• Ambassador Merten Held a Lecture for AmCham Talents
• Croatia: EDP-Induced Adjustment in a Challenging Environment
• The New Croatian Labor Law: A Small Help to Companies
Patron membership category will bring you many great advantages and additional promotion for your company. The Patron category, in addition to all AmCham benefits, entitles you also to:

• 5 free of charge participations, within a year, at regular AmCham events for company representatives (except charity gala dinners) • logo displayed at all events • logo displayed in all AmCham publications • logo displayed at AmCham website with a link to your website • 35% discount on all advertising • free Q-bulletin ads • special event

If you would like to join or upgrade your membership to Patron category, or need any additional info, please contact AmCham office.
Dear Members and Friends,

The year 2013 was our 15th anniversary in Croatia and we spent it busy with our high speed operations and sharing the daily routines of our member companies, and - since this is a time of recession - not in a festive mood. At the beginning of 2014 we see two different market developments: a slight increase in inquiries regarding doing business in Croatia and consolidation on specific markets - the number of competitors is decreasing or they are reducing their capacity in Croatia. Potential investors are browsing our web pages for market relevant information, which prompted us to invite you to share with us your expertise, in the form of market analysis and research which we shall be pleased to publish on our website, with reference to the source of information. This new issue of News & Views is bringing fresh and sharp expert analysis on a variety of hot topics.

Croatia has just entered an Extensive Deficit Procedure which should help to lower the public debt and budget deficit to levels defined by the EU. Under the spotlight are details of the EDP mechanism and analysis of the Croatian Government’s steps towards fulfilling the targets, implementing structural reforms and restoring growth. It is visible that a further increase on the revenue side of the budget will cause a decrease in the economy’s potential. Find out more in an interesting article looking into the relationship between Croatia’s fiscal policy on one side of the equation and the GDP and employment on the other.

In Croatia’s difficult economic circumstances, encouraging reports about Spectrum’s screening of the Adriatic sea for oil and gas have led to a new piece of legislation: The Act on Oil and Oil Derivatives. We are bringing an analysis of the new regulatory and legislative environment related to this part of the energy industry, which might attract new investors to this side of the Adriatic.

Administrative procedures and clarity of legislation related to construction and issuing the relevant permits have been the cause for frequent complaints by investors in Croatia. A new set of laws regulating spatial planning and construction came into force on January 1. We give a description of recent changes, as well as updates on the changes introduced by the amendments to the Land Registry Act of May 2013.

We hope that these and the other expert articles we offer within these pages will help you navigate the turbulent waters and waves of the new acts which bring changes to the Croatian business environment.

Sincerely,

Andrea Doko Jelušić, Executive Director
The American Chamber of Commerce organized a seminar about “Opportunities and Challenges of the Economic Cooperation between Croatia and the U.S.”. The speakers at the event were Mr. Joško Klisović, Deputy Minister of Foreign and European Affairs, Mrs. Nada Čavlović Smiljanec, Assistant Minister of Finance and Director General of the Tax Administration, and Mr. Thomas Johnston, Economic Section Chief at the U.S. Embassy. Mr. Klisović and Mrs. Čavlović Smiljanec presented government activities and the potential for reaching a double tax treaty between Croatia and the U.S., while Mr. Johnston gave a brief general overview of the double tax treaty process.
The Tenth Annual International Conference on the Real Estate Market in Croatia will be held on April 9 and 10, 2014, in the Esplanade Zagreb Hotel. The main topics will be:

- Commercial Real Estate
- Energy
- Infrastructure
- EU Funds
- Green Building and Sustainability.

The Projects: Liverpool Waters, Campus WU, Sava Zagreb, the most advanced underground train in the world – the Inspiro and development of Borongaj Campus in Zagreb, the biggest investment in education in the last 150 years, will be presented.

The extremely valuable urban regeneration project, Liverpool Waters, that plans to regenerate and transform a 60 hectare dockland site to create a world-class, high-quality, mixed use space in the city center, will also be presented. Liverpool Waters is a large scale £5.5bn development in the Vauxhall area of Liverpool, which is planned to create at least 17,000 full-time jobs. Derelict dockland will be transformed into almost 2 million sq. m of new commercial and residential floor space.

We will hear about another campus, Campus WU of Vienna University of Economics and Business, one of the largest in the world. While designing and constructing this modern university concept, the emphasis was placed on green building, sustainability and the use of new technologies. The imposing Library & Learning Center (LC) was designed by Zaha Hadid Architects.

Other panels will be: Project Financing, EU Funds, Urban Regeneration, Architecture, Tourism, Housing, Redevelopment & Reconstruction, Law, Green Building, Renewable Energy.

The Partner Country is the United Kingdom of Great Britain and Northern Ireland. The Main Institutional Patrons are The Ministry of Construction and Physical Planning and The Ministry of Tourism. The Patrons are American Chamber of Commerce in Croatia and Advantage Austria. The Institutional Partner is EBRD. The Industry Partner is MIPIM, the Technology Partner Siemens and the Partner Agency, the Agency for Investments and Competitiveness.

www.filipovic-advisory.com

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**INTERNATIONAL BUYER PROGRAM 2014 TRADE SHOW SCHEDULE**

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<td>2014 Offshore Technology Conference</td>
<td>May 5–8</td>
<td>Houston, TX</td>
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<tr>
<td>Techtextil North America and Text-process Americas</td>
<td>May 13–15</td>
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<td>The National Restaurant Association Restaurant, Hotel-Motel Show (NRA Show)</td>
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<td>InfoComm International® 2014</td>
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<td>2014 International Franchise Expo</td>
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For more information, contact U.S. Commercial Service office at the U.S. Embassy in Zagreb, office.zagreb@trade.gov or phone: 01 6612 224.

