

Interview: Ivan Gabrić
Everyone who invests in new knowledge today can expect it to pay off eventually, says Combis's Board President

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First seven months 2014
Financial assets by the general public in Croatia exceed GDP, shows analysis by Zagrebačka banka

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Doing Business 2015
Croatia ranks 65 of 189 countries according to the Ease Of Doing Business survey

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Croatian Business & Finance Monthly
Established in 1953
Monday / 3rd November / 2014
Year VII / No 0241
www.privredni.hr

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S U P P O R T E D B Y T H E C R O A T I A N C H A M B E R O F E C O N O M Y

EXPORTS OVER THE FIRST SEVEN MONTHS

Exporters continue returning a surplus through Cefta

The pessimistic scenario, according to which bigger trade problems with Cefta would arise when Croatia joined the EU, have not come true so far; the trading surplus actually increased

Igor Vukić

During the first seven months of this year, Croatian exports to Cefta increased 14.1% and reached €1.17 billion, based on data provided by the Croatian Bureau of Statistics. The pessimistic scenario, according to which trade problems with this group would arise when Croatia joined the EU, has not come true so far, with the trade surplus actually increasing due in part to imports from Cefta reducing by 8% to date.

According to an analysis by the Croatian National Bank, the exports increase to Cefta was in part contributed to by higher exports of electricity and food products to Serbia. Total exports increased 40%, although exports to Bosnia and Herzegovina grew at a slower pace mainly due to poorer results from food and live animal exports. Total exports to B&H were 6.8% higher year-on-year.

Croatian exporters actually preserved their old customs and export benefits to Cefta countries. Export results to the Eurozone are also positive. Analysts warn, however, about the stagnation recorded in the Eurozone in the second quarter. This could reflect



on the export results of Croatian companies. Data on the real GDP fall in Germany and Italy, important Croatian foreign trade partners, caused the greatest concern.

Exports to Slovenia also up

The growth of Croatian goods exports in the second quarter of 2014 is primarily connected to the upswing in trade with other EU countries. HNB analysts especially highlight the consistently high annual export growth rates in the group of 12 new EU country members. For example, energy products exported to Slovenia and Hungary.

The Austrian economy achieved minimal real economic growth

in the second quarter, where state spending and personal spending are highlighted as key contributors; investment, however, decreased. Consumer and producer confidence indicators point to a downward trend during the forthcoming period. All this has reflected on Croatian exports. Export growth of 5.6% was achieved, slower than the average export growth to EU countries (15.7%).

The Slovenian economy also showed growth in the second quarter, after stagnating during the first. Local spending grew together with exports. A positive influence was also evident in the case of Croatian exports to Slo-

venia, increasing 23%. During the first seven months, Croatia exported over €0.66 billion of goods to western neighbours. Croatia also achieved good results on non-traditional markets. Exports to France exceeded €0.13 billion (from €82.2 million last year). Exports to Poland reached HRK616 million a 34% increase.

Greater exports to Ukraine and Russia

During the first seven months exports to those countries on the eastern EU borders (Belarus, Russia, Ukraine and Turkey) decreased by 4.9%. However, despite conflict in the Ukraine, Croatian exports there, and to Russia, increased. Exports to

Exports to Cefta increased due to 40% higher electricity and food exports to Serbia

Ukraine almost doubled, to €20.8 million, and to Russia reached €0.13 billion, (10% up compared with the same period of 2013). Exports to Turkey saw a considerable fall-off – from €63 million to €45.4 million. ■

CARNET AND SAMSUNG ELECTRONICS FOCUSING ON
ADDITIONAL TRAINING OF THE FUTURE ICT EXPERTS



The Osijek-based applications laboratory

The first Samsung applications laboratory has recently been opened at the Osijek-based Faculty of Electrical Engineering. The opening of the laboratory is a joint project by the Osijek-based Faculty of Electrical Engineering, the Croatian Academic and Research Network CARNET and Samsung Electronics. It will provide additional training for the future ICT experts in Croatia using cutting-edge information technologies.

Harmonisation of academic and business development of future experts is fundamental, stressed Danijel Bačelić

The laboratory is equipped with tablet computers for classroom use, a Smart TV and smartphones that will provide interactive learning of programming and the development of mobile applications. "Samsung has recognised the value of our partner relationship and has equipped the laboratory, aiming to provide assistance to both students and professors, as well as research and development of new programme solutions. We believe that co-operation between industry and the University will result in immense benefits for economic development", emphasised Drago Žagar, Dean of the Osijek-based Faculty of Elec-

trical Engineering. "The applications laboratory is an aspect of the Classroom of the Future Project, comprising state-of-the-art equipped classrooms opened jointly by CARNET and Samsung in five Croatian schools. It is mainly intended for students and professors aiming to boost competitiveness required by the real IT sector in Croatia and to provide comprehensive preparation for the labour market and encourage the launch of forthcoming projects and start-up companies. We believe that the focus on current technologies, in addition to their implementation in real-life projects developed by this laboratory, is one of the fundamental prerequisites of the Croatian educational system and subsequently of the labour market, added Zvonimir Stanić, Director of CARNET.

"The ICT sector has been recognised globally as one of the principal promoters of sustainable economic development and one of the fundamental features in the creation of high value-added products and services. Consequently, on-going education and training of future ICT experts is an imperative, against the backdrop of increasing demand for them on both the Croatian and global markets. Moreover, the harmonisation of academic and business development of future experts is critical", concluded Danijel Bačelić, Director of Enterprise Business Division at Samsung Electronics. (B.O.) ■

"Combis is still the leading Croatian ICT company for the case for three years now, and it is not going to change."

IVAN GABRIĆ, BOARD PRESIDENT, COMBIS

No survival without challenges

Challenges present opportunities for some. One thing is certain: Everyone who invests in new knowledge today, including the



Jozo Vrdoljak

Privredni vjesnik spoke with Ivan Gabrić, Board President of *Combis*, a leading Croatian ICT company about company plans, and the future of Croatian IT companies

What kind of a business year has *Combis* had?

Last year we created the highest number of new vacancies in the entire Croatian IT sector. Actually, last year the number of *Combis* employees increased over 9% in relation to the year before, and this growth is also followed by the higher number and level of competencies acquired through training programmes. Our goal for this year is to continue building our leading position amongst system integrators and be recognised as a company with developed user relations and an individual approach to each user, offering high-quality services and solu-

tions as well as reliability and user orientation.

What happened after the company was taken over by Hrvatski Telekom?

The change in the ownership brought many improvements. Above all, we improved business standards so now we can easily fit with any type of West European

I feel the greatest value is hidden within the integration of industries with ideas and the IT industry with solutions

business. Today *Combis* represents an exceptional combination of entrepreneurial and corporate spirit. On the one hand, we meet high international corporate criteria, and at the same time maintain the required flexibility, and are able to respond quickly to mar-

T company in term of revenue. This has been not an accident. ”



Without new solutions

tain; we need to invest with the same intensity in difficult times as in the good times. Those employing young experts, can expect it to pay off eventually



tential. It is enough to look at our engineering forces and see what an envious capacity and strength it has. The number of projects and extremely complex technology our engineers deal with every day is truly amazing.

What does this mean for the future of Combis?

