THE WORLD BANK PROGRAM IN CROATIA
Impact & Results

Over the last 15 years, Croatia achieved impressive economic and social progress. Prior to the onset of the global crisis, the Croatian economy grew at a healthy 4-5 percent annually, incomes doubled and economic and social opportunities dramatically improved. Croatia’s per capita income reached about 63 percent of the European Union (EU) average, and EU membership is well within reach. However, Croatia like most countries in the region has not remained immune to the crisis and the impact is being felt across all segments of the economy and society.

Croatia’s overarching priority is to enter the EU with a competitive and growing economy and the institutional capacity to meet the demands of EU membership. To achieve this, several challenges need to be overcome, including completing Croatia’s transition to a market economy with a focus on private sector growth, fostering greater competitiveness, and achieving convergence with EU income levels, in a way that improves the quality of life for all Croatians, and that is fiscally, socially and environmentally-sustainable. These priorities have formed the basis of the World Bank’s assistance to Croatia and they are proving to be more challenging in the current global setting given the impact of the global crisis on Croatia. The World Bank has been assisting Croatia in addressing those challenges.

The World Bank has been focusing its assistance on helping Croatia prepare for successful EU integration by raising the competitiveness of the economy through investments in major trading routes such as the Port of Rijeka; promoting research and development, preparation of agriculture for Common Agricultural Policy; support to the judicial and revenue administration reforms as well as assisting the authorities in mitigating the impact of the global economic crisis. It is also assisting with the revitalization of war-affected areas through job creation and mine clearing, improvements in the quality of lives of vulnerable groups, and the protection of the environment and promotion of energy efficient solutions. All of these efforts have the aim of helping Croatia enter the EU as prepared as possible.

The World Bank’s lending to Croatia since 1989 totals US$2.99 billion, comprising 45 operations. As of September 2010, 15 projects are in active status, with a total commitment value of US$1,151.2 million. There are three full-scale Global Environment Facility (GEF) Grants in the portfolio: Regional Neretva and Trebišnjica Management Project, and the remaining two GEF-funded grants are blended with IBRD loans: Agricultural Pollution Control and Coastal Cities Pollution Control 2.

The Project Briefs give short overviews of the positive impact WB financed projects are having on various sectors and different groups in the Croatian society, focusing on the challenges, the solutions to the challenges and the actual results and improvements which are felt by the beneficiaries of the projects.
CROATIA JUSTICE SECTOR SUPPORT PROJECT

Approved: April 6, 2010
Effective: April 13, 2010
Closing: June 30, 2015

Financing in million US dollars*:

<table>
<thead>
<tr>
<th>Financier</th>
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<td>Total Project Cost</td>
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World Bank Disbursements, million US Dollars *:

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<td>IBRD Loan</td>
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* as of September 24, 2010.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
A well-functioning justice system is a prerequisite for a modern, thriving society in which citizens and businesses can fully rely on the efficiency, transparency, independence, and professionalism of critical justice sector components like the courts and the prosecution. The development of an independent, professional and effective judiciary system represents a key prerequisite not only for Croatia’s European Union accession, but also for the development of a mature and sustainable democracy creating an atmosphere of trust in the Croatian economy, a necessary precondition for further development. In line with this, the reform of the judiciary system is one of the highest priorities on Croatia’s development agenda.

Project Objective:
The Justice Sector Support Project is seeking to improve the efficiency of Croatia’s justice system through support for implementation of key reform legislation related to the modernization and upgrading of the capacity of three key elements of Croatia’s justice system – the courts, the prosecution, and the Ministry of Justice. Project activities will contribute to improving the efficiency of the court system through consolidation of the court network in Split, Karlovac, and Pula, while at the same time modernizing courts’ operational information systems and strengthening case management practices. The State Attorney’s Office will also be strengthened with the aim of speeding up prosecution processes through investments in infrastructure, modernization of operational information systems, and institutional strengthening. In addition, the project will strengthen the management functions of the Ministry of Justice.

Results Indicators:
The project is in the first year of implementation and by the closing date it aims to achieve the following results:

- Reduced case backlogs and improved case disposal ratios in targeted courts and prosecution offices;
- Reduced processing times, in targeted courts, for key stages of the judicial process that are currently experiencing long delays, such as, service of notice to parties; time between first and final hearings; and testimony of expert witnesses;
- Improved user ratings for efficiency for project-financed courts and prosecution offices.

Key Partners:
The Bank works closely with (i) the Ministry of Justice of Croatia, which is implementing the project; (ii) Croatia’s Supreme Court and the judiciary; and (iii) Croatia’s State Attorney’s Office and prosecution offices.

Key Development Partners:
The Kingdom of the Netherlands has supported project preparation with a contribution of EUR 0.2 million and will support project supervision with EUR 0.6 million and 0.2 million for a Justice Sector Public Expenditure and Institutional Review. Many project activities build on and deepen previous support from the EC and other partners. Some lay the ground for projected support (e.g. from the EC, the Netherlands, and the UK) to the MOJ, the courts and the SAO. Continued close coordination and substantive integration with the EC and other partners’ support to Croatia’s justice sector will remain central to project implementation and supervision.
CROATIA EXPORT FINANCE INTERMEDIATION LOAN
Updated on September 24, 2010

Key Dates:
Approved: August 4, 2009
Effective: November 25, 2009
Closing: August 31, 2013

Financing in million US dollars*:

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*as of September 24, 2010.
** Original amount is EUR 100 million.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
The global economic recession has affected all of the economies in the region, including Croatia’s. Limited liquidity in global markets has meant restricted access to medium- and long-term financing for many private enterprises which are an important engine for growth and job creation. It was important to support the Government’s goal of enhancing economic competitiveness by preserving exports and employment, and fostering sustainable growth and recovery during this period of global economic downturn.

Project Objective:
The objective of the project is to support the preservation and growth of exports by providing medium and long term working capital and investment finance to exporters and foreign exchange earning companies. The project, through the Croatian Bank for Reconstruction and Development (HBOR) and private commercial banks, is making additional financing available to exporters and quasi-exporters, such as the tourism and logistics sector, so they can continue to invest in their businesses and create employment opportunities.

Key Results:
The impact of the project is measured by the export and investment performance of the companies, the amount of medium and long-term lending extended to exporters in Croatia, and the payment performance of the companies financed by the project.

✓ As of end-August, EUR 37.1 million was made available to companies for working capital purposes to confront and mitigate the economic downturn.
✓ By September 2010, 23 companies were financed, within a range of EUR 69,000 and EUR 10,000,000 with more than two thirds of the financing provided to the industry sector. The loan interest rate that is charged to the companies is close to the market rate and similar to the rates that prime-clients are getting, while the loans themselves are five year loans with a one year grace period.
✓ An additional benefit of the project is that it helped HBOR to operate more in line with market principles. HBOR used the same lending principle (market based interest rates) when it took on a similar loan with another financial institution, instead of prescribing the interest rate to the commercial banks.

Key Partners:
The Bank team works closely with HBOR responsible for the implementation of the project. In addition, the team is in close coordination with the Central Bank and the Ministry of Finance. Development Partners included the IFC, which contributed substantially at the project preparation through the knowledge and experience with the private sector and banking industry. Other institutions included EBRD and EIB, also at the preparation stage, which were consulted based on their long-term involvement in this area.
CROATIA RIJEKA GATEWAY PROJECT II

Updated on September 24, 2010

Key Dates:
Approved: December 11, 2008
Effective: July 14, 2009
Closing: December 15, 2014

Financing in million USD:

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*as of September 20, 2010.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:

Rijeka is strategically located as the gateway for the Pan-European Transport Corridor Vb, both as a port and as a destination for business and tourism. The port reestablished its relevance and experienced strong growth in container activities in the five years prior to the project approval. Overall dry cargo traffic grew 107 percent and passenger traffic by 144 percent between 2002 and 2007, with particularly high traffic growth in container traffic. Accordingly, the port of Rijeka now needs to align its capacity with market demand to maintain this positive momentum.

