

Strategy of Government Programs and State Budget  
for the period from 2010 to 2012





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## Foreword



The budget, as the main instrument of the Government of the Republic of Croatia for managing fiscal policies, was created on a long-term strategic basis. In that context, new budgeting brings several key amendments. We introduced a strategic planning process for a three-year period that outlines the key goals of the Government for that period and in order to ensure their realization, the state budget for the following year and projections for the following two years were adopted.

Therefore, we use this brochure to present the Strategy of Government Programs for the period from 2010 to 2012 as well as allocation of resources based on goals defined by the Strategy.

It is important to emphasize that the State Budget for the period from 2010 to 2012, as well as the Strategy of Government Programs, were prepared under changing macroeconomic circumstances and economic crisis that impacted the entire world, including Croatia. Therefore, the priorities, in comparison to previous years, had to change. However, the vision and the direction we were heading in, being the development of a modern, European and social state, did not change. In that context, the basic strategic goal of the Republic of Croatia is growth and employment in a competitive trade economy that functions in a social European state of the 21st century.

Strategy of Government Programs is based on the vision of the Croatian society developing in order to be ready and able to equally participate on the open European and global labour and idea market. Strengthening of the Croatian economy and its competitiveness is a guarantee of quality participation in the network of contemporary world markets.

At the same time, the model of stable economy and of increasing competitiveness has to ensure social fairness, solidarity and improved standards of living of all Croatian citizens.

Considering the current conditions of Croatia and the world, it is extremely important to achieve a balance between the developmental imperatives and social fairness while maintaining macroeconomic stability. Strengthening entrepreneurship and creating ideal conditions for development of a competitive Croatian economy remain the key segments of economic politics of this Government. We express this through measures we took to stimulate credit activities and home construction. Families, veterans, the unemployed, individuals with special needs were, and remain to be, at the centre of budget priorities.

In the light of the above, the Government of the Republic of Croatia continues with the implementation of policies that will create conditions for economic recovery and development in the upcoming period. It is the Strategy of Government Programs, supported by the budget that provides a strong foundation and instruments for turning negative trends into positive trends and for socio-economic development of Croatia for the benefit of all our citizens.

**Jadranka Kosor**

Prime Minister of the Republic of Croatia

## Preface



Fiscal policies are the backbone of overall economic policies of the Government of the Republic of Croatia that are used to outline strategic goals and the vision of development of the Republic of Croatia. Strategic plans of ministries and other state administration bodies were prepared last year, and based on those, the Strategy of Government Programs was prepared for the period from 2010 to 2012. There was a clear and strong focus on fulfilling basic strategic goals of the Government with all previous budgets as presented in practical brochures associated with the adoption of the budget.

Previous budget showed that even with decreased spending, continual development can be ensured with clear strategic priorities and well thought-out programs. Investments were made to develop a productive entrepreneurial environment, even regional development, to stimulate knowledge and excellence, infrastructure, information technology, as well as agriculture and rural development while, at the same time, protecting vulnerable social groups.

Under crisis conditions, the Government of the Republic of Croatia made decisions about economic recovery and development measures. The basic goal of measures for economic recovery and development is to create conditions in order to preserve current jobs and create new ones, increase investments, ensure satisfactory liquidity of Croatian economy and other conditions that will enable us to sustain a stable macroeconomic framework.

There was a breakdown of two models that were used to focus the surplus of liquid assets in the banking system on the economy for the purpose of stimulating credit activities. The first breakdown was financing, with active state participation in the financing of business projects of economic entities. The second one was the establishment of the guarantee fund

for partial coverage of risks associated with new ranking of credit institutions along with active state participation in the framework of sustainable business projects of economic entities. Operating plan for stimulating small and medium businesses in 2010 was therefore adjusted to crisis economic conditions and priority was placed on stimulating competitiveness and innovations, new technologies, strengthening of the market position of economic entities, modernization and preservation of jobs, as well as measures for sustaining and for recovery of small businesses.

It is under these changing macroeconomic conditions that strategic budget planning gains more importance. The State Budget for the period from 2010 to 2012 based on the Strategy of Government Programs provides long term projections of fiscal expenditures under changing economic conditions and as such, functions as an early detection signal of policies that have not been harmonized with the medium term fiscal goals of the Government. Medium term budget framework connects government priorities and the budget within the framework of sustainable spending levels. This method is used to improve program results through increasing transparency, responsibility and predictability of financing.

Strategy of Government Programs was created by following this path and we are taking this opportunity to introduce it to you. It is also the foundation for the implementation of economic policies of the Government of the Republic of Croatia and strategic creation of budget policies with the goal of developing Croatian society and economy.

**Ivan Šuker**

Deputy Prime Minister and Minister of Finance



**STRATEGY OF GOVERNMENT PROGRAMS AND  
STATE BUDGET FOR THE PERIOD FROM 2010 TO 2012**

## Introduction

Changes of the budget planning process were announced in 2007 with the introduction of Strategy for the development and modernization of the State Treasury for the period from 2007 to 2011, and after that, with the new Budget Act (Official Gazette, no. 87/08).

Development of an effective and sustainable system for managing public finances requires an institutional framework that will, along with assurance of fiscal discipline required for macroeconomic stability, also be focused on ensuring strategic resource allocation and more efficient provision of public services.

Development of a medium term (multi year) budget framework and top to bottom approach to budgeting are the basic institutional solutions and tools for strengthening strategic resource allocation, and the Budget Act from 2003 did not provide for this since its regulations for adopting budgets were only for one budget year.

Because of this, the new Budget Act introduces the following in the area of budgeting:

1. Implementation of strategic planning and preparation of three year government program strategies so that strategic priorities and Government policy goals directly impact resource allocation within the budget.
2. Adoption of single year budgets and projections for the following two years.
3. Adoption of budgets on higher levels of economic classification or on the sub-group levels (third level) compared to the fourth level, prior to now. Projections are adopted on the second level of economic classification.

The planning process, for the first time ever, began with the preparation of strategic plans of ministries and other state bodies on the first level of organizational classification.

Strategic plan has two roles: it guides the work of the ministry and the state administration body towards achieving the most significant goals that have the greatest impact on the society, and at the same time, it is used to present the institution to the citizens and the public. It provides answers to the question posed by the general public regarding what the ministry does and how it contributes to the development of the society and/or economy.

Strategic plans present inputs used to prepare the Strategy of Government Programs for the period from 2010 to 2012. This Strategy clearly defines goals and priorities that the Government of Croatia will implement through its programs in the mentioned timeframe. Strategic plans were used to gain an overview of all sector goals, and the Strategy of Government Programs ensures allocation of budget resources for those goals that will have the most significant impact in priority areas.

Strategic goal defined by the Strategy is: growth and employment in a competitive market economy that functions in a social European state of the 21st century.