Combis is still the leading Croatian ICT company in term of revenue. This has been the case for three years now, and it is not an accident. The business and expert public acknowledges us, and I would like to highlight *Microsoft* that selected *Combis* as partner of the year, which is a great recognition from, I dare say, the giant of the IT industry.

What are the characteristics of the IT market?

The IT market is resilient and energetic. It is certain we can expect great challenges during the next five years and we will all have to prove what we know and can do. Challenges present opportunities for some, and one thing is certain: we need to invest with the same intensity during the difficult times as the good times. Everyone who

invests in new knowledge today, including those employing young experts, can expect it to pay off one day. Survival is not possible without new ideas and solutions. Those who invested in new ideas and solutions managed to survive. Therefore, for the past couple of months we have been working on redesigning the *Combis* support of various outsourcing services we had been developing for the past decade, and this requires communication with all our experts and clients.

What is your greatest value at present?

I believe the greatest value lies in new ideas and their integration – integration of industries with ideas and the IT industry that has solutions. Due to IT, modern telecommunications and banking has already achieved great progress during the past decade. The real sector and state administration use IT as key element of business improvement. This creates new and tangible value, not only in IT, but in the sector of IT solution implementation also. All this creates a rare, but actually quite natural multiplier effect. ■

ket impulses. Our users mainly appreciate this combination with a highlighted adaptability to the new environment. *Hrvatski Telekom* (HT) is also our important strategic partner so we can really use our mutual expertise and our knowledge of the complex ICT sector and technologies to work together on improving products and solutions. After merging with HT, we developed stronger po-

Business office

What is your experience with the first virtual business office in Croatia?

In co-operation with *Combis*, *Zagrebačka banka* launched the first Croatian virtual business office in June 2013. *Combis* integrated a solution with the banking e-zaba, Contact Centre and Customer Relationship Management (CRM). This is the first example of this type of solution in the region and one of the first in Europe, and *Combis* is the exclusive distributor of this technology for the entire Southeastern Euro-

pe as well as a company centre. The virtual business office was achieved by implementing a mutual solution that enables chat, audio and video communication between the bank and clients. Since all available communication channels are used, the solution offers a complete multi-channel approach.

The goal of the virtual business offices is to achieve maximum personalisation of the offer, a solution more and more financial institutions have been turning to as well as serious economic operators focused on the end-user.



news



Wine envelope assistance worth €1.3 million

The Paying Agency for Agriculture has paid out over €1.3 million to the first eight bidders whose projects have been selected under the National Assistance Programme called *Vinska omotnica* (Wine envelope). Users have requested an advance payment in order to start new investment. Following the tenders invited thus far for the three measures covered by *Vinska omotnica*, the Croatian Paying Agency for Agriculture has reached 48 decisions on project approval with €5.7 million funding assistance.

Končar MT profit drop

Končar Measuring Transformers has shown a profit of €0.3 million for the first nine months of 2014. However, during the same period last year its profit was €0.4 million. €17.9 million of total revenue was generated by Končar MT in 2014, with €14.6 million coming from outside the country. Hence, company export revenue increased by €0.7 million.

Tele 2 revenue increase



During the third quarter of 2014, Tele 2 Croatia showed a 5.3% increase in its revenue from mobile telephony services. The company generated revenue of €24.1 million compared with €22.9 million in 2013. The EBITDA margin reached €7.9 million according to the report released by the company. EBITDA for the first nine months stood at €14.2 million. Total revenue generated by Tele 2 Croatia in the third quarter was €42.6 million, on a par with results achieved in 2013.

PRIMA GROUP: A NEW MATTRESS FACTORY

40 new jobs created



The company Prima has recently opened a new mattress factory aiming to expand its production capacity

Prima, a well-known Croatian producer of top quality furniture, is aiming to modernise its production capacity and, as a result of new investment, expand its product range primarily of mattresses designed to improve sleep quality. The company will produce 11,000 mattresses monthly in its new factory and will significantly contribute to both effectiveness and competitiveness in the produc-

tion of bonnell and pocket-sprung mattresses. The pocket-sprung type is considered as a reliable and long-term quality mattress that guarantees comfort and relaxation during sleep. Furthermore, the Prima factory has created new jobs, and is planning to create an additional 40, so this investment has greatly contributed to an improved quality of life for those newly employed, as well as the local community. ■

DROGERIE MARKT CROATIA

dm still the favourite employer



Dm- drogerie markt Croatia has finished its business year with a turnover of €0.26 billion, a 0.48% increase, although nett profit was down 8% from last year, at €9.2 million.

“However, our generated profit enables us to operate satisfactorily, meeting client requirements and owner expectations”, pointed out Mirko Mrakužić, Management Board member and Director of dm Croatia, noting that during the previous business year the company invested €5.2 million in the opening and modernisation of sales outlets. He also emphasised the creation of 72 new jobs. Dm Croatia currently employs

1,295 staff in 154 sales outlets in 60 cities. Company business aims for the forthcoming year are expansion, aiming to reach 160 sales outlets, and new investment worth €6.58 million. It has been named as the top-rated employer in Croatia for the fifth consecutive year. The average nett monthly salary for sales assistants is €1,122, and the company operates a 28 days supplier deadline, of whom 25% are suppliers of Croatian products. ■

€0.5 million
invested in a new production line

NEW INVESTMENT BY THE SPIDER GROUP

A GARDENOL

The new tea packaging production line is vital for a significant breakthrough into the EU market, primarily Germany and Austria, and fundamental for the success of a new brand of

Goran Gazdek

The company Jan Spider, a Spider Group member, involved in the production and processing of medicinal and aromatic herbs, has recently opened a new tea packaging production line with a capacity of 2.7 million tea boxes thus upping capacity by 20% increase. The project worth €0.5 million was co-financed by 50% from the Ministry of Economy. “The modern tea packaging production line is vital for a significant breakthrough into the EU market, primarily Germany and Austria. It is also fundamental for the success of *Gardenolo*, a new brand of exclusively organic products, under which we will be producing teas and special cold and hot-pressed edible oils made from flax, pumpkin and industrial hemp”, emphasised Denis Nemčević,

Management Board President of Spider Group.

Gardenolo, a new organic product range, is produced from organically grown herbs, and produced on the farm-to-table principle. Its long-term objective is to sell its products throughout the markets in which the company operates.

The new packaging machine was inaugurated by Ivo Josipović, President of the Republic, who pointed out that this needs to be a rôle model since it proves that success as a result of “an excel-

Jan Spider grows medicinal herbs and arable crops

lent idea, entrepreneurial spirit, a good company and synergy between business partners” is pos-

DREAM LAB PLANS TO INVEST €2.4 MILLION IN CROATIA

Focusing on Novigrad

A Croatian-Italian project, with expertise originating

Sanja Plješa

The Istrian town of Novigrad has become a regional centre for the production of ice-cream, cakes, confectionery and coffee prepared following artisanal Italian recipes called *Gustolato*, which is also the name of the project from the company Dream Lab, whose Italian owners opened a Novigrad-based production site covering 500 m². The new unit employs 25 staff, of whom 6 are employed in the laboratory. Over the next three years the value of



planned investment in 15 new branches throughout Croatia, as well as in Hungary and the wider region, (in addition to the existing Novigrad-based facility), will be €2.4 million and will result in the creation of around 100 new jobs. The existing pro-



20%

increase in packaging capacity

LO TEA PARTY

nt breakthrough to the EU market, primarily to Germany and organic products



sible in Croatia. “Banks, in addition to relevant ministries and the local administration, have a pivotal role in the success of similar projects. Nevertheless, banks need to exercise caution as they deal with someone else’s funds, yet I believe they need to be more efficient and effective in invest-

ment in business projects”, stated Josipović.