Moreover, as most port-cities, Rijeka faces the complex challenge of balancing the demand for additional space for both port and city activities. Free space in Rijeka is scarce, as the city is bordered by a mountain range and the sea. The present layout of the port provides insufficient and inadequate space for modern cargo operations. High urban density and very limited sea access still give Rijeka an industrial image. This reduces its attractiveness as a tourist and business destination.

Project Objective:

The key goal of the second Rijeka Gateway Project is to develop the capacity, financial performance, and quality of services in the port of Rijeka to meet growing traffic demand, through public-private partnerships, while facilitating urban renewal by enabling the relocation of port activities.

The Project supports such an objective by: (i) expanding the development of two port container terminals started under the first Rijeka Gateway project (extension of the existing Brajdica Container Terminal and construction of infrastructure for a 400 meter long Zagreb Container Terminal); and (ii) enhancing port services (concessions of terminals, information flow, enhanced environmental response). The port component will enable the conversion of the Delta and port of Baross areas, by making alternative port space available. The concessionaire for each terminal will finance and provide superstructure and equipment.

Key Results:

After one year of implementation:

- the extension of the Brajdica Container Terminal is under construction.
- The selection of a private partner to operate the concession for this terminal is ongoing and expected to be completed by year end.

Key Partners:
The Bank is closely working with Port of Rijeka Authority, Luka Rijeka and the City of Rijeka.
CROATIA RIJEKA GATEWAY PROJECT

Updated on September 24, 2010

Key Dates:
Approved: July 8, 2003
Effective: October 10, 2003
Additional Financing Approved: May 30, 2007
Closing: December 31, 2010
((extension of closing date for Additional Financing under processing)

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* as of September 24, 2010.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
With its physically protected position and natural depth of 25 meters, the port of Rijeka would be capable of handling the largest vessels if provided with suitable infrastructure. However, between 1980 and 1997, the Port of Rijeka lost almost 70 percent of its total throughput in general and bulk cargo. While the total Northern Adriatic market (Rijeka, Koper, Trieste excluding liquid bulk traffic) increased from about 16 million tons in 1990 to 23 million tons in 2001, Rijeka’s share of the market declined from 35 percent to 12 percent. The main reasons for the decline in traffic at Rijeka during that period were the wars in Croatia and Bosnia and Herzegovina, the loss of traffic to/from the former Republic of Yugoslavia, restructuring of the economies of the region resulting in a decline of bulk traffic, inefficient operations and inadequate port facilities in Rijeka, and poor land connections.

Moreover, as most port-cities, Rijeka faces the complex challenge of balancing the demand for additional space for both port and city activities. Free space in Rijeka is scarce, as the city is bordered by a mountain range and the sea. The present layout of the port provides insufficient and inadequate space for modern cargo operations. High urban density and very limited sea access still give Rijeka an industrial image. This reduces its attractiveness as a tourist and business destination.

Project Objective:
The key goal of the project is to increase Croatia’s trade competitiveness by improving the international transport chain through the Rijeka Gateway for both freight and passenger traffic through a modernization of the port and of road network connections, by privatizing port operations and by preparing to redevelop part of the port for urban purposes. The Project supports such an objective through an integrated set of components which include (a) port restructuring and modernization; (b) port/city interface redevelopment; and (c) international road improvements.

Key Results:
Over the past six years, the Rijeka Gateway Program has generated new momentum in port development, city life quality, and connectivity in the third largest city in Croatia. Some significant results achieved by the port and other stakeholders include:

- Sharp growth of over 800 percent in container traffic from 2002 to 2009.
- Sharp improvement in the financial situation of the port authority.
- Rehabilitation of an existing cargo berth and provision of modern handling equipment.
- Opening of a section of the Rijeka Bypass improving traffic flows around the city.
- Opening of part of the Road D404, which once fully opened in late 2010, will provide direct road access between the main motorway and the Brajdica container terminal and reduce heavy truck traffic within the city.
- Rehabilitation of the small arch of the Krk Bridge and ongoing rehabilitation of the large arch connecting a large island to the mainland.
- Opening of the new passenger terminal in 2009, reopening a large part of the waterfront to the citizens of Rijeka.

Key Partners:
The Bank is closely working with Port of Rijeka Authority, Croatian Motorways Company, Croatian Roads Company, Luka Rijeka and the City of Rijeka.
**CROATIA COASTAL CITIES POLLUTION CONTROL PROGRAM (Phase 2)**

*Updated on September 24, 2010*

**Key Dates:**
- Approved: December 11, 2008
- Effective: June 4, 2009
- Closing: September 30, 2014

**Financing in million US Dollars***:

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*As of September 24, 2010.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

**Challenge:**

The Adriatic coastline is one of Croatia’s most valuable economic and natural assets. In 2009, Croatia had 11 million tourist arrivals resulting in tourist revenue of Euro 6.38 billion. Environmental protection of the Adriatic Sea is a key element in the government’s tourism strategy to position Croatia as a quality destination with the slogan: “the Mediterranean as it once was”. The coverage and quality of wastewater services in Croatia are lower than recent EU member countries, and poor wastewater services have a significant impact on tourism. Sewerage coverage is about 44 percent and about 25 percent of the wastewater collected is treated. Significant investment in the sector is needed to meet EU environmental directives. Between 2009 and 2023, investments needed in the sector are estimated at Euro 3.2 billion, of which half is needed for wastewater.

**Program Objective:**

The second phase of the Coastal Cities Pollution Control Project supports the Government’s comprehensive program to improve the provision of efficient and sustainable wastewater services in Croatia’s coastal cities and thus improve coastal water quality along the Adriatic Coast. The cost of the program is Euro 280 million over 10 years, of which the Bank may finance Euro 140 million in three phases (Euro 40 million, Euro 60 million and Euro 40 million). Phase 2 of the Program, is being scaled up from 11 to 30 municipalities, thus benefiting a population of 326,000.

**Results Indicators:**

The project is in the second year of implementation and aims to achieve its envisaged results upon construction and commission of the wastewater treatment plants in participating municipalities. Percent of households in participating cities able to connect to wastewater services is by the closing date expected to increase from 46 to 76 percent; whereas a percent of wastewater collected that is treated is expected to increase from 15 to 71 percent.

**Key Partners:**

The Bank team works closely with (i) Croatian Waters, which was responsible for overall policy setting as well as for the Management Contract and the Ministries of Regional Development, Forestry and Water Management and Environmental Protection, Physical Planning and Construction.
**Key Dates:**
- Approved: June 1, 2004
- Effective: December 17, 2004
- Closed: November 30, 2009

**Financing in million US Dollars**:  

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**World Bank Disbursements, million US Dollars**:  

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*as of September 24, 2010.

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*

**Challenge:**

The Adriatic coastline is one of Croatia's most valuable economic and natural assets. Tourist revenues in 2009 represented 15% of GDP and environmental protection of the coast is a key element in the government's tourism strategy to position Croatia as "the Mediterranean as it once was." Disposal of untreated wastewater has a significant impact on the quality of seawater and is a constraint to tourism development. However, only 44% of the population has adequate wastewater collection, and only 25% of the collected wastewater is treated. In addition, as part of Croatia's EU accession agreement; the Government intends to meet EU environmental directives, which require a much higher level of wastewater service.