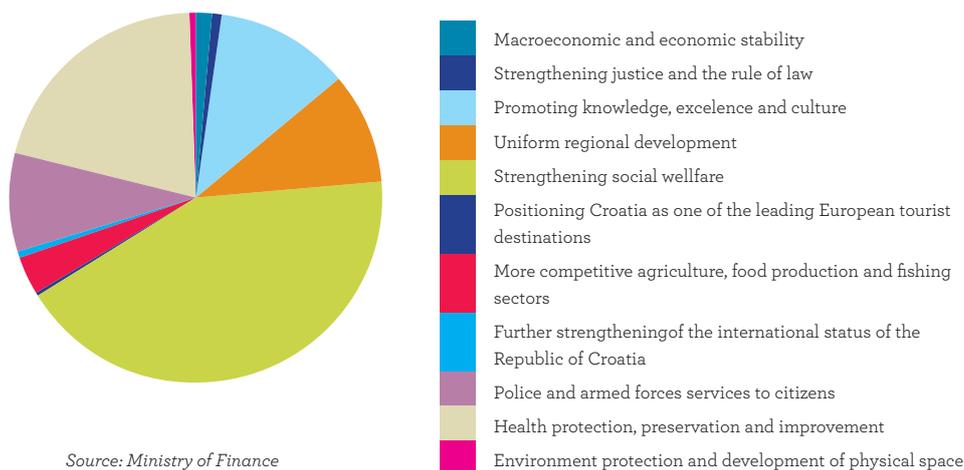
Realization of the established strategic goal is achieved by fulfilling twelve general goals: 1. macroeconomic and economic stability, 2. optimal conditions for development of a competitive economy, 3. strengthening justice and the rule of law, 4. promotion of knowledge, excellence and culture, 5. uniform regional development, 6. strengthening social welfare, 7. positioning the Republic of Croatia as one of the leading European tourist destinations, 8. competitive agricultural, food and fishing sectors, 9. further strengthening of international positioning of the Republic of Croatia, 10. police and armed forces services to citizens, 11. health protection, preservation and improvement and 12. environment protection and physical space development.

Strategic plans provided an overview of all sector goals and ranking of goals from the Strategy influenced economic and fiscal assumptions of the Guidelines of Economic and Fiscal Policies of the Government of the Republic of Croatia for the period from 2010 to 2012. The Guidelines were prepared for the first time based on the Strategy of Government Programs for the period from 2010 to 2012.

# Strategic Goals of the Government of the Republic of Croatia

Fiscal policies that will be implemented through the Budget for the period from 2010 to 2012 materialize goals and measures that are the result of the Strategy of Government Programs in order to ensure long term stability and recovery, as well as to lay foundations for economic growth. In this context, the fund allocation (assignment) for individual programs and the implementation of new programs are oriented towards achieving goals defined in the Strategy of Government Programs:

**Diagram 1**  
Budget allocations based on strategic goals in 2010



## Specific Goals:

1. More effective management of public finances
2. More effective collection of fiscal revenues
3. Strengthening capacities for using European Union funds

## 1. Macroeconomic and economic stability

Macroeconomic and economic stability will be achieved through effective management of public finances. This includes improvement of budget processes, fiscal consolidation and effective public debt management, strengthening of internal financial control systems and internal audit, and development of macroeconomic statistics.

Fair and effective gathering of fiscal revenues, primarily focused on increasing the level of tax regulation compliance, regulations regarding the payment of other public duty payments as well as improving the services provided to the tax payers, will also contribute to the stability of public finances.

In the context of joining the European Union, increasing the capacities for using European Union funds will be of extreme importance. During the upcoming period, the goal will be to utilize the provided funds as much as possible. This can be achieved by establishing institutions and approving their work as planned for the implementation of IPA and future European Union funds, quality preparation of projects in comparison to the allocated funds, successful project implementations and good financial management, quality preparation of program documents for using future European Union funds, and systematic and coordinated education of bodies that participate in the management system and of other potential fund users regarding the utilization of European Union funds.

## 2. Optimal conditions for development of a competitive economy

Medium term economic policies will also be focused on providing optimal conditions for development of a competitive Croatian economy. Therefore, measures will be taken to strengthen competitive abilities of economic entities. They include improvement of the energy system, stimulating investments and attracting direct investments, increasing the number of exporters and changing their structure, creation of stimulating conditions for development of an innovative economy, providing subsidies for the creation of new jobs, intensifying economic diplomacy, adjusting legal regulations and planning acts.

One of the measures for stimulating entrepreneurial activities will be to decrease the burden of the economy with non-tax revenues. One of the first pre-conditions for this was the creation of a Registry of non-tax revenues. The Government will also begin a reform of the system of the chamber of commerce with the goal of gradual implementation of business trade principles and for earning chamber revenues.

In order to strengthen competitiveness of small and medium businesses during the period from 2010 to 2012, 587.1 million HRK will be allocated from the budget in 2010, 636.0 million HRK in 2011 and 637.0 million HRK in 2012.

What is exceptionally important for competitiveness of the Croatian economy is also a more developed, more competitive and more flexible labour market. Its functioning will be enabled by fulfilling employer needs to hire qualified employees, by increasing job finding activities of individuals who have difficulties securing employment and by ensuring that labour laws are respected. During the next three-year period there will be an increase of funding for employment stimulation and for other programs associated with the development of the labour market (in 2010 as much as 27.2 percent more will be allocated compared to 2009).

### **Specific Goals:**

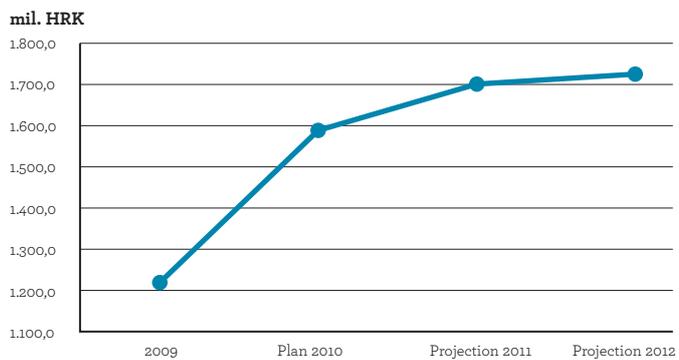
1. *Strengthening competitiveness of business entities*
2. *More developed, more competitive and more flexible labour market*
3. *More effective methods for using national resources*

**Table 1** *Optimal conditions for development of a competitive economy*

ooo HRK	2009	Plan 2010	Index 10/09	Projection 2011	Index 11/10	Projection 2012	Index 12/11
Reform of the energy sector	23.359,8	35.809,1	153,3	20.930,5	58,5	18.593,7	88,8
Increasing competitiveness of small and medium businesses	519.187,7	587.059,3	113,1	636.023,2	108,3	636.956,4	100,1
Development of the market and business activities	60.462,9	57.200,3	94,6	31.389,5	54,9	17.474,0	55,7
Stimulating export and investments	227.767,9	222.651,7	97,8	246.906,4	110,9	257.052,5	104,1
Industrial development and re-construction	150.190,3	170.410,0	113,5	206.200,0	121,0	230.898,0	112,0
Development of the labour market	238.001,9	516.327,9	216,9	561.143,1	108,7	564.971,4	100,7
<b>Total</b>	<b>1.218.970,6</b>	<b>1.589.458,3</b>	<b>130,4</b>	<b>1.702.592,6</b>	<b>107,1</b>	<b>1.725.946,0</b>	<b>101,4</b>

Source: Ministry of Finance

**Diagram 2**  
*Optimal conditions for development of a competitive economy*



Source: Ministry of Finance

### 3. Strengthening justice and the rule of law

Strengthening justice and the rule of law is the legal foundation that is important for development of democracy. Therefore, the legal reform is focused on development and strengthening of court powers, education of staff working in the justice system, network rationalization, increasing transparency of legal bodies and rationalization of costs associated with court procedures. Investments made into the legal reform, including those made into information technology and accommodation of legal bodies, will grow at approximately four percent per year during the next three year period.

In order to strengthen justice and the rule of law it is very important to fight corruption and organized crime. This can be achieved through the adaptation of legal regulations, by increasing transparency of the work performed by state authority bodies, staff education, raising public awareness regarding the downside of corruption, implementation of anti-corruption campaigns and strengthening of inter-institutional cooperation of bodies responsible for the implementation of measures in the fight against corruption and organized crime.

Implementation of the legal aid system, development of the mediation institute, improving the system of criminal sanctions, increasing the effectiveness of court judgement enforcements, increasing gender equality and protection against discrimination will lead to stronger protection of human rights and freedoms which is another pre-condition for strengthening justice and the rule of law.