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**AMCHAM TALENTS**

**March 24 – U.S. Embassy**

H.E. Kenneth Merten, U.S. Ambassador to Croatia has kindly accepted our invitation to be a special guest speaker in the AmCham Talents program and hosted the lecture at the U.S. Embassy. He addressed the audience on the topic “The Private Sector and Prosperity in Croatia” and shared his experiences from extensive diplomatic career. It was a unique and great opportunity for the young managers to meet the Ambassador and engage in a dynamic Q&A session following the lecture.
AFTER A LONG PERIOD OF OPERATING with fiscal imbalances which coincided with the growth of the both global and domestic economic crisis (the global economic slowdown revealed persistent domestic structural weaknesses not tackled in the period of economic expansion), Croatian public finances faced a very challenging environment.

Let us quote the IMF Concluding Statement of the 2014 Article IV Consultation Mission: Economic conditions remain very difficult, with real GDP projected to contract for the 6th consecutive year in 2014. Fiscal policy has run out of space, while monetary policy is constrained by the need to prevent a contractionary revaluation of foreign currency indexed debts. To improve growth prospects, structural reforms are key that accelerate debt restructuring, enhance the capacity of the economy to adapt, and boost investment and labor market participation. At the same time, gradual fiscal consolidation is needed to preserve access of the economy to financing at acceptable conditions and to boost confidence in macroeconomic management. The banking system has remained stable, liquid, and on average well-capitalized.

Croatia acceded to the EU on July 1st, 2013, already with such a backdrop. The fiscal gap and dynamics in public debt were immediately recognized as a weakness that will push Croatia under the scrutiny of the corrective arm of the Stability and Growth Pact (SGP).

This ensures that Member States adopt appropriate policy responses to correct excessive deficits by implementing the Excessive Deficit Procedure (EDP).

The EDP operationalizes the limits on the budget deficit and public debt given by the thresholds of 3% of deficit to GDP and 60% of debt to GDP which are not diminishing at a satisfactory pace. The EDP follows a step-by-step procedure (see chart below). In determining whether a numerical breach should lead to the opening of an EDP, the legislation specifies how all relevant factors should be taken into account.

Countries placed in an EDP are given a deadline of six months (or three for a serious breach) to comply with recommendations that provide it with a concrete path for correcting its excessive deficit within a set timeframe. Euro area Member States that have already been sanctioned under the preventive arm or whose breach of the threshold values is especially serious, may also face a stricter sanction in the form of a non-interest-bearing deposit of 0.2% of GDP at this point. Once the deadline has passed, the Commission and the Council assess the action the Member State has taken, with a view to either putting the procedure on hold or stepping it up if the Member State has not done enough.

The EDP will be stepped up for Member States for whom the assessment shows that they have failed to take effective action to correct the excessive deficit in time. They will also receive revised recommendations, which may include a new timeline to address the excessive deficit. For a euro area Member State, the stepping up of the EDP may also result in the imposition or strengthening of sanctions, in the form of a fine of 0.2% of the GDP, while all countries in receipt of assistance from the Cohesion Fund may face the temporary suspension of sanctions. With continued non-compliance, the fine for euro-area Member States may be increased to include a variable component, and be imposed annually as long as the country in question continues to fail to take effective action. For all Member States, the EDP is abrogated when the excessive deficit is corrected in a sustainable manner.

The European Commission (EC) issued its opinion in December (10 December 2013) that an excessive deficit exists in Croatia. The Council of the European Union concurred in late January (28 January 2014 at meeting of the Economic and Financial Affairs Council) and recommended taking steps to mitigate this over the next three years. This will put Croatia within EDP framework together with other sixteen EU member countries.
The EC argued that, according to notified data, Croatia’s general government deficit reached 5% of GDP in 2012, and total government debt amounted to 55.5% of the GDP. In the draft 2014 budget adopted on 4 December, the Croatian Government envisaged that the deficit will stay above 3% of GDP over the entire 2013-2016 period. With current policies, the deficit will increase to 6.0% of GDP in 2013 and 6.5% of GDP in 2014. On general government debt developments, the debt ratio will already rise above the 60% of GDP threshold in 2013, increasing further in 2014 and 2015. In the light of this, the EC recommends that the Council decides on the existence of an excessive deficit.

The EC recommends ending the present excessive deficit situation by 2016 and defines intermediate budgetary targets to achieve this. Accordingly, the EC proposes that the Council of Ministers addresses a Council Recommendation to Croatia and following the adjustment path proposed. Specifically, Croatia should reach a headline deficit target of 4.6% of GDP for 2014, 3.5% of GDP for 2015 and 2.7% of GDP in 2016, which is consistent with an annual improvement of the structural balance (the deficit adjusted for the cycle and one-off operations) of 0.5% of GDP in 2014, 0.9% of GDP in 2015 and 0.7% of GDP in 2016. This adjustment path would help bring the deficit below the 3% of GDP reference value by 2016, while at the same time, ensuring that the debt ratio approaches the 60%-of-GDP reference value at a satisfactory pace.

