responsible for finance from each of the 20 ESM member states. Representatives from the European Commission and the European Central Bank may participate in meetings of the Board of Governors as observers. The President of the Eurogroup presides over the Board of Governors. The Board of Governors meets at least once a year and whenever the business of the ESM requires it.

Board of Directors

The Board of Directors consists of representatives from each of the 20 ESM member countries. Each member of the Board of Governors appoints one representative to the Board of Directors and one alternate representative. The European Commission and the European Central Bank may participate in meetings of the Board of Directors as observers. The Board of Directors makes decisions in accordance with the provisions of the ESM Treaty and bylaws, or as directed by the Board of Governors. Decisions are made by a qualified majority, unless otherwise specified in the ESM Treaty. The Managing Director of the ESM presides over the meetings of the Board of Directors. The work of the Board of Directors is supported by the Risk Committee and the Budget and Audit Committee.

Audit Committee

The Audit Committee is an independent supervisory body of the ESM, and its mandate is defined in the ESM Treaty and bylaws. The committee reviews the regularity, compliance, efficiency, and risk management within the ESM and monitors internal and external audit processes within the ESM, as well as their outcomes. The Audit Committee prepares an annual report on the financial statements of the ESM, which is included in the ESM's annual report, along with the opinion of external auditing. Additionally, the Audit Committee compiles an annual report for the Board of Governors on its audit work, audit findings, conclusions, and recommendations. This report is made available to national parliaments and supreme audit institutions of ESM member states, as well as to the European Court of Auditors and the European Parliament, along with comments from the ESM Management in response to the report.

10.3 Membership of the Republic of Croatia in the ESM

The shareholders of the ESM are exclusively euro area countries. Each ESM member participates in the capital of the ESM based on their respective share of the total population of the European Union and gross domestic product (GDP). The accession of new members is factored into the capital contribution key, slightly reducing the contribution keys of founding members. The amounts of subscribed nominal capital and paid-in capital remain unchanged.

In accordance with the preamble of the ESM Treaty, European Union member states are expected to become full members of the ESM after adopting the euro as their official currency. Based on this, the ESM Board of Governors must approve requests for accession to the ESM, including related technical terms and adjustments to the ESM Treaty. Following this, the ESM member joining must ratify the ESM Treaty.

When the ESM was established in 2012, the original 17 euro area countries became founding members of the institution. Since then, three more countries, Latvia, Lithuania, and Croatia, have joined the euro area and become ESM members.

The ESM has a total capital of almost 708 billion euros, consisting of over 80 billion euros in paid-in capital contributed by ESM member states and approximately 628 billion euros in callable capital. The paid-in capital supports the financial strength and high creditworthiness of the ESM as an issuer of bonds and notes and is not used in financial assistance activities to member states.

Each member contributes to the ESM's capital based on its share of the total EU population and GDP. In accordance with Article 42 of the ESM Treaty, ESM member countries whose gross domestic product (GDP) per capita (at market prices in euros for the year immediately preceding their accession) is less than 75% of the EU's average GDP per capita, are eligible for a temporary adjustment to the contribution key for a period of 12 years from the date of euro adoption. During this period, the initial subscribed capital of the member using the adjustment is lower, resulting in temporarily lower paid-in capital contributions. After the expiration of the adjustment period, the member is obliged to pay the remaining capital amount. Currently, three members are using temporary adjustments (the end of the 12-year adjustment period is shown in parentheses): Latvia (2026), Lithuania (2027), and Croatia (2035). Since Croatia adopted the euro on January 1, 2023, it will benefit from the temporary adjustment to the key until January 1, 2035.

In accordance with the Government of the Republic of Croatia's Decision to Accept the Letter of Interest and Submit an Application for Croatia's Membership in the ESM of July 28, 2022, the Minister of Finance sent a Letter of Interest and an Application for Croatia's Membership in the ESM to the ESM. The ESM Board of Governors adopted Resolution No. 3 "Approval of the Republic of Croatia's Accession Request and Detailed Technical Conditions in This Regard" on December 5, 2022, approving (a) the Republic of Croatia's accession request to the ESM and (b) establishing detailed technical conditions for the Republic of Croatia's accession. The Law on the Ratification of the ESM Treaty and the Law on the Ratification of the Amendment Agreement to the ESM Treaty were published in the Official Gazette – International Treaties No. 2/2023. The Republic of Croatia became the 20th member of the ESM on March 22, 2023.

Table 5. Contribution Key to the ESM

Member state of ESM	ESM key (%)
Belgium	3,4250
Germany	26,7402
Estonia	0,2527
Ireland	1,5684
Greece	2,7745
Spain	11,7256
France	20,0809
Croatia	0,5215
Italy	17,6457
Cyprus	0,1933
Latvia	0,2732
Lithuania	0,4042
Luxemburg	0,2467
Malta	0,0892
Netherlands	5,6315
Austria	2,7418
Portugal	2,4716
Slovenia	0,4643
Slovakia	0,9791
Finland	1,7706
Total	**100,0"**

Source: ESM

By joining the ESM, the Republic of Croatia initially subscribed capital in the amount of 3,695,000,000.00 euros (of which paid-in capital is 422,290,000.00 euros, and callable capital is 3,272,710,000.00 euros). The initial capital subscription of 3,695,000,000.00 euros by the Republic of Croatia corresponds to 36,950 shares in capital, consisting of 4,222.9 paid-in shares and 32,727.1 callable shares. In accordance with Article 41 of the ESM Treaty, the Republic of Croatia will pay the amount of paid-in capital of 422,290,000.00 euros in five annual installments. After the expiration of the temporary adjustment to the key on January 1, 2035, the Republic of Croatia will additionally subscribe capital in the amount of 2,038,900,000.00 euros (of which paid-in capital is 233,010,000.00 euros, and callable capital is 1,805,890,000.00 euros). The Republic of Croatia will then have subscribed capital in the amount of 5,733,900,000.00 euros, which corresponds to 57,339 shares in capital, consisting of 6,553 paid-in shares and 50,786 callable shares. The Republic of Croatia will pay the amount of 233,010,000.00 euros of paid-in capital in one installment in the month following the expiration of the temporary adjustment. The Republic of Croatia's contribution to the ESM key will initially be 0.5215%.

Table 6. Subscription of Approved Basic Capital of the ESM

ESM member	Number of Shares	Subscribed capital (EUR)
Belgium	242.662	24.266.200.000
Germany	1.894.528	189.452.800.000
Estonia	17.907	1.790.700.000
Ireland	111.117	11.111.700.000
Greece	196.573	19.657.300.000
Spain	830.750	83.075.000.000
France	1.422.720	142.272.000.000
Croatia	36.950	3.695.000.000
Italy	1.250.187	125.018.700.000
Cyprus	13.696	1.369.600.000
Latvia	19.353	1.935.300.000
Lithuania	28.634	2.863.400.000
Luxemburg	17.477	1.747.700.000
Malta	6.323	632.300.000
Netherlands	398.988	39.898.800.000
Austria	194.252	19.425.200.000
Portugal	175.114	17.511.400.000
Slovenia	32.894	3.289.400.000
Slovakia	69.369	6.936.900.000
Finland	125.443	12.544.300.000
Total	**7.084.937**	**708.493.700.000**

Source: ESM

11.

GLOBAL FINANCIAL ARCHITECTURE REFORM

By: Hrvoje Mršić

11.1 Global Financial Architecture Reform

The world is facing a series of overlapping crises, with the ongoing effects and consequences of the COVID-19 pandemic, the war in Ukraine resulting in energy and food shocks, and inflation reaching levels not seen in decades in many countries. At the same time, the visibility of climate change through the increasing frequency of extreme weather events has intensified. The scope of financial response needed to address these crises is significant. Ukraine has estimated that the reconstruction of war-affected areas and its economy could cost up to $750 billion, while the estimated funding gap to achieve the United Nations Sustainable Development Goals by 2030 is currently estimated at $3.7 trillion. Meanwhile, both developed and developing economies are facing significant fiscal constraints exacerbated by the challenges described. It has become clear that the existing financing framework is limited and cannot be met solely through public funding. Consequently, since 2015, the UN has called for action to leverage the opportunities of private sector financing and thus turn "billions into trillions," with a focus on financing the achievement of sustainable development goals. Although the possibilities for private sector investments in mitigating climate change and other sustainable development goals are quite substantial, mobilizing these funds continues to be a challenge.

International financial institutions play a crucial role in supporting economic stability, sustainable development, and poverty reduction worldwide. These institutions have been providing financial support to developing countries for decades through loans, grants, and consulting services in various areas such as transportation infrastructure, education, healthcare, environmental protection, and more. However, the dynamics of global development show that changes in the functioning of these banks are needed to better address contemporary challenges and achieve more effective results. One key aspect of the reform should be a greater focus on the sustainable development goals outlined in the United Nations Agenda 2030. Multilateral financial institutions should ensure that the projects they finance contribute to sustainable development, inequality reduction, and environmental protection. This requires a more thorough analysis of projects and an assessment of their long-term impact on the environment and various social aspects.

The reform of multilateral financial institutions should provide mechanisms for more efficient allocation of financial and other resources according to established priorities. Better coordination among different multilateral financial institutions and avoiding overlap or competition would improve the targeting of funds and increase the overall impact of supported projects. Greater emphasis on transparency and accountability in decision-making processes on financing could increase the trust of all stakeholders, especially aid recipients. In the field of innovation and technological progress, reforms should enable the better use of the potential of multilateral financial institutions. This could involve support for projects focusing on digitization, renewable energy sources, technological development in agriculture, and other sectors with high potential for transforming low-income countries. Involvement of the private sector can be crucial in achieving a wider scope and impact of development projects. Reforms should facilitate partnerships between the public and private sectors, reduce the risk for private investors, and promote sustainable business models that have a positive impact on society and the environment. Greater support is also needed to strengthen institutional capacity in recipient countries, which can ultimately enhance the sustainability of development projects in the long run. Reforms should encourage training programs, knowledge transfer, and technical support so that aid-receiving countries can independently manage projects after the end of financial assistance.