**Project Objective:**

To address this challenge, the Government of Croatia started the Coastal Cities Pollution Control Program (also known as the Adriatic Program) in 2004 to find a long-term solution to wastewater on the coast. The Program is partially supported by Bank financing that sets out to improve wastewater services on the coast, improve the financial viability of the multiple municipal water and sewerage companies and thus improve the quality of the Adriatic Sea. The Program is estimated to cost Euro 280 million, of which the Bank would finance Euro 140 million in three phases over 10 years. The first phase of the program was implemented in 11 towns on the coast and supported by a loan of Euro 40 million and closed in November 2009. The second phase, which started in early 2009 scales up the program to a further 30 coastal cities supported by a loan of Euro 60 million and a GEF grant of US$ 6.4 million.

**Key Results:**

The first phase of the Coastal Cities Pollution Control Program focused on the reconstruction and expansion of the sewerage network, main collectors, and pump stations, and the construction and rehabilitation of wastewater treatment plants and submarine outfalls.

- 170km of sewerage collectors have been constructed with 40 pumping stations
- 3 submarine outfalls have been constructed
- 7 wastewater treatment plants have been commissioned
- percentage of the population that is able to connect to a wastewater collection system has increased from 56 to 68 percent with some 30,000 people able to connect to the sewerage network
- the quantity of wastewater treated in the service area increased from 6% to 45% serving a population equivalent of around 350,000.

**Key Partners:**

The Bank team worked closely with (i) the Ministry of Regional Development, Forestry and Water Management and the Ministry of Environmental Protection Physical Planning and Construction which were responsible for overall policy setting as well as for the Management Contract; (ii) Croatian Waters, ultimate recipient of credit resources through on-lending arrangement, and implementer of the Project.

**Key Development Partners** included the Dutch Government which financially contributed to the project.
CROATIA DEVELOPMENT OF THE EMERGENCY MEDICAL SYSTEM AND INVESTMENT PLANNING PROJECT

Updated September 24, 2010

Key Dates:
Approved: September 30, 2008
Effective: January 15, 2009
Closing: June 30, 2013

Financing in million US dollars*:

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World Bank Disbursements, million US Dollars *:

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<tbody>
<tr>
<td>28.30</td>
<td>23.54</td>
</tr>
</tbody>
</table>

* as of September 24, 2010.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
Croatia has achieved positive health outcomes at or above the average of new EU member states. However, some observations suggest that additional health outcomes could be improved. Notably, the gap with the more developed EU economies is still large (e.g. standardize death rates associated with motor vehicle accidents is 30% higher). Emergency Medical Services (EMS) are unequally distributed across the territory of Croatia, with teams facing multiple demands, both emergency and non-emergency situations. As no uniform guidelines exist, EMS teams are unevenly distributed across the territory of Croatia with some counties having more than twenty teams per 100,000 population and others less than five. One of the main problems with EMS services is that in addition to pre-hospital emergency calls, the EMS service also handles a large volume of in-home visits, which are mostly out-of-hours non-emergency primary health care services, and operates EMS clinics providing out-patient services to both the general population and patients brought in by ambulances.

Project Objective:
The Project objective is to improve the efficiency and outcomes of the Emergency Medical Services system and to strengthen the capacity of the Ministry of Health and Social Welfare to develop and implement strategic EU-oriented projects.

Key Results:
Since the project became effective in January 2009, substantial progress was achieved in enacting the legal and regulatory changes necessary to support the reform of the EMS system, initiating investments in the delivery of EMS services as well as developing capacity for accessing EU funds for further investments in the health system.

Specifically:
- The Croatian Institute for EMS – responsible for national standards of EMS service delivery – has been established and is functioning. County level institutes for EMS are in the process of being established in cooperation with the counties (to be completed by 2011).
- The specialization in Emergency Medicine has been established at the Medical Faculty. Emergency Medicine Technicians have been recognized as medical first responders to address critical staffing needs. Rulebooks on the education and skills necessary for EMS workers have been adopted.
- Investments have been initiated -- development of standard protocols and guidelines for better delivery of EMS services, establishment of a comprehensive training plan, update of the ambulance fleet and medical equipment of ambulance responders -- are starting to be put in place that will eventually effect the service delivery on the ground.
- Staff members of the Ministry of Health and related agencies are being trained in accessing EU funds for investments in the health system. Five priority project proposals, consistent with the sector strategy, are under development as part of the capacity building activity for use of EU funds.

Key Partners:
The Bank team works closely with the Ministry of Health and Social Welfare, which is responsible for the implementation of the project. The Project is designed to support the convergence of the health system with the outcome and service standards of the EU following accession.
CROATIA NERETVA AND TREBISNJICA MANAGEMENT PROJECT

Updated September 24, 2010

Key Dates:
Approved: May 29, 2008
Effective: March 6, 2009
Closing: December 31, 2013

Financing in million US Dollars*:

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<td>and Herzegovina)</td>
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<td>21.27</td>
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*as of September 24, 2010.

Challenge:
Improved water resources management and biodiversity conservation have been identified by Croatia and Bosnia and Herzegovina as key environmental issues in the National Environmental Action Plans of both countries. The Neretva and Trebisnjica River Basins (NTRB) water resources, and the ecosystems dependent upon them, play an important part in the economies of both countries and the livelihoods of over 430,000 people living in the area. The Neretva river (220 km) originates in BiH, and flows through Croatia for its final 20 kilometers, before entering the Adriatic Sea at Mali Ston Bay. The Trebisnjica river (99 km) is located entirely in the Republika Srpska in BiH and is hydraulically linked to the Neretva. Taken together, these two rivers comprise most of the Adriatic watershed of BiH and Croatia. Both rivers are crucial for energy production, recreation, fisheries, drinking water, and irrigation. They carry the (generally untreated) wastewater of the municipalities and many industries in the basins. The approach to improve the water resources management and biodiversity of the Neretva and Trebisnjica River Basins called for a joint effort of the two countries, resulting in the regional, transboundary project the Neretva and Trebisnjica Management Project (NTMP), supported by the Global Environmental Fund through a US$ 8 million grant, out of which US$ 2 million has been granted to Croatia and US$ 6 million to BiH.

Project Objective:
The project aims to provide a mechanism for the efficient and equitable water allocation among the users of the Neretva and Trebisnjica River Basin at the transboundary level, and for enhancing the basin ecosystem and biodiversity through improved water resources management, through:

i) Improved transboundary water resource management (strengthening the institutional capacity for the comprehensive management of the NTRB's water resources and environment through institution and capacity building; measurement, monitoring and information management and preparation of a river basin management planning);

ii) Improved management and use of wetlands ecosystems and biodiversity (maintaining and conserving water dependent ecosystems and their associated biodiversity in the NTRB, according to requirements of the European Union (EU) Water Framework Directive (WFD) through improved operation of reservoirs, hydropower plants and dams and rehabilitation of small scale water management infrastructure);

iii) High-priority investments for water pollution (reducing water pollution to the NTRB through high priority investments in low cost, appropriate wastewater technology improvements in five municipalities (Bileca, Konjic, Ljubuski, Nevesinje and Trebinje) and two industrial sector investments (Konjic) in BiH through municipal wastewater treatment improvements, industrial pollution control and strengthening of water quality monitoring laboratories); and

iv) Public Participation and Management of Project Implementation (increasing civil society participation in the decision making process for water resource management and establishing an incentive mechanism for responsible, local level resource management).