As a rule, the correction of the excessive deficit should be completed in the year following its identification (which would mean by 2015 in this case, since the Council is expected to take the relevant decisions in January 2014), unless there are special circumstances. Longer deadlines may be set in the case of EDP based on the debt criterion, when the government deficit requested, to comply with the debt criterion, is significantly lower than 3% of GDP. In order to correct the excessive deficit by 2015, and ensure joint compliance with the debt reduction benchmark, the required structural effort would be very large. The adjustment path recommended by the EC aims to strike a balance between the need to take into account the weak economic conditions and the urgency of the fiscal adjustment to instil credibility in the consolidation effort. The EDP scenario implies a correction of the excessive deficit with respect to both the deficit and debt criteria by 2016. This longer adjustment path will enable Croatia to pursue much-needed structural reforms in parallel with fiscal consolidation, addressing weak growth.

The EC recommended that the Council sets a deadline of 30 April 2014 for Croatia to take effective action (i.e. to publicly announce or take measures that are sufficient to ensure adequate progress towards the correction of the excessive deficit) and to report in detail on the consolidation strategy it foresees to achieve the respective targets.

The government introduced a response to the activated EDP mechanism for Croatia by proposing 2014 budget amendments at the beginning of March. Without adjustment measures, the EC estimated that respective deficits could reach 6.5% in 2014 and rise above the 6% threshold in 2015 and 2016. With expenditures making up around 47% of GDP, Croatia remains well above most of its peers (except Hungary and Slovenia), whose ratios are close to or below the 40% threshold. However, the government is again putting greater emphasis on revenues than expenditure. Yet again, it is proposing new revenues with one-off characteristics that should be negotiated with the EC. The biggest effects should be felt in the transfer of pensions to beneficiaries with an accelerated retirement scheme, from mandatory pension funds (pillar II of the existing three pillar pension system) to a generation solidarity fund (pillar I), totaling ca. 1% of GDP, and from increased health contributions (by 2pp to 15% of gross salary), reversing the measure from 2012, when the government cut this levy on salaries from 15% to 13%. Other measures include, on the revenue side, broadening taxation on lottery games; increasing concession fees and repatriation of dividends from state owned enterprises (SOEs); on the expenditure side, some wage bill cuts (including lower salaries for officials); capital and material expenditure cuts by the central government; subsidies cuts; cuts in the health sector; slowing down or delaying projects in the fields of agriculture, transport,
NRA SHOW is one of the largest foodservice and hospitality trade shows in the western hemisphere. It is sponsored and managed by the National Restaurant Association (NRA). Attendance is open to all individuals related to the foodservice, restaurant and hotel industries.

The audience or market served is comprised of restaurant and foodservice operators, retail operator, foodservice consultants/designers, equipment distributors, manufacturer’s agents, food brokers, food distributors, wholesalers, architects, exporters/importers, equipment manufacturers, furniture/décor suppliers, hotel-motel operators, designers, and financial services.

The 2013 Show attracted 4,710 international attendees plus 1,212 international exhibitors, representing 105 countries. The total audience came to 62,550 and there were 2,078 exhibiting companies.

The international wine, spirits & beer event (IWSB), a separate two-day event held in conjunction with the NRA Show will take place on May 18-19 from Noon to 6:00 p.m. IWSB is the only beverage alcohol event exclusively for foodservice and hospitality op-

The primary fiscal surplus has to be lower - with lower public debt, higher GDP growth or lower interest rates on the debt.

But the real challenge for the government is how to restore economic growth. The main element missing from the rebuilding of a positive economic outlook is delays in the implementation of reforms. The ability of the economy to recover has been weakened by reform inertia, as well as weak policy coherence and credibility. The EDP framework for fiscal consolidation can serve as a trigger to resurrect the process towards reform. The restructuring of the non-financial sector, particularly of SOEs, has to be accelerated through improvements in the accompanying framework (pre-bankruptcy settlements). Croatia’s credit rating was further downgraded in early 2014 (S&P, Fitch), but external financing conditions have remained manageable thus far – although Croatia’s country risk premium has increased relative to its peers. Preserved market access could prove very important for supporting the economic adjustment the Croatian economy requires. To ensure it, gradual fiscal consolidation is needed to allow the economy to access financing at acceptable conditions and to boost confidence in macroeconomic management.
News

LOOKING BACK OVER THE LAST 10 YEARS OR SO, it seems that fiscal policy has not played a positive role regarding GDP & employment development. Why it this so?

The burst of public expenditure in the last decade, coupled with the government’s desperate attempts to control the budgetary deficit, have led to a constant increase in various fiscal or quasi-fiscal burdens.

Local and foreign investors that run their businesses in Croatia operate in an open economy. The concept of an open economy requires a country to create a competitive tax environment. Disregarding developed western countries and comparing Croatia with similar countries in the neighborhood (Slovenia, Slovakia, Bulgaria, Serbia, Romania), one could easily see that Croatia, from a tax perspective, is not a competitive country.

Volatile tax policies have focused mostly on collection of tax revenues to finance constantly increasing public expenses, which has led eventually to two negative consequences: a) discouragement of potential new investors, and b) the slow departure of existing investors, especially those not bound by production processes.