In line with these challenges, during the Italian G20 presidency in 2021, an independent G20 Panel was established to review the Capital Adequacy Framework (CAF) of multilateral development banks (MDBs).[32,33] The panel was tasked with i. establishing credible and transparent criteria for assessing the adequacy of capital; ii. ensuring a consistent understanding of the topic among all relevant stakeholders (shareholders, the banks themselves, and credit rating agencies); iii. enabling shareholders to consider potential adjustments to maximize MDB financing capacity. The panel published its report in July 2022 under the Indonesian G20 presidency, which contained 17 recommendations distributed across five broad areas: i. Adjusting the approach to defining risk tolerance; ii. Giving more importance to callable

32 African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, Islamic Development Bank, Nordic Development Bank, World Bank Group

33 The term "multilateral development banks" is used, not "international financial institutions," to align with the terminology in official G20 documents.

capital; iii. Expanding the use of financial innovations; iv. Improving the assessment of MDB financial strength by credit rating agencies; v. Increasing access to MDB data and analysis.

Following this, G20 leaders, during the summit in Bali in November 2022, called for the development of a roadmap for the implementation of G20 recommendations. The first report was presented in July 2023 under the Indian G20 presidency, with key findings highlighting the need to accelerate the implementation of G20 recommendations and encourage MDBs to collaborate and develop systemic approaches to CAF implementation, wherever possible.

France presented ideas for a new global financing agreement at a conference held in Paris on June 22-23.[34] It was emphasized that the current financial architecture for development is built on the foundations of "Bretton Woods," and it is time for a new global financial pact. The goal is to more strongly promote financing for climate change mitigation, biodiversity protection, and align the actions of MDBs as much as possible with the United Nations' Sustainable Development Goals by 2030. In a joint statement signed by 52 countries (including Croatia), the need was highlighted for:[35]

- Closer collaboration between various MDBs, as well as United Nations agencies and philanthropists.
- Activation of all existing financial mechanisms and a stronger focus on new financing mechanisms (especially in terms of financing by the private sector).
- Retaining the focus of concessional loans for low-income countries. However, it also advocates for the development of new forms of concessional financing aimed at addressing global challenges, provided they do not jeopardize the availability of concessional financing for low-income countries.
- Stronger integration of climate aspects into all aspects of MDB activities.

34 More detailed information about the conference and its outcomes can be found at: https://nouveaupactefinancier.org/en.php

35 Full text available at: https://nouveaupactefinancier.org/pdf/multilateral-development-banks-vision-statement.pdf

- Providing support to developing countries in strengthening their institutional capacity, including analytical capacity and policy dialogue capacity.

These stated needs are another indicator of the direction needed to adapt the operations of MDBs to new global circumstances and improve their effectiveness in strengthening the individual capacities of low-income countries.

11.2 New Global Financial Pact and European Financial Architecture for Development

As the largest single source of funding for the global financial architecture for development, the European Union (EU) and its member states occupy a central position and play a crucial role in advancing global development. Within the EU, there are currently numerous instruments and institutions promoting the goals of the 2030 Agenda. The EU's program for neighborhood, development, and international cooperation - Global Europe (NDICI - Global Europe), adopted within the Multiannual Financial Framework 2021-2027, provides a strategic framework and a set of mechanisms for financing investments in partner countries (mostly low-income countries). For the period 2021-2027, the EU budget has allocated €79.5 billion for the implementation of NDICI - Global Europe. Within this instrument, two important mechanisms are at work: the European Fund for Sustainable Development Plus (EFSD+) and the External Action Guarantee (EAG). These mechanisms provide a wide range of financial and technical support for implementing development projects in third countries, including mobilizing private capital.

Key European financial institutions involved in financing development projects are the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). In addition to them, several national development institutions that have gone through an accreditation process are involved in managing European financial instruments for development. The two largest national development institutions are the French Agence Française de Développement (AFD) and the German Kreditanstalt für Wiederaufbau (KfW), which are part of the Enhanced Partnership Group, along with the Spanish Agencia Española de Cooperación Internacional para el Desarrollo and the Italian Cassa Depositi e Prestiti. The

European Association of European Development Finance Institutions (EDFI) brings together representatives from fifteen national development banks and other institutions involved in bilateral development financing projects in low-income countries.

One of the European Union's important goals for the 2021-2027 budget period is to enhance the effectiveness of institutions participating in providing development assistance. In this regard, the emphasis is on improving the cooperation between EIB and EBRD while reducing fragmentation and project overlap. The regulation establishing the NDICI - Global Europe instrument provides a significantly stronger framework for the visibility, reporting, and evaluation of EU development cooperation than before. Better communication and cooperation among different stakeholders are sought through the "Team Europe" initiatives, which represent joint planning and implementation of thematic activities by various EU actors involved in development cooperation.[36]

After a two-year process, the Council's conclusion on strengthening the European financial architecture for development was adopted on June 14, 2021, based on the Feasibility Study on Options from the Wise Persons Group report from September 2019. The conclusion encourages stronger cooperation channels between EIB, EBRD, and EC and a clearer division of labor between EIB and EBRD with strong coordination by EC. EIB and EBRD should enhance their development operations within their mandates and business models without increasing capital. The conclusion leaves the strategic development of EBRD and EIB in terms of development cooperation (further geographic expansion of EBRD and the establishment of a separate development branch of EIB) to the decision of the governing bodies of these institutions. EIB and EBRD commit to reporting to the Council twice a year in 2022 and once a year from 2023 onwards. Following the content of the Council's conclusion, EIB and EBRD established a high-level working group and signed a Framework Agreement on Cooperation on External Projects on October 11, 2021. The aim of this Agreement is to improve cooperation and avoid duplications in activities when preparing jointly co-financed projects. The banks have improved the division of labor, information exchange, and joint external communication to enhance visibility within the Team Europe approach. Various aspects of enhanced cooperation between EIB and EBRD

36 More details about Team Europe initiatives can be found at the following link: https://capacity4dev.europa.eu/resources/team-europe-tracker_en

are being worked out at the operational level within six working groups (task forces).

EIB

In September 2021, the EIB Board of Directors adopted the following measures to enhance its development work:

- Establishing a separate organizational unit for development (*Development branch*) that will consolidate all of EIB's operations outside EU member states, which commenced its operations at the beginning of 2022.
- Establishing the Board Advisory Group on EIB's Global Operations to provide expert support to the Board of Directors for EIB's operations outside EU member states. The members include representatives from EU member states, the European Commission (EC), and the European External Action Service (EEAS).

EBRD

Based on the European Bank for Reconstruction and Development's (EBRD) Strategic Capital Framework (SCF) for the period 2021-2025, EBRD has expressed interest in the potential limited and gradual expansion of its operations beyond its existing regions to sub-Saharan Africa and Iraq. This expansion entails the necessary amendment to the Bank's Articles of Agreement and a decision by the EBRD's Governors. The question of geographic expansion was a topic of the mid-term review of the SCF at the annual meeting in 2022. According to the conclusions of the Report on Potential Geographic Expansion, EBRD has the potential for annual commitments at the level of €12.5-13.5 billion by 2030 (an increase of €2-3 billion compared to €10 billion in 2021). The projection assumes operations in 6-10 new countries. EBRD conducted market assessments for its products in Benin, Burkina Faso, Ivory Coast, Ghana, Kenya, Nigeria, Senegal, Sudan, and Iraq. The emphasis is on supporting private sector development and complementary operations with other development institutions. According to the findings of the Report, a limited and gradual expansion of operations is possible, which should not jeopardize the financial stability and existing operations of EBRD in its current operational countries.

Example of the new EU approach to development cooperation with Latin American and Caribbean countries through the Team Europe initiatives:

During the EU-LAC Business Roundtable within the EU-CELAC (The Community of Latin American and Caribbean States) Summit held on July 17, 2023, President of the European Commission Ursula von der Leyen presented the EU-LAC Global Gateway Investment Agenda (EU-LAC GGIA). The EU-LAC Business Roundtable was co-organized with the Inter-American Development Bank (IDB) and the Development Bank of Latin America (CAF), both of which played a significant role in preparing the GGIA, along with the Spanish government and the European Commission.

The GGIA includes potential investment projects aimed at addressing the infrastructure needs of the region while creating local value and promoting growth, jobs, and social cohesion. The GGIA also represents a political commitment to work together, identify fair green and digital investment opportunities in Latin America and the Caribbean, and leverage the benefits of an open environment created by trade and investment agreements to achieve sustainable development goals. The GGIA will be implemented through Team Europe initiatives.

The European Commission announced that more than €45 billion has been allocated through institutions involved in Team Europe for partnership projects with Latin America and the Caribbean until 2027.

The GGIA is based on four pillars:

1. Just Green Transition

2. Inclusive Digital Transformation

3. Human Development

4. Health Resilience and Vaccines

Projects: The GGIA includes a list of over 130 projects to make the just green and digital transition a reality on both sides of the Atlantic. The list was compiled in close collaboration with the Spanish Presidency and serves as a basis for further dialogues with Latin American and Caribbean partners.

Highlighted projects:

1. Green Hydrogen in Chile - This Team Europe initiative for the development of green hydrogen in Chile is a joint effort of the EU and its member states to promote collaboration with Chile in developing its economy based on renewable hydrogen.

