

## **CROATIA**

### **ETF Country Plan 2009**

#### **Summary**

In view of the IPA HRD programme becoming operational in 2009, ETF priorities for Croatia in 2009 focus on support to the development of a national qualification framework (CROQF) which was initiated in early 2007 by the Principles for Development of a Croatian Qualification Framework document. In 2007, the ETF was requested to provide support to the National Commission on CROQF which was established in late 2007 and, under the overall supervision of the Vice Prime Minister, is responsible for developing a draft proposal by the end of 2009.

Following on from the results of ETF support in 2008 – mainly provision of EU expertise on methodology, exposure to best practice in the EU, capacity building for the 'operational unit' and event organisation – ETF support in 2009 focuses on providing expertise in relation to alignment with the state of play in qualification framework development in the EU, methodological and capacity building support to the CROQF operational team and exposure to EU best practice in describing levels, developing outcome-based curricula as well as support to the necessary institutional restructuring processes as requested.

The development of social dialogue in education and training in Croatia is considered an urgent priority. The law on VET adopted in parliament in April 2009 contains the establishment of a national council for VET, regional participation by social partners in definition of labour market needs and establishment of school boards. ETF support to capacity building among the social partners for this role will be important. In 2009 ETF will assist in a tracer study of a cohort of the Chamber of Trades and Crafts apprenticeship programme graduates, and support a transition survey on the options of internship mode of employment.

#### **1. Socioeconomic background**

##### **Macroeconomic development**

The macroeconomic forecast for Croatia is affected by the global economic downturn. After the real GDP growing by about 5% every year since 2001, in 2009 GDP in Croatia may decline by 2.5-3% or even more according to recent projections by various Croatian economists and institutes. The impact of the global financial crisis is being increasingly felt in Croatia. The combination of weakening domestic demand and deteriorating external environment has already pushed economic growth to around zero in Q4 of 2008, resulting in a 2.4% GDP growth for the year.

Croatia remains a country with high FDI potential according to UNCTAD (World Investment Report 2006). In the last 10 years over 70% of all FDI were takeovers of already existing companies. Another survey covering European companies investing in Croatia showed that apart from red tape, investment was also being hampered by corruption, an inefficient judiciary and legal regulations.

Government's policy of support to SME's and regional development is focusing on new business zones, tax benefits, fewer administrative obstacles ("Regulatory Guillotine", elimination of 30-50% of unnecessary regulations and procedures is planned), but also through increasing competitiveness, strengthening exports and creating a positive business climate.

The comparably large external debt remains a source of potential vulnerability, increasing the speed and magnitude with which adverse external financial shocks may be transmitted. Four major economic challenges need to be addressed in a sustained manner, for the country to stay on the path toward achieving EU membership: (i) reducing Croatia's external

vulnerability; (ii) completing its transition to a market economy; (iii) fostering greater competitiveness; and (iv) achieving convergence with EU income levels.

### **Labour market, privatisation and restructuring**

Unemployment rate went down from 16% in the 1<sup>st</sup> half of 2006 to 13.8% in August 2007, but reached 14.8% in April 2009. The tourist season 2009 shows a significant decline compared to previous years.

A major issue for further economic development is related to the restructuring of loss-making, state-owned enterprises (e.g. the shipbuilding sector). Further privatisation (e.g. of the national oil and gas company INA) were announced by the Government, but remain slow and delayed as pointed out in EC progress reports.

### **Socio-political background**

The two major political goals are EU accession which is expected to be achieved by 2011 and NATO membership which was obtained April 1, 2009.

The judiciary remains a problem, with huge backlog of cases although Croatia has one of the highest ratios of judges in Europe. In addition, corruption remains an issue in Croatia and continues to be critically assessed also by the EC. The issues of public administration reform, judicial reform and implementation of effective anti corruption measures are the main outstanding issues in relation to EU accession.

### **Regional cooperation**

Croatia is expected to have a certain leadership role in the region, based on its own capacities and willingness for reform (e.g. in the area of VET and labour market institutions reform) In the area of higher education, as part of the ESPD, the Minister has announced a strategic plan to make Croatia the leading country in the region in the areas of science and education by 2010. Croatia also hosts the new South East Europe Centre for Entrepreneurial Learning.