A shrinking economy caused - among other factors - by fiscal policies, every fiscal year provides less and less revenues while public spending continues to rise.

Incapable or unwilling to perform the necessary economic and fiscal reforms, the government has introduced more and more new taxes, refusing to see that Croatia’s tax capacity is saturated and that every further marginal increase of the overall tax burden decreases tax revenues. They have relied heavily (or desperately) on the notion that e.g. an increase of the VAT rate from 22% to 23%, or today to 25%, would mechanically increase tax revenues. Similarly, introduction of dividend tax reduces the required or expected rates of returns for investors, demotivating potential investors from investing in Croatia and motivating existing ones to start considering moving their capital elsewhere.

The only truth is that any increase in any tax slows down the economy and increases the rate of unemployment. The national income of a country is divided between the public and private sectors. While the private sector earns its portion of the national income by sales of goods and services, the public sector receives its portion through taxation of the private sector. Based on experience, it is well known that the public sector operates with less efficiency than the private sector. If that is true, then every increase of the share of the public sector in the national income through increase of the tax burden, decreases overall social efficiency.

What is to be done? There are not many options for our government. As indebtedness is very high and we are close to the point when lenders of money may be reluctant to lend us any more, it seems that there is no other way but to cut the budgetary deficit. The result will be a decrease in domestic demand and further deterioration of the economy and an increase in unemployment. But that might not be enough. Even if we decrease the budgetary deficit to zero, we would still be left with a non-competitive tax regime. Decreasing the overall tax burden to the level of other countries, to attract more investors, would in the short-run have tremendous negative consequences. Whatever solution(s) we pursue, it will be very tough and I do not see a way out without a broad social debate and finally without a broad consensus in our parliament.

By Hrvoje Zgombić, Country Managing Partner, PricewaterhouseCoopers d.o.o.

CROATIAN FISCAL POLICY

Visiting the NRA Show 2014 is an excellent opportunity to experience one of the most beautiful and vibrant U.S. cities famous for its architecture, restaurants, parks and museums. Chicago is one of the world’s premier tourist destinations. “Windy city” with its cultural and recreational gems attracts millions of tourists from all over the world. See more at: www.choosechicago.com.

If you are interested in attending the NRA-2014, contact the American Embassy Zagreb:

office.zagreb@trade.gov or phone: 01 6612 224.
GREEN LIGHT ON THE EU PERSONAL DATA PROTECTION REFORM

By Zrinka Vrtarić, Deloitte Legal

THE CURRENT REGIME
The right to the protection of personal data is one of the fundamental human rights and has been explicitly recognized as such in the EU’s Charter of Fundamental Rights and by the EU Lisbon Treaty. Currently, Directive 95/46/EC is the reference text at the EU level, on the protection of personal data. It sets up a regulatory framework whose intention is to set a balance between protection for the privacy of individuals and the free movement of personal data within the EU. This Directive has been complemented by other instruments, such as the e-Privacy Directive for the communications sector, and specific rules for the protection of personal data in police and judicial cooperation in criminal matters.

PROPOSAL OF THE COMMISSION
Since 1995 things have changed a great deal. Data privacy gained greater importance over the years. After some years of preparatory work, in January 2012 the EU Commission launched a proposal – a set of documents – with the aim to reform the current personal data protection regime. The aim of the reform is to make the current rules fit the 21st century. The proposed reform goes in two directions, i.e. two types of rules should be set: regulations setting out a general data protection framework and a directive aimed at regulating the data protection regime in judiciary matters.

WHAT ARE THE NEXT STEPS?
The proposals of the Commission are currently on the tables of other EU co-legislators – the Council of the EU and the EU Parliament. Since the current Greek presidency of the EU recognized data protection reform as one of its priorities and some significant steps in adopting the new rules have already taken place, it is expected that the reform may be adopted by all relevant players by the end of this year, meaning even less than three years from the beginning of the process. It is interesting that the negotiations on the data protection regime from 1995 took five years.

WHAT IS THE REFORM ALL ABOUT?
The aim of the Commission’s proposals is all about strengthening privacy rights and at the same time making them work in the new digital era. Collection of personal data today is very different from what it was 20 years ago – technological change and globalization have thoroughly transformed this process. Sharing personal information through social networks and storing large amounts of data remotely have become part of life for over 250 million EU Internet users. Individuals share their personal information with companies, but are at the same time concerned about the potential (mis)use that the companies may make of the information disclosed. On the other hand, having access to personal data of customers (new and potential) has become a must for many businesses.

HOW SHOULD CITIZENS BENEFIT FROM THE REFORM?
The reforms should result in better protection of citizens’ rights, which will lead to greater confidence of citizens that their personal data are being treated in a manner that does not harm them, particularly when it comes to on-line use of data. Citizens will have more control over their data, particularly through:
• the right to be forgotten – citizens will have the right to request deletion of their personal data when there is no longer a legitimate reason for keeping them;
• citizens decide how the data are used – citizens’ consent for processing data will have to be given explicitly. It cannot be assumed;
• citizens will have the right to know when their data have been hacked;
• data protection safeguards should be built into products and services from the earliest stage of development (e.g. on social networks or mobile apps).