2. EU-LAC Digital Alliance - GG investments will also be facilitated through the EU-LAC Digital Alliance, launched in March 2023. This joint initiative brings together key stakeholders from the public and private sectors to position the EU and LAC at the forefront of inclusive digital transformation.

3. Digital Jamaica - Providing broadband access to Jamaica, Jamaica's digital plan includes addressing digital divides in rural areas, facilitating access to education, and promoting technological innovation in the private sector.

4. Health Resilience and Vaccine Production in Mexico - "Health resilience and vaccine production" in Mexico will help strengthen Mexico's health resilience system and create new market opportunities for both the Mexican and EU pharmaceutical, biotechnology, and medical industries.

11.3 Croatia's Views on Reforming the Global and European Financial Architecture for Development

The Republic of Croatia has supported all activities aimed at improving the development architecture, the efficient use of financial instruments, and increasing the visibility of the EU worldwide. During Croatia's presidency of the EU Council in 2020, active efforts were made to prepare and adopt Council conclusions based on recommendations and analyses by independent expert groups.

At the IMF/WB Spring Meetings in 2023, Croatia supported the "World Bank Group Development Roadmap," which was created to better address current global development challenges. Croatia believes that Multilateral Development Banks (MDBs) should play a key role in supporting client countries in implementing their development strategies, with the aim of achieving a green and sustainable recovery and reducing social disparities. MDBs should intensify the use of their research and analytical capacities to provide advisory services that encourage low-income countries to focus more on investments with broader societal benefits. Additionally, Croatia's stance is that MDBs should apply a broader range of instruments, including guarantees and insurance products, to mobilize more private capital. In this regard, Croatia supports the ongoing capital adequacy review of MDBs in line with G20 recommendations to make MDBs more active with their existing capital. The use of innovative instruments such as Exposure Exchange Agreements[37] between MDB institutions is also one possible way forward that could be further developed, as it has proven to be a useful tool in the past.

Within European practices, Croatia has supported further deepening the cooperation between the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) at the strategic and technical levels to preserve their comparative advantages and synergistically leverage their knowledge and experience. Croatia has also supported efforts to improve the business models of EIB and EBRD as the main development institutions, with EIB being fully owned by EU member states and EBRD being majority-owned, all within the framework of existing financial and operational resources. Croatia is a signatory to the Vision Statement for MDBs, which was signed by 52 countries in Paris in June 2023.

37 The exposure exchange among multilateral development banks includes a synthetic exposure exchange to government bonds in a risk-neutral manner to help address individual borrower limitations and portfolio concentration.

12.

FUTURE COOPERATION BETWEEN CROATIA AND INTERNATIONAL FINANCIAL INSTITUTIONS

In the previous chapters, the fundamental principles of cooperation with

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international financial institutions in the Republic of Croatia have been analyzed. From these analyses, lessons can be drawn to improve existing collaboration and consider Croatia's strategic positioning regarding future, long-term cooperation. In this regard, two directions of collaboration development can be discussed. The first direction is related to enhancing the efficiency of implementing projects co-financed by IFIs in Croatia. The second direction is future-oriented and involves strengthening Croatia's role as a donor country to achieve its economic, foreign policy, and geostrategic objectives. To achieve these goals, certain adjustments of a regulatory, institutional, and administrative nature will be required.

12.1 Improving the Efficiency of Projects Financed by IFIs

So far, international financial institutions have approved funds amounting to nearly 11.4 billion euros for financing public projects. This places IFIs among the most significant partners in financing public needs in the Republic of Croatia. Although the financial importance of cooperation with IFIs has decreased after joining the European Union and the opportunities for generous funding of development needs through EU funds, it is expected that IFIs will continue to play an important role in supporting Croatia's development. IFI support will continue to be particularly associated with financing areas for which EU funds are currently not available, as well as ensuring national participation in projects primarily funded through EU funds. It should be noted that the increasingly unfavorable interest rate environment in global financial markets further underscores the importance of cooperation between Croatia and IFIs. Additionally, it is expected that, in line with changes in global goals, IFIs will increasingly focus on private sector activities, especially in terms of strengthening micro, small, and medium-sized enterprises.

Future borrowing from IFIs should, as before, meet the basic criteria of "healthy borrowing," which can be defined as follows: a) clear contribution to achieving established global and national development goals, b) ensuring debt sustainability in terms of more favorable financing terms than market conditions, and c) establishing a partnership and a sense of project ownership by national actors and the IFI. However, it is expected that alternative financial instruments will be used more in the future than traditional ones, such as direct loans to the state or those guaranteed by the state. In addition to conventional financial instruments, the share of instruments important in the areas of debt refinancing and restructuring, such as guarantees and various securities issuances, will increase. Framework loans, which are already significant in terms of volume, play an important role in promoting the private sector and co-financing EU funds and will become even more important in the future.

It is also important to ensure a clear vision and criteria for cooperation with IFIs when it comes to technical assistance instruments aimed at improving the efficiency of specific sectoral policies. In this regard, it is necessary to ensure that cooperation projects provide sustainable knowledge transfer to domestic institutions, leading to a lasting strengthening of national institutional capacities. To increase the overall readiness and capacity of domestic institutions for effective cooperation with IFIs, certain adjustments need to be made in the implementation system of projects financed by IFIs. These necessary adjustments can be divided into three key areas: a) regulatory adjustments, b) institutional adjustments, and c) strengthening administrative capacities.

Normative Adjustments

Within the framework of new strategic frameworks set by global and European institutions, it is necessary to make adjustments to the legal and sub-legal frameworks that regulate relations with international financial institutions. Some of the regulations currently used by all stakeholders in the processes of cooperation with IFIs are over a decade old, and the law regulating the procedures for concluding international agreements is two and a half decades old. Given the completion of Euro-Atlantic integration processes in the last decade and the change in the treatment of the Republic of Croatia's relations with IFIs, it is certainly necessary to consider changes to the regulations governing the conclusion and implementation of international agreements. The current Law on the Conclusion and Implementation of International Agreements has been in force since 1996 and has not been amended since then. By amending the normative framework, the processes for adopting legal frameworks for the entry into force of international financial agreements would be modernized and expedited, thereby accelerating the availability of financial resources for achieving development goals.

It is also necessary to change and adapt the Law on the System of Implementing European Union Programs and the System of Implementing Projects Funded by Loans and Grants from Other Foreign Sources (Official Gazette No. 58/2006) along with its accompanying Regulation on the Operations of Managing the System and Supervising the Implementation of Projects Funded by Loans and Grants to the Republic of Croatia from Other Foreign Sources (Official Gazette No. 33/2007). The mere fact that Croatia has been a member state since 2013 highlights the need to develop a new normative framework, at least in the aspect of EU program implementation.

Institutional Adjustments

For all the reasons mentioned above, and especially due to Croatia's position as a full member of the EU, it is necessary to strengthen the coordination mechanism for cooperation with international institutional stakeholders. There is still a need to enhance horizontal and cross-sectoral cooperation among state institutions to determine national positions, which are then appropriately shaped and implemented within the framework of cooperation strategies with IFIs. Clearly defined processes for formulating Croatia's positions on important strategic issues can quickly strengthen cooperation with IFIs. An example of such a coordination mechanism already exists in cooperation with EU bodies and is institutionalized through the Croatian Government's Decision from May 2016 on establishing the Interdepartmental Working Group for European Affairs. A similar coordination mechanism can be applied when it comes to cooperation with IFIs.

In parallel with the development of coordination processes, it would be important to focus on the internal development of the evaluation system for cooperation programs with IFIs. This segment is often neglected or nonexistent within the system of implementing projects funded by IFIs. By evaluating cooperation programs with IFIs using modern methodological approaches, it would be possible to obtain measurable assessments of achieved results in relation to the resources invested. This way, a deeper analytical assessment of the developmental impact and benefits for Croatia from cooperation with IFIs could be carried out, and important lessons and insights could be drawn for planning future cooperation. Furthermore, it is essential to strengthen the accountability of domestic stakeholders in shaping strategies towards IFIs. One possible way to institutionalize this more active role could be the establishment of ongoing coordination with IFIs active in Croatia. The purpose of active donor coordination is the efficient and effective use of IFI instruments in relation to the country's development financing needs within the framework of public debt management.

Strengthening Administrative Capacities

To implement normative and institutional adjustments, it is necessary to adapt administrative capacities as well. In this regard, it is particularly important to ensure the continuous implementation of specialized educational programs for those involved in cooperation with IFIs. The increasing technical complexity of the modern financial system, especially in the context of IFIs' operations, requires ongoing training and the acquisition of new knowledge about financial instruments and other critical aspects of cooperation with IFIs. Investing in the knowledge and skills of employees working on cooperation with IFIs is likely the fastest way to build the necessary capacities for effective public debt management and to achieve Croatia's development goals through cooperation with IFIs.

12.2 Strengthening Croatia's Position as a Donor Country in Relations with IFIs

In order for Croatia to be prepared in the medium term to respond to the challenges of active participation in global development policies, in line with its new role as a donor country, it is necessary to strengthen its organizational structure and establish a specific regulatory framework. It is expected that Croatia will take on a more active role in international institutions of which it is a member in the coming period. The foundations for such direction are directly related to EU membership, where the active participation of national institutions in the work and decisions of European institutions has become a standard way of operation. The experience gained from working within EU institutions and making decisions there can be helpful in more actively engaging with IFIs.

In this regard, it is necessary to take more active roles in the work and decision-making of IFIs' administrative bodies. Through the offices of constituencies and representatives of the Republic of Croatia in these bodies, it is possible to more actively represent Croatia's positions. To actively and equitably participate in discussions within IFIs, it is necessary to have a high-quality preparation of arguments and positions. In this context, domestic interinstitutional and extrainstitutional cooperation and coordination play a crucial role. Through formal working groups and meetings, as well as less formal inclusion of positions from the private sector, civil society, and the broader public, clear niches and strategic directions can be formed to promote Croatia's interests within IFIs. To ensure quality coordination and framework preparation for Croatia's positions within IFIs, additional training on the workings of IFIs should be provided, and the overall knowledge of IFIs among national stakeholders, especially those directly involved in cooperation with IFIs, should be increased.