Strengthening legal protection of business transactions and real estate trade is another segment of strengthening the rule of law and it is a contribution to the promotion of entrepreneurship and development and growth of economy. Those goals will be achieved through automation and digitalization of data, more effective bankruptcy procedures, acceleration of land registry procedures, as well as by creation of a registry of cultural goods and other databases in the system of cultural heritage protection.

The Government wants to have professional and motivated legal public administration that will serve citizens and economy and further development of the country. Advancing skills and improving the quality of public services and the administration is an important factor of the realization of strategic economic goals. In this context, there will be an implementation of measures focused on professional development of state and public service employees, increased effectiveness and efficiency in the public administration system, an increase in the level of quality of administrative services and strengthening of social sensitivity. In the next three-year period, there will be twice as much funding compared to 2009 for improving the quality of work of public services and administration.

#### **Specific Goals:**

1. *Legal reform*
2. *Fighting corruption and organized crime*
3. *Strengthening the protection of human rights and freedoms*
4. *Strengthening legal security of business transactions and real estate trade*
5. *Advancing skills and improving the quality of public services and administration*

The backbone of public sector reforms will be the creation of a registry of public sector employees and a centralized payroll system. The public procurement system will also be centralized because of a coordinated implementation of procedures and transparent awarding of contracts associated with public procurement and concessions, for the purpose of financial rationalization of procurement and for savings.

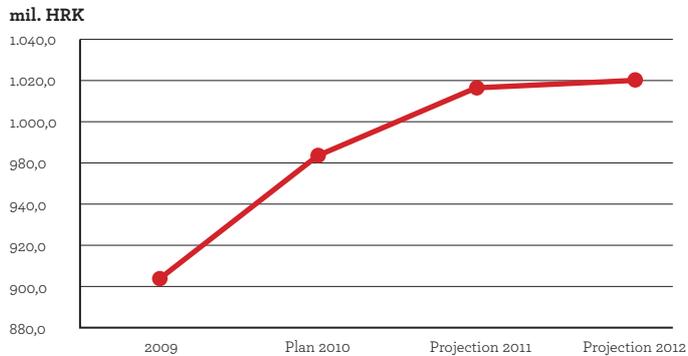
Considering the size of public administration in the local state sector, preparations and analysis will begin on territorial re-organization of the Republic of Croatia whose purpose will be to reduce administrative units and re-define the status of cities.

**Table 2** *Strengthening justice and the rule of law*

ooo HRK	2009	Plan 2010	Index 10/09	Projection 2011	Index 11/10	Projection 2012	Index 12/11
Improving the quality of work of public services and administration	12.706,1	40.304,1	317,2	33.638,6	83,5	29.486,0	87,7
Fighting corruption and organized crime	21.675,5	38.186,8	176,2	30.451,9	79,7	24.652,4	81,0
Protection of human rights and freedoms	130.080,9	134.682,3	103,5	137.120,4	101,8	123.598,9	90,1
Investing into information technology and accommodation of legal bodies	93.360,0	138.556,2	148,4	198.541,8	143,3	236.215,2	119,0
Development and strengthening of the justice system	646.025,3	632.354,8	97,9	618.131,0	97,8	606.550,6	98,1
<b>Total</b>	<b>903.847,9</b>	<b>984.084,2</b>	<b>108,9</b>	<b>1.017.883,6</b>	<b>103,4</b>	<b>1.020.503,0</b>	<b>100,3</b>

Source: Ministry of Finance

**Diagram 3**  
*Strengthening justice and the rule of law*



Source: Ministry of Finance

## 4. Promoting knowledge, excellence and culture

A productive and developed society builds its competitive advantages on knowledge, constantly stimulating investing into the knowledge of its population. A quality education system, from pre-school, grade school and high school to higher education, is a condition to continually gain new knowledge and skills, and for application of new technologies on the principle of lifelong learning.

Development of a more accessible, more adaptable and more efficient education system on the national and international levels will enable the creation of intellectual and working human potential as the key wealth of the Croatian state and of a stimulating environment for sustainable, innovative, scientific and technological projects. A lot will be gained from using information technology to connect all scientific and educational institutions with the purpose of exchanging knowledge and data, as well as monitoring and advancing models for system resource management.

Higher education system is a special challenge because it has to produce the most qualified personnel for the needs of the economy and, at the same time, play the key role in connecting scientific research and economy. From the viewpoint of competitiveness, we primarily expect quality from the higher education system. Budget allocation for higher education will amount to 2.3 billion HRK in 2010, 2.4 billion HRK in 2011 and 2.5 billion HRK in 2012.

### **Specific Goals:**

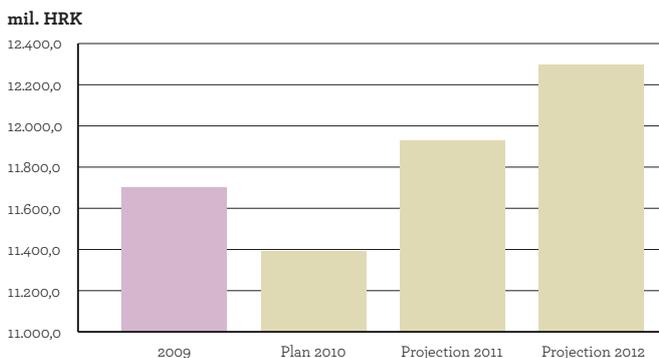
- 1. Sustainable quality of the education system and development of sports*
- 2. Development of science as the driver of long term economic and social development*
- 3. Promoting excellence of the science system*
- 4. Continuation of development of information society*

**Table 3** *Promoting knowledge and excellence*

ooo HRK	2009	Plan 2010	Index 10/09	Projection 2011	Index 11/10	Projection 2012	Index 12/11
Development of the education system	465.499,2	413.600,1	88,9	503.973,7	121,9	515.989,1	102,4
Pre-school education	22.863,6	24.303,0	106,3	29.283,6	120,5	17.490,7	59,7
Elementary school education	4.701.656,3	4.680.644,1	99,6	4.845.435,7	103,5	5.032.521,4	103,9
High school education	2.763.518,3	2.592.571,7	93,8	2.682.497,1	103,5	2.788.102,9	103,9
Post-secondary education	2.362.633,1	2.328.363,4	98,5	2.392.170,7	102,7	2.479.944,2	103,7
Science research and development of information society	1.231.410,8	1.216.920,4	98,8	1.335.827,8	109,8	1.327.867,4	99,4
Development of sports	202.467,6	136.768,9	67,6	134.638,6	98,4	142.038,2	105,5
<b>Total</b>	<b>11.750.049,0</b>	<b>11.393.171,7</b>	<b>97,0</b>	<b>11.923.827,2</b>	<b>104,7</b>	<b>12.303.953,8</b>	<b>103,2</b>

Source: Ministry of Finance

**Diagram 4**  
*Promoting knowledge and excellence*



Source: Ministry of Finance

Development of cultural and art creativity will contribute to the development and enrichment of cultural life in the Republic of Croatia by creating programs for cultural public needs, promoting books and prints, museum and gallery activities, visual arts, music, theatre, music scene, audiovisual and dance arts as well as new media culture.

Management of cultural assets, advancing cooperation and planning of all interested parties, improving the quality of restoration and conservatory work and controlling the movement of cultural assets will also contribute to the achievement of optimal protection model and maintenance of cultural assets.