HOW WILL BUSINESSES BE AFFECTED?
• The current patchwork of 28 different national laws will be abandoned and will be replaced by only one single legal framework affecting the data protection regime within the whole EU single market;
• A “one-stop-shop” for businesses will be established in the form of only one supervising authority for the company to report to, and not, as now, to 28 different national authorities. At the same time, individuals will have the right to lodge their complaints and seek protection from their local supervisory authorities, without the need to contact the authorities in the place of business of the company;
• Regulating authorities will have strong enforcement powers, with the ability to fine business who do not comply with the EU rules – this will provide a comparative advantage to the privacy-friendly companies that do comply with the rules.
• SMEs will be exempted from certain privacy related obligations – in order to stimulate their economic growth and development. Some examples of exemptions: SMEs will not be obliged to have a data protection officer (as long as data processing is not their core activity), obligations on notifications to national supervisors will be cut to a minimum, where requests to access data are excessive or repetitive. SMEs will have the right to charge a fee for such services, they will have no obligation to carry out an impact assessment unless there is a specific risk involved.
POLICY ANALYSIS

The present Croatian government led by Prime Minister Zoran Milanović (SDP) has introduced a new trend, whereby public companies (e.g. Croatian Motorways or HAC, HEP Croatian Railways (HŽ), Croatia Osiguranje, Croatian Airlines, etc.) primarily use a two-stage public procurement process. The process starts with a public call for interest (1st stage), which is essentially a very transparent public process. Subsequently, Croatian law allows for a more subjective process in the 2nd stage. The 2nd stage allows for the public company or state institution to short-list the received bids and directly negotiate with the short-listed bidders. The criteria for short-listing, negotiating and finally awarding the contract are non-transparent to the public and subjective in the decision-making of the supervisory boards of public companies or institutions (or Croatian Government and its ministers.).

WHY GOVERNMENT PREFERENCES A NON-TRANSPARENT 2ND STAGE PUBLIC PROCUREMENT PROCESS

By Natko Vlahović, Managing Director, Vlahović Group and Damir Vucić, Director, Vlahović Group

This trend has become “the usual way of doing business”. The procurement process is primarily meant to be used when the interest in the public service, goods, or works is unclear, meaning it is unclear who might or might not be interested in the tender. Therefore, it allows the public company or institution to gauge interest. However, it is not meant to be used as the only means of public tender procurement. It has become the primary public procurement model, even though other models are possible according to Croatian law, and it leads to a non-transparent decision-making process across the board.

In essence, this 2-stage trend has been manipulated into a means of directly negotiating with “acceptable” bidders during the 2nd stage. The 1st stage has almost become a show for the public, to feign transparency.

Croatia is a rather small country with a very close knit business community network, operating on the same market, where public companies are major market operators. The State plays a key role as legislator, regulatory supervisor and market competitor in the public procurement market. The State also performs those three functions, relying on a very narrow group of officials. Business people, experts and public employees in a small country operate in one or two similar sectors and naturally develop close interpersonal connections.

The close interpersonal connections and the many conflict-of-interest situations that subsequently arise, together with the relatively weak private sector advocacy for change and backlogged judiciary, have caused Croatia to adopt a formalized and bureaucratic public procurement process, which is based on the premise of required public procurement tenders and that public tenders themselves are a safety mechanism against corruption.

PUBLIC TENDERS DO NOT GUARANTEE AN HONEST PROCESS

The manipulation of public tenders worldwide, in Europe and in Croatia, especially during the government of the former PM Ivo Sanader and the many corruption cases involving public companies and public procurement tenders, all prove that the existence of public procurement tenders do not guarantee or protect against corruption.

As with the Strategic Investment Act, these procurement trends are rationalized as being means of expediting the procurement and investment process, thereby “bypassing” the State’s cumbersome bureaucracy. In Croatia, the tendency is for the administrative bureaucracy to perpetuate itself and, hence, create layer upon layer of additional red tape. Since the State is equally legislator, regulator, and market competitor (mostly through large public companies such as HEP, HAC, JANAF, INA, etc.), the market competitors tend to find ways of legally bypassing these layers of administration.

However, no matter how efficient such short-cuts may be in the short-term, such a policy only promotes the accepted old ways of doing business – the “old-boy network”, whether for personal gain or for profit for the company; corruption is once again perpetuated. It is unacceptable when government officials place the blame on previous government officials, saying, “they were corrupt and we are not like them” and that is why we should be trusted.

GOVERNMENT NOT ALLOWED SHORT-CUTS

Public procurement (and the spending of taxpayers’ money) should not be a matter of trust, but a matter of an efficient and transparent process, which is required for everyone. The private sector may have the luxury of legally taking short-cuts, as a pragmatic way of doing business. The government should not be allowed this same luxury. It is the government that is the owner of the inefficient bureaucracy. Therefore, the government has institutional mechanisms not available to the private sector to expedite bureaucratic barriers. More importantly, as the owner of the state administration/bureaucracy, the government also has the responsibility to remedy (change or eliminate) these barriers for the long-term, not only expedite the bureaucracy on a case-by-case basis.

Photo by Croatian Government
ENVIRONMENTAL CRIME – AN OVERVIEW

Environmental crime causes significant harm to the environment in Europe and the world, especially since the consequences of criminal acts against the environment have a cross-border aspect. Environmental crime is therefore a serious and growing problem that needs to be tackled at a European level.