In the future, working and collaborating with IFIs will increasingly focus on achieving Croatia's national foreign policy and geostrategic goals, in addition to continuing to support projects within Croatia. One of the strategic goals, highlighted in all relevant documents, pertains to strengthening the involvement of the domestic economy in the implementation of IFIs' programs and projects outside Croatia. In recent years, numerous seminars have been held in collaboration with certain IFIs, the Croatian Chamber of Economy, and the Ministry of Finance, presenting opportunities for the participation of the domestic private sector in tenders announced by IFIs. In the future, it is necessary to intensify such activities and expand the circle of interested entrepreneurs.

Furthermore, it is necessary to consider more actively the possibilities of transferring knowledge and experience from domestic institutions in various public policies towards low-income countries with the assistance of IFIs. Croatia's experiences with the introduction of projects such as full-day schools or the digitalization of primary and secondary schools can be highly relevant to many low-income countries. Therefore, stronger promotion of successful public sector projects is also a very important aspect of strengthening Croatia's position as a donor country for development assistance. Many developed countries use international financial institutions as platforms to promote their own foreign policy, economic, and geostrategic interests. They have years of experience and strong institutional infrastructure that helps them in this regard. Developed countries often use earmarked contributions to various funds within IFIs to promote their own experts and private sector through them. It is common to link contributions to funds for aid to poor countries with the employment of certain technical and administrative staff within IFIs, which then take on the role of managing those funds.

The employees of IFIs, especially those in leadership positions, play an important role in strengthening national positions within IFIs. Appointing national experts to positions within IFIs can be done through various means. One of the statutory possibilities is rotational agreements within the constituencies of certain IFIs, based on the strength of capital ownership and voting power. This means that within a particular rotation, the Republic of Croatia gains the right to a representative in the governing and supervisory bodies of the IFI. Another option is to actively support the candidacies of interested domestic experts in international job competitions for positions within IFIs. Working at IFIs and their governing and supervisory bodies requires a wide range of knowledge, from knowledge about financial operations, corporate governance, and bank management to diplomatic skills and negotiation abilities often used in an international environment. It is important for Croatia to provide training programs for all individuals aspiring to positions within IFIs. Educational programs can be established through existing institutions such as the Diplomatic Academy or the State School for Public Administration. Additional opportunities are provided by IFIs themselves, which organize numerous conferences, workshops, and seminars. Work visits and secondments, temporary forms of employment within IFIs, are also possible ways to acquaint individuals with the workings of IFIs.

CONCLUSIONS

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Over the past three decades, the context of cooperation between the Republic of Croatia and international financial institutions has significantly evolved. Firstly, Croatia's development status has improved. In 1993, Croatia was categorized as a lower-middle-income country, but since 2008, it has been classified as a high-income country. Additionally, Croatia's position in international integration has greatly strengthened. In 2013, Croatia became a member of the European Union, and ten years later, it joined the Schengen area and the Eurozone. These are profound changes in the international position that, among other things, impact Croatia's relationship with IFIs. Changes in this relationship began even before joining the European Union. The beginnings of European integration saw the increasing role of European IFIs in overall financing, with the EIB group becoming the most significant individual partner. There is no doubt that cooperation with IFIs regarding the realization of Croatia's development needs will continue. However, the financial and substantive scope of this cooperation will need to be planned even more carefully, based on the national strategic and financial framework, and the evaluation of the results of previously implemented programs.

Another important change is the gradual strengthening of Croatia's position as a donor of development assistance. Even after joining the EU, Croatia continues to use financial instruments from IFIs for its development needs, while simultaneously slowly building its new position as a donor of development assistance. This transformation from a country solely benefiting from IFIs' services to a donor of development assistance does not happen quickly, partly because it requires additional and differently structured capacities for cooperation with IFIs.

Simultaneously, we are witnessing increasingly significant changes in the global context in which IFIs operate. The pervasive influence of climate change and the need for a stronger response to it, as well as the rivalry between IFIs and BRICS financial institutions, are some of the important current challenges affecting the overall operations of IFIs. Additionally, there is a long-standing dissatisfaction with the (too) low level of financing for the development needs of low-income countries by IFIs and the need for better coordination among IFIs and strengthening their synergistic actions. Aware of these challenges, the most developed countries, gathered through the G20 forum, are attempting to find a common direction to strengthen IFIs' contributions to global development needs. As the world's largest donor of development assistance, the European Union plays a particularly important role in shaping the global approach to development assistance. Recent changes in the European development architecture within the EU's 2021-2027 budgetary period aim to strengthen the coordinated action of numerous EU institutions and member states in formulating and implementing assistance programs in specific geographic areas outside the EU. The increasing migration pressure on the EU territory, which largely comes from African and Asian low-income countries, as well as the rapid growth of Chinese influence in many countries through the Belt and Road Initiative, calls for a redefinition and strengthening of the effectiveness of European development policy, which, alongside humanitarian development, is increasingly gaining its geostrategic framework. Another important issue is related to climate change; thus, the question of the contribution of development assistance to reducing the adverse impact on the climate becomes a key focus of EU development assistance policy.

In such a context, it is especially important for Croatia to clearly identify its own political and economic priorities concerning European and global development architecture. In this regard, it is essential to ensure effective collaboration among different stakeholders that can support national development assistance goals. Thanks to its EU membership, Croatia has numerous opportunities to strengthen its international position and reputation through development assistance programs and cooperation with countries outside the EU. This primarily relates to enhancing institutional collaboration with recipient countries in addressing specific challenges in areas where Croatia has relevant expertise. Additionally, there are numerous opportunities for domestic entrepreneurs to participate in the implementation of development assistance programs, most of which have so far remained unrealized. To exploit these opportunities, it is necessary to continue building a national framework for development assistance policy, particularly in terms of enhancing human capacities and improving interinstitutional coordination. These are relatively small investments that can yield multiple political, institutional, and economic benefits. Time will tell to what extent these new opportunities are genuinely utilized.

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Appendix: Overview of Loans and Grants from International Financial Institutions (1994 - 2022).

1. Loans from international financial institutions, as of December 31, 2022 (in million euros).

International Financial Institution	Total Loan Amount	Withdrawn Loan Amount	Unwithdrawn Loan Amount	Debt
IBRD	3.740	3.279	461	1.284
Direct	2.776	2.502	274	939
With government guarantee	964	777	187	345
EIB	5.221	4.868	353	2.558
Direct	1.077	1.077	0	817
With government guarantee	4.144	3.791	353	1.741
EBRD	1.001	966	35	248
Direct	58	58	0	0
With government guarantee	943	908	35	248
CEB	1.396	1.200	200	634
Direct	603	607	0	269
With government guarantee	793	593	200	365
Total	**11.358**	**10.313**	**1.049**	**4.724**
Direct	**4.514**	**4.244**	**274**	**2.025**
With government guarantee	**6.844**	**6.069**	**775**	**2.699**

2. IBRD Loans

Loan ID	Project Name	Contract Signing Date	Currency	Loan Amount
I.) PUBLIC LOANS				
37600-HR CPL	Emergency Reconstruction Project	27.06.1994.	USD	128.000.000
38430-HR CPL	Health Sector Project (HZZO)	08.03.1995.	USD	38.925.496
38690-HR CPL	Road Sector Project	27.04.1995.	USD	79.878.490
39990-HR VSL	Capital Market Development Project	23.04.1996.	EUR	7.260.345
39880-HR CPL	Family Farming Support Services Project	23.04.1996.	USD	14.258.744
39890-HR VSL	Technical Assistance Project	23.04.1996.	USD	5.000.000
41040-HR VSL	Emergency Traffic Reconstruction and Demining Project	04.12.1996.	EUR	74.797.173
41190-HR CPL	Coastal Forest Restoration and Protection Project	31.01.1997.	USD	38.589.309
41590-HR VSL EFSAL	Financial Sector and Enterprise Adjustment	04.06.1997.	EUR	81.806.701
43510-HR VSL	Eastern Slavonia, Baranja, and Western Srijem Reconstruction Project	08.09.1998.	EUR	36.600.497
44330-HR VSL	Modernization and Restructuring of Railways Project	20.01.1999.	EUR	85.398.547
44600-HR VSL	Technical Assistance Project for Institutional and Legal Changes to Promote Private Sector Development	05.05.1999.	USD	7.253.430
45130-HR VSL	Healthcare System Project	07.10.1999.	USD	26.155.160
45820-HR VSL	Facilitating Trade and Transportation in Southeastern Europe Project	27.10.2000.	EUR	13.813.211
46130-HR VSL	Technical Assistance Project related to Bankruptcies	03.07.2001.	USD	4.636.273