A controlled method of farming

Jan Spider grows medicinal herbs for the production of teas and herbal products, as well as arable crops necessary for the produc-

tion of edible oils. The company also owns a Slavonia-Srijem cattle farm, as it primarily focuses on organic production.

Medicinal and aromatic herbs are grown using controlled methods in compliance with the implemented quality management systems ISO 22000:2005, HACCP,

GMP, Global G.A.P., whilst the implementation of IFS system is in its final phase. Furthermore, this year the company was granted financial assistance through the Entrepreneurial Impulse Programme for 2014 (measure B1 for SMEs and artisans) of the Ministry of Entrepreneurship and Crafts and the Croatian Agency for SME’s and Investments (HAMAG). In addition, the company signed a contract with the Payment Agency for Agriculture, Fisheries and Rural Development on the allocation of funding through the IPARD Programme Measures 101 and 103 worth €1.05 million. “We will be using the funding to construct a new plant and warehousing facilities, for investment in agricultural mechanisation, as well as for the purchase of an additional tea packaging machine”, outlined Nemčević. ■

AND THE REGION OVER THE NEXT THREE YEARS

for ice-cream, cakes, coffee

g from Italy, and Croatian experts adding their competencies and abilities



duction facility currently supplies shops – in Novigrad, Umag and Varaždin, and the company has also launched sales through a HoReCa distribution channel. As announced by Dario Traverso, Management Board President of Dream Lab, anticipated revenue

during the first business year may well be €1 million.

Local ingredients

“The Novigrad-based unit is a Croatian-Italian project; the know-how originates from Italy, with our Croatian experts bringing their undoubted competencies and abilities, pointed out Dario Traverso. The facility has a production capacity of 600 kilos of ice cream, 60 kilos of confectionery, 90 kilos of chocolate and 60 kilos of roasted coffee per working shift. Traverso pointed out that the ingredients for the

confectionery products are locally produced and Dream Lab purchases them from local suppliers. The facility is equipped with Italian machinery for the production of over 200 types of high quality confectionery products made from selected raw materials.

Concerning product distribution, Traverso stated that following EU accession, Croatia has become particularly attractive for Italian investors, with Istria being a highly appealing location that has the potential to supply both Croatia and regional markets. “We are extremely flexible in Istria con-

cerning, on the one hand, the vicinity of our headquarters in Italy and, on the other, our wish to effectively supply the regional market”, he added. The current activity in Croatia and in the wider re-

Following EU accession, Croatia has become particularly attractive to Italian investors, and Istria is a highly appealing location for production

gion is just the beginning of their comprehensive business activity of Dream Lab, which is planning extensive market expansion into Central Europe, Canada, the US and the United Arab Emirates. ■

75%

estimated share of global population living in urban areas by 2050



INTERNATIONAL CONFERENCE ZAGREB FORUM 2014

Effective solutions for modern cities

Local entrepreneurs have presented several solutions for contemporary issues faced by transport, energy, governance and the organisation of business activity

Ilijana Grgić

Over 50% of the global population is currently living in urban areas and the estimated share of global population living in urban areas in 2050, is 75%. Consequently, cities need to become “smarter” concerning administration, energy sustainability and the organisation of business activities. Business people claim to be pre-



Advanced society and smart administration are prerequisites of Smart Cities of the Future

pared to address the new challenges and presented several solutions during the International Conference Zagreb Forum 2014. The company *Pozitron* is currently focusing on the development of new models of ships that use solar and wind energy or are hydrogen-fuelled. Croatia is likely to see her own hydrogen-fuelled ship in the forthcoming future. “We are striving to de-

velop a model which will be as independent from fossil fuels as possible, using the largest possible number of alternative sources of energy, as well as a new type of energy storage”, explained Vladan Desnica, Director of *Pozitron*, adding that the company opted for hydrogen believing that it is the future energy source with immense potential and tremendous availability.

Wave energy

The company *Conversus* focuses on innovative solutions of generation of wave energy. “Floating

frames and lever arms providing a platform for the generation of energy from waves are already available in Denmark, yet this system is over-engineered and implies additional costs. The Danes are planning to create another similar system with 250 floating frames, whereas we believe we can achieve equal results by doing 10 times less engineering”, pointed out Matija Kvačec, Director of *Conversus*. Global cities now have a network of diverse sensors and/or cameras and Zagreb is not an exception. The application de-

veloped for the City of Zagreb by the company *Omega* software is primarily intended for the organisation of public-utility services, mainly through an in-company application called “*Web redar*”, is also available to the general public through an application called *MojZagreb.hr*. It greatly helps tackling any deficiencies and irregularities and additionally provides the option of on-site real time reporting using a smart-phone application.

“We faced several challenges during its development: we needed to create a stable and available system. We need to adapt geo-maps in order to provide a simplified method of data presentation on mobile phones and internet browsers”, highlighted Siniša Gavrilov at *Omega* software.

Advanced society and smart administration are fundamental prerequisites for smart cities of the future that can show their potential only through communication and knowledge sharing, as was concluded during Zagreb Forum 2014. ■

RALU CENTRE CONSTRUCTION BEGINS

Investment worth €19.7 million

RALU logistics has recently started the construction of its logistics and distribution centre valued at over €19.7 million near Zagreb. Kamgrad has been selected as the main contractor in the construction of the centre, which will also consist of a temperature-controlled warehouse and accompanying transport infrastructure (filling station, servicing centre, vehicle washing and a parking area). The company had also agreed

with the LURA Group on the construction of a Zagreb-based business project. “This is currently one of the largest investments in the private sector in Croatia, entirely financed by private capital and is considered a vital prerequisite for RALU in the implementation of its vision to become the leading provider of comprehensive cold chain logistics services throughout the region. RALU provides transport services throughout Europe



and Russia and the development of its logistics capacities will provide a high quality comprehensive logistics solution. Moreover, the construction of a logistics centre implies job creation and consequently in the near future we are planning to create around 200 jobs in addition to the current 300”, pointed out Zvonimir Šćurec, Management Board President, RALU Logistics. Completion is expected by mid-2015. (B.O.) ■

12 aircraft current Croatia Airlines Fleet



LOOKING FOR INVESTOR WITH EXTENSIVE EXPERIENCE IN CIVIL AVIATION

Croatia Airlines searching for strategic partner

According to EU regulations, only new strategic partners originating from the EU are eligible to become majority shareholders. On the other hand, investors from outside the EU are eligible to own up to 49% of shares