Criminal acts against the environment typically cause significant harm to the environment or a risk to the environment and human health. The most common crimes against the environment include the illegal emission or discharge of polluting substances into the air, water or soil; the illegal trade in wildlife; illegal shipment or dumping of waste, hazardous waste in particular, etc.

A high level of environmental protection can only be achieved if the problem of an ever-growing number of environmental offences is solved.

The EC environmental law needs to be implemented in an effective way. The EU has passed numerous regulations - more than 200 directives in the field of the environment - and the member states are required to transpose them into their national legislature and enforce them.

Experience has shown that the existing criminal sanctions implemented by Member States are not sufficiently stringent to ensure a high level of compliance with the Community environmental law.

Such compliance can and should be strengthened by the availability of criminal penalties, which demonstrate social disapproval of a qualitatively different nature when compared to administrative penalties, or a compensation mechanism under civil law.

The Commission has therefore proposed a directive which obliges Member States to provide for criminal sanctions for the most serious environmental offences, because only this type of measure seems adequate to achieve proper implementation of environmental law.

In order to resolve this issue, after lengthy institutional discussions and two judgments of the European Court of Justice on the extent of the Community’s competence in the area of criminal law, the Council and the European Parliament agreed on the text of the directive on the protection of the environment through criminal law.

The directive was formally adopted on 24 October 2008. It had to be transposed by Member States by December 2010. It is the Directive 2008/99/EC on the protection of the environment through criminal law.

 Directive 2008/99/EC obliges Member States to make certain environmental offences punishable under criminal law rather than under administrative (misdemeanor) law as the latter provides more lenient penalties.

To sum up, Directive 2008/99/EC determines the measures for environmental protection through criminal law. It provides a list of environmental offences that must be considered criminal offences by all Member States, provided that they are committed intentionally or with serious negligence, and with significant damage to the environment.

Moreover, the Directive does not create a list of new illegal acts, but merely refers to the existing EU environmental law. The

LIABILITY FOR ENVIRONMENTAL CRIME IN THE REPUBLIC OF CROATIA

By Marija Pujo Tadić, Attorney at law, Law Office Marija Pujo Tadić

Perpetrators of environmental crimes profit significantly from their actions. Furthermore, it is very difficult to detect and correctly assess the damage caused by offences against the environment.


EC environmental law needs to be implemented in an effective way. The EU has passed numerous regulations - more than 200 directives in the field of the environment - and the member states are required to transpose them into their national legislature and enforce them.

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Member States must ensure that environmental offences are subject to effective, proportionate and dissuasive criminal sanctions.

Criminal offences against the environment in the legislation of the Republic of Croatia – a brief overview

In the Republic of Croatia, criminal offences against the environment are regulated in Chapter XX of the Penal Code (Official Gazette/NN 125/11 and 144/12) entitled Criminal offences against the environment. As a result of transposing Directive 2008/99/EC into Croatian criminal legislation, Chapter XX of the Penal Code now contains a number of criminal offences which were previously not regulated as criminal offences.

A significant number of national legislations increasingly regulate offences against the environment as offences of endangering the environment, which means that even abstract endangering of the protected legal asset (i.e. the environment) is regulated as an offence. The same principle was applied in harmonization of the Croatian criminal legislation (Chapter XX) relating to criminal offences against the environment.

Furthermore, the majority of the regulated offences against the environment have the form of blanket norms (“whoever, contrary to regulations”), which means that blanket norms provide for the accessoriness of such conducts and implementation of relevant legislation, e.g. The Act on Protection of Environment, The Act on Protection of the Air etc.

All persons in the Republic of Croatia have a legal duty to report criminal offences, and offences against the environment may be reported to the State Attorney’s Office, the Police, and the Inspectorate of the Ministry of Environmental and Nature Protection. All state bodies act within their authority, but the key role is played by state
attorneys, who are officially bound to investigate whether a criminal offense or any other punishable offense has been committed. State attorneys prosecute offenses against the environment, direct and supervise activities of other state bodies and indict the offenders.

**TYPES OF OFFENCES AGAINST THE ENVIRONMENT AND OFFENCES LISTED IN CHAPTER XX OF THE PENAL CODE OF THE REPUBLIC OF CROATIA**

Types of offenses against the environment:
- Offences relating only to infringement of administrative rules: sanctions do not apply since actual damage or endangering has not occurred.
- Offences relating to endangering: abstract endangering of protected goods (fauna, flora or habitats, water, soil or air) incurs sanctions (e.g., „can endanger...‟)
- Offences causing harm to the environment: unlawful conduct which is sanctioned only when it causes harm to the environment. Damage is a requirement for criminal liability.

Offences against the environment from the new Penal Code:
- Pollution of the environment
- Discharging polluting substances from a ship
- Endangering the ozone layer
- Endangering the environment by hazardous waste
- Endangering the environment by a plant
- Endangering the environment by radioactive substances
- Endangering the environment by noise, vibrations and non-ionizing radiation
- Destruction of protected natural values
- Destruction of habitats etc.

**CONCLUSION AND RECOMMENDATIONS**

The changes to the Penal code, provision of penalties for a larger number of criminal offenses against the environment and topicality of environmental issues will likely result in an increase in the number of indictments for environmental offenses. Relying on the examples of good practice from the EU and continuously processing such offenses appears to be a necessity.