## **2. Key policy issues and strategies in the Human Capital Development Sector**

The major national HRD priorities are outlined in the Strategic Coherence Framework (SCF), submitted by the Central Office for Development Strategy and Coordination of EU Funds. In addition, the Croatian Government has adopted a national development strategy entitled Strategic Development Framework (SDF) 2006-2013, which identifies a series of priorities that should promote Croatia's social and economic development, among these it is also the specific area of "Efficient Labour Market and Education". Particular goals include reinforcement of the role of labour market institutions in the harmonisation of demand for and supply of workforce; adjustment of the educational system to the changing needs of the labour market; full application of lifelong learning; increased investment in education and contemporary learning methods; stronger financial participation of private sector in the education and professional training schemes.

The SCF contains the following objectives related to HRD and Employment:

- Strengthening the active role that institutions of the labour market have in the
- process of balancing labour force supply and demand;
- Reduce long-term unemployment and promote lifelong learning;
- Modernise vocational education in line with economic demands;
- Extend the duration of compulsory education;
- Increase the share of people with higher education in the total population;
- Increase total allocations to education, but also the efficiency of spending
- available funds.

The main problems facing Croatia in the in the development of human capital are:

- Long-term unemployment is a persistent problem with underdeveloped institutional and social dialogue mechanism to address the problem effectively. However, in 2007 a law

was passed on Adult Education and an Adult Education Agency set up to restructure the adult education system and implement LLL strategies as set out in the law.

- Croatia is facing problems in terms of social and territorial cohesion: Certain groups of the population are particularly vulnerable to social exclusion. These include unqualified or low qualified or narrowly skilled people, young people with inappropriate education and/or without work experience, war veterans, disabled people and members of the Serbian or Roma minorities.
- The education system is slow to react to labour market needs. A survey undertaken by the Croatian Chamber of Economy in 2005 reveals that employers feel very disgruntled by the competences of young people who have just left school<sup>1</sup>. They claim that the education system, in particular VET, has not followed the trends in the economy and many young people continue to be trained on outdated profiles, materials and equipment. Technical skills of young people are insufficient, and key competences, such as using ICT, communication skills in their own and a foreign language, numeric skills, motivation for work, team work, problem solving and independence and self-initiative are underdeveloped.

Since 2003, Croatia has embarked on a wider VET system reform process, whose concepts would however still need to be reviewed and consolidated, and seen through to institutionalisation and implementation from a pilot to a system-wide level. In 2006 the EC Cards 2002 VET project produced a VET White Paper and a draft VET law, following a policy learning process involving key stakeholders. Having in place a new VET law for the first time in Croatia is important to steer the reform process and put all envisaged new initiatives and approaches on a legal basis. The new VET law has been adopted by the Parliament on 20 February 2009.

### 3. EU and other donors' policy and interventions in the country

#### EU assistance

Croatia has been a beneficiary of the EU CARDS programmes 2001-2004 and became beneficiary of pre-accession programmes PHARE, ISPA and SAPARD after gaining the status of an EU candidate country. CARDS and PHARE programmes were decentralised in February 2006. The CARDS 2002 Vocational Education and Training: Modernisation and Institution Building and CARDS 2003 VET Upgrading of VET schools were finalised in December 2006 and December 2007 respectively. The CARDS 2003 Decentralisation of Croatian Employment Services and CARDS 2004 Local Partnership for Employment were finalized in 2007. The Phare 2005 Active Labour Market Programme is still under implementation. The EC CARDS 2004 Adult learning project started in September 2007 and aims at policy and legal development, covering essential building blocks of a modern adult learning system.

All of these programmes are from 2007 onwards replaced by the single, integrated Instrument for Pre-Accession Assistance (IPA). IPA implementation is expected to start in the course of 2009. The following IPA 2008 component 4 (HRD) projects are planned in education and training:

- Access to education by students with disabilities
- Further development of the Croatian Qualification Framework
- Strengthening the institutional framework for development of VET curricula
- Implementation of new VET curricula
- VET Quality Assurance Development
- Regional Network of Local Learning Institutions
- Comprehensive strengthening of capacities of the Agency for Vocational Education and Training
- Comprehensive strengthening of the capacities of the Agency for Adult Education.