**Specific Goals:**

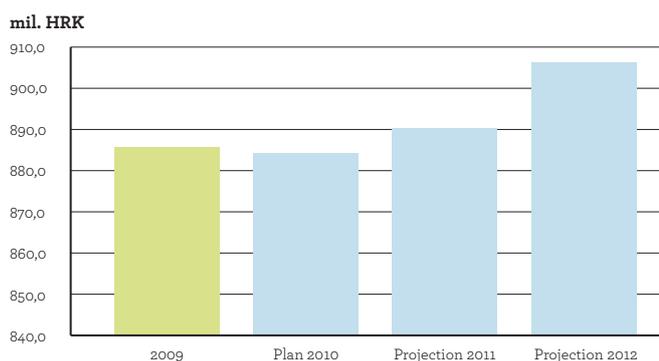
- 5. Development of cultural and art creativity
- 6. Achieving the optimal model of protection and maintenance of cultural assets

**Table 4** Promoting culture

ooo HRK	2009	Plan 2010	Index 10/09	Projection 2011	Index 11/10	Projection 2012	Index 12/11
Protection of cultural assets	237.471,9	250.720,8	105,6	258.029,8	102,9	263.108,7	102,0
Development of cultural and art creativity	649.703,6	634.421,9	97,6	631.999,9	99,6	642.802,0	101,7
<b>Total</b>	<b>887.175,5</b>	<b>885.142,7</b>	<b>99,8</b>	<b>890.029,7</b>	<b>100,6</b>	<b>905.910,7</b>	<b>101,8</b>

Source: Ministry of Finance

**Diagram 5** Promoting culture



Source: Ministry of Finance

**Specific Goals:**

1. *Promoting competitiveness of Croatian regions*
2. *Sustainable development of underdeveloped regions*
3. *Development of a traffic system*
4. *Sustainable development of water management*
5. *Development of electronic communications*

## 5. Uniform regional development

For the purpose of decreasing social and economic variations and to increase development opportunities in different parts of the country and among different social groups, the Government will continue to undertake measures to ensure uniform regional development of Croatia. This primarily means promoting competitiveness of Croatian regions which includes recognizing priority projects, choosing and monitoring their implementation, co-financing the preparation of project documentation, creating a networked system model of communication between county development agencies and centres, support for projects associated with building entrepreneurial, business and economy zones, development of clusters, stimulating development of trades, small and medium businesses and branding of original traditional products. Further, sustainable development of less developed regions will be stimulated through the construction of infrastructure for homes, municipal services and businesses, by providing assistance to the local and regional self governing units and through tax reliefs.

Development of a traffic system is a pre-condition for a balanced regional development of Croatia so, in that sense, construction and modernization of a traffic infrastructure will continue, as well as development of a traffic service market, establishment of monitoring and a traffic management system, as well as hydrographical research and environment protection associated with traffic.

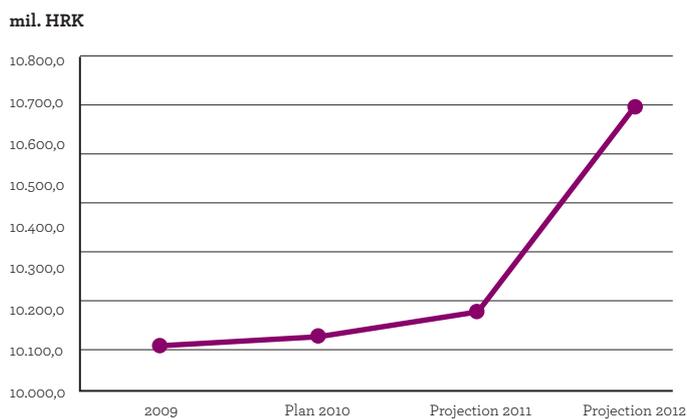
Sustainable development of water management will be ensured through construction and maintenance of water-related structures, by investing into water supply development programs, ensuring water quality and investing into the development of water irrigation systems.

For uniform development of all Croatian regions significant funds are allocated from the budget every year. The budget for the period from 2010 to 2012 will allocate a total of 31.0 billion HRK for that purpose, that is, more than 10 billion HRK annually.

**Table 5** *Uniform regional development*

ooo HRK	2009	Plan 2010	Index 10/09	Projection 2011	Index 11/10	Projection 2012	Index 12/11
Promoting regional development	2.792.119,6	2.824.600,6	101,2	2.851.834,9	101,0	2.902.855,1	101,8
Development of water management	316.672,9	423.400,6	133,7	507.206,7	119,8	382.293,0	75,4
Development of the traffic system	6.317.158,6	6.064.415,0	96,0	6.144.125,3	101,3	6.553.541,3	106,7
Development of electronic communications	3.183,5	1.000,0	31,4	5.000,0	500,0	25.000,0	500,0
Care for the exiled, refugees and returnees	647.643,6	762.696,2	117,8	632.345,7	82,9	769.981,7	121,8
Forestry	28.033,3	50.854,0	181,4	54.721,8	107,6	61.062,7	111,6
<b>Total</b>	<b>10.104.811,6</b>	<b>10.126.966,3</b>	<b>100,2</b>	<b>10.195.234,4</b>	<b>100,7</b>	<b>10.694.733,8</b>	<b>104,9</b>

Source: Ministry of Finance

**Diagram 6** *Uniform regional development*

Source: Ministry of Finance

**Specific Goals:**

- 1. Providing accessible protection and improvement of quality of life to vulnerable groups*
- 2. Social strengthening of families, children and the young*
- 3. Protection of dignity of Croatian veterans in the society*
- 4. Strengthening the system of social security of workers and coordination of protection of social minimum of the unemployed*
- 5. Development of a sustainable pension insurance system*

## 6. Strengthening social welfare

Strengthening social welfare is also one of the key Government goals. Providing care to those individuals that rely on assistance from others is an important part of social responsibility of a society.

Relationships between the society and the family, children, the youth and persons with disabilities actually provide a picture of the society itself. Considering the family to be of the highest social value, the Government has made significant progress towards the realization of institutional and other conditions to successfully handle private and professional challenges of modern families, children and the youth. By promoting family values, care for children and the youth, persons with disabilities and for other vulnerable social groups, equality will be ensured in all areas of modern society.

The Government undertakes activities associated with consolidating financial assistance systems and with reducing administration in order to improve how social assistance is directed and to ensure that users get simpler access to their entitlements. This will not decrease the social sensitivity of the state but it will better target or redefine the benefit system of citizens and households so that the most vulnerable social groups would receive appropriate care. Therefore, in terms of social transfers, there will be a switch-over to a census system and to equalizing benefits received on the same basis but from different programs. In order to avoid overlaps, local state transfers will be networked with the central state records.

This will enable the realization of assistance and services in the scope that they are needed in order to ensure minimal living standards of high risk individuals, that is, to fulfil specific needs of socially vulnerable groups.

Croatia is one of the countries with a very old population. Aging population impacts the overall economic development, places a burden on the pension, healthcare and social systems. By developing different forms of care, promoting active aging and intergenerational solidarity, a balance will be achieved between the right of the elderly to age with pride and to be socially included, with the right of the younger generations to grow and develop. The Government will improve the quality of life of the elderly by using different care models, by promoting active aging, by improving the connection and solidarity between generations and by promoting volunteering.

Further, the goal of further growth of the pension system is financial and social sustainability of the system, as well as achieving and maintaining a balance between levels of pension realized only within the system of generational solidarity and the levels of pensions realized within the two levels of pension insurance.