Furthermore, all state bodies should make efforts to train their employees about these specific types of offenses. It would be advisable to prepare manuals with guidelines for the procedural legal conduct of inspection authorities for environmental protection.

Finally, all relevant institutions must collaborate to detect and sanction perpetrators efficiently, as well as to alleviate the consequences of their conduct. As already mentioned in the introduction, environmental offenses do not affect individuals. Rather, their negative impact is felt by the community as a whole. Offences against the environment affect all people and goods available to numerous individuals (air, water, soil), which is why everyone should make an effort and process this type of offense quickly and efficiently.

**LIABILITY FOR ENVIRONMENTAL CRIME IN THE REPUBLIC OF CROATIA**
INTRODUCTION
The Act on Oil and Oil Derivatives (Official Gazette issue 19/14; the Act) entered into force on 12th February, 2014, replacing the previous Act (OG 57/06, 18/11 and 144/12).1

The Act lays down rules aimed at ensuring a high level of security of oil supply, as well as liberalized conditions for trade, transportation and storage of oil and petroleum products according to market principles, open market access and third party access to the market.

LIBERALIZATION OF PRICES
Considering the entry onto the market of more economic operators, the Act repealed the Regulation on determination of the highest retail prices for petroleum products, as well as Pricing Ordinance of LPG (Liquefied Petroleum Gas) which have so far determined the maximum retail prices on the market. The Act lists energy activities pursuant to the Energy Act (OG 120/12) allowing the free formation of prices, when placing them on the market, provided that the technical and legal requirements for obtaining licenses for the particular energy activities are met. The same applies also for trade in biofuels.4

Petroleum products placed on the market shall comply with the requirements prescribed by the regulations on the quality of liquid petroleum fuels. Prices for crude oil and petroleum products shall be determined in accordance with the rules governing market relations. Exceptionally, the Croatian Government may, for the purpose of consumer protection, market regulation, or other legitimate reasons, temporarily prescribe the highest level of retail prices for certain petroleum products, for a continuous period of maximum 90 days.5

Energy companies are required to submit reports to the Ministry of Economy relating to imports of oil and oil derivatives, considering the amount, origin, price and quality, information about planned, initiated and completed investment projects, the functioning of power plants in the case of temporary or permanent cessation of work, along with the planned repairs.6

OPERATIONAL STOCKS
The Act contains rules to increase the security of supply of petroleum products by requiring storage of petroleum products, in quantities that depend on the companies’ respective market shares. Operating reserves are formed for the following petroleum products: gasoline, diesel fuel, gas oil, fuel oil, jet fuel and liquefied petroleum gas.7

Mandatory stocks shall be formed at least in the amount of 90 days of average daily net imports or entry, or 61 days of average daily domestic consumption of petroleum products in the previous calendar year, whichever amount is greater.8

Mandatory stocks can be kept in the form of finished products, crude oil and in dematerialized form, also in the form of option contracts on the purchase of goods according to predetermined criteria in a given time period, and held in storage that can be used for wholesales of petroleum products, which may be also located outside of country, in cases of lack of available capacities.9

REGULATORY ASPECTS; AGENCY FOR OIL
The Act prescribes the obligation for the Ministry to coordinate with the European Commission and the International Energy Agency. Cooperation includes any questions about the security of oil and petroleum products, especially in the case of disturbance in the market supply of oil and petroleum products, registry inventories and statistical summaries of the state compulsory and commercial stocks of crude oil and petroleum products.10

The Act also prescribes the competencies of the Agency for Oil, the regulatory authority responsible for ensuring compulsory stocks of oil and petroleum products, and authorized for the formation, maintenance and selling of compulsory stocks of oil and petroleum products.11
“We’ll change the way business is done”
THIS RESEARCH PAPER IS BASED on the quality research conducted among 100 Croatian Leaders. The research method used was the leader’s life story. Interviews were carried out directly by the editor Jasminka Samardžija, a doctor of sciences and senior lecturer at RIT-Croatia. The selection criteria were created to include the entire Croatian region and expatriates. The idea was to interview people of all ages, both genders, working in small and big businesses, but also in a wide range of different business fields and services - from architecture and building, banking, insurance and consulting, inventors, manufacturing, non-government organizations, food industry, to sport, tourism & gastronomy, art, science and education. The goal was to determine common leadership characteristics based on a variety of leaders. The research was conducted from July 2010 to September 2013. The factors influencing leaders were divided into internal variables (self-actualization, genetics, surrounding, spirituality, heritage, environment of growing up) and external variables, such as beneficial circumstances or occasions.

The research has shown the strong influence of environments, especially the childhood environment, and also the influence of parents, the family, but also of family friends that came to their homes. From early days there is a need to spend more time talking and listening to experienced and older people. This is actually the determination to learn and improve. The research has shown the remarkable and somehow frighteningly strong influence of professors on choosing the basic career direction path. Those influences start in primary school, extending through secondary education and then become very strong at college or university, because at that time professors have a much better overview of the competencies needed in a certain field of interest and can encourage a young person by broadening their picture of potential possibilities and showing a wider range of different life challenges. If we consider the amount of time spent in education, this is quite obvious, but on the other hand it is such a revealing fact giving rise to an even stronger feeling of the responsibility that education has in forming the environment that leads to personal and national improvement by creating new leaders.