46410-HR VSL SAL	Structural Adjustment Project	05.12.2001.	USD	202.000.000
46720-HR VSL	Pension System Investment Project	17.09.2002.	USD	21.221.137
46740-HR VSL	Land Registry and Cadastre Improvement Project	18.09.2002.	EUR	25.973.288
72260-HR FSL	Coastal Water Pollution Prevention Project	02.07.2004.	EUR	39.047.242
72830-HR FSL	Social and Economic Recovery Project	02.05.2005.	EUR	34.894.898
73070-HR FSL	Social Welfare System Development Project	06.07.2005.	EUR	30.887.850
73200-HR FSL	Croatian Technology Development Project	16.09.2005.	EUR	29.750.474
73300-HR FSL PAL	Program Loan for Adjustment	20.09.2005.	EUR	150.000.000
73320-HR FSL	Education and Training System Development Project	17.10.2005.	EUR	66.282.455
73600-HR FSL	Legal and Institutional Alignment in Agriculture with EU Acquis Project	08.05.2006.	EUR	25.016.162
74500-HR FSL PAL 2	Second Program Loan for Adjustment	11.06.2007.	EUR	100.000.000
74530-HR FSL	Internal Waters Project	12.06.2007.	EUR	92.035.320
74710-HR FSL	Tax Administration Modernization Project	03.07.2007.	EUR	11.466.036
75980-HR IFL FS	Emergency Medical Services and Healthcare Investment Planning Improvement Project	21.10.2008.	EUR	16.910.821
76400-HR IFL FS	Coastal Water Pollution Prevention Project 2	06.02.2009.	EUR	58.518.343
78460-HR IFL FS DPL	Development Policy Loan for Fiscal, Social, and Financial Sector Policy	13.01.2010.	EUR	200.000.000
78880-HR IFL FS	Justice Sector Support Project	13.04.2010.	EUR	16.702.650
80210-HR IFL FS	Integration into the EU Natura 2000 Project	22.02.2011.	EUR	20.796.333
80630-HR IFL FS ERDPL	Economic Recovery Development Policy Loan	10.05.2011.	EUR	150.000.000
80860-HR IFL FS	Integrated Land Administration System Implementation Project	17.08.2011.	EUR	16.500.000

82580-HR IFL FS	Second Technology Development Project	22.05.2013.	EUR	19.528.097
83640-HR IFL FS ERDPL 2	Second Economic Recovery Development Policy Loan	30.04.2014.	EUR	150.000.000
83650-HR IFL FS	Health Services Quality and Efficiency Improvement Program	10.06.2014.	EUR	64.042.500
84260-HR IFL FS	Social Welfare System Modernization Project	25.09.2014.	EUR	6.340.286
85180-HR IFL VS	Entrepreneurial Capital for Innovation and Entrepreneurship Project	08.07.2015.	EUR	296.246
87490-HR IFL FS	Road Sector Modernization and Restructuring Project	08.05.2017.	EUR	16.241.021
89000-HR IFL FS	Additional Financing for Integrated Land Administration System Implementation Project	20.09.2018.	EUR	19.700.000
90570-HR IFL FS	Efficient Judiciary for a Better Business Environment Project	15.04.2020.	EUR	100.000.000
91270-HR IFL FS	Earthquake Recovery and Public Health Preparedness Project	02.07.2020.	EUR	183.900.000
91350-HR IFL FS	Development Policy Loan for Crisis Response and Recovery Support	02.07.2020.	EUR	275.900.000
93030-HR IFL VS	Towards Sustainable, Fair, and Effective Education in Croatia Project	16.12.2021.	EUR	25.000.000

	In total I: 46 public loans for 36 projects and 8 programs.		**USD**	**565.918.040**
			EUR	**2.245.406.495**

II.) LOANS WITH GOVERNMENT GUARANTEE				
30690-HR CPL	Water Supply Project in Istria	01.02.1990. (preuzet 25.02.1993.)	USD	26.016.289

42460-HR VSL (Zagrebačka banka d.d.)	Investment Recovery Project	04.12.1997.	EUR	3.789.447
42470-HR VSL (OTP banka d.d.)	Investment Recovery Project	04.12.1997.	EUR	7.268.013
42480-HR VSL (Hypo Alpe-Adria Bank d.d.)	Investment Recovery Project	04.12.1997.	EUR	8.845.350
42490-HR VSL (Alpe Jadran banka d.d. u stečaju)	Investment Recovery Project	04.12.1997.	EUR	1.686.689
43520-HR VSL (HBOR)	Local Infrastructure and Environmental Protection Investment Program	25.09.1998.	EUR	33.233.972
47140-HR VSL (HAC d.o.o.)	Rijeka Transport Route Renovation Project	12.07.2003.	EUR	8.061.287
47150-HR VSL (Lučka uprava Rijeka)	Rijeka Transport Route Renovation Project	12.07.2003.	USD	55.100.000
47160-HR VSL (HC d.o.o.)	Rijeka Transport Route Renovation Project	12.07.2003.	EUR	76.200.000
71980-HR FSL (HEP d.d.)	Energy Efficiency Project	10.11.2003.	EUR	4.400.000
48280-HR VSL (HEP-Toplinarstvo d.o.o.)	District Heating Project	11.09.2006.	EUR	24.000.000
74100-HR FSL (Lučka uprava Ploče)	Trade and Transport Integration Project	20.11.2006.	EUR	58.800.000
47151-HR VSL (Lučka uprava Rijeka)	Additional Loan for Rijeka Transport Route Renovation Project	11.06.2007.	EUR	19.045.289
76380-HR IFL VS (Lučka uprava Rijeka)	Rijeka Transport Route Renovation Project II	17.04.2009.	EUR	83.951.326
77740-HR IFL FS (HBOR)	Export Financing Credit Program	02.09.2009.	EUR	99.881.564
80770-HR IFL VS (Lučka uprava Ploče)	Additional Financing for Trade and Transport Integration Project	14.09.2011.	EUR	46.987.561
81930-HR IFL FS (HBOR)	Additional Financing for Export Financing Credit Program Subloan 001: EUR 27,200,000 Subloan 002: USD 24,277,440	29.10.2012.	EUR USD	27.200.000 23.060.151

85000-HR IFL VS (HŽ Infrastruktura d.o.o.)	Sustainable Croatian Railways Project in Europe	06.05.2015.	EUR	79.000.000
85010-HR IFL VS (HŽ Putnički prijevoz d.o.o.)	Sustainable Croatian Railways Project in Europe	06.05.2015.	EUR	43.000.000
85020-HR IFL VS (HŽ Cargo d.o.o.)	Sustainable Croatian Railways Project in Europe	06.05.2015.	EUR	41.500.000
92330-HR IFL VS (HBOR)	Liquidity Support Project for Businesses in Croatia	07.06.2021.	EUR	200.000.000
Total II.): 21 loans with state guarantees for 11 projects			**USD**	**104.176.440**
			EUR	**866.850.498**
Total (I.+II.): 67 loans for financing 47 projects and 8 programs			**USD**	**670.094.479**
			EUR	**3.112.256.993**
EUR Total I.:			**EUR**	**2.245.406.495**
EUR Total II.:			**EUR**	**866.850.498**
EUR Total (I.+II.):			**EUR**	**3.112.256.993**

3. EIB Loans

Loan ID	Project Name	Contract Signing Date	Currency	Loan Amount
I.) PUBLIC LOANS				
FINo. 21.051	Project 'Croatian Railways - Corridor V.c.'	24. i 31.05.2001. NN-MU br. 2/2002	EUR	39.000.000
FINo. 22.165	Project for the Renovation of Municipal Infrastructure in Areas of Special State Concern	30.07.2003. NN-MU br. 16/2003	EUR	49.082.012
FINo. 22.881	Framework Multisectoral Loan for Municipal Infrastructure for the 'Integrated Local Community Development' Project	20. i 24.12.2004. NN-MU br. 7/2005	EUR	106.800.000
FINo. 25.749	EU IPA ISPA 2007-2011 Co-Financing Project	30.09.2010. NN-MU br. 10/2010	EUR	200.000.000
FINo. 31.146	Infrastructure Development Project on Islands and in Coastal Areas	15.09.2011. NN-MU br. 16/2011	EUR	7.000.000
FINo. 31.176	Funding for Water and Wastewater Infrastructure Project	18.10.2011. NN-MU br. 15/2011	EUR	75.000.000
FINo. 84.395	National Co-Financing Project of EU Funds for the Period 2014-2020	30.03.2015. NN-MU br. 5/2015	EUR	300.000.000
FINo. 89.118	National Co-Financing Project of EU Funds for the Period 2014-2020 / B	07.12.2018. NN-MU br. 6/2019	EUR	300.000.000
		Total I.): 8 public loans	**EUR**	**1.076.882.012**

Loan ID	Project Name	Contract Signing Date	Currency	Loan Amount
II.) LOANS WITH GOVERNMENT GUARANTEE				
FINo. 21.262	Project "Road Reconstruction" (user: Croatian Roads Ltd.)	29.10.2001. NN-MU br. 4/2002.	EUR	60.000.000
FINo. 21.316	Global Loan to Croatia for Reconstruction and Development (user: Croatian Bank for Reconstruction and Development)	26.11.2001. NN-MU br. 4/2002.	EUR	10.000.000