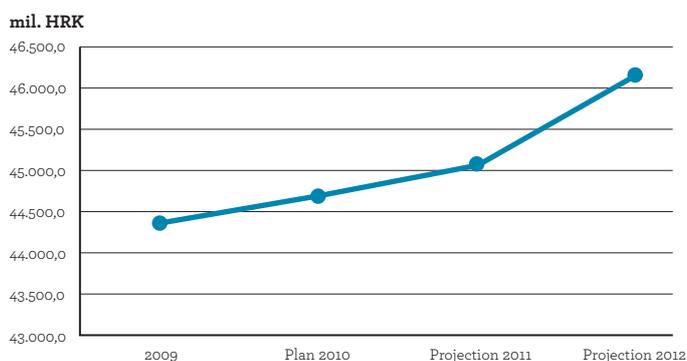
In order to protect dignity of the Croatian War of Independence, the Government is implementing overall care of retired veterans and members of their families, Croatian military invalids from the Croatian War of Independence, peacetime military invalids, injured pyrotechnic technicians and members of their families, families of the killed, deceased, imprisoned or missing Croatian veterans.

**Table 6** *Strengthening social welfare*

ooo HRK	2009	Plan 2010	Index 10/09	Projection 2011	Index 11/10	Projection 2012	Index 12/11
Pensions and the pension system	34.617.879,1	34.816.293,1	100,6	35.403.291,3	101,7	36.422.289,5	102,9
Care for Croatian veterans from the Croatian War of Independence	995.076,9	1.039.514,7	104,5	1.054.034,8	101,4	1.076.112,5	102,1
Benefits for children and maternity leave	3.864.212,6	3.926.604,5	101,6	3.902.058,6	99,4	3.874.798,5	99,3
Social welfare	3.328.483,4	3.246.485,6	97,5	3.171.194,0	97,7	3.202.404,4	101,0
Care for vulnerable population groups	160.680,5	136.473,8	84,9	163.027,6	119,5	169.022,1	103,7
Unemployment benefits	1.246.629,8	1.181.381,0	94,8	1.200.000,0	101,6	1.180.000,0	98,3
Household subsidies	128.851,2	350.000,0	271,6	210.000,0	60,0	217.000,0	103,3
<b>Total</b>	<b>44.341.813,5</b>	<b>44.696.752,8</b>	<b>100,8</b>	<b>45.103.606,2</b>	<b>100,9</b>	<b>46.141.627,0</b>	<b>102,3</b>

Source: Ministry of Finance

**Diagram 7** *Strengthening social welfare*



Source: Ministry of Finance

**Specific Goals:**

1. Developing and advancing tourist product destinations
2. Effective promotion of tourism products and services

## 7. Positioning Croatia as one of the leading European tourist destinations

One of the main goals of economic politics is positioning Croatia as one of the leading European tourist destinations. Longevity of positive impacts of tourism will be ensured through sustainable use of natural, cultural and historic potentials, active participation in their preservation and development, creation of an environment attractive to investors and effective advertising.

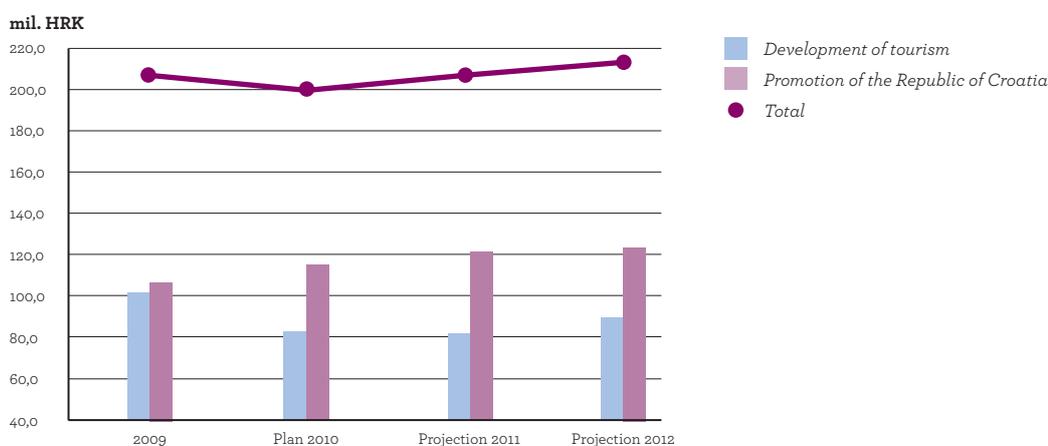
Successful positioning of Croatia on a demanding tourist market depends on the development and creation of new products and services, and on improving the existing ones. Therefore, the Government strives to achieve a high level of quality in all segments, which includes quality of personnel that provide the services, the quality of the services themselves, accommodation, organized visits, additional services and the quality of the overall tourist experience.

Effective advertising of tourist products and services will be achieved through the implementation of a program of joint advertising of private and public tourist sectors, development of international cooperation, implementation of programs for promoting organization of events and other promotional activities, implementation of programs for ensuring tourist safety, and implementation of training programs.

**Table 7** *Positioning Croatia as one of the leading European tourist destinations*

ooo HRK	2009	Plan 2010	Index 10/09	Projection 2011	Index 11/10	Projection 2012	Index 12/11
Development of tourism	101.608,5	82.532,3	81,2	87.364,0	105,9	90.719,5	103,8
Promotion of the Republic of Croatia	107.069,5	117.840,0	110,1	120.840,0	102,5	123.540,0	102,2
<b>Total</b>	<b>208.678,0</b>	<b>200.372,3</b>	<b>96,0</b>	<b>208.204,0</b>	<b>103,9</b>	<b>214.259,5</b>	<b>102,9</b>

Source: Ministry of Finance

**Diagram 8** Positioning Croatia as one of the leading European tourist destinations

Source: Ministry of Finance

## 8. More competitive agriculture, food production and fishing sectors

Creation of a productive and competitive agriculture, food production and fishing sectors demands continual implementation of comprehensive measures in many areas. Therefore, one of the key measures is a continuation of land parcel consolidation since one of the factors that limits the development of competitiveness of agricultural production the most is the existence of small properties and dislocated and fragmented land parcels.

Work will be performed to improve market mechanisms for selling agricultural, food and fishing products through an amendment of legislative regulations and planning acts in order to better organize the agricultural product market, as well as through a number of projects and subsidy programs.

The politics of state subsidies will change - the goal is to reduce the amount of total subsidies while increasing the share of horizontal subsidies and decreasing the share of sector subsidies. Agricultural subsidies that are a great

### Specific Goals:

1. Land property consolidation and organization of agricultural land
2. Improving market mechanisms for the sale of agricultural, food and fishing products
3. Protecting health of people, animals and plants, and consumer interests
4. Improving the quality of life in rural areas

burden on the budget will be revised, and Croatia, upon joining the European Union, will have to adjust to the conditions and standards of common agricultural politics. In that sense, the agricultural production needs to be improved now, or its competitiveness has to be increased. Therefore, the agriculture subsidy system will gradually change by decreasing the amount of subsidies per agricultural product, cattle and hectare. The amounts for technological modernization will increase. The registry of those who receive subsidies and subvention credits will be networked with the Tax Administration Office.

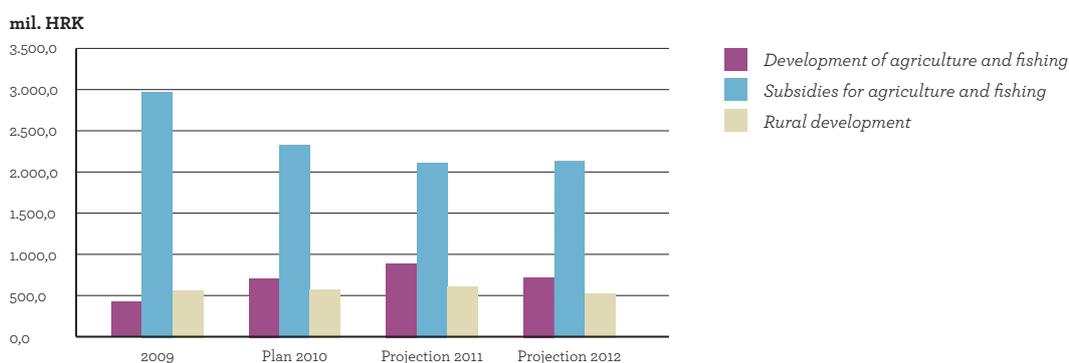
Protection of health of people, animals and plants, and consumer protection as a further measure includes an improvement of the safety system and food quality, strengthening competitiveness and data exchange, and implementation and strengthening of the official control system.

