

CROATIA

Country information note 2010

Summary

In view of the IPA HRD programme becoming operational in 2009, ETF priorities for Croatia in 2010 will focus on preparing and implementing a country review in the areas of education and training, employment and social inclusion, aimed at informing the IPA of ESF programming; on the finalisation and dissemination of the school to work transition survey implemented by the Croatian Chamber of Trades and Crafts with ETF support; and on reviewing progress towards the European priorities in VET (Bruges and Torino processes) focusing in 2010 more closely on cooperation between education and business.

Besides country specific cooperation, Croatian partners will participate in 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 continue to be quality and quality assurance in education and training, post-secondary VET and adult education).

The above framework for 2010 follows strategic objectives of the ETF strategy in Croatia for 2010-12: (1) to assist in the IPA programming cycle as requested by the Commission and by engaging Croatian authorities and other partners in the process; (2) to support governance in the human capital development area by contributing to assess the transition from school to work, by facilitating dialogue among stakeholders and by assisting to build their capacities; (3) 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, and entrepreneurial learning.

1. Socio-economic 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 (for the third quarter of 2009 GDP decreased in the real terms by 5.8% as compared to the same quarter of 2008). The impact of the global financial crisis is being increasingly felt in Croatia. The combination of weakening domestic demand and a 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 foreign direct investment potential according to UNCTAD (World Investment Report 2006). In the last 10 years over 70% of all foreign direct investments 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.

The 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 went down from 16% in the first half of 2006 to 13.8% in August 2007, but reached 16.7% in December 2009. The 2009 tourist season shows a significant decline in domestic tourism 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 2012 and NATO membership which was obtained in April 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 institution reform) In the area of higher education, 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 human capital development

The major national human capital development 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) 2006-13, which identifies a series of priorities that should promote Croatia's social and economic development, among these 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 SDF contains the following objectives related to human capital development and EMPLOYMENT:

- Strengthening the active role that institutions of the labour market have in the process of balancing labour force supply and demand;
- Reducing long-term unemployment and promoting lifelong learning;
- Modernising vocational education in line with economic demands;
- Extending the duration of compulsory education;
- Increasing the share of people with higher education in the total population;

- Increasing total allocations to education, but also the efficiency of spending available funds.

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

- Long-term unemployment with underdeveloped institutional and social dialogue mechanisms 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 lifelong learning strategies as set out in the law.
- 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 school¹. 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.
- A policy brief by the Lisbon Council 2007 on Education and Human Capital in Central and Eastern Europe names Croatia lowest among 12 Central and Eastern European countries in relation to its ability to develop and sustain human capital. This, of course has serious implication for the country in terms of innovation, competitiveness, social cohesion and the challenges facing Croatia in relation to globalisation.

Since 2003, Croatia has embarked on a wider VET system reform process, whose concepts 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 was expected to be finalised in 2007, but 2008 seemed more realistic, due to the complexity of the exercise and the parliamentary elections in November. Finally, the law was adopted by Parliament on 20 February 2009.

3. EU and other donor policies and interventions

EU assistance

Croatia was 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 finalised 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.

Croatia continues to participate in the implementation of the regional CARDS programme, and will do so until its closure (the last programming year being 2006).

All of these programmes will from 2007 onwards be replaced by the single, integrated Instrument for Pre-Accession Assistance (IPA). IPA implementation started in 2009. The following IPA 2008 component IV (HRD) projects are in education and training:

¹ Croatian Chamber of the Economy, see www.hgk.hr.

- 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 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 has not so far participated in Socrates and Leonardo da Vinci, but it participated in 6th Framework Programme and continues to participate in 7th Framework Programme for Research and Development. 'Agency for mobility' and EU Programmes has been established. It will manage the lifelong 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 human capital development 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 will be used also for financing physical infrastructure for VET schools, combined with national co-funding. The preparatory phase of the project has identified a number of 'teething problems' with regard to institutional capacity of the MSES, including the need to develop a coherent vision for education development and a detailed implementation plan on the use of the funds over the forthcoming period.

The area of initial training 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 two or three 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 vocational 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 2010-12

Strategic direction

The ETF strategic response will be guided by the key human capital development 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, the 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 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 human capital development 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 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 direction will be reinforced by the ETF country review, to be implemented in Croatia in the second half of 2010. The main emphasis 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 review will cover the most relevant and critical key policy areas, to be discussed and agreed with the Employment, Social Affairs and Equal Opportunities DG of the European Commission 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. For the ETF mid-term strategy in Croatia the review will provide evidence as a basis to reconfirm and further specify the themes of cooperation in the country plans for 2011 and 2012.