In the area of higher education, Croatia participates in the Tempus programme as of 2000. Two CARDS projects dealing with higher education were implemented. The CARDS 2002

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<sup>1</sup> Croatian Chamber of the Economy, see [www.hgk.hr](http://www.hgk.hr).

project resulted in amendments to the Law on Higher Education and Science, and assisted in setting up of the Agency for Science and Higher Education. The CARDS 2003 on Quality in Higher Education ended in April 2008.

Croatia did not so far participate in Socrates and Leonardo da Vinci, but it participated in 6<sup>th</sup> Framework Programme and continues to participate in 7<sup>th</sup> Framework Programme for Research and Development. 'Agency for mobility' and EU Programmes has been established. It will manage the Life-long Learning Programme.

At the end of 2004, the Croatian government signed a Framework Agreement with the EC on participation in Community Programmes, which opens the possibility for Croatia to participate in a number of other HRD related Community programmes. In 2007, Croatia signed a Memoranda of Understanding for participation in Progress and Competitiveness and Innovation Programme.

## **Bilateral assistance and international donors**

The World Bank approved a US\$ 85 million (€67.8 million) loan for an Education Sector Development Project (ESDP) in 2005. The overall objective of the ESDP is to improve teaching and learning at all levels.

Key priorities of the ESDP include:

- the establishment of an externally administrated school-leaving examination (matura) and the introduction of evaluation practices at system and institutional levels;
- the development of decision support systems, such as an Education Management Information System;
- efforts to improve management, including policy development, planning and financial management capacities at the central level; administration and coordination capacities at the regional level, and educational leadership at the school level; and
- school-level improvement and the creation of professional learning communities in schools by training school curriculum specialists, in-service training for teachers, new teaching and learning facilities, upgrading regional teacher training centres and new curriculum materials for teachers.

Implementation of the project started in 2006 and it is used also for financing physical infrastructure for VET schools, combined with national co-funding.

The area of initial VET is covered by two other recent donor initiatives:

- Germany (via GTZ, ABU Consult) started a two-year project in mid 2006 to improve VET for crafts trades. The project is implemented in close collaboration with the Chamber of Crafts and Trades and the Ministry of Economy, Labour and Entrepreneurship. It aimed at developing curricula and "centres of excellence" in 2 or 3 selected crafts fields and contributing to strategy and system development
- In late 2007 the Netherlands, in the frame of their bilateral pre-accession MATRA programme, have started cooperation with the VET Agency and will support VET school development in cooperation with the Agency for Vocational Education and Training. In the field of higher education, the German Academic Exchange Service (DAAD) is supporting to set up a Centre for European education based at the Zagreb Teacher Training College and the UK Global Opportunities Fund have started in 2006 implementation of large capacity building measures for public administration, mainly to support the adjustment of Croatia's legislation to the EU.

## **4. ETF strategy of intervention 2009-2011**

### **Strategic direction**

The ETF strategic response will be guided by the key HCD policy issues and strategies in Croatia and by the donor assistance framework as described in the preceding sections of this country plan. We will continue the strategy of assisting Croatia in determining policy priorities, mobilising sector engagement, policy dialogue for consensus building, providing feedback and creating the necessary knowledge on the issues of education and training policy, as well as employment and social inclusion.

In line with overall priorities, ETF support will include: policy advice, collection and analysis of information, promotion of sharing good practice with other countries in the Western Balkan region and with the EU Member States through peer learning activities, and enhancement of donor co-ordination to ensure synergy and complementary actions. With due regard to the Croatian context, the ETF will disseminate knowledge of and facilitate references to the EU policies in education and training, employment and social inclusion. Whenever appropriate, the ETF will aim at mainstreaming of gender equality in its cooperation activities with Croatia.

ETF interventions in Croatia are framed by the restricted time horizon that remains until Croatia's accession to the EU and the late start of preparations for planning and implementing the now IPA and then European Structural Funds. In line with the overall conditions for IPA implementation policy for candidate countries: to leave countries to develop their own institutional and programming structures, the major objective for ETF support in 2010 until accession will be to provide complementary support to the implementation of the new VET law, as requested. Familiarisation and cooperation of key stakeholders in HRD with Cedefop will continue before the accession transfer of ETF country intelligence.