FINo. 21.609	Project "Rijeka - Zagreb Motorway" (user: Croatian Motorways Ltd.)	24.06.2002. NN-MU br. 10/2002.	EUR	60.000.000
FINo. 21.677	Project "Zagreb Air Traffic Control" (user: Croatian Air Traffic Control Ltd.)	11. i 12.09.2002. NN-MU br. 14/2002	EUR	20.000.000
FINo. 21.850	Project "Road Rehabilitation in the Republic of Croatia" (user: Croatian Motorways Ltd.)	13.12.2002. NN-MU br. 10/2003	EUR	50.000.000
FINo. 22.374	Project "Construction of the Gas Pipeline System in the Republic of Croatia" (user: Plinacro Ltd.)	16.12.2003. NN-MU br. 3/2004	EUR	90.000.000
FINo. 22.639	Project "Completion of the Motorway on Corridor X in the Republic of Croatia" (user: Croatian Motorways Ltd.)	22. i 29.07.2004. NN-MU br. 1/2005	EUR	45.000.000
FINo. 23.135	Project "Croatian Roads - Split Bypass" (user: Croatian Roads Ltd.)	20.07.2005. NN-MU br. 2/2006	EUR	38.200.000
FINo. 23.419	Project "Completion of the Rijeka - Zagreb Motorway" (user: Croatian Motorways Ltd.)	09.03.2006. NN-MU br. 8/2006	EUR	210.000.000
FINo. 23.780	Project "Road Reconstruction II" (user: Croatian Roads Ltd.)	12.12.2006. NN-MU br. 5/2007	EUR	60.000.000
FINo. 24.067	Project "Plinacro Gas Pipelines II" (user: Plinacro Ltd.)	31.07.2007. NN-MU br. 11/2007	EUR	190.000.000
FINo. 24.093	Project "New Port Zadar" (user: Port Authority of Zadar)	07.09.2007. NN-MU br. 10/2007	EUR	76.400.000
FINo. 24.125	Global Loan for Financing Small and Medium Enterprises, Infrastructure, Tourism, and Industry Projects IIA (user: Croatian Bank for Reconstruction and Development)	16.10.2007.	EUR	40.000.000
FINo. 24.500	Global Loan for Financing Small and Medium Enterprises, Infrastructure, Tourism, and Industry Projects IIB (user: Croatian Bank for Reconstruction and Development)	20.06.2008.	EUR	60.000.000

FINo. 24.891	Financing of Small and Medium Enterprise Projects, Environmental Protection, and Infrastructure Projects in the Public and Private Sectors (user: Croatian Bank for Reconstruction and Development)	24.03.2009.	EUR	250.000.000
FINo. 25.417	Project "Road Rehabilitation II (Croatia) / B" (user: Croatian Roads Ltd.)	28. i 30.12.2009. NN-MU br. 4/2010	EUR	60.000.000
FINo. 25.534	Project "Small and Medium-Sized Enterprises and Medium Capitalized Companies" (user: Croatian Bank for Reconstruction and Development)	15.04.2010.	EUR	250.000.000
FINo. 31.205	Project for the Completion of Corridor Vc (user: Croatian Motorways Ltd.)	15.09.2011. NN-MU br. 15/2011	EUR	41.500.000
FINo. 81.304	Project "Small and Medium-Sized Enterprises and Medium Capitalized Companies III/A" (user: Croatian Bank for Reconstruction and Development)	10.02.2012.	EUR	150.000.000
FINo. 81.830	Project "Small and Medium-Sized Enterprises and Medium Capitalized Companies III/B" (user: Croatian Bank for Reconstruction and Development)	18.09.2012.	EUR	100.000.000
FINo. 82.288	Project "Small and Medium-Sized Enterprises and Medium Capitalized Companies IV/A" (user: Croatian Bank for Reconstruction and Development)	25.01.2013.	EUR	250.000.000
FINo. 82.833	Project "Small and Medium-Sized Enterprises and Medium Capitalized Companies IV/B" (user: Croatian Bank for Reconstruction and Development)	12.07.2013.	EUR	250.000.000
FINo. 83.236	Project "Hotels Dubrovnik Riviera Inc." (user: Croatian Bank for Reconstruction and Development)	20.01.2014.	EUR	25.000.000

FINo. 83.388	HBOR Loan for Mid-cap Companies and Other Priorities / A (user: Croatian Bank for Reconstruction and Development)	24.03.2014.	EUR	150.000.000
FINo. 83.389	HBOR Loan for Small and Medium Enterprises / A (user: Croatian Bank for Reconstruction and Development)	24.03.2014.	EUR	250.000.000
FINo. 84.668	Project "Pula Hospital" (user: Croatian Bank for Reconstruction and Development)	11.06.2015.	EUR	40.000.000
FINo. 85.065	Dubrovnik Airport Project / B (user: Croatian Bank for Reconstruction and Development)	05.10.2015.	EUR	10.500.000
FINo. 83.504	HBOR Loan for Mid-cap Companies and Other Priorities / B (user: Croatian Bank for Reconstruction and Development)	17.02.2016.	EUR	150.000.000
FINo. 83.503	HBOR Loan for Small and Medium Enterprises / B (user: Croatian Bank for Reconstruction and Development)	11.07.2016.	EUR	250.000.000
FINo. 86.649	Development of the Istrian Riviera (user: Croatian Bank for Reconstruction and Development)	24.03.2017.	EUR	44.000.000
FINo. 86.779	HBOR Loan for Small and Medium Enterprises II / A (user: Croatian Bank for Reconstruction and Development)	03. i 05.11.2017.	EUR	142.129.169
FINo. 86.780	HBOR Loan for Mid-cap Companies and Other Priorities II / A (user: Croatian Bank for Reconstruction and Development)	05.12.2017.	EUR	100.000.000
FINo. 87.953	HBOR Natural Capital MBIL Tranche (NCFF) (user: Croatian Bank for Reconstruction and Development)	06.03.2018.	EUR	1.500.000
FINo. 88.795	Hotel Park (user: Croatian Bank for Reconstruction and Development)	11.09.2018.	EUR	40.000.000
FINo. 90.622	HBOR Loan for Mid-cap Companies and Other Priorities II / B (user: Croatian Bank for Reconstruction and Development)	30.04.2019.	EUR	292.500.000

FINo. 85.442	Clinical Hospital Center Rijeka (KBCRI) (user: Croatian Bank for Reconstruction and Development)	30.04.2019.	EUR	45.074.264
FINo. 92.407	Financing of Small and Medium Enterprises and Mid-cap Companies Affected by the Consequences of the COVID-19 Pandemic (user: Croatian Bank for Reconstruction and Development)	01.10.2020.	EUR	100.000.000
FINo. 92.268	HBOR Loan for Small and Medium Enterprises II / B (user: Croatian Bank for Reconstruction and Development)	19.11.2020.	EUR	142.500.000
TOTAL II.): 38 loans with government guarantee			**EUR**	**4.144.303.433**
TOTAL (I.+II.): 46 loans			**EUR**	**5.221.185.445**
EUR Total (I.+II.):			**EUR**	**5.221.185.445**
EUR Total I.:			**EUR**	**1.076.882.012**
EUR Total II.:			**EUR**	**4.144.303.433**

4. EBRD Loans

Loan ID	Project Name	Contract Signing Date	Law published in the Official Gazette of the Republic of Croatia	Currency	Loan Amount
I.) PUBLIC LOANS					
231	Air Navigation System Project	21.09.1994.	NN-MU br. 13/1994	USD	19.735.519
286	Highway Renovation Project (HC)	17.01.1995.	NN-MU br. 6/1995	EUR	36.195.876
627	Wholesale Market Project (Nacionalne veletržnice d.d.)	08.12.1997.	NN-MU br. 7/1998	EUR	3.203.558
Total I.): 3 public loans for 3 projects				**USD**	**19.735.519**
				EUR	**39.399.434**
II.) LOANS WITH GOVERNMENT GUARANTEE					
283	Electric Power Network Renovation Project (HEP)	02.02.1995.	NN-MU br. 6/1995	EUR	32.211.388
443	Credit Line for Tourism (HBOR)	26.06.1996.	NN -MU br. 10/1996	EUR	25.564.594
494	Local Infrastructure and Environmental Protection Investment Program (HBOR)	09.12.1996.	NN -MU br. 4/1997	EUR	31.575.223
733	Locomotive Renovation Project (HŽ)	08.12.1998.	NN-MU br. 4/1999	USD	35.000.000
923	Financing for Small and Medium-sized Enterprises (HBOR)	20.03.2001.	NN-MU br. 9/2001 i 5/2002	EUR	4.685.356
975	Rijeka - Zagreb Highway	22.10.2001.	NN-MU br.8/2002	EUR	60.000.000

18149	Uljanik Shipyard Ltd. Pula - Construction of Tanker No. 450, EBRD Advance Guarantee with the Guarantee of the Republic of Croatia	26.02.2002.	NN-MU br. 7 i 11/2002	USD	11.490.000
25800	Zagreb Regional Control Center Project	05.09.2002.	NN-MU br. 14/2002	EUR	24.944.053
27171	Rehabilitation of Highways in Croatia (Croatian Highways Ltd.)	13.12.2002.	NN-MU br. 10/2003	EUR	45.254.452
31848	Completion of the Corridor X Highway in Croatia (Županja-Lipovac) - (HAC Ltd.)	12.11.2003.	NN-MU br. 6/2004	EUR	44.983.883
13451	Dubrovnik Port Coastal Infrastructure Construction Project (Dubrovnik Port Authority)	01.02.2005.	NN-MU br. 7 i 11/2005 i 9/2010	EUR	32.724.081
35790	Rijeka - Zagreb Highway Phase IIB (Kikovica-Sušica)	26.07.2006.	NN-MU br. 11/2006	EUR	50.000.000
31849	Rijeka Bypass Project (Croatian Roads Ltd.)	12.12.2006.	NN-MU br. 4/2007 i 1/2008	EUR	33.347.054
36127	Trade and Transport Integration Project - Bulk Cargo Terminal at the Port of Ploče (Ploče Port Authority)	09.11.2007.	NN-MU br. 2/2008	EUR	338.194
40223	Gas Storage Project (Plinacro Ltd.)	13.05.2009.	NN-MU br. 6/2009	EUR	70.000.000
39749	Modernization of Šibenik Port Infrastructure (Šibenik Port Authority)	15.05.2010.	NN-MU br. 8 i 10/2010	EUR	8.130.282
41325	Completion of Corridor Vc Project (HAC Ltd.)	24.11.2010.	NN-MU br. 4/2011	EUR	58.912.995
42754	Croatian Air Traffic Management System Upgrade Project (HKZP Ltd.)	29.09.2011.	NN-MU br. 15/2011	EUR	47.000.000