Rural development is taking a more important place in the shaping of agriculture politics of the Republic of Croatia with the goal of improving the quality of life in those rural areas where the conditions are considerably lower than the average, decreasing differences of economic development and living conditions compared to other regions, environment protection, natural resource protection, and protection and progress of rural areas and rural values.

**Table 8** *More competitive agriculture, food production and fishing sectors*

ooo HRK	2009	Plan 2010	Index 10/09	Projection 2011	Index 11/10	Projection 2012	Index 12/11
Development of agriculture and fishing	471.534,8	740.974,8	157,1	883.157,4	119,2	777.782,8	88,1
Subsidies for agriculture and fishing	2.951.510,6	2.375.437,5	80,5	2.190.856,9	92,2	2.227.109,8	101,7
Rural development	562.045,3	596.347,5	106,1	606.279,1	101,7	533.440,0	88,0
<b>Total</b>	<b>3.985.090,7</b>	<b>3.712.759,8</b>	<b>93,2</b>	<b>3.680.293,4</b>	<b>99,1</b>	<b>3.538.332,5</b>	<b>96,1</b>

Source: Ministry of Finance

**Diagram 9** *More competitive agriculture, food production and fishing sectors*

Source: Ministry of Finance

## 9. Further strengthening of the international status of the Republic of Croatia

In the past years the international status of Croatia was strengthened in all aspects of foreign policies, such as the area of European integrations, joining NATO and the non-permanent membership at the UN Security Council, development of friendly relations, advancement of regional cooperation, and overall positioning in the international framework. Preparations of the Republic of Croatia to join the European Union will additionally contribute to the internal transformation of the Croatian society and create conditions for its further development and progress for the benefit of all Croatian citizens.

During the next period, the Croatian diplomacy will strive to further professionalize and modernize the diplomacy network that will better serve the needs of citizens at home and abroad, as well as protect all Croatian citizens. The goal of the Croatian diplomacy is to open up to all citizens in all forms, including the protection of their individual interests. Special attention will be given to strengthening the economic component of foreign politics.

### Specific Goals:

1. Accession to the European Union
2. Strengthening bilateral and international cooperation
3. Further profiling of the Republic of Croatia as a reliable partner on the international level as a full fledged member of NATO

The completion of the process of accession of Croatia to the European Union is a priority for Croatian foreign politics because of the status improvement of the position of the country and because of acceleration of internal society reforms and activation of the society development potential. Croatian diplomacy has to effectively work to remove mistrust of some countries associated with the overall process of expansion of the European Union, especially towards the fulfilment of certain international obligations Croatia has.

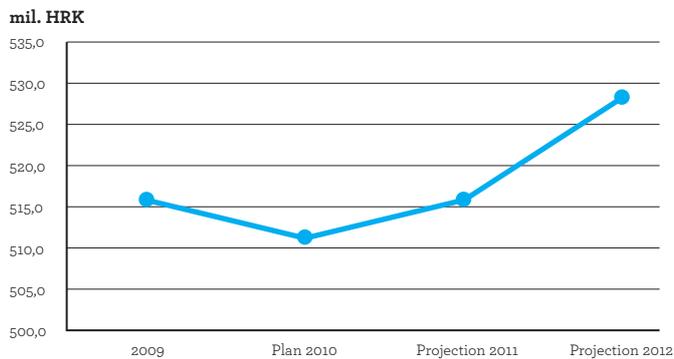
In order to strengthen its international status, the Republic of Croatia will allocate approximately 500 million HRK annually during the next three year period.

**Table 9** *Further strengthening of the international status of the Republic of Croatia*

ooo HRK	2009	Plan 2010	Index 10/09	Projection 2011	Index 11/10	Projection 2012	Index 12/11
Diplomat and consul activities	448.909,6	403.276,2	89,8	423.691,0	105,1	429.721,8	101,4
Implementation of external politics of the Republic of Croatia	67.870,5	109.358,7	161,1	92.852,3	84,9	98.906,6	106,5
<b>Total</b>	<b>516.780,1</b>	<b>512.634,9</b>	<b>99,2</b>	<b>516.543,3</b>	<b>100,8</b>	<b>528.628,4</b>	<b>102,3</b>

Source: Ministry of Finance

**Diagram 10** *Further strengthening of the international status of the Republic of Croatia*



Source: Ministry of Finance

## 10. Police and armed forces services to citizens

One of the basic Government duties is to maintain satisfactory peace and order in the society. In this context, measures will be taken with the goal to advance the system of prevention, discovery and fighting crime, including a reform of the criminal police, fighting corruption and organized crime, strengthening capacities for discovering and fighting violence, increasing the protection of the youth as victims and as criminal offenders of human trafficking. Measures will be taken to increase safety of road traffic in order to reduce accidents and ensure orderly and regular traffic flows.

Strengthening the safety of the state border is also of great significance and it includes good organization, training and technical equipment of the border police.

Integrated system of national security will be developed as the basic interest of national security through the implementation of operational, preventative and recovery measures with the goal of decreasing the number of killed and injured persons, and reducing damages caused by fires and accidents.

International defence and police cooperation will contribute to the advancement of the work performed by military diplomacy in the NATO and in the European Union member countries, including Croatian representatives in the NATO structure and NATO defence process planning in a specifically created bilateral defence cooperation with the neighbouring countries, active participation in the UN and OSCE bodies and forums, as well as in continual cooperation of police forces in peacetime missions. Advancement of priority abilities of the armed forces will be focused on the ability to plan and perform joint operations and it will be implemented through appropriate education, training, exercises, equipping and modernization.

### **Specific Goals:**

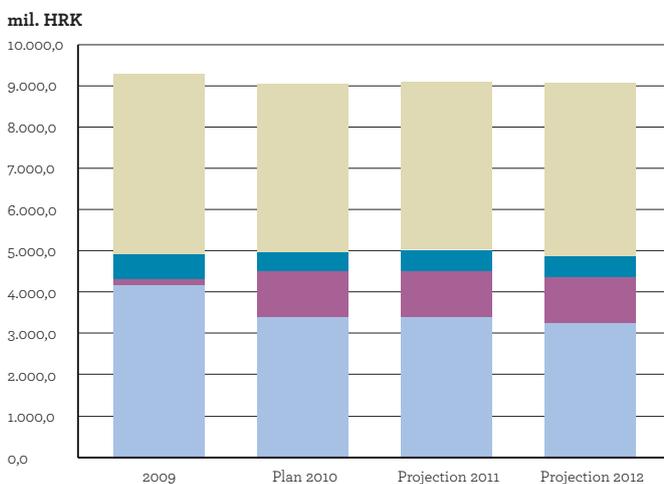
- 1. Advancing the system of preventing, discovering and fighting crime*
- 2. Increasing the safety of road traffic*
- 3. Strengthening the safety of the state border*
- 4. Developing an integrated system of national security*
- 5. Maintaining international defence and police cooperation*
- 6. Advancing priority abilities of the armed forces*