Expected Results:

✓ Increased interstate cooperation and capacity for transboundary water resources management,
✓ and application of Integrated Water Resources Management (IWRM) principles; and
✓ reduction of nutrients and other pollution from municipal and industrial sources in the selected municipalities in the basin;
✓ improved maintenance of environmental flows and improved ecosystem health and biodiversity in the basin;
✓ and reduction of saltwater intrusion as a result of implementation of pilot program in the Neretva Delta.

Key Partners:
The main partners are, in BiH, the Ministry of Agriculture, Water Management and Forestry in the Federation of BiH, and the Ministry of Agriculture, Forestry and Water Management in Republika Srpska, under the coordination of the Ministry of Foreign Trade and Economic Relations of BiH; and, in Croatia, the Ministry of Regional Development, Forestry and Water Management through Croatian Waters (HV). Key donors include the EC, and the Governments of Spain and the Netherlands. Other important partners are the five participating municipalities in BiH.
CROATIA REVENUE ADMINISTRATION MODERNIZATION PROJECT

Updated on September 24, 2010

Key Dates:
Approved: June 28, 2007
Effective: December 21, 20070
Closing: June 30, 2013

Financing in million US Dollars:

<table>
<thead>
<tr>
<th>Financier</th>
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<tbody>
<tr>
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<tr>
<td>Republic of Croatia</td>
<td>58.10</td>
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<tr>
<td>Total Project Cost</td>
<td>126.10</td>
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</table>

World Bank Disbursements, million US Dollars *:

<table>
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<th></th>
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<tr>
<td>IBRD Loan</td>
<td>68.00</td>
<td>7.79</td>
<td>25.74</td>
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</table>

* as of September 24, 2010.
** Cancelled USD 34 million effective as of June 30, 2010

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
Fiscal reforms are vital to the Government of Croatia’s (GOC) program of structural and institutional modernization that is intended to contribute to successful European Union accession. The GOC’s program is focused on improving the investment climate, fiscal consolidation, and strengthening governance. EU accession discussions relating to Croatian Tax Administration (CTA) centered on three main issues: (i) legislative harmonization; (ii) building institutional capacity; and (iii) strengthening its information systems and data exchange capabilities.

Project Objective:
The Croatia Revenue Administration Modernization Project aims to strengthen the fiscal management system and public sector governance through increased efficiency, transparency and accountability of the CTA. This is expected to be achieved by enhancing voluntary taxpayer compliance, strengthening institutional and human capacity, and promoting professional ethics, equity, and fairness. The project will consolidate the database structure and facilitate information sharing with various social insurance agencies, which will help the social welfare system become better able to provide for those that need social benefits the most; enhance the business climate by improving client services and reducing the taxpayer compliance burden; as well as meet Croatia’s EU accession obligations.

Key Results:
✓ The new Legal and Physical Personal Identification Numbers were created and mailed nationwide. Once its usage is fully operational the PIN will connect various administrative registries of physical and legal persons’ data as well as their asset declarations, improving the fight against tax evasion, but also, through the exchange of relevant information with other government institutions, securing that various social benefits and rights do reach those in needs.
✓ The Business Process Analysis Tools and Training were obtained and detailed business process redesign has been completed leading to improved efficiency of tax administration and reduced compliance cost to tax payers.
✓ The construction work on the Disaster Recovery-Back-Up Center has started, which will ensure high safety standards for tax data systems.
✓ The institutional effectiveness tax compliance rate survey observed an improvement from 86 (2006) to 89 percent (2010), while the tax administration employees report a high satisfaction rate at 3.6 (compared to a maximum of 5).

Key Partners:
Ministry of Finance, Croatian Tax Administration.

Quality and Integrity of the Croatian Tax Administration (perception of tax payers, scale 1min-5max)

<table>
<thead>
<tr>
<th></th>
<th>Tax System</th>
<th>Tax Premises</th>
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<tbody>
<tr>
<td>Source: Deloitte for the Croatian tax Administration</td>
<td></td>
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<tr>
<td>2006</td>
<td>2.76</td>
<td>2.95</td>
<td>2.83</td>
<td>2.66</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>2.09</td>
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Ministry of Finance, Croatian Tax Administration.
CROATIA INLAND WATERS PROJECT

Key Dates:
Approved: May 30,2007
Effective: January 29, 2008
Closing: December 31, 2012
Financing in million US Dollars*:

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<tr>
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World Bank Disbursements, million US Dollars *:

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<th></th>
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<th>Disbursed</th>
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<tbody>
<tr>
<td>IBRD Loan</td>
<td>133.41</td>
<td>26.92</td>
<td>107.17</td>
</tr>
</tbody>
</table>

* as of September 24, 2010.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
Following the launch of Croatia’s negotiations for EU membership in October 2005, Croatia started to work on meeting the EU directives related to the water sector, more specifically planning for and making improvements in water supply, wastewater treatment and flood protection. The Ministry of Regional Development, Forestry and Water Management (MoRDFWM) - through its agency for water management, Croatian Waters/Hrvatske vode (HV) - developed a Water Management Strategy, which includes water safety and flood protection-activities which are supported through the Inland Waters project.

Project Objective:
The Project aims to improve water supply and water collection and treatment services, as well as flood protection measures in municipalities in the inland part of Croatia. The project will directly benefit the local population by protecting their health through the provision of safe drinking water and collection and treatment of wastewater. Project activities will also ensure the safety of the population and protect the property through the implementation of adequate flood protection measures. The project area covers the Sava, Drava and Danube river basins. The proposed investments will help to improve service standards in multiple small municipalities, and assist Croatia in meeting EU water directives and strengthening the institutions responsible for water management. The project should assist the Government to increase the public water supply to an additional 65,000 people while wastewater treatment will be extended to additional 31,000 residents in the project area.

Key results:
✓ Constructions and upgrades of wastewater systems, which are already under way, will nearly double sewerage coverage in four municipalities (Ogulin, Virovitica, Našice and Southern Baranja) from 36 percent to 62 percent (the end target being 76 percent).

✓ The Technical Assistance (TA) component is helping prepare projects that would help the country to absorb EU funds, as preparation of wastewater projects in Krapina-Zagorje county (€M 1.3)

Key Partners:
The Bank team works closely with (i) the Ministry of Regional Development, Forestry and Water Management which is responsible for overall policy setting (ii) Croatian Waters/Hrvatske vode (HV), ultimate recipient of the loan, and implementer of the Project.
CROATIA TRADE AND TRANSPORT INTEGRATION PROJECT

Updated on September 24, 2010

Key Dates:
Approved: November 14, 2006
Effective: March 20, 2007
Closing: March 31, 2011

Financing from all co-financiers, million US Dollars:

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<tr>
<th>Financier</th>
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<tbody>
<tr>
<td>IBRD</td>
<td>75.30</td>
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<tr>
<td>Government of Croatia</td>
<td>26.94</td>
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<tr>
<td>Other Lenders (EBRD)</td>
<td>14.38</td>
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World Bank Disbursements, million US Dollars *

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<tbody>
<tr>
<td>IBRD Loan</td>
<td>75.30</td>
<td>42.20</td>
</tr>
</tbody>
</table>

*as of September 24, 2010.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
In 2003 and 2004, traffic along the Southern part of Pan-European Transport Corridor Vc started to experience strong growth. This corridor connects heavy industrial centers in the Southeast European Region to the Adriatic coast through the port of Ploče, the second largest international port in Croatia. New private investments in those heavy industrial centers indicated a likely further increase in traffic. The port facilities did not have the capacity to accommodate the foreseen increase, as it had received only limited upgrades in the previous decade. The development of the port is at the core of the government economic development policy since the port plays a major role in the economy of Southern Croatia both as an employer and as a strategic infrastructure.