After an extensive consultation process the Vocational Education and Training Act was adopted in February 2009 which newly defines vocational qualifications, VET curriculum with an emphasis on enterprise based practice, VET quality assurance, tasks of the Agency for VET, the multi-stakeholder VET Council, and Sector Councils. The Act significantly reinforces social partnership in VET and provides a legal base for developing the Croatian Qualifications Framework (CROQF). It sets the time frame for developing new qualifications by 2012 and VET curricula by 2013.

The CROQF has also a prominent position among the five key objectives of VET reform<sup>2</sup>:

- to develop qualifications based on competencies and learning results,
- to harmonise permanently education with the labour market needs,
- to create a system of vocational education and training that allows for lifelong learning and mobility,
- to define the role of teachers in the learning outcomes-oriented system,
- to establish the quality assurance system.

The responsibility for the process was taken over by the Vice Prime Minister and the State Secretary for Higher Education in MoSES. A national committee, made up of all main stakeholders and interest groups in the country has been established as a steering committee, with an operational team, comprised of representatives from the Ministry of Science, Education and Sport, the Adult Learning Agency, Agency for Vocational Education and Training, Universities and the Chambers of Economy and Craft, which has been set up to carry out the development activities over a period of several years.

The challenge now will be to put the new Act in practice and to get the ambitious CROQF development underway, gaining support by a critical mass of the many stakeholders, including employers. The starting IPA support through a number of parallel projects can be of great help in the process, if implemented effectively in a well coordinated manner.

## **Country specific cooperation**

One primary objective of ETF's work in Croatia is to satisfy information and analytical needs of both the European Commission and HRD key stakeholders in Croatia by providing policy analysis and advice in the area of HRD.

This strategic area will be reinforced by a new ETF approach to country reviews piloted in selected countries in 2009 and planned for Croatia in 2010. The main emphasis of the new framework is to provide a concise qualitative analysis, complemented by statistical data and key indicators, of how the country's education and training system is able to produce the learning outcomes that are needed to improve employability, competitiveness and equity. The focus will be on the most relevant and critical key policy areas, to be discussed and agreed with the EC/EC Delegation and the national authorities concerned. One such area will be the analysis of the new VET law and how the IPA assistance supports its implementation, including the capacity of the Agency for VET.

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<sup>2</sup> MoSES, Development Strategy of the Vocational Education System in the Republic of Croatia, July 2008

Another activity will continue supporting the Croatian Chamber of Trades and Crafts in a school to work transition survey and its dissemination.

In the perspective of and until the accession, ETF will, upon request, contribute to:

- development of a revised legal framework for VET
- the development of an updated qualification structure and CROQF
- further development of social dialogue in HRD
- further development of social inclusion policies
- further development of entrepreneurship education in Croatia.

In all of its undertakings, the ETF will cooperate and seek to coordinate EU and its own work with the donors operating in the area of VET system development in Croatia.

## **Regional cooperation**

Besides the country specific cooperation, Croatian partners will participate in the ETF regional activities throughout the three year period, involving all the partner countries of the Western Balkans. These are organised in three ETF regional strategic interventions aiming at:

- social inclusion of ethnic minorities through education and training;
- supporting the policy dialogue on entrepreneurial learning; and
- mutual learning in key policy areas (for 2010 these will be: quality and quality assurance in education and training, post-secondary VET and adult education).

The ETF regional projects will be complementary to the country specific activities and the ETF will aim at synergy between the two by providing space for individual country's needs and by encouraging Croatian partners to use the regional interaction for the benefit of national developments.

## **Strategic objectives and expected achievements**

The following strategic objectives will steer the ETF strategy in Croatia for 2009-11:

1. To support governance in the HCD area by assisting in the CROQF development, by contributing to assess the transition from school to work, and by developing an analytical review of key policy issues and strategies in education, employment and social inclusion;
2. To facilitate policy dialogue, sharing good practice and peer learning in partnership with other Western Balkan countries in the areas of education and training, social inclusion, learning and teaching, and entrepreneurial learning;
3. To assist in IPA programming and impact assessment as requested by the Commission.