As part of its mid-term strategy 2010-13, the European Training Foundation (ETF) supports the reforms of vocational education and training (VET) in the candidate countries until their accession. In 2010 a report reviewing the Copenhagen process will be prepared, and its conclusions will be discussed under the Belgian Presidency at the Ministerial meeting in December 2010 in Bruges. In order to include Croatia in the Bruges process it has been agreed with the European Commission and Cedefop that the ETF will review progress towards the European priorities in VET through a set of questionnaires to be filled by relevant national stakeholders.

Starting in 2010 the ETF will undertake a regular and documented analysis of the internal efficiency of the VET system and of the contribution of VET policies and systems to broader policy objectives in all 29 ETF partner countries under the umbrella of the Torino Process. The evidence provided on Croatia through the Bruges questionnaires will also inform the Torino Process including the related cross country and cross-regional analyses.

In 2010, the first in-depth study under the Torino Process will focus on cooperation between education (VET and professionally oriented higher education) and business, aimed at mapping the related policies, mechanisms and processes in all ETF partner countries.

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 accession, the 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 human capital development
- 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; in 2010 ETF will facilitate the discussions at regional level on the focusing on the theme "Schools for inclusive education, school networking and mobility in the Western Balkans and Turkey"
- supporting the policy dialogue on entrepreneurial learning; in 2010 ETF will undertake a further assessment of the country's performance on the human capital dimensions of the European Small Business Act (entrepreneurial learning and small enterprise skills)
- 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 2010-12:

- To assist in the IPA programming cycle as requested by the Commission and by engaging Croatian authorities and other partners in the process;
- To support governance in the human capital development area by contributing to assess the transition from school to work, by facilitating dialogue among stakeholders and by assisting to build their capacities;
- 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, and entrepreneurial learning.

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

- Tracer study/transition survey for a large sample of craft students, job holders and employers completed and disseminated;
- 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;
- Country performance further improved in the European Small Business Act;
- Other contributions provided to IPA programming as requested by the Commission.

5. Croatia 2010-12

Specific objectives	Expected results	Themes & functions being addressed	Activities being undertaken	Project outputs	Timetable for the activity
<p>Objective 1 To assist in the IPA programming cycle as requested by the Commission and by engaging Croatian authorities and other partners in the process</p> <p>Objective 2 To support governance in education and training by contributing to policy analysis and by facilitating dialogue among stakeholders</p>	<p>1.1 Draft ETF country review of education and training, employment, and social inclusion, as an input in the IPA HRD programming process and ESF preparation</p> <p>1.2 Other contributions to IPA programming as requested by the Commission</p> <p>2.1 Bruges process questionnaires worked out by VET authorities, researchers and social partners, and made available to cross country analysis</p> <p>2.2 Tracer study/transition survey of a cohort of apprenticeship programme graduates completed and disseminated, contributing to improved relevance of the Croatian apprenticeship scheme to labour market needs</p> <p>2.3 Country report on education and business/economic competitiveness</p>	<p>Themes A and B</p> <p>Function 1</p> <p>Themes to be confirmed</p> <p>Function 1</p> <p>Theme A</p> <p>Function 3</p> <p>Theme B</p> <p>Functions 3 and 4</p> <p>Theme C</p> <p>Function 3</p>	<p>1.1.1 Carrying out desk research for the country review combined with two ETF team missions (September and November) and one workshop in Croatia aimed at fact finding, information gathering and data collection, in consultation with Croatian partners, the EU Delegation and the Commission's DG Employment</p> <p>1.1.2 Preparing the first draft ETF country review (December)</p> <p>1.2.1 Responding to requests by the Commission for other contributions to IPA programming</p> <p>2.1.1 Assessing the Bruges questionnaires (March)</p> <p>2.2.1 Providing expert input in the school to work transition survey phase 3 (May).</p> <p>2.2.2 Contributing expert input and funding to the school to work transition survey dissemination conference (June or September).</p> <p>2.3.1 Organising a workshop on education and business/economic competitiveness (June)</p> <p>2.3.2 Delivering a country report on education and business/economic competitiveness (June).</p>	<p>Workshop conclusions</p> <p>Draft country review</p> <p>As requested</p> <p>Assessment of the questionnaires as a contribution to Bruges CC report</p> <p>Final report from the survey</p> <p>Survey results presented and discussed at the conference</p> <p>Workshop on education and business/economic competitiveness</p> <p>National report on education and business</p>	<p>December</p> <p>November</p> <p>December</p> <p>December</p> <p>As requested</p> <p>March</p> <p>May</p> <p>June or September</p> <p>June</p> <p>June</p>