Project Objective:
The Trade and Transport Integration Project is working to develop trade along Corridor Vc by improving the capacity, efficiency and quality of services on the southern end of Corridor Vc with particular focus on the port of Ploče and on coordination aspects among all corridor participants.

The Project includes investments to: (i) increase port infrastructure capacity (construction of a new container terminal and a new bulk cargo terminal); and (ii) introduce a modern electronic port community system. It also supports: (i) strengthened corridor dialogue among corridor participants; (ii) establishment of cost recovery based concession arrangements; and (iii) increased private sector involvement to address these priorities, reduce commercial risks, and secure financing for port cargo handling equipment.

Key Results:
- Major long term concession agreements were signed in 2009 and 2010 for the new bulk and container terminals providing a new framework for public private partnership to develop the port, with incentives for commercial investments in the port and cost recovery fees for the port authority.
- In August 2010, the new container terminal was inaugurated, providing the first dedicated terminal of this type in this part of Croatia, constructed by a Croatian company.
- Preparatory works for the bulk terminal are at an advance stage of implementation with over 1.5 m m3 of stone use for preloading the new terminal.
- The development of a modern port community system is underway to exchange better information among all stakeholders under way, building on Dutch experience.
- Active dialogue among railway operators to improve their cooperation.

Key Partners:
(i) the Ministry of Sea, Transport and Infrastructure; (ii) the Port of Ploče Authority; (iii) Luka Ploče dd; (iv) participants along Corridor Vc (such as railway companies and Croatian Customs); and (v) EBRD.
CROATIA AGRICULTURAL ACQUIS COHESION PROJECT
Updated on September 24, 2010

Key Dates:
Approved : February 16, 2006
Effective: November 21, 2006
Closing: February 28, 2012

Financing disbursements in million US Dollars*:

<table>
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<tr>
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<th>Disbursed</th>
<th>Undisbursed</th>
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</thead>
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<tr>
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<td>Global Env. Facility</td>
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<td>0.80</td>
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<td>Dutch Grant</td>
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<tr>
<td>Government of Croatia</td>
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<td></td>
</tr>
<tr>
<td>Total Project Cost</td>
<td>37.27</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*as of September 24, 2010.
** Original amount is 25.5 million EUR.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
Croatia’s European Union (EU) accession was launched in October 2005 with the Croatian government embarking on the huge task of complying with EU requirements and obligations as laid down in the *acquis communautaire*. One of the most challenging areas is agriculture and rural development calling on the Croatian agriculture sector to, among others (i) prepare a Rural Development Plan, (ii) strengthen institutional capacity, (iii) reinforce statistical data collection, (iv) establish an EU compliant farm registration and animal identification systems, (v) modernize meat and dairy plants to meet EU food safety standards, and (vi) establish a Payment Agency. The Croatia Agricultural Acquis Cohesion Project is designed to support this agenda.

Project Objective:
The Project seeks to develop sustainable systems and capacities within the Ministry of Agriculture, Fisheries and Rural Development (MAFRD) - to ensure timely compliance with EU acquis conditions in the rural sector and to increase the use of environmentally friendly agricultural practices by farmers in Croatia's Pannonian plain - reducing nutrient discharge from agricultural sources to surface and ground water bodies.

Key Results:
- An EU compliant payment system for the agricultural and rural development sector has been established. Special accession programme for agriculture and rural development (SAPARD) Managing Authority, Monitoring Committee, and Payment Agency have been established, supported by the project with technical assistance, equipment, furniture and vehicles.
- Management Information Systems Capacity of the MAFRD has been strengthened. Veterinary and Phytosanitary information systems have been developed compliant to EU standards.
- Technical capacity of MAFRD has been upgraded. Several Ministry staff has acquired European Computer Driver License and many of them attended English language training courses financed by the project associated Dutch grant. Ministry staff have participated in technical study tours, and received academic scholarships.
- An EU compliant Land Parcel Information System has been established.
- Croatian Food Agency has been supported to conduct “Safety Assessment of Food Additives” and “Manifestation of Mycotoxins in Forage and Compound Feed in Croatia” studies.
- Capacity and standards of existing line institutions has been reinforced. Plant Protection Institute building is under renovation and expansion. The capacity of four National Veterinary Institutes has been improved by renovation and reequipping.

Key Partners:
The Ministry of Agriculture, Fisheries and Rural Development (MAFRD) - responsible for overall policy setting and Project implementation; (2) Delegation of the European Union in Croatia, which provides assistance in the process of harmonization with the EU *Acquis* (agriculture, environment); (3) Netherlands Embassy which provides a technical assistance grant in the area of capacity building in MAFRD; and (4) Global Environmental Fund which financially contributed to the project.
CROATIA EDUCATION SECTOR DEVELOPMENT PROJECT
Updated on September 24, 2010

Key Dates:
Approved: September 15, 2005
Effective: March 15, 2006
Closing: March 31, 2011

Financing in million US Dollars:

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</thead>
<tbody>
<tr>
<td>IBRD</td>
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<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>225.00</strong></td>
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World Bank Disbursements, million US Dollars *:

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<tr>
<th>Total Disbursed</th>
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</tr>
</thead>
<tbody>
<tr>
<td>IBRD Loan</td>
<td>85.00</td>
</tr>
</tbody>
</table>

* as of September 24, 2010.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
Despite the progress Croatia achieved in modernizing its education system throughout the transition, there is still a mismatch between skills produced by the education system and those demanded by the market. Enrollment and completion rates at all levels, even though increasing, were behind those of EU countries. Primary school compulsory instructional time was significantly below that of EU15 and EU8 students, while Croatia’s adult illiteracy rate was higher than in the EU 8 countries. Croatia’s working age population had lower average years of schooling compared to EU 8 countries. Croatia had only half the OECD share of tertiary completers, drop-out rates continued to be high and institutional reform on the tertiary level needed further reform impetus. There was also a problem of outdated system of continuous professional development for teachers and school principals. As Croatia’s opening to the EU continued to advance, a strong consensus has been reached among policymakers and stakeholders that the education system in Croatia requires significant changes in order to be able to respond to the needs of society and economy.

Project Objective:
The development objective of the ESDP is improved student learning and system performance. The medium-term goal is that teachers and students will use a wider range of appropriate methods in teaching and learning, and that system management is strengthened. The project’s primary purpose has been to help the Ministry of Science, Education and Sports (MoSES) reflect this demand for change by developing and implementing a comprehensive education strategy that will lead to results on the ground, while helping the management and administration of the education system to monitor and implement the necessary changes.

Key Results:
ESDP has supported implementation of the Government’s Education Sector Development Plan 2005-2010 by co-financing a set of MoSES's annual education developmental activities and monitoring progress in the development of the overall education sector in Croatia. Some of the key project achievements and sector results are as follows:
- Development of new Croatian National Educational Standards (CNES) for primary education which have introduced new learning outcomes and teaching methodologies, followed by a development of new curriculum for primary and secondary education
- Establishment of an External Assessment Center and successful preparation for introduction of an externally administrated school leaving examination (State Matura) in May 2009. At the same time national exams have been introduced at various levels which allow the External Assessment Center as well as students and teachers to gain experience with the new format of centrally administered nation-wide exams;
- Through the construction or renovation of schools throughout Croatia – with 24 completed, 14 ongoing and another 7 schools slated for construction until the end of 2010 the Project has been helping eliminate three-shift schools, improving the quality of education
- Opening of 44 new preschools in underdeveloped municipalities that did not have any kindergartens before. As a result, around 2,100 children have been given an opportunity to enroll in the preschool programs.