42542	Split Port Infrastructure Renovation Project (Split Port Authority)	17.12.2012.	NN-MU br. 3/2013 i 3/2015	EUR	23.273.428
44467	HŽ Infrastructure Modernization Project (HŽ Infrastructure Ltd.)	16.12.2013.	NN-MU br. 2/2014	EUR	40.000.000
47716	HAC Restructuring Project (HAC Ltd.) - Tranche A: EUR 200,000,000 - Tranche B: EUR 50,000,000	30.03.2016.	NN-MU br. 3/2016	EUR	200.000.000 11.900.000
50712	Croatia - Completion of the Corridor Vc Highway (HAC Ltd.) - Tranche A: EUR 35,700,000 - Tranche B: EUR 19,300,000	02.07.2020.	NN-MU br. 8/2020	EUR	35.700.000 19.300.000
				EUR	**899.844.988**
Total II.): 22 loans with government guarantee for 22 projects				**USD**	**46.490.000**
Total (I.+II.): 25 loans 25 projects				**USD**	**66.225.520**
				EUR	**939.244.422**
EUR Total (I.+II.):					**1.001.334.725**
Public loans (total in EUR):					**57.902.640**
Loans with government guarantee (total in EUR):					**943.432.085**

5. CEB Loans

Project Identifier and Date Signing the Framework Agreement	Loan Name	Published in NN-MU Number	Currency	Amount of the Framework Loan
I.a) PUBLIC LOANS AGREED IN HRK				
F/P 1278 (1998) (16.07.1998.)	Project for the Renovation of Healthcare Infrastructure in Eastern Slavonia	NN-MU br. 13 i 15/1998	HRK	172.744.129
F/P 1279 (1998) (16.07.1998.)	Project for the Renovation of Schools in Eastern Slavonia	NN-MU br. 13 i 15/1998	HRK	66.380.795
F/P 1352 (1999) (19. i 26.01.2001.)	School Renovation Project	NN-MU br. 7/2001	HRK	96.935.642
F/P 1378 (2000) (02. i 07.02.2001.)	Project for the Return of Displaced Persons and Refugees in the Republic of Croatia - Reconstruction and Housing	NN-MU br. 7/2001	HRK	232.000.000
F/P 1379 (2000) (19.06.2001.)	Renovation Project of the Franciscan Monastery of the Minor Friars	NN-MU br. 14/2001 i 2/2002	HRK	10.324.789
F/P 1419 (2001) (29.03.2002.)	Project for the Renovation and Modernization of the "Andrija Štampar" National School of Public Health in Zagreb and the International Center for Health Management "Andrija Štampar" in Dubrovnik	NN-MU br. 10/12/2002	HRK	21.395.000
F/P 1351 (1999) (23. i 30.10.2001.)	Healthcare Infrastructure Renovation Project	NN-MU br. 9/2002 i12/2002	HRK	186.054.940
F/P 1435 (2002) (03.i 30.01.2004.)	Sustainable Return of Displaced Persons and Refugees - Property Return and Housing	NN-MU br. 6/2004	HRK	292.304.132
F/P 1456 (2003) ADD 1 (15.12.2004.)	Project for the Renovation and Construction of School Facilities in Croatia	NN/MU br. 5 i 8/2005	HRK	399.786.369,68

F/P 1498 (2004) (15.12.2004.)	Project for the Construction of Municipal and Social Infrastructure Facilities on Croatian Islands	NN/MU br. 5 i 8/2005 te 5/2010 i 8/2011	HRK	193.364.371
F/P 1511 (2005) (23.05.2005.)	Project "Research, Renovation, and Revitalization of the Cultural Heritage of Ilok - Vukovar - Vučedol"	NN/MU br. 8 i 9/2005 te 3/2010 i 7/2011	HRK	169.716.263,65
F/P 1576 (2006) W (01.06.2007.)	Project for the Financing of Healthcare Institutions in the Republic of Croatia	NN/MU br. 9/2007 i 1/2008	HRK	327.044.991
Total I.a): 12 public loans			**HRK**	**2.168.051.422**

I.b) PUBLIC LOANS AGREED IN EUR				
F/P 1751 (2011) (27.06.2012., 29.06.2012.)	Water and Wastewater Infrastructure Financing Project	NN/MU br. 7/2012 i 8/2012	EUR	75.000.000
LD 1845 (2014) (02.09.2015., 15.09.2015.)	Flood Protection Project	NN/MU br. 3/2016	EUR	40.000.000
LD 2056 (2020) (07.07.2020., 15.07.2020.)	Support for Measures in the Republic of Croatia Related to the COVID-19 Pandemic – Public Sector Financing Instrument	NN/MU br. 4/2020	EUR	200.000.000
Total I.b): 3 public loans			**EUR**	**315.000.000**

II.) FRAMEWORK LOANS WITH STATE GUARANTEE

F/P 1392 (2000) ADD 1 (13., 20. i 27.04.2006.)	Financing of the Small and Medium-Sized Enterprise Credit Program (Beneficiary: HBOR)	NN/MU br. 9/2006 i 1/2007	EUR	8.000.000
F/P 1646 (2008) (17.12.2008.)	Financing of Production Investment Projects of Small and Medium-Sized Enterprises (SMEs) Across Croatia (Beneficiary: HBOR)	-	EUR	50.000.000
F/P 1690 (2009) (08.02.2010.)	Partial Financing of Production Investment Projects of Micro, Small, and Medium-Sized Enterprises Throughout the Republic of Croatia (Beneficiary: HBOR)	-	EUR	50.000.000

F/P 1775 (2012) (31.07.2012.)	Partial Financing of Investment Projects Conducted by Micro, Small, and Medium-Sized Enterprises (SMEs) as well as Local and Regional Authorities and/or Other Public Sector Entities in Croatia (Beneficiary: HBOR)	-	EUR	50.000.000
LD 1804 (2013) (08.07.2013.)	Partial Financing of Investment Projects Conducted by Micro, Small, and Medium-Sized Enterprises (SMEs) as well as Local and Regional Self-Government and/or Other Public Sector Entities in the Republic of Croatia (Beneficiary: HBOR)	-	EUR	90.000.000
LD 1930 (2017) (23.11.2017.)	Financing of Investment Projects Conducted by Micro, Small, and Medium-Sized Enterprises (MSMEs) as well as Local and Regional Self-Government and/or Other Public Sector Entities in the Republic of Croatia (Beneficiary: HBOR)	-	EUR	100.000.000
LD 1980 (2018) (12.08.2019.)	"Mother and Child Hospital Rijeka" Project (Beneficiary: HBOR)	-	EUR	45.074.263,84
LD 2006 (2019) (12.08.2019.)	Financing of Investment Projects Conducted by Micro, Small, and Medium-Sized Enterprises (MSMEs) as well as Local and Regional Self-Government and/or Other Public Sector Entities in the Republic of Croatia 2019 (Beneficiary: HBOR)	-	EUR	200.000.000
LD 2085 (2021) (17.05.2022.)	Financing of Investments in Social Infrastructure, Support for Job Creation, and Post-Earthquake Recovery in the Republic of Croatia (Beneficiary: HBOR)	-	EUR	200.000.000

		Total II.): 9 framework loans with state guarantee	**EUR**	**793.074.263,84**
				Amount of the Framework Loans
		Total (I.+II.:)	**EUR**	**1.395.824.137,41**
		Total I.	**EUR**	**602.749.873,57**
		Total II.	**EUR**	**793.074.263,84**

6. Donations from IFIs

		Donations Administered Through the International Bank for Reconstruction and Development (IBRD)	Currency	Agreed Amount	Canceled	Effective Amount	Donor
				1	2	3=1-2	
1.	28851	Preparation of the Procurement Law (1995).	USD	148.000	101.475	46.525	Ja-pan-IDF
2.	29116	Support for Private Agricultural Farms (1995).	JPY	56.600.000	13.888.305	42.711.695	Japan
3.	29117	Restoration and Protection of Coastal Forests (1995).	JPY	21.200.000	146.615	21.053.385	Japan
4.	29314	Public Sector Adjust-ment Loan - PSAL (1995).	JPY	75.600.000	5.504.815	70.095.185	Ja-
5.	29315	Agricultural Structural Adjustment (1995).	JPY	29.400.000	24.096.291	5.303.709	Ja-
6.	29316	Restructuring of Croatian Railways (1995).	JPY	58.800.000	5.457.694	53.342.306	Japan
7.	29486	Investment in Urban Environmental Infra-structure (1996).	USD	500.000	436	499.564	Japan
8.	29674	Reconstruction of Traffic Infrastructure in the City of Zagreb (1996).	USD	800.000	0	800.000	Japan
9.	28360	Biodiversity Strategy (1997).	USD	102.000	0	102.000	GEF-EP-PG
10.	27098	Private Sector Devel-opment (1997).	USD	398.000	216.247	181.753	Japan
11.	25539	Public Finance Man-agement (1997).	USD	314.000	130.485	183.515	Japan
12.	25229	Company and Finan-cial Sector Adjustment Project (1997).	JPY	28.900.000	21.561.550	7.338.450	Japan