**Table 10** *Police and armed forces services to citizens*

ooo HRK	2009	Plan 2010	Index 10/09	Projection 2011	Index 11/10	Projection 2012	Index 12/11
Public order and safety	4.221.530,3	3.432.760,0	81,3	3.431.441,2	100,0	3.427.015,3	99,9
Managing state borders	172.890,2	1.025.641,1	593,2	1.091.066,4	106,4	934.012,7	85,6
Protection and rescue	499.446,1	439.238,6	87,9	467.547,0	106,4	483.613,4	103,4
Defence program	4.402.590,8	4.173.344,4	94,8	4.149.555,0	99,4	4.287.789,0	103,3
<b>Total</b>	<b>9.296.457,4</b>	<b>9.070.984,1</b>	<b>97,6</b>	<b>9.139.609,6</b>	<b>100,8</b>	<b>9.132.430,3</b>	<b>99,9</b>

Source: Ministry of Finance

**Diagram 11** *Police and armed forces services to citizens*



Source: Ministry of Finance

- Public order and safety
- Managing state borders
- Protection and rescue
- Defence program

## 11. Health protection, preservation and improvement

Preservation and improvement of health of all citizens is an exceptionally important duty that covers scientifically based programs for the prevention and fight against disease and programs for health promotion. The goal is to make health protection more accessible to the citizens by re-organizing and advancing the system of emergency medical assistance, completing the public health network, developing and standardizing the healthcare infrastructure, improving the information technology of the healthcare system and improving healthcare of persons with disabilities.

The quality of health protection will also be ensured by monitoring the legality of the work performed by healthcare institutions, trade associations involved in healthcare, private practices and work performed by healthcare workers. In order to protect the interests of the public healthcare system or to sustain and advance healthcare, it is of great importance to promote healthy lifestyles, development of proper eating habits, promote physical activity and warn against the dangers of various forms of addiction. In addition, a quality system of sanitary inspections is needed as well as measures for removing negative effects of ionizing radiation.

For the protection, preservation and advancement of healthcare, 21.7 billion HRK will be allocated in 2010, 21.9 billion HRK in 2011 and 22.1 billion HRK in 2012.

### Specific Goals:

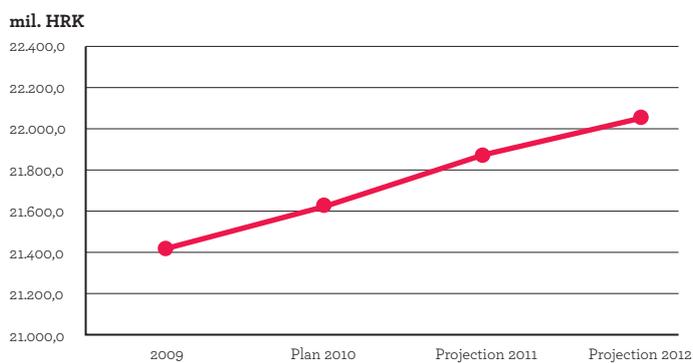
1. More accessible health protection
2. Developed system of quality health protection
3. Protection of public healthcare interests

**Table 11** Health protection, preservation and improvement

ooo HRK	2009	Plan 2010	Index 10/09	Projection 2011	Index 11/10	Projection 2012	Index 12/11
Prevention and special healthcare programs	499.991,7	450.256,0	90,1	549.567,2	122,1	526.428,2	95,8
Prescription medication	3.302.946,3	3.100.000,0	93,9	3.100.000,0	100,0	3.100.000,0	100,0
Orthopaedic devices	564.596,7	510.000,0	90,3	512.300,0	100,5	513.000,0	100,1
Primary healthcare protection	3.688.976,7	3.984.000,0	108,0	4.013.500,0	100,7	4.068.700,0	101,4
Secondary healthcare protection	10.175.379,0	9.864.350,4	96,9	9.898.850,4	100,3	9.970.150,4	100,7
Sick leave benefits	2.029.128,0	1.931.435,6	95,2	1.939.567,3	100,4	1.944.667,0	100,3
Other programs	1.151.122,3	1.797.534,0	156,2	1.870.315,3	104,0	1.958.937,1	104,7
<b>Total</b>	<b>21.412.140,6</b>	<b>21.637.576,0</b>	<b>101,1</b>	<b>21.884.100,3</b>	<b>101,1</b>	<b>22.081.882,7</b>	<b>100,9</b>

Source: Ministry of Finance

**Diagram 12** *Health protection, preservation and improvement*



Source: Ministry of Finance

## 12. Environment protection and development of physical space

### Specific Goals:

1. Environment protection and efficient environment management
2. Protection and preservation of nature
3. Organization of the cadastre, accurate and reliable data about the state of the physical space and purposeful use of space
4. Improving the situation in the area of housing, municipal service management and construction

Environment protection and development of physical space remain to be strategic goals of the Government of the Republic of Croatia. In this context, efficient environment management will continue as a pre-condition for preventing, monitoring and taking measure to decrease air, soil and sea pollution.

Protection and preservation of nature will ensure the existence of basic values and potential further development of the Republic of Croatia, including its affirmation in the European surrounding as a country with developed awareness regarding the meaning of protecting natural resources and their smart, well thought-out and sustainable use ensures multiple directions of development. The goal is to protect the existing biological, areal and geological varieties, giving back a portion of lost habitats wherever possible and justified, and development of an appropriate system for their evaluation and preservation.

Actions will be taken in order to organize the cadastre, create accurate and reliable data regarding the state of physical space and its purposeful use. Accuracy and reliability of data regarding the state of physical space is the basic condition of economic

development, quality and effective functioning of the real estate market and successful implementation of capital and infrastructure state projects. There will be implementations of measures to improve the situation in the area of housing, municipal services and construction that include adoption and implementation of regulations from the area of construction, increasing energy efficiency in the construction of buildings, administrative and fiscal measures and promoting homebuilding.

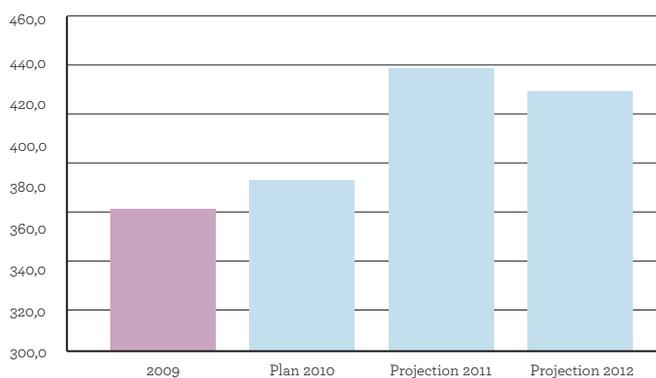
**Table 12** *Environment protection and development of physical space*

ooo HRK	2009	Plan 2010	Index 10/09	Projection 2011	Index 11/10	Projection 2012	Index 12/11
Development of physical space and construction	117.285,7	83.264,4	71,0	80.701,8	96,9	78.278,5	97,0
Environment protection	248.190,5	299.170,5	120,5	356.842,4	119,3	349.298,8	97,9
<b>Total</b>	<b>365.476,3</b>	<b>382.434,9</b>	<b>104,6</b>	<b>437.544,2</b>	<b>114,4</b>	<b>427.577,4</b>	<b>97,7</b>