Key Partners:
The Bank works closely with the MoSES which is responsible for the implementation of the project, and three key education agencies, National External Assessment Center, Education and Teacher Training Agency and Vocational Education and Training Agency. Delegation of the European Union is regularly consulted on project implementation.
**CROATIA SCIENCE & TECHNOLOGY PROJECT**

*Updated on September 24, 2010*

**Key Dates:**
- **Approved:** July 7, 2005
- **Effective:** May 11, 2006
- **Closing:** May 31, 2011

**Financing in million US Dollars**: (as of September 24, 2010)

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<tbody>
<tr>
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<tr>
<td>Government of Croatia</td>
<td>7.40</td>
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**Total Project Cost:** 47.40

**World Bank Disbursements, million US Dollars**: (as of September 24, 2010)

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<tr>
<th>Total</th>
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<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD Loan</td>
<td>40.00</td>
<td>28.90**</td>
</tr>
</tbody>
</table>

* as of September 24, 2010.
** Cancelled USD 1.3 million effective as of June 19, 2009.

**Challenge:**
Inadequate science, technology, and innovation policies hampered the development of knowledge-based sectors and also limited the economic benefits that could come with Croatia’s accession to the European Union. Further, R&D expenditures are dominated by the public sector (65 percent of total R&D investments in 2006), the cooperation between enterprises and knowledge institutions is marginal, and the economy is characterized by limited R&D commercialization (e.g. in 2002, there were only 48.8 patent applications to the European Patent Office per one million employees, which is low per European standards, hence the Science and Technology Policy envisages an annual increase of 5 percent).

**Project Objective:**
The project is geared towards enabling research and development institutions to commercialize research outputs; and increase the ability of enterprises, particularly small and medium sized companies (SMEs), to invest in research and development activities. The project is conceived as the backbone of Croatia’s innovation policy, and supports: (i) creation of technology transfer offices and orientation to contract-based research in key public research organizations and universities (Rudjer Boskovic Institute, University of Zagreb and University of Rijeka); (ii) subsidized R&D by SME sector and their collaboration with public research organizations (Business Innovation Center of Croatia - BICRO); and (iii) cooperation of local researchers and industry with Croatian scientific diaspora, through Unity through Knowledge Fund (UKF), to increase the mobility of highly qualified experts and knowledge transfer with direct impacts on development.

**Key Results:**
The project helped improve commercialization of public research results, increased the number of research contracts with the industry, and improved the ability of small and medium sized companies (SME) to invest in R&D:
- Brodarski Institute concluded 30 new contracts with industry of EUR6.8 million (two contracts of EUR0.3 million in 2006), and increased its share of revenue from private sector to 39 percent in 2010 (22 percent in 2006);
- UKF concluded 26 contracts with industry of EUR1.7 million;
- Rudjer Innovations, a technology transfer office of Rudjer Boskovic Institute, achieved solid commercialization results among which: 10 licensing agreements (EUR800,000), including with Massachusetts Institute of Technology; three patents and over 60 patent applications; and four spin-off (science-based) companies, with two in the pipeline.
- More private R&D funds are mobilized with R&D investments of about EUR12.0 million by the companies supported through BICRO and UKF programs;
- About 350 jobs are created through BICRO’s program of technology centers, and 340 companies assisted;
- With more than 300 researchers (110 from abroad) and more than 100 public research organizations (over 70 from abroad) participating in the UKF program, Croatia improved collaboration and technology transfer between local researchers and industry and diaspora researchers.

**Key Partners:**
The Bank team works closely with the Ministry of Science, Education and Sports, which was responsible for overall policy and project management, and project beneficiaries/counterparts: Brodarski Institute, Business Innovation Center of Croatia – BICRO, Rudjer Boskovic Institute and Rudjer Innovations, Unity through Knowledge Fund, University of Zagreb, and University of Rijeka, as implementing agencies and recipients of loan resources.
Challenge:
Although the goal of Croatia’s social welfare development at the turn of the past decade was to create a system that is client-centered, focused on results and user friendly, the social welfare system, heavily relying on traditional administration mechanisms and the past legacy of institutionalization of social services, was not fully reaching those objectives. It was important to support the Government’s goal to modernize the social welfare system by improving social service delivery (including increasing alternative, community-based social services provision), strengthening of the social welfare management and information system and upgrading existing facilities.

Project Objective:
The objective of the project is to strengthen the quality of social services and improve administration, planning and policy making of the social welfare system. The project does it through: (i) strengthening the capacity of the Ministry of Health and Social Welfare (MHSW) and social welfare institutions to manage the social welfare system and improve policy planning and decision making; (ii) improving service delivery by developing a number of social policy tools and programs ranging from prevention to community reintegration; and (iii) upgrading centers for social welfare and improving living conditions in residential institutions.

Key Results:
The project has helped develop and implement several new modern tools for improving social services delivery, financed start-up costs for innovative social services projects, initiated and advanced the development of a first social welfare management information system and improved living and working conditions in a number of social welfare residential institutions and centers for social welfare. In particular:
- New social planning methodology has been developed, with social plans so far prepared for 8 out of 21 counties, which enables better coordinated and more efficient implementation of social safety nets and empowers counties for expected further decentralization in this area;
- Quality standards in social service provision have been developed and progressively implemented in social welfare institutions throughout the country;
- 34 innovative community-based social services projects have been financed through Innovation and Learning Program which provide some form of social care for 8,860 persons;
- Software for new social welfare Management Information System has been developed and piloted. Living conditions have been improved in 45 institutions.
- Now, 73% as opposed to 30% at the start of the project, public social welfare residential institutions for children and adults meet public health standard.
- New organization of business processes in centers for social welfare based on one-stop-office principle was developed and implemented in 20 institutions; 14 centers for social welfare have been reconstructed or newly constructed.

Key Partners:
The Bank works closely with the MHSW, which is responsible for the implementation of the project. Sida provided grant co-financing of the project. The European Commission and European Delegation have been regularly consulted on project implementation. UNDP has been involved in supporting the development of social services master plans for several counties based on the new social planning methodology.
**CROATIA SOCIAL AND ECONOMIC RECOVERY PROJECT**

*Updated on September 24, 2010*

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**Key Dates:**
- Approved: March 29, 2005
- Effective: September 30, 2005
- Closing: December 31, 2010

**Financing in million US Dollars**:  

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<tr>
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<td>45.68</td>
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<td>Total Project Cost</td>
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**World Bank Disbursements, million US Dollars**:  

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<th></th>
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<tbody>
<tr>
<td>IBRD Loan</td>
<td>45.68</td>
<td>4.69</td>
</tr>
</tbody>
</table>

* as of September 24, 2010.

**Original amount is EUR 35 million.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

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**Challenge:**

Still today, underdeveloped and war-affected areas are struggling to catch up with the more developed parts of Croatia. In particular, war-affected areas are still suffering from destroyed and underdeveloped infrastructure, loss of traditional markets, lack of business support services, insufficient access to information and lack of needed products and services. Employment opportunities are slim and people, especially young are looking for employment in bigger cities. Returnees are in need of making a living and reintegrating into their communities. Large parts of war-affected areas are still contaminated with landmines, hindering possible economic activity.

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**Project Objective:**

The project's objective is to support the economic and social revitalization of disadvantaged and war-affected areas as a way to increase social inclusion and since 2005, the CSERP has been helping in finding ways to strengthen social and economic cohesion and promote the healing process and build trust among different groups through activities that foster social inclusion, improvements in small community infrastructure, demining and the revitalization of economic activity and creation of employment in the depressed areas.

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**Key Results:**

- Lives of over 83,000 beneficiaries which include war-affected groups, small business owners, civil society organizations as well as vulnerable members of the society, such as youth, children, elderly, unemployed and people with disabilities have been improved through various project activities focusing on social inclusion, small community infrastructure and support to SMEs, crafts and cooperatives.

- 1274 jobs (127 percent of the target) have been created

- SMEs financially supported by the project have generated €11 million in additional revenue 12km² of agricultural land was demined and is ready for cultivation. Farmers can safely use their land without fearing for their lives.

- Institutional capacity at national/regional and local level has been increased through training and capacity building activities. Some 5,000 national and local officials and civil society representatives have been trained in strategic regional planning; cost management, project management etc.

- Regional Operational Programs (ROPs) were developed for four counties. ROPs are standard planning instruments for identifying development vision and public investment priorities in a given regional unit and are prepared in line with the principles of EU structural funds. Additionally, project operational manuals were revised to meet the requirements for the EU pre-accession grant funds.

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**Key Partners:**

The Bank team worked closely with the **Ministry Regional Development, Forestry and Water Management** which was responsible for overall policy setting as well as for implementing the project.
CROATIA REAL PROPERTY REGISTRATION & CADASTRE PROJECT

Updated September 24, 2010

Key Dates:
Approved: August 29, 2002
Effective: February 20, 2003
Closed: June 30, 2010

Financing in million US dollars:

<table>
<thead>
<tr>
<th>Financier</th>
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</tr>
</thead>
<tbody>
<tr>
<td>IBRD</td>
<td>25.70</td>
</tr>
<tr>
<td>Government of Croatia</td>
<td>6.60</td>
</tr>
<tr>
<td>Other (EU)</td>
<td>11.40</td>
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<tr>
<td>Total Project Cost</td>
<td>44.00</td>
</tr>
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</table>

World Bank Disbursements, million US Dollars *:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Disbursed</th>
<th>Undisbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD Loan</td>
<td>26.00</td>
<td>25.96</td>
<td>0.04</td>
</tr>
</tbody>
</table>

* as of September 24, 2010.
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
As many other countries of Central and Eastern Europe, property registration and cadastre systems were not well maintained in Croatia up until 1996 with a great need to avoid problems caused by unreliable real property registration and cadastre systems. Croatia also needed to become more attractive to foreign investors to boost economic growth and adjust its administrative and legal procedures to those of the European Union. It also needed to speed up the process of ascertaining ownership of property rights, acquiring land and registering it. The mismatches between the cadastre and land books data also needed to be addressed as more and more property was being bought and privatized, and outdated land registration and cadastre systems were making ownership rights unclear. Many real properties in Croatia were not on the cadastre and many houses did not have building permits. These unreliable systems increased the time and uncertainty of transactions when property was sold or used as collateral and prevented the expansion of real estate markets. In 2003, there were around 340,000 unresolved land registry cases with registration backlogs in municipal courts ranging from one month in the smaller cities to three to four years in the two major cities of Zagreb and Split.

Project Objective:
The Real Property registration and Cadastre Project sought to build an efficient land administration system with the purpose of contributing to the development of effective real property markets by improving service in both the land registry offices (LRO) and cadastre local offices, harmonizing data between the cadastre and real property registration systems, improving customer relations and service provision, as well as organizing awareness campaigns among stakeholders, aimed at supporting professionals, financial institutions and real property holders.

Key Results:
✓ The backlog has been reduced by 84% from its highest level of 339,412 in 2003.
✓ Approximately one-third of land registry offices register transactions within seven days, and the national average for registration of a change of ownership was 52 days in mid-2010 from 100+ days in 2003.
✓ The national average time for registration of a mortgage has been reduced from 58 days in 2002 to 6 days.
✓ The number of mortgages increased from 5,350 in 2002 to almost 9,000 in 2006, 8,000 in 2007 and 7,400 in 2008 before dropping somewhat due to the global financial crises.
✓ Loan amounts more than doubled between 2002 and 2007, from HRK 4.13 billion to HRK10.01 billion before dropping off in 2009.
✓ Land registry and cadastre information is available online for free and can be checked via the internet anywhere and anytime. Queries are running at 20 million annually over the last two years. A customer can check the status of his application online at any time.
✓ The alphanumeric data from the cadastre has been online since 2005 (www.katastar.hr) and so far more than 25 million queries have been made.
✓ Finally, the Joint Information System has a common database of all cadastre and land registry data and integrated business processes which will mean faster and better services to customers.

Key Partners:
The Bank team worked closely with the State Geodetic Administration responsible for the cadastre and the Ministry of Justice responsible for the land registry through the municipal courts. Key Development Partners included the European Union which contributed substantially to the Project financing through the CARDS program. Other bilateral donors included Sweden, Norway, Germany and the Netherlands.
Challenge:
During the last decade, Croatia faced increased energy imports and supply costs. To address these pressures, a national energy strategy was developed, which identified lack of energy efficiency products and services as a barrier for more efficient use of energy. Despite the huge potential for savings, no significant private or public entity was actually developing and implementing energy efficiency projects in Croatia.

Project Objective:
The Energy Efficiency Project aimed to increase the demand for and supply of energy efficiency projects and services. The project focused on overcoming three major barriers to energy efficiency market development and financing, i.e. lack of: a) capacity and know-how; b) development and project financing; and c) consumer demand. The project: (i) helped HEP ESCO, a newly established developer of energy efficiency projects, to develop, finance and implement energy efficiency projects on a commercial, for-profit basis, using local businesses as key delivery agents; (ii) provided a framework for other emerging energy service providers to tap into new energy efficiency business opportunities.

Project Status: The project closed in June 2010.

Key Results:
The success of the project was measured by: a) market response and consumer acceptance of the HEP ESCO offerings, b) number of firms actively engaged in the provision of energy efficiency services, c) number of local banks engaged in energy efficiency financing and lending activity, d) track record of performance of commercially viable energy efficiency projects

- During the six years of project implementation, HEP ESCO has become a leading energy service company in the region, receiving the European Commission’s 2007 European Energy Service Award for the best European ESCO.
- Over the lifetime of the project, more than 100 companies participated in projects financed by HEP ESCO and the total value of EE investments exceeded US$25 million.
- By project closure, HEP ESCO had a strong project pipeline representing a potential to add another US$20 million of investments. The project has thus successfully created a market demand for EE services.
- A Guarantee Component was implemented to support commercial banks financing EE investments, however, with limited success as only $900,000 of guarantees were issued.