On the other hand, education never ends because once the leader has started working there happens an important social and business moment when the leader is recognized by a more experienced colleague, manager or supervisor as a good mentee. In each leader interview, at a certain time, the moment of big decision came. That moment was interconnected to a change in environment and moving to another city, losing jobs, starting a business on their own, sometimes leaving the formal education system, shifting from one field of interest to another, leaving or entering a new market. These “initiation moments” continued all the way through their career and leaders were tested by circumstances whether they were ready to move to a higher level in their personal growth, raising their personal limits and achieving their vision. The hardest period usually came in the most active period of human life, together with building a family and having children or in sports in the teenage period when vision can be fragile or when injuries occurred. In the artistic world that is the period of some heavy criticism or reflection on their art. Leaders are the ones that are able to persist and prevail, even if there was sometimes a step back, because they believed in themselves and had a vision of their own development, or the development of their brand or organization.

### Activity – field of interest | Number of leaders interviewed
--- | ---
architecture and building | 5
banking | 7
distribution & trade | 9
media & publishing | 10
researchers & inventors | 6
industrial production | 9
non-profit organization | 4
food industry | 10
sport | 11
tourism & gastronomy | 5
art | 12
science & education | 12

### NUMBER OF LEADERS INTERVIEWED, BY ACTIVITY OR FIELD OF INTEREST, Source: Author
Leaders are creative and proactive, they are constantly seizing opportunities because this is precondition of growth, and growth is the alternative to stagnating. A strong competitive spirit existed from the early days of leadership and the meaning and relevance of rewards is fascinating, as well as its reflection on self-confidence. Rewards and recognition represent a strong motivator and motor fuel, a means of propulsion for human ambitions, and they are an indicator, direction and acknowledgement that a road once chosen is a good road. On the other hand, sport also has strong influence on developing successful future businesses and teams, especially team sports such as basketball, football or cricket.

The support of a partner and the family is the focal point in long term success, because leaders find anchorage and a base in them when circumstances are beyond their control. The balance between work and leisure is the hardest to maintain, but is a realistic and achievable element, and the real success of leaders lies in the balance between their own wishes, the use and utilization of their own competencies, and the balance of the team of people in the organization, who transfer the leader's vision so it becomes the organization’s shared vision.

Based on the research, the basic characteristics of leaders are passion for their work that creates vision, team spirit and empathy, persistence and willingness to take risks. They are calm and brave and have a solution or find a solution for each situation. Leaders take the responsibility for their vision and constantly think “out of the box”, which is what makes them somehow different from most other people. Once they have chosen the goal they move towards it, but stay focused and keep the vision in mind all the time. Leaders constantly encourage their teams because they know that there is no mission impossible and that sometimes the circumstances are just testing their devotion to the vision. Ups and downs, the meandering of the river on the way to achieve the goal, periods of solitude, but then huge portions of energy and happiness fill the leaders’ hearts and souls with joy, and build the ever needed confidence to make them believe that they can do even faster, higher, better next time. Their teams are proud and supportive, and the leader stands there calm and proud of their joint effort and results. There follows the team’s celebration of success which is what makes it meaningful and the organization ever stronger. When is the goal achieved? When other people notice your product or service and start to appreciate and adore it.

WHAT IS THE MOTIVATION? ARE LEADERS WORKAHOLICS?

Leaders proactively define and pursue a social interest by also promoting their self-interest, because they are aware of the market forces and the real economy market flow. They are ready to learn and improve themselves and the processes in their company, but are also caring towards their employees and management board, always emphasizing their importance in the overall results. One of the main characteristics each leader has is work habits. Leaders work all the time because there is no difference between work and leisure. We could say that, from the perspective of the average person, they are workaholics, never able to stay still. Leader motivation is very personal. It stretches from defiance, changing the world, making the customer satisfied, enriching life possibilities, breaking records and helping others, the joy of being together, devotion to a single goal, team work, innovation, creativity and usage of one’s own brain power to improve a service better or creating a new and improved product, which they offer to the society we live in.

We are judges of the success of others because we cannot make people sing your song or buy your product. This is something that connects us all but is above us at the same time.

The final goal of the research was to determine elements of leadership multiplier so that they can be influenced through education and to send the message that life is not a dress rehearsal and one has to be proactive and responsible towards oneself but also society. The interviews of Croatian leaders are a strong and relevant base for pursuing and strengthening individual career goals and their fulfillment. The key is that the individual has to reveal his or her talent and field of interest as early as possible and then, throughout life, focus on it and eventually widen that focus. On the other hand, new situations and new environments can create and stimulate different interests. This is what encourages and can motivate and expand interdisciplinary interests, which then create the never ending upward orbit of leader motivation.

And as leaders say, the magic comes when you realize that failure is there to make you stronger next time and to strengthen your personality. You cannot foresee everything and happiness and positive circumstances are always there waiting for those who believe in their vision. You become a leader when others start to believe in you, but before that you have to believe in yourself. To conclude, you can achieve a vision if you have one, you just have to wish to succeed more than others do, and then you devote yourself to making this vision come true because you enjoy doing that. But you know that already. The real question is: What is stopping you? That is right! Nothing!
THE NOTICE OF INITIATED PROCEEDINGS BEFORE THE COURