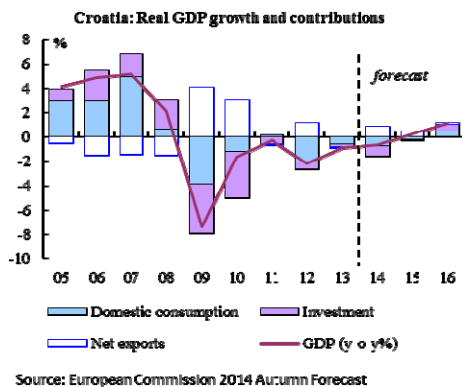


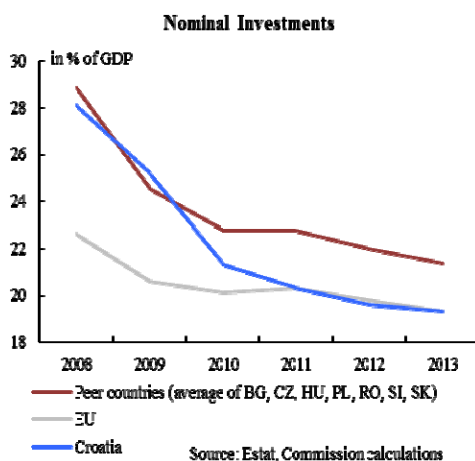
## INVESTMENT IN CROATIA

### What is the situation in Croatia?



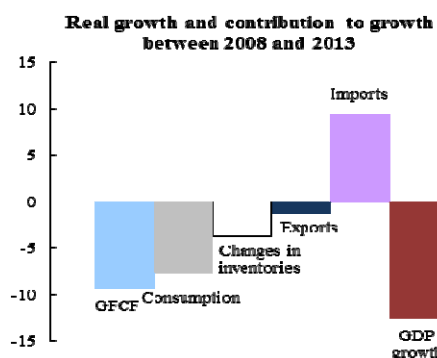
Croatia has been in recession since 2009, and real GDP growth in 2015 is forecast to be just above zero. The decline in real GDP is due to a sharp contraction in domestic demand, mainly investment. From a peak of 27% of GDP in 2008, investments fell to 20% in 2014. This is partly due to the considerable investment made in the construction sector before the crisis. Compared to other similar economies, the fall in total investment in Croatia has been considerably faster and more severe, pushing the share of investment in GDP down to the EU average, a relatively low level for a catching-up economy.

### What is the main challenge?



In the constrained public and private sector, the investment outlook remains difficult. Lenders are focused on cleaning their balance sheets and limiting new risks, while private investment is held back further by low business confidence and deleveraging. Credit activity in the private sector is partly crowded-out by the increasing exposure of the banking sector towards government debt. The urgent need for fiscal consolidation leaves limited room for boosting the public investment in the medium-term. In addition, the 2014-2020 European Structural and Investment Funds – a huge opportunity amounting to 3% of GDP annually on average – will have to be supported by sufficient pre-financing and co-financing at national level.

### Opportunities for investment



The ongoing restructuring of the Croatian economy requires a more business-friendly environment and for investment to move from construction into sectors with higher productivity potential. A priority for the years ahead will be to further invest in human capital and help SMEs and state owned enterprises to become more competitive by strengthening research and technological innovation. There are a number of promising sectors, such as the network infrastructure, where there is a potential to modernise the underdeveloped railway system and the energy sector.

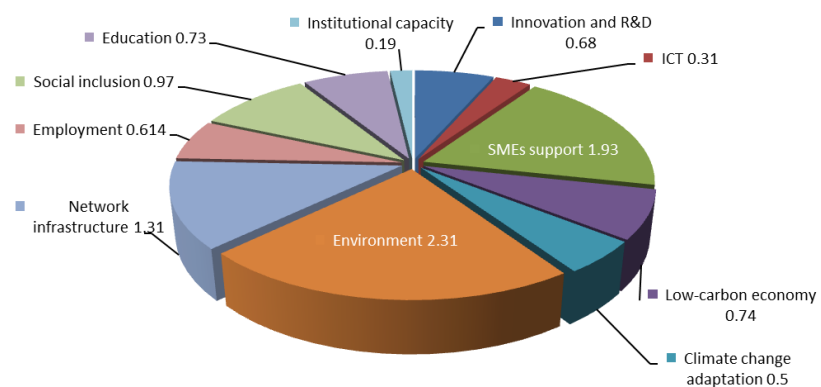
## Reforms for investment

### In the Country Specific Recommendations for Croatia, the European Union recommended

<ul style="list-style-type: none"> <li>Reinforce the budgetary strategy to correct the excessive deficit by 2016</li> </ul>	<ul style="list-style-type: none"> <li>Improve the business environment</li> </ul>
<ul style="list-style-type: none"> <li>Make the tax administration more efficient</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the effectiveness and transparency of the social protection system</li> </ul>
<ul style="list-style-type: none"> <li>Step up pension reforms</li> </ul>	<ul style="list-style-type: none"> <li>Present a detailed plan for public property management</li> </ul>
<ul style="list-style-type: none"> <li>Strengthen the cost-effectiveness of the healthcare sector</li> </ul>	<ul style="list-style-type: none"> <li>Undertake a comprehensive portfolio screening exercise designed specifically for the Croatian financial sector</li> </ul>
<ul style="list-style-type: none"> <li>Implement the reform of the labour law</li> </ul>	<ul style="list-style-type: none"> <li>Address the high level of fragmentation and overlapping responsibilities in the public administration</li> </ul>

## EU funding for investment

2014 - 2020  
in billion EUR



Source: Partnership Agreement:  
[http://ec.europa.eu/contracts\\_grants/agreements/index\\_hr.htm](http://ec.europa.eu/contracts_grants/agreements/index_hr.htm)

## Past or ongoing projects for investment

### Gas interconnections

Liquefied national gas evacuation pipeline.  
Commissioning date: 2015  
(Croatia, Slovenia)



### Transport interconnections

Connecting Europe Facility: "Mediterranean" core network corridor: (Spain, France, Italy, Slovenia, Croatia, Hungary)