Key Partners:
The World Bank worked closely with Hrvatska Elektroprivreda d.d (HEP) and their daughter company HEP ESCO, which was responsible for implementation of the ESCO component. The Croatian Bank for Reconstruction and Development (HBOR) acted as a trustee of the Global Environment Facility funds under the Guarantee Component.
CROATIA RENEWABLE ENERGY RESOURCE PROJECT

Updated on September 24, 2010

Key Dates:
Approved: June 23, 2005
Effective: November 24, 2005
Closed: May 31, 2010

Financing from all co-financiers, million US Dollars:

<table>
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<th>Financier</th>
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<tr>
<td>Global Env. Facility</td>
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<tr>
<td>Government of Croatia</td>
<td>3.00</td>
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</table>

Total Project Cost 8.50

World Bank Disbursements, million US Dollars *

<table>
<thead>
<tr>
<th>Disbursed</th>
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</thead>
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<tr>
<td>Global Env. Facility</td>
<td>3.76</td>
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<tr>
<td></td>
<td>1.74</td>
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</tbody>
</table>

* as of September 24, 2010.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
The project was aimed at addressing the objectives of the Government’s 2001 Energy Strategy which called for post–war recovery and transition toward energy security. The strategy and later legislation has supported the development of renewable energy resources (RER), including setting a target for a minimum share of total energy supply of 5.8% and establishing a framework for financial incentives through feed-in tariffs, a regulated selling price, for various renewable energy technologies.

Project Objective:
The objective of the project was to help develop an economically and environmentally sustainable market for RER in Croatia. Development of this market would support Croatia in its EU accession efforts. In addition, the project would help make Croatia’s economy less reliant on imported electricity and fossil fuels, reduce overall emissions, lead to a higher degree of local equipment manufacturing, create an attractive climate for private investment in renewable energy, and generate local industry and employment. The project also had an environmental objective to reduce greenhouse gas emissions on a continuous basis by overcoming barriers to implementation of renewable energy.

Key Results:
The project had a significant impact on the development of the RER market in Croatia though provision of incentives through secondary energy regulations for RER-based power and heat production. The financial support tool was a Contingent Loan Facility (CLF), which supported project preparation through loans that need only be paid back when and if a project reaches financial closure for investment. A summary of the project results:

- More than 15 studies were prepared in support of renewable energy regulatory framework and to reduce administrative bottlenecks;
- The CLF financed 13 projects of biomass, biogas, wind power and small hydro, of which four are expected to reach financial closure for investment and building the facility, by the end of 2010. These thirteen projects are projected to add a total of 104 MW of RER capacity;
- In 2010 the project contributed to a reduction of 75,651 tCO2 equivalent; and
- The total increased share of new RE in national energy supply in 2010 is 1.52%.

Key Partners:
The World Bank team worked closely with (i) the implementing agency, the Croatian Bank for Reconstruction and Development (HBOR); (ii) the Environmental Protection and Energy Efficiency Fund, which co-financed pre-investment activities mainly through support to a Renewable Energy Advisory Facility and which participated in the Contingent Loan Facility; and (iii) the Ministry of Economy, Labor and Entrepreneurship which was the key beneficiary for the technical assistance.
CROATIA DISTRICT HEATING PROJECT
Updated September 24, 2010

Key Dates:
Approved: June 20, 2006
Effective: September 3, 2007
Closed: June 30, 2010

Financing in million US Dollars:

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<th>Financier</th>
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<td>HEP</td>
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World Bank Disbursements, million US Dollars *:

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<tr>
<td>IBRD Loan</td>
<td>32.18</td>
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</tbody>
</table>

*as of September 24, 2010.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Challenge:
The District Heating companies in Croatia face aging infrastructure problem as networks were not maintained and replaced in a timely manner mostly due to financial constraints. The tariffs did not reflect changes in the international gas and oil prices and did not cover depreciation. In addition, the customers were not able to control their consumption and their bills were based on the surface area of the apartments and not actual consumption. The District Heating project tried to face these three barriers.

Project Objective:
The project objective was to promote efficient operations by HEP T (district heating company) by (i) reducing energy and water losses through the rehabilitation of the network and the closure of non economic local boilers in Osijek; (ii) increasing the profitability of HEP T by promoting the use of cost recovery tariffs; and (iii) increasing the level of customer satisfaction.

Project Status: The project closed in June 2010.

Key Results:
The project, which closed in June 2010, achieved most of its intended objectives:

- ✓ Energy losses reduced more than planned, in Zagreb losses were reduced by 23% (planned 15%) and in Osijek by 38% (planned 10%)
- ✓ 20 km of hot water pipelines were rehabilitated in Zagreb and in Osijek 7.2 km rehabilitated and 2.6 km of new pipelines constructed.
- ✓ 17 new indirect substations were built in Osijek.
- ✓ In early 2009, the Government approved an average tariff increase of of about 17.1%, helping HEP T reduce financial losses, but financial sustainability remains a challenge in the absence of additional tariff increases.
- ✓ Two consumer satisfaction surveys were carried out showing that consumers were to a large extent pleased with the services provided by HEP T.
- ✓ Heat cost allocators were installed in 11 buildings in Zagreb and in 1 building in Osijek, resulting in energy savings of around 10-20 % per building.

Key Partners:
The World Bank team worked closely with HEP (Hrvatska Elektroprivreda), the guarantor and HEP T (Toplinarstvo), a District Heating company responsible for project implementation.
CROATIA FISCAL, SOCIAL AND FINANCIAL SECTOR DEVELOPMENT POLICY LOAN

Updated on September 24, 2010

Key Dates:
Approved: January 12, 2010
Effective: February 17, 2010
Closing: April 30, 2010
Financing in million US Dollars: US$271.2

Challenge:
The appropriate mix of proactive policies has mitigated relatively well, although not negated, the strong impact of the global crisis in Croatia. Growth, which averaged over 4 percent before the crisis, sharply declined in 2009 by almost 6 percent. The recession has also worsened the situation on the labor market and reversed some of the achieved gains in living standard before the breakout of the crisis.

To protect macroeconomic stability, fiscal policy had to go through significant adjustments. Politically-challenging measures on both revenue and spending side had to be taken, while protecting the most vulnerable. Some of these measures, e.g., reduction of wages, suspension of pension indexation or the introduction of a solidarity tax, focused on the short term gains in order to maintain macroeconomic stability. However, the crisis has also provided an incentive to tackle certain aspects of the country's medium-term agenda: fiscal policy now operates under a 3-year rolling budget, the public procurement system is being strengthened, and the much needed health financing reform began. The authorities have also taken necessary measures to protect financial intermediation.

Project Objective:
The loan aimed to support the authorities' efforts in addressing the adverse impact of the global crisis. The Project addressed measures to: (i) strengthen public finance, including through the reduction of the wage bill, social transfers and investments, and improvements in the budgeting and strategic planning process; (ii) strengthen the resilience and targeting of the social sector; and (iii) enhance the efficiency and stability of the financial sector.

Results achieved:
- While reducing the waiting list for health services and reducing the copayment exemptions for non-vulnerable groups, total health sector arrears were reduced by 0.4 percentage points of GDP in 2009 and early-2010.
- Privileged pensions were reduced, while old-age pensions were regularly paid out.
- Adequate funds for unemployment benefits and means-tested social support allowance, amounting to 0.5% of GDP, were maintained in 2009 and 2010 budgets.
- The 3-year rolling budget has become mandatory and for the Parliament approval.
- The legislative alignment and strengthening of administrative capacity of the procurement system have been completed assisting in successful closing of EU accession Chapter 5 on public procurement.
- Interagency coordination on financial crisis preparedness and management has been established in the financial sector.
- Legislation for financial institutions was aligned with the Basel II framework and the capital adequacy was maintained well above the regulatory minimum.

Key Partners:
The Bank team worked closely with (i) the Ministry of Finance which was responsible for overall policy setting and coordination and management of implementation activities on a day-to-day basis; and (ii) Croatian National Bank.