Croatian Airlines (CA), the Croatian air carrier, is searching for a strategic partner aiming at recapitalisation, network expansion, fleet renewal and further development. Consequently, during one of its recently held sessions, the government launched an investor search and established a commission for the selection of the best bidder. According to EU regulations, only new strategic partners originating from the EU are eligible to become majority shareholders. On the other hand, investors from outside the EU are eligible to own up to 49% of shares. The government had previously launched investor searches, and air carriers from China, Indonesia and elsewhere showed considerable interest, yet negotiations came to naught. Meanwhile, the sale potential of Croatia Airlines is currently high due to the launch of a restructuring process. The government provided assistance



for debt settlement and in laying the foundations for a sustainable business. The restructuring plan covers a five-year period, with total expenditure of €0.25 billion. Further rationalisation is planned for 2015, as well as a reduction in employee expenditure and the closure of sales offices abroad. During the recently held government session, Siniša Hajdaš Dončić, Minister of Transport, cited assessments shown in international business publications, stating that the current circumstances are increasingly favourable for an

investor search, and a return on invested capital is more certain due to the restructuring process. In addition, it has been estimated that the investor search will be made easier by the fact that an increasing number of companies are aiming to expand into the EU market. The government is hoping to find an investor with extensive experience in civil aviation in order to ensure the introduction of new flights covering both local and international air transport, and to expand the fleet that currently consists of 12 aircraft. (I.V.) ■

news

Apartments price fall slows

The average price per square meter of a new flat stood at €1,353 for the first six months of 2014, 0.1% up in relation to the average price during the second half of 2013, although 2.8% down compared with the first six months of 2013, according to data published by the Croatian Bureau of Statistics, thus indicating that the city apartment price fall has slowed. The current average price per square meter of a new city apartment is still 17% down over the first half of 2009.

Co-operation with banks

Croatia Insurance (CO), Croatian Postal Bank (HPB) and Croatian Post are planning to strengthen their co-operation and provide high quality financial services. In addition to the strategic partnership between Croatian Postal Bank and Croatia Insurance in *bancassurance*, there are plans to extend co-operation between Croatian Postal Bank and Croatian Post through a more effective use of the network of 1,000 post offices. Croatian Post owns 27.49% of the shares of Croatian Postal Bank, with 51.46% Croatian Postal bank (HPB) shares being owned by the state, and the Croatian Pension Insurance Institute accounts for 20.18% of HPB shares. The remaining 0.87% is owned by minority shareholders.

Grand Prix for Končar

Končar diesel-electric low-floor train has recently been awarded Grand Prix at Innovation Exhibition ARCA held in Zagreb. The train will begin running in 2015. Končar has signed a contract with HŽ Passenger Transport to produce 12 diesel-electric low-floor trains. These will provide more comfort due to a fitted air-conditioning system, passenger information system, LED lighting and fast passenger flow via wide doors, as pointed out in the rationale for the award. ARCA 2014 attracted 260 innovators from Croatia and 17 countries throughout the world.



ATLANTIC GRUPA

Growth and stable cash flow

In the first nine months of 2014, Atlantic Grupa recorded sales of HRK 3.8 billion, which is a 2.7% growth compared to the same period last year. Earnings before interest and taxes (EBIT) increased by 0.7%, reaching a figure of HRK 378.5 million in comparison with nine months of 2013, while the net profit after minority interests amounted to HRK 209.2 million, indicating a growth of 8.2%. "In the first nine months of 2014, Atlantic Grupa



recorded business growth with further deleveraging and generating stable cash flows from operating activities", says Zoran Stankovic, Group Vice President for Finance and Information Technology. ■

The first nine months of 2014 was predominantly marked by the successful start of distribution of Unilever brands (Knorr, Hellman's, Axe, Rexona, Brut, Signal, Coccolino, Domestos, Cif and many others) on Croatian and Slovenian markets, as well as by building a new factory for Multipower energy bars in the range of sports and functional foods in the industrial park Nova Gradiška. (Zagreb Stock Exchange) ■



400 to 500 credit applications
received by HBOR annually

The Croatian Bank for Reconstruction and Development expands its areas of competency

HBOR will credit export

Until now, HBOR has been granting loans via normal banking channels, relying on their risk assessments of end-users, entrepreneurs too slowly. There is still around €0.13 billion of unused funding within HBOR

Igor Vukić

The Croatian Bank for Reconstruction and Development (HBOR) will expand its areas of competency and issue loans directly to companies, Finance Minister Boris Lalovac announced at a meeting of Croatian exporters, where they discussed government economic policy for 2015. Until now, HBOR has been granting loans via normal banking channels, relying on their risk assessments of end-users. Should a normal bank evaluate that a proposed mortgage or other type of guarantee were insufficient, the loan would not be approved. Since HBOR will have the authority to select its loan users, an additional risk assessment function will have to be formed. HBOR's new role is the result of banks refusal to monitor certain large-sized companies who found themselves in difficult straits and entered pre-bankruptcy settlement procedures. Lalovac spoke

of a construction company, with excellent pre-crisis results and top quality experts, who submitted an application for the financing of already contracted work abroad, but had their applica-

The pace of exiting the crisis depends on the speed at which funds are allocated to the construction sector and exporters

tion denied. HBOR then stepped in and granted assistance. The President of the Croatian Exporters, Darinko Bago, notes they are very satisfied with the work of HBOR so far. The government has additionally capitalised the bank, which has enabled a more extensive programme of favourable investment and export loans. Bago highlights it would be valuable to additionally develop the

service of crediting buyers of Croatian products. If additional money could be found for this purpose, Croatian exports could increase up to 25% in a relatively short time span.

Where to grant funding

Minister Lalovac confirmed funding for loans is available, but obviously reaches entrepreneurs too slowly. There is still around €0.13 billion of unused funding within HBOR, but the question is, are there sufficient quality projects to use it. Every year between 400 and 500 loan applications arrive at the bank, but this is obviously not enough to boost stronger economic growth. Minister Lalovac invited representatives of the Croatian Exporters to discuss different funding models for these funds, to achieve the best market effects.

The Minister reminded that the immobilised assets in construction companies present a big problem, and nothing has



changed on this market for several years. During his recent visit to the U.S.A., he spoke with po-

CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (HBOR)

New loans for promoting entrepreneurship

In addition to export bank guarantees, in future HBOR will also issue guarantees for contracting and finalising projects

Companies that concluded pre-bankruptcy settlement procedure with the Croatian Bank for Reconstruction and Development are now eligible for working capital loans. A total of €26.3 million has been provided for this purpose. The duration of the loans is two years with a one-year grace period, and a 6% interest rate. These loans are part of

a new series of measures that HBOR has prepared for promoting entrepreneurship. The new bank lending line is worth a total of €0.3 billion, HBOR Board President, Vladimir Kristijan, announced.

Some €79 million will be via credit lines in co-operation with banks and leasing companies. Small and medium sized companies, in co-operation with leasing



companies can use on a 4% interest rate. A total of €26.3 million is intended for lending according to the subordinated debt model. This is a specific type of funding where HBOR gives a loan to a company to increase its capital. The company then applies to a bank and may obtain a higher level of loan on the bases of stronger capitalisation. It repays its loan commitments in the re-

25% higher imports

aided by better financing of Croatian product buyers

ence

ers directly

rs. Minister Lalovac confirmed funding for loans is available, but obviously reaches



tential investors on creating a special fund that would directly invest in investment and construc-

tion projects and finally break the impasse. The pace of exiting the crisis depends on the speed at which funds are allocated to the construction sector and exporters, Lalovac said. If this does not happen, economic growth will not happen in 2015.

Economy advisor to the President of Croatia, Boris Cota, evaluated that even measures of local policy could contribute to export results. Even though exports are one of the keys to recovery, Cota says the EU anticipates that Croatian growth in 2015 will be based on local demand, boosted by state investment. He also added that the announced increase in tax-exempt salary could also intensify local demand and have a negative impact on exports. Lalovac responded that workers with higher qualifications could be those who see an increase in salaries, and these mainly work in exporting companies. It will be then easier for those companies to retain them and jointly develop more complex

products in demand mainly in more developed foreign markets. Croatia is criticised for overtaxing higher level salaries, especially in relation to the tax systems of competitor countries, Lalovac added.

Instability is a turn-off

Entrepreneur and parliamentary representative, Domagoj Milošević, welcomes tax relief on salaries. However, he does not appreciate the frequent amendments regarding business and investing, since instability is a serious turn-off for both local and foreign investors. Since he is a former minister, he remembers that foreign ambassadors would come to his office and lobby for contracts for their local companies. "I would like to see this kind of ambition in Croatian ambassadors. Croatia should modernise its public administration so that it could be at the service of investors who would then participate in export affairs, opined Milošević. ■

New plant for car components

The German industrial group König Metall, involved in production of metal components for the automotive industry, has recently opened a new plant in Pisarovina Entrepreneurial Zone. The plant is a joint venture between Kralj Metala Kovnica and Kralj Metala Alati, which were both founded in 2013, as a branch of the König Metall Group which owns factories in Germany, Italy, Poland, Canada, Croatia and Russia, and employs a total of 700 staff.

Brodosplit crane delivery

Brodosplit Shipyard has recently delivered portal-revolving port cranes to a German client, Kirov Ardel, in Eberswalde. Brodosplit manufactured, assembled and delivered three portal-revolving port cranes of the type Tukan 3,000, with 63-tonne load-bearing capacity and a 50-metre arm range. The Split-based Brodosplit shipbuilders completed the steel construction of crane legs and the bridges of the portal, the main column and the upper main girder, the painting, stairs and the pre-assembly of portal segments meeting contractual deadlines.

Kraš exports to Japan and Korea



Kraš, the manufacturer of confectionery products, has recently started exporting to South Korea and is preparing to send a second shipment to Japan. Kiki candies and jelly sweets have therefore appeared on Korean shelves, and Kraš Napolitanke cream wafers will soon be available in Japan. Penetration of new markets is the result of long-term negotiations with Korean and Japanese entrepreneurs following participation at international fairs, pointed out Kraš sources.

ership

cts on the local market

verse order – the commitment to HBOR is completed over eight years. These loans are intended for companies that have been increasing their business activities during the past three years and that have maintained positive results.

Loans from Europe

What is new is that in addition to the export bank guarantees,

HBOR will also issue guarantees for contracting and completing projects locally. The financial effect of this measure

Loans to entrepreneurial have fallen by €2.1 billion since 2012

is estimated at €39.5 million. HBOR also prepared a bank line of €79 million for local administrations that implement projects co-financed by European funds. The HBOR loan will al-

low them to pay the personal share required in such projects. The interest rate is 3%. Funds will be allocated directly or via banks. An additional €26.3 million is reserved for companies participating in European projects. They will also have a 3% interest rate, depending on the rating and recent credit history. The largest amount of loan from European funds is not limited, and the repayment deadline is 15 years. Since 2012, entrepreneurial loans have decreased €2.1 billion that affected all areas of economic activity. (I.V.) ■

::: news

**Voting for Agrivi**

A Croatian agro-tech start-up company, *Agrivi*, will be participating at the World Start-Up Competition, a global start-up competition that will be held on 24th November in Seoul, South Korea. The odds of winning depend both on the votes cast by the panel of experts and on votes from the public who can cast votes for *Agrivi* by 14th November. *Agrivi* is a system currently used by agriculturalists in over 30 countries aiming to boost productivity and enhance the profitability of agricultural production.

Ban Tours co-operating with Dufour

The Zagreb-based travel agency, Ban Tours, has recently initiated co-operation with the leading French sailing yacht manufacturer, Dufour, following a seven-year long investment process in nautical tourism worth €5.3 million, as stated by Ban Tours sources. The co-operation with Dufour entails the expansion of Ban Tours' fleet with luxury boats and yachts. By the end of 2014, the agency's nautical fleet will comprise of 40 vessels.

Zagorje Blues Ethnic Festival

Zagorje Blues Ethnic Festival will take place from 10th to 15th November. The festival covers a range of musical events bringing together entertainment and education with a multicultural approach. In addition to a more individualistic approach to music, participants are provided with an insight into the customs of the Croatian Zagorje region, local gastronomy and can participate in a cross-section of tourism programmes.



\$650 million

wood-processing industry exports (6 months of 2014)

THE CROATIAN WOOD-PROCESSING INDUSTRY: EXPORTS IN

Global recognition

The Croatian wood-processing industry was the first to recover from recession, achieving... employs 22,000 staff and positive export trends have been highlighted by most furniture...

Ilijana Grgić

According to exports trends, the Croatian wood-processing industry is the first in the economy to have seen a recovery from the recession. During the first six months of 2014, the industry exports were worth over \$650 million, implying 40% growth over the same period in 2013; it employs around 22,000 staff. Positive export trends have been highlighted by most furniture producers exhibiting recently at the Ambianta Fair 2014.

"Exports are our principal revenue generator", pointed out Nebojša Grbić, owner of the Petrinja-based Ariš factory, specialising in solid wood furniture production. Whilst this export-oriented company exports almost 70% of its products, it also sells to the local market.

Croatian EU accession leading to market expansion

Croatian EU accession and the opening of borders have had an immensely positive impact on the wood-processing industry. "We have gained new customers, yet we are continuously striving to expand. Subsequently, we are purchasing new equipment and our specific objective is to boost production - an imperative for market survival", stressed Grbić. He believes a reduction in the tax base, as well as the slashing of other charges, together with encouragement to invest in machinery and equipment, are fundamental issues that would significantly help business activity for companies involved in the industry.



"More vigorous measures aimed at encouraging employment are crucial. Support is vital and I believe the state should have a central role here, yet unfortunately the reality is slightly different", explained Grbić. "I have been exhibiting at the Ambianta Fair for six consecutive years, and I have noticed that the number of exhibitors has fallen, due to the recession and a large number of businesses winding up. Unless business activities are encouraged, I believe we are all likely to face similar problems", concluded Grbić.

According to Alen Tokić from the company Modul Contract, business activity in Croatia is overly complex and extremely hazardous compared with market

circumstances in Germany, Italy, Macedonia and Bosnia and Herzegovina. The Croatian market is disorganised and there is also the issue of a lack of funding" stated Tokić. Furthermore, he pointed out the benefits resulting from Croatian EU accession that primarily implies higher sales. Tokić believes that strengthening export performance is imperative for his industry.

His company is involved in the production of upholstered furniture using exclusively local raw materials, and aiming to provide original Croatian products for more successful sales on global markets. Their products are currently purchased by hotels in Macedonia, Sweden and Germany.

€500 million
wood-processing and furniture industry total annual revenue

CREASING, LOCAL DEMAND DROPPING

but local fiasco

a further 40% growth in 2014 compared with the same period in 2013. The sector
e producers exhibiting at the Ambienta Fair



Germany is the country in which the high quality of the Croatian furniture is usually recognised and hence frequently opted for. During the first six months of 2014, Croatian furniture saw a 35.8% rise in sales on the German market. On the other hand, the local market has shown a substantial drop in demand with only 35% of Croatian customers opting for locally produced furniture.

“The furniture industry is aiming to increase its share on the local market and regain the market share it lost over the last 10 years when it plunged from 60% to the current 30%, which is a horrendous drop. Total annual revenue of wood-processing and furniture industry stands at €500 million,

of which 35% or €175 million is generated through the local market. Should we increase sales by only 10% on an annualised level, we would see a rise in revenue of over €13.2 million”, emphasised Marina Pavković, Director of Zagreb Fair, adding that it is an extremely demanding task and that the wood-processing industry might never regain its share of the local market.

Local market difficulties

The Croatian wood-processing industry has shown its competitiveness on global markets through design, quality and price, whilst it faces on-going and often insurmountable difficulties locally. Consequently, this year’s Ambienta Fair focused on top quality products crucial for the branding of the industry.

Zdravko Jelčić, President of the Croatian Association of Wood-Processing Industry and Management Board President of

The industry is aiming to reach 20% of Croatian GDP by 2020

Spin Valis, (the company which launches a dozen new products on a month-by-month and shows a continuous increase in revenue), is expecting to see revenue of €23 million in 2014. According to him, the principal issue in the Croatian wood-processing industry is its weakness on the local market. “During the first six months of 2014, we have seen a 40% increase in exports over the same period in 2013. A large number of companies are tackling liquidity problems and they believe that participation at

the fair will result in unnecessary costs, which is definitely a misconception. It is a fundamental investment in the future. The Ambienta Fair is an opportunity to show our presence on the local market, to maintain continuity and strengthen relationships with both local and global customers”, pointed out Jelčić.

Tihomir Jakovina, Minister of Agriculture, believes that furniture production and supporting industries are likely to operate successfully irrespective of the crisis, provided they are mainly focused on planning, enhancing productivity and boosting competitiveness. “We have established good co-operation and communication between all the entities involved, which implies state administration, interest groups and economic entities, and this is a prerequisite for a more effective absorption of EU funding”, stressed Jakovina.

The wood-processing industry is aiming to reach 20% of Croatian GDP by 2020. Nevertheless, the support provided by the local market and local customers is fundamental to achieve this level.

Over 180 exhibitors participated in Ambienta

The 41st International Furniture, Interior Decoration and Supporting Industry Fair, Ambienta, was recently held in Zagreb. The Fair was held in five exhibition halls at the Zagreb Fair on an area covering 20,000m² welcoming 180 exhibitors from Croatia and 19 other countries: Argentina, Austria, Belgium, Bosnia and Herzegovina, the Czech Republic, Chile, Egypt, Ireland; Italy, Israel, Lebanon, Hungary, Morocco, Holland, Germany, Palestine, Slovenia, Spain and Turkey. ■

news

Fall in revenue for Vipnet

Amendments to the regulatory framework resulted in a drop in revenue from roaming and interconnection, as well as to the decrease in the overall value of the mobile market. As a result, Vipnet generated total revenue of €282.3 million during the first nine months of 2014, 3.9% down compared with the same period in 2013, although the downward trend in revenue has slowed in relation to the first half of 2014, as stated by company sources. EBITDA during the first nine months of 2014 stood at €74 million, down 22.9%, primarily as a result of the increase in radio frequency spectrum fees, as well as in greater market and user investment which resulted in a rise in operating costs.

Increase in monthly savings



Almost 70% of the Croatian general public are regular savers, with monthly savings currently standing at €60, according to the results of research on saving habits in Croatia conducted by the IMAS Agency for Erste Group in September 2014. The findings cover a sample of 500 individuals. Furthermore, according to the research, those aged between 30 and 49 have the highest average monthly savings of €74, whilst the average monthly savings of those aged between 15 and 29 was €50, and for those aged 50 years and above the average was €53.

Optima makes a slight loss

Optima telekom made a loss of €0.25 million during the first nine months of 2014. According to the report published at the Zagreb Stock Exchange, revenue stood at €47.6 million, of which €15.2 million was generated over the last quarter. Expenditure during the first nine months reached €48.2 million (€14.9 million during the last quarter).



€0.3 billion
foreign direct investment in the first six months

DOING BUSINESS 2015

Croatia ranks **65** of **189** countries according to the Ease Of Doing Business survey

According to the new methodology, Croatia has risen two positions in the ranking, although according to the previous methodology it soared 24 positions

Ilijana Grgić

Croatia ranks 65 amongst 189 countries in the World Bank report on the *Ease of Doing Business 2015* survey. The ranking has been performed according to a new methodology of regulatory analysis applied to companies, and according to

A catalogue presenting business zones with 130 locations ready for investment

this methodology Croatia has risen two places in the ranking, although according to the previously used methodology it soared by 24 positions.

“During the last two years Croatia has reported a substantially larger number of reforms compared with the period from 2007 to the second half of 2012”, pointed out Ivan Vrdoljak, Minister of Economy, in his presentation on progress made.

Progress has been achieved in five indicators – registration of title, (14 positions), cross-border trade (13), electricity supply (1), tackling insolvency issues (42), whilst the greatest progress has been achieved on the indicator of investor protection (95).

“Croatia has changed her environment and is hence currently a country providing significant investor protection. We have progressed from 157 by 95 positions and reached 62 concerning investor protection”, pointed out Vrdoljak, adding that this is not the



end, as continuous striving for improvement is an imperative. Concerning other countries in the region, Macedonia ranks 30, Montenegro 36, Bulgaria 38, Romania 48, Slovenia 51 and Hungary 54. Amongst countries following Croatia, Albania ranks 68, Kosovo 75, Serbia 91 and Bosnia and Herzegovina 107.

Direct investment

According to data provided by the Croatian National Bank, foreign direct investment in the first six months of 2014 reached €2.17 billion, quadrupling the amount for 2013. According to Minister Vrdoljak, this is the result of active policy, increased activity and measures implemented to attract investment by the government, as

well as considerable involvement by the Agency for Investment and Competitiveness. “It has to be highlighted that, in compliance with the previous law on investment enhancement, during the period from 2007 to 2012, only 89 proposals were approved, whilst following the implementation and enforcement of the new Law, 355 proposals were submitted over 18 months. The total value of investment, in compliance with the Law on encouraging investment and enhancement of the investment environment stands at around €2.4 billion, with the number of newly employed around 11,000, as stated by Vrdoljak, adding that Croatia saw savings of €65 million during the last two years, due to the aboli-

tion of parafiscal taxes, which were subsequently redistributed. The Agency for Investment and Competitiveness portfolio currently comprises 150 investment projects by large companies, primarily in the fields of pharmaceuticals and tourism. Damir Novinić, Director of Agency for Investments and Competitiveness, highlighted substantial investment in the pharmaceutical sector – reaching almost €0.3 billion, with the Pliva investment worth nearly €0.13 billion, €52.6 million by Jadran-Galenski Laboratory, as well as the Belupo investment of almost €52.6 million.

Expert praise

“Investors who are serious and have clearly defined goals and objectives, can normally easily manage to find an investment area without any major issues”, stressed Novinić, adding that a catalogue has been published, in co-operation with local communities that presents business zones with 130 locations prepared for investment.

Commenting on the latest results of the Doing Business research conducted by the World Bank, Branko Grčić, Vice-President of the Government and Minister of Regional Development and EU Funds pointed out that the overall assessment made by experts is that doing business in Croatia is currently considerably easier than previously. “We currently rank in the top third of the total number of countries according to the ease of doing business globally, which certainly looks promising”, emphasised Grčić. ■

€43.5 billion
financial assets of the general public in Croatia at end of July



Analysis by Zagrebačka banka

Financial assets by the general public exceed GDP

During the first seven months of 2014, the total financial assets of the general public have increased by €1.4 billion, primarily due to the pension fund asset increase (€0.6 billion), bank deposits (€0.3 billion), as well as other liquid assets (€0.3 billion)

Estimated financial assets held by the general public in Croatia at the end of July 2014 reached €43.5 billion, 2.1% up over the estimated GDP for this year, as pointed out in the analysis by Zagrebačka banka and published to mark World Savings Day. In 2007, the last pre-crisis year, financial assets of the general public stood at 85.7% of GDP, only to see a nominal increase of HRK47.1 billion during the following six crisis years.

During the first seven months of 2014, total financial assets rose by €1.4 billion, primarily due to pension fund asset increase (€0.6 billion), bank deposits (€0.3 billion), as well as in other liquid assets (€0.3 billion). Moreover, in 2014 life insurance reserves saw a substantial increase (€0.13 billion), as well as the value of investment in shares and bonds (€0.09 billion and €0.01 billion). The value of investment by the general public in investment funds also rose due to the start



of the capital market recovery, by around €11 million.

Capital market revival

Bank deposits and other liquid assets (accounting for 55.3% and 11.2% respectively) are still dominant in the structure of financial assets, and other forms of investment currently account for 30%. The financial

insurance (4.5%) is continuously increasing in the financial assets, whilst investment in shares traded on the capital market (4.7%) and investment funds

Bank deposits and other liquid assets still dominant in the structure of financial assets

(2.2%) was significantly higher during the pre-crisis period, both concerning the market share and market value of investment. The enthusiasm that was a persistent feature of investment in securities traded on the capital market in 2007 was replaced by a long-term distrust in their cost-effectiveness following the bursting of the price bubble during the onset of the financial crisis. Nevertheless, 2014 shows signs of a mild capital market revival in stock market indices, as well as in the quantity and value of transactions. (V.A.) ■

Women save €7 more compared with men

Almost 70% of the Croatian general public saves regularly, and their average monthly savings stand at €60, according to the results of the research on saving habits in Croatia conducted by IMAS agency for Erste Group. Irrespective of the fact that women's average monthly savings are €7 more than men, the former are also more dissatisfied with their savings. Only 26% of women, as opposed to 37% of men, are satisfied. Moreover, those aged between 30 and 49 have the highest savings, with an average monthly savings of €74; those aged between 15 and 29, €51, and those aged 50 or over save on average €53 per month.

The largest number of savers, almost every other member of the Croatian general public, opts for classic term savings, followed by life insurance, building societies, voluntary pension funds and investment funds. Generally, men are more likely to opt for classic term savings compared with women, whereas women opt for voluntary pension funds and life insurance considerably more frequently. The primary purpose of saving is the need to provide a sound financial background in case of unexpected events. This is followed by the need to create provisions for the 'golden age', and savings for purchases or renovation. A segment of



the general public is motivated to save in order to be able to afford something subsequently, whilst others aim to afford travel. A minor number of those questioned claimed to be saving for no specific purpose.



€40 million
risk capital fund to be established with the World Bank

€250
potential amount

SMALL AND MEDIUM-SIZED COMPANIES COMPENSATE FOR THE FALL OF THE LARGE

CROATIAN MARKET LACKS CREATIVE DESTRUCTION

Small and medium-sized companies, faced with a fall in local demand, turned to new buyers abroad. This trend will bring a long-term positive impulse to the Croatian economy

Igor Vukić

Exports are the only component of the Croatian gross domestic product (GDP) that grew during the recession. While large companies were struggling and many ended up in pre-bankruptcy settlements, a new group of exporting companies was established: small and medium-sized companies. Exports by large companies for the period 2008-2013 fell 4%, while small-sized companies increased by almost 5%; medium-sized companies also showed a positive trend (around 3%), according to research conducted by Jurica Zrnc from the Department for Economic Movements and Budget of the Croatian National Bank (HNB).

Slow change in exporting structure

The research *Revealing new Croatian exporters*, presented at a round table by *Banka* magazine, showed once again that SME's are more agile and flexible in adapting to the market. Small and medium-sized companies, faced with a fall in local demand, turned to new buyers abroad. This trend will bring a long-term positive impulse to the Croatian economy, Zrnc explains. Notwithstanding, changes in the exporting structure are too slow when one compares the results of Croatian exporters with other transitional countries. In Bulgaria, Slovakia and the Baltics, exports are growing much faster than in Croatia. Croatia is specific since some of



The advantage for Croatian companies is the possibility of hiring many young educated people willing to work, as well as the possibility of reinvesting profits tax-free

our main trading partners, for example Italy, Slovenia and Bosnia & Herzegovina, are in difficulties themselves, so they are reducing orders.

The Croatian export base still strongly depends on the 300 large companies most liable to market shocks. Zrnc notes the complex

restructuring and privatisation processes implemented in ship-building. In this sector, exports decreased €0.9 billion compared with the pre-crisis period.

The Croatian market is still lagging and missing creative destruction. This means not enough companies are established or disappear from the market, Bruno Škrinjarić from the Institute of Economy in Zagreb opines. Productivity decreased during the crisis, and there are not enough young fast-growing companies in the production sector. For example, the Czech Republic bases its export results on this type of company. Croatia is much closer to the comparable countries in the service sector.

Fast-growing companies are mainly medium and large-sized companies, and indirectly their exports, could be promoted by new subsidy programmes presented by Tatjana Kovač Klemar from the Innovation Sector of the Ministry of Entrepreneurship. However, small and medium-sized companies can also compete for funds from the European Union, where there is €250 million available for Croatia.

Development promotion

The development of small-sized companies, and indirectly their exports, could be promoted by new subsidy programmes presented by Tatjana Kovač Klemar from the Innovation Sector of the Ministry of Entrepreneurship. However, small and medium-sized companies can also compete for funds from the European Union, where there is €250 million available for Croatia. Goran Becker, HAMAG Board Member (Croatian Agency for SME's), says his institution in-

million
unt from EU funds



16 parafiscal duties and administrative taxes lifted by the end of the year

increased the number of guarantees by three and half times in relation to 2012. This is an indicator of greater activity in the sector of small-sized enterprises. A risk capital fund of €40 million is being prepared with the World Bank and is intended for innovative, newly formed companies. Saša Juričević, from the Poreč company, *Zamar*, used HAMAG help. The company with 25 employees produces medical equipment (for example biopsy needles), and sell almost all outside Croatia. According to Juričević, the advantage to Croatian companies is the possibility of hiring many young educated people willing to work, low cost of business office lease, but also the possibility of reinvesting profits tax-free.

On the other hand, banks are still not open enough to small-sized enterprises, and the obligation of paying VAT when importing repro-material outside the EU presents a problem. Even though it is legally possible to be exempt from paying this VAT, this possibility is not applied. Problems are also created by officers in the Customs and other administrative functions, which should be solving problems, rather than creating them, Juričević pointed out.

Tangerines in Dubai, if not in Russia

The Executive Director of the Corporate Sector of *Croatia banka*, Vinko Šoić, says small-sized companies are faster when it comes to adapting to sudden changes even on export markets. A company from the Neretva valley area, a client of the bank, has recently been faced with the import ban of tangerines to the Russian market. The managers did not do nothing - they quickly found new buyers in Dubai. The final impact of the sale is yet to be seen, however this crisis move could lead to better overall export results. Šoić thinks small companies have great opportunities for development, but their generators are lacking technical knowledge, for example in drafting business plans in order to obtain funding. ■

GOVERNMENT: SPEED UP CHANGES

Reduced parafiscal duties give additional €65.8 million

The loan obtained from the World Bank to be used for additional computerisation and digitalisation of land registries

Igor Vukić

By the end of this year, 16 parafiscal duties and administrative taxes will be lifted. Entrepreneurs and private individuals had been paying the state and its institutions around €23.1 million a year in duties. Seven duties were lifted between January and August of this year, accounting for €7.4 million annually. Together with duties and fees reversed in 2013, the administrative taxation on the economy and the public will reduce by some €65.8 million by the end of this year. These data are based on the Government report on the implementation of the recommendations from the EU Council. Eight recommendations intended relate to the areas of public finance, pension and the health system, labour market and employment, social welfare, business environment and the state engagement in the economy, non-liquidity issues as well as the banking sector.

Land registration digitalisation

Parafiscal duties reduction is one of the measures for improving the business climate on the Croatian market. This section also announces using the loan provided by the World Bank for additional computerisation and digitalisation of the land registry system. The EU Council has been informed about the implemented e-licence system that should speed up the process of issuing construction licences to interested investors. This system is used by six counties in north Croatia. Four additional counties will also



join this group in October, while the remaining ten will do so by the end of the year.

The recommendations were adopted in July this year, and they have to be implemented between 12 and 18 months since the date of their adoption. Croatia has managed to achieve certain progress in the implementation of these recommendations. First, this means Croatia has mainly stuck to the deadlines established in the action plan, Government Vice-President, Branko Grčić, said. He especially highlighted the implementation of the recommendations relating to employment and implementation of reform of the labour market. He says that practically all planned activities were implemented within the scheduled deadlines. The Government advised on the adoption of the new Labour Act which will increase employee mobility, enable flexible work and reduce labour costs. It is also stressed that this act will create greater opportunity for more rapid restructuring by employers. Furthermore, the legal employment protection index decreased from the former 2.32 to 2.23, according to the data provided in the report.

In-depth analysis of budget expenditure

There is a series of recommendations where the country did not manage to do what it should have or what it wanted, Grčić said. He invited all Government members to work even harder to co-operate with expert groups so that these recommendations could be implemented within the set deadlines.

The report also announced an in-depth analysis of state budget expenditure with the purpose of revising and decreasing certain budget items. The Ministry of Regional Development is preparing improvements for the Human Resource management system in the state service with a focus on employment and dismissal flexibility. The work of the officers will be evaluated according to their business impact. New versions of internal manuals for using European funds are also being drafted in order to extract more of the available money.

The general assessment indicated in the report of the European Commission is that progress has been made, but not enough – and this is the message to the country to speed up reforms, Grčić concluded. ■

1.3 billion tonnes
amount of food thrown away annually

90 million tonnes
wasted in the EU



HOW TO REDUCE FOOD LOSS AND WASTE

One wastes, others starve

While 850 million people or every eighth person on the planet starves, 180 kgs of food per person is thrown away in Europe. Local experts agree the answer to this absurdity lies in sustainable development and education

Svetozar Sarkanjac

According to the surveys of the Food and Agricultural Organisation (FAO), every year one third of total food production is thrown away globally - some 1.3 billion tonnes. At the same time, there are some 850 million people in the world who are undernourished, in need of help in providing food, or starving.

These shocking numbers were presented at the recent international assembly *How to decrease food loss and waste: from field to table*, held at the Faculty of Agriculture in Osijek and organised by the Croatian Food Agency and Food and Agricultural Organisation of the United Nations.

According to global data, there is sufficient food for the entire world, but how it is distributed is another matter. Furthermore, it is estimated that food demands will increase by 70% since the global population of 7 billion will increase by an additional 2 billion by 2050. On the other hand, the UN estimates that one in every eight people on the planet, starves,

Traders throw away many edible but slightly deformed products

and around 180 kgs of food per person is thrown away every year in Europe. According to academic, Vlasta Piližota, we could solve the food shortage problem anticipated in 2050, by halving the loss caused during food production and processing, as well as households and stores that throw it away. Today, we are faced with great challenges in supplying the



entire population of the planet with enough food, water and electricity. From an economic standpoint, we are faced with the issue of sustainable food production. Moreover, the question is how to produce more, use fewer resources and reduce pollution. Therefore, this is a matter of sustainable production, academic Piližota stated, highlighting how important it is that all participants in the entire food chain, from farming to distribution, are informed.

Leaking in warehouses, stores and refrigerators...

A simple answer as to why so much food is lost on its way from field to table does not exist. According to director of the Croatian Food Agency, Andrea Gross-Bošković, in developed

countries and countries in development, 30-40% of food is wasted for different reasons. In those countries in development, this loss is mainly through a lack of infrastructure, lack of knowledge and investment in storage technologies. It is estimated that in India 35-40% of fresh produce is wasted, since there are no refrigerators in retail and wholesale outlets. In Southeast Asia, even rice, which can be easily stored, one third of the yield can be lost after harvesting due to pests and rotting.

In the developed world, food losses are much lower in retail, but those in wholesale, hospitality and households, increased dramatically during the past several years. Food is relatively cheap, at least for consumers in developed

No need to generalise

Stjepan Tanić, an expert with the FAO Regional Office for Europe and Central Asia says the actual situation with food loss and wastage should not be over-generalised. Of course, everything that has been said is defeating, but we have performed analysis of food loss since there is no need to generalise, given the fact different products and different food is in question. The analysis was performed across eight product groups, and the greatest losses and wastage was with root vegetables, that is fruit and vegetables in general. These products are susceptible to rotting and losses in the storage process. The category of oil and fish shows the lowest levels of food waste. Some 5% of products are thrown away by households, which is considerable below the 40% of wasted fruits and vegetables.

countries, which decreases their motivation to avoid food wastage. Furthermore, consumers are used to buying food of the highest aesthetic standards, so traders are throwing away any food that is edible but slightly deformed. Moreover, commercial pressure is great, so the hospitality sector often offers portions that are too large. In retail, one often comes across 'bogof' offers - *buy one, get one free*. And more importantly, due to exaggerated demands imposed by legislation, in some developed countries unwanted food ends up in waste disposal sites instead of being used as food for animals or as compost, said Andrea Gross-Bošković, highlighting that being informed is important when it comes to reducing food wasting. ■