They should lead to these expected achievements by the end of the mid-term period:

- Guidelines for the design of qualifications developed, trainers for sector groups trained and CROQF results disseminated;
- Tracer study/transition survey for a large sample of craft students, job holders and employers completed and disseminated;
- New country review endorsed by national authorities and the Commission and disseminated;
- Policy dialogue and action strengthened in the areas of quality assurance, adult education, post-secondary education and other areas of education policies;
- Croatia participated actively in the ETF regional network for social inclusion of ethnic groups through education and training;
- Croatian members contributed to and benefited from VET TT NET;
- Country performance further improved in the SME Charter assessment;
- Analyses and other contributions provided to IPA programming as requested by the Commission.

## 5. Objectives and expected results for 2009

Development of CROQF is considered both a national priority and an EU accession development and alignment instrument. ETF has been officially requested to support this process and is well placed to become the key EU support instrument for this important development objective until the IPA CROQF project becomes operational sometime late 2009.

The Principles for Development of CROQF, a document developed late 2006 with support from the ETF, defines the objectives to be fulfilled by development of the Croatian Qualifications Framework (CROQF) as:

- understanding of different award-types and their relation to one another
- simplification of identification, evaluation and recognition of different educational models and award-types obtained abroad
- creation of a unique system providing assurance and constant improvement of existing and new qualifications
- identification and recognition of Croatian qualifications abroad
- improvement of cooperation among participants in the process of education
- availability of a lifelong learning promotion of education in Croatia
- development of a system for recognition of qualifications obtained at workplace or by other means of education.

The work in 2008 was focused on developing the overall 8 level (with 4 sub-levels) framework and level descriptors. Based on the 2008 results, the main focus in 2009 will be on further development of qualifications in selected sectors and levels - including improved capacity at sector and agency level to restructure qualifications to correspond to CROQF requirements.

In Croatia the involvement of social partners in the formulation of labour market relevant education and training needs has been increasing, especially with establishment of Sector Councils by the Agency for VET since 2006. The Sector Councils have now been given a new legislative framework by the recently adopted VET Law, which defines their membership consisting of representatives of employers, chambers, unions, professional associations, higher and secondary education institutions, etc.

During 2008 ETF supported social partner involvement in education and training by providing expertise on strategic and efficient use of European programmes for education and training by the private sector and social partners. Support to private sector involvement in education and training will be continued in 2009 by providing expertise to the Chamber of Craft's apprenticeship programme. In the light of its expected increasing importance and volume, the programme has an urgent need to map the transition from school to work of graduates in order to align the programme to labour market needs and survey the continued relevance of the current occupational profiles – also in terms of modes and organisation of delivery.

Besides country specific activities as described further in this plan, the ETF will involve Croatia in all the current regional projects such as the Entrepreneurial Learning, Social Inclusion, Mutual Learning, Education and Training for Competitiveness and attempt to re-involve Croatia in the Learning and Teaching project. The ETF approach will be to encourage Croatian partners to use the ETF regional projects in support of national developments and look for synergies between the national and regional projects.

For 2009 there are the following two objectives of the ETF cooperation with Croatia:

1. To support governance in the HCD area by assisting in the CROQF development and by contributing to improved relevance of the Croatian apprenticeship scheme to labour market needs;
2. To assist in IPA programming and impact assessment as requested by the Commission.

These objectives will lead to the expected results as formulated below:

- 1.1 Guidelines for the design of CROQF qualifications developed;
- 1.2 Trainers for CROQF sector groups trained;
- 1.3 CROQF results disseminated;

1.4 Data collected and analysed in the tracer study/transition survey of a cohort of apprenticeship programme graduates;

2.1 Options of internship mode of employment and related IPA support identified;

2.2 Other contributions to IPA programming as requested by the Commission.

The overall approach will be based on the interaction with Croatian partners, enabling on one side their active participation and shaping the learning and capacity development processes according to their evolving needs, and on the other side flexible ETF responses to these needs in the framework of the planned objectives and expected results for their achievement. A guiding principle will be policy learning through supporting the debate among stakeholders, facilitating exchange of good practice and assisting the Croatian partners in developing their own methodologies and approaches in the areas of education and training, employment and social inclusion.