Source: Ministry of Finance

**Diagram 13** *Environment protection and development of physical space*

mil. HRK



Source: Ministry of Finance

**Publisher**

Ministry of Finance of the Republic of Croatia

**Graphic design**

Petrak-Žaja studio

**Printed by**

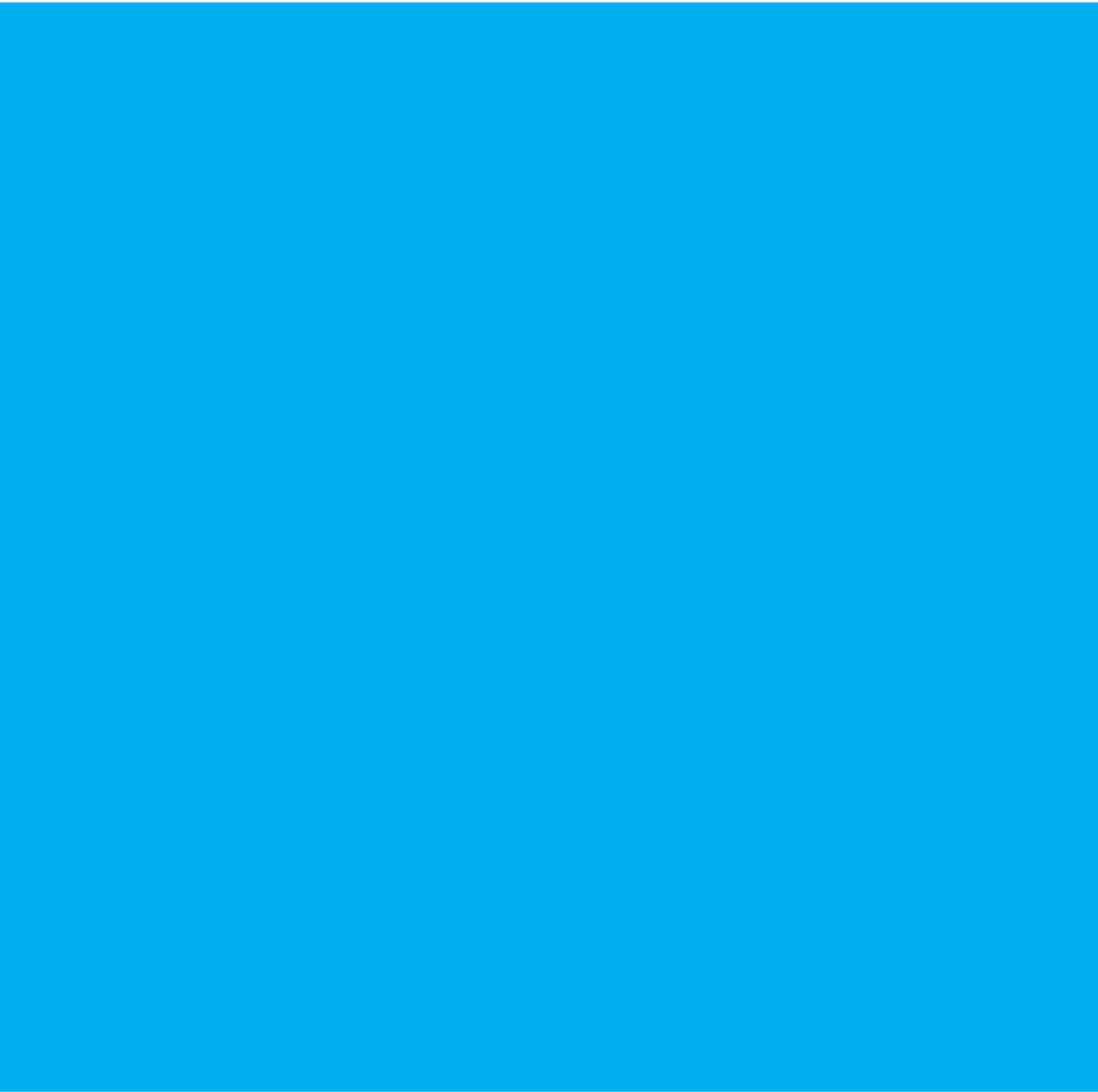
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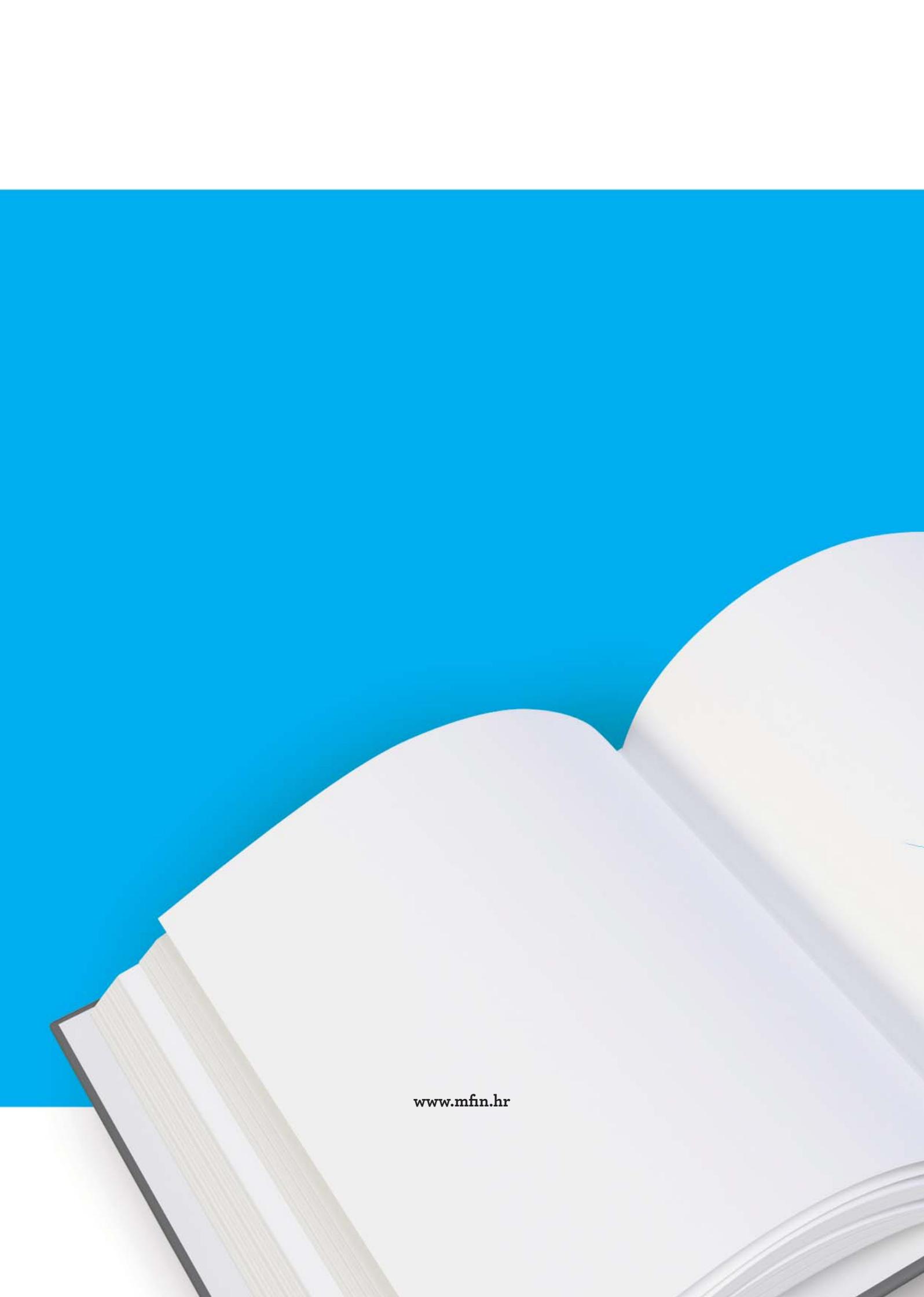
**Published in**

300 copies

**ISBN 978-953-6758-89-0**

Zagreb, 2010



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