13.	27099	Flood Protection in Eastern Slavonia (1998).	USD	200.000	3.046	196.954	Japan
14.	25139	Healthcare Modern-ization (1998).	USD	418.260	2.165	416.095	Japan
15.	25597	Flood Protection in the Middle Sava River Basin (1998).	USD	476.150	0	476.150	Japan
16.	20574	Y2K Issue (1999).	USD	80.000	0	80.000	IBRD
17.	27259	Environmental Protec-tion and Strength-ening of Governance Systems (1999).	USD	276.490	7.666	268.824	IDF
18.	22644	Management of the Wetland Area of the Kopački Rit Nature Park (1999).	USD	750.000	436	749.564	GEF-PPG
19.	25799	Municipal Ecological Infrastructure Project (1999).	USD	216.840	49	216.791	Japan
20.	26113	Bankruptcy Law Adjustment (1999).	USD	253.700	110.259	143.441	Japan
21.	23163	Preservation of Karst Ecosystems (1999).	USD	230.000	108	229.892	GEF-PPG
22.	26112	Modernization of the Port of Rijeka (1999).	USD	337.500	10	337.490	Japan
23.	27386	Efficient Social and Economic Commu-nication System Construction Project (2000).	USD	400.000	8.507	391.493	IDF
24.	26262	Social Protection Project (2001).	USD	200.000	0	200.000	Japan
25.	26441	Coastal Water Pollu-tion Protection Project (2001).	USD	325.000	0	325.000	Japan
26.	29810	Social Protection Project (2001).	GBP	352.800	2.832	349.968	UK
27.	52381	Zagreb City Project to Reduce Organic Matter in Wastewater (2003).	USD	350.000	350.000	0	GEF-PPG

28.	50539	Preservation of Karst Ecological Systems Project (2002) - Signed on 19.06.2002, effective on 18.09.2002.	USD	5.070.000	104.481	4.965.519	GEF-PPG
29.	50513	Social and Economic Recovery Project (2002) - Signed and effective on 21.10.2002.	USD	425.360	27.838	397.522	Japan
30.	51107	Renewable Energy Sources Project (2003) - Signed and effective on 19.02.2003.	USD	350.000	15.932	334.068	GEF-PPG
31.	52014	Building Institutional Capacity for Monitoring Legal Effectiveness of Courts Project (2003) - Signed and effective on 30.05.2003.	USD	350.000	47.823	302.177	IDF
32.	52062	Strengthening Budget Management Project (2003) - Signed and effective on 30.05.2003.	USD	368.000	9.458	358.542	IDF
33.	51781	Land Registry and Cadastre Project (2003) - Signed and effective on 24.06.2003.	EUR	5.018.127	509	5.017.617	EU CARDS
34.	52141	Energy Efficiency Project (2003) - Signed on 10.11.2003, effective on 08.04.2004.	USD	7.000.000	116.659	6.883.341	GEF-PPG
35.	52844	Integrated Ecosystem Management of the Neretva and Trebišnjica River Basin Project (2003) - Signed on 19.12.2003.	USD	145.000	6.197	138.803	GEF-PPG
36.	52657	Land Registry and Cadastre Project (2004) - Signed and effective on 06.07.2004.	EUR	1.960.000	0	1.960.000	EU CARDS

37.	53149	Education Sector Assistance Project (2004) - Signed and effective on 22.12.2004.	USD	766.150	396.549	369.601	Japan
38.	53150	Sustainable Health System Project (2005) - Signed and effective on 11.02.2005.	USD	425.000	1.463	423.537	Japan
39.	53242	Preservation of Karst Ecological Systems - Small Grants Program (2005) - Signed and effective on 11.02.2005.	USD	200.000	13.997	186.004	Norvey
40.	54973	Renewable Energy Sources Project (2005) - Signed on 27.07.2005, effective on 24.10.2005.	USD	5.500.000	1.463.864	4.036.136	GEF
41.	55104	Land Registry and Cadastre Phase II Support Project (2005) - Signed and effective on 20.12.2005.	EUR	4.410.000	0	4.410.000	EU CARDS
42.	55789	Strengthening Statistical Capacity for the Development of a Statistical Master Plan Project (2005) - Signed and effective on 21.12.2005.	USD	89.750	5.661	84.089	IBRD - TFSCB
43.	54882	Technical Assistance to Support the Implementation of the Coastal Water Pollution Protection Project (2006) - Signed and effective on 17.01.2006.	USD	2.461.674	29	2.461.645	Netherlands
44.	56237	Co-Financing of Social Welfare Development Project (2006) - Signed on 21.02.2006, effective on 23.05.2006.	SEK	14.700.000	90.688	14.609.312	Sweden

45.	56572	Internal Waters Project Preparation (2006) - Signed and effective on 18.07.2006.	USD	500.000	15.609	484.391	Japan
46.	56514	Public Administration Reform Support (2006) - Signed and effective on 21.06.2006.	SEK	8.550.000	0	8.550.000	Sweden
47.	56498	Technical Assistance to Support the Implementation of the Agricultural Legislation Harmonization with EU Legal Acquis Project (2006) - Signed and effective on 08.05.2006.	USD	4.750.060	103.734	4.646.326	Netherlands
48.	90642	Strengthening Financial Reporting of Companies in Croatia Project - Signed and effective on 22.11.2007.	USD	260.000	60.000	200.000	IDF
49.	90845	Agriculture Pollution Control Project - Signed on 11.03.2008, effective from 31.07.2008.	USD	5.000.000	37.216	4.962.784	GEF
50.	91967	Management of the Neretva and Trebišnjica Rivers Project - Signed on 9.9.2008, effective on 06.03.2009.	USD	2.000.000	61.666	1.938.334	GEF
51.	92704	Coastal Water Pollution Protection Project 2 - Signed on 06.02.2009, effective on 04.06.2009.	USD	6.400.000	705.408	5.694.592	GEF
52.	12382	Modernization of the State Treasury System in the Republic of Croatia - Signed and effective on 30.08.2012.	EUR	165.111	11.080	154.031	SAFE

53.	17706	Environmental Pollution Control of the Adriatic Sea Project 1 - Signed on 08.09.2014, effective on 05.12.2014.	USD	4.330.000	257.181	4.072.819	GEF
		TOTAL	**USD**	**53.166.934**	**4.381.653**	**48.785.281**	
			JPY	**270.500.000**	**70.655.270**	**199.844.730**	
			EUR	**11.553.238**	**11.590**	**11.541.648**	
			GBP	**352.800**	**2.832**	**349.968**	
			SEK	**23.250.000**	**90.688**	**23.159.312**	
		Converted to:	**EUR**	**65.811.693**	**4.633.305**	**61.178.389**	

	Project Number	EBRD Donations	Curren-cy	Agreed Amount	Canceled	Effective Amount	Donor
				1	2	3=1-2	
1.	-	Heating and Hot Water System Renovation Project for the Tuškanac Home for Children and Youth - signed on 13.05.2010.	EUR	120.000	0	120.000	EBRD

	Project Number	Donation administered through the European Investment Bank (EIB)	Curren-cy	Agreed Amount	Canceled	Effective Amount	Donor
				1	2	3=1-2	
1.	WB7-HR-SOC-04	Technical Assistance for Student Accommodation at Universities in Rijeka and Osijek in Croatia - signed on 01.07.2013.	EUR	2.688.000	2.688.000	0	WBIF

	Project Number	Donations administered through the Council of Europe Development Bank (CEB)	Curren-cy	Agreed Amount	Canceled	Effective Amount	Donor
				1	2	3=1-2	
1.	HR1 (2013)	Regional Housing Accommodation Program -"Construction of a Multi-Apartment Building for 29 Families in the Municipality of Korenica" - signed on 28.02. and 03.03.2014.	EUR	1.048.658	167	1.048.491	RHP Fund
2.	HR2 (2013)	Regional Housing Accommodation Program -"Construction of Two Multi-Apartment Buildings in Knin for 40 Families" - signed on 23.06.2014.	EUR	2.587.037	257.964	2.329.073	RHP Fund

3.	HR4 (2013)	Regional Housing Accommodation Program – "Purchase of Apartments for 101 Potential Beneficiaries" – signed on 23.06.2014.	EUR	4.287.855	804.503	3.483.352	RHP Fund
4.	WBIF: WB9-HR-SOC-01 CEB: FIP 17598 (2013)	Technical Assistance "Croatia: Renovation and Construction of Departments/ Centers within Healthcare Institutions" – signed on 09.01. and 05.02.2015.	EUR	1.440.000	1.440.000	0	WBIF
5.	HR3 (2013)	Regional Housing Accommodation Program – "Reconstruction and Extension of a Home for the Elderly and Disabled in Glini with a Capacity for 75 People" – signed on 20. and 25.02.2015.	EUR	3.085.525	15.210	3.070.315	RHP Fund
6.	HR5 (2014)	Regional Housing Accommodation Program – "Construction of a Multi-Apartment Building for 21 Families in Benkovac" – signed on 22. and 29.09.2015.	EUR	999.721	95.272	904.449	RHP Fund
7.	HR6 (2016)	Regional Housing Accommodation Program – "Renovation, Reconstruction, or Construction of 62 Family Houses" – signed on 18. and 27.07.2016.	EUR	2.000.000	223.735	1.776.265	RHP Fund
8.	HR7 (2018)	Regional Housing Accommodation Program – "Construction of a Multi-Apartment Building for 21 Families in Vukovar" – signed on 14.08. and 19.11.2018.	EUR	859.499	0	859.499	RHP Fund
9.	HR8 (2018)	Regional Housing Accommodation Program – "Renovation, Reconstruction, or Construction of up to 25 Family Houses" – signed on 30.09. and 31.12.2019.	EUR	714.521	0	714.521	RHP Fund

10.	HR9 (2018)	Regional Housing Accommodation Program - "Purchase of up to 38 Apartments" - signed on 30.09. and 31.12.2019.	EUR	1.130.320	0	1.130.320	RHP Fund
		TOTAL	EUR	18.153.136	2.836.851	15.316.285	

	Project Number	Council of Europe Development Bank (CEB) donation	Currency	Agreed Amount	Canceled	Effective Amount	Donor
				1	2	3=1-2	
1.	HR NPSZ1 (2015)	Regional Housing Accommodation Program - "Agreement on Granting Non-Repayable Funds to Support the National Housing Accommodation Program" - signed on 20.11. and 30.11.2015.	EUR	410.000	85.513	324.487	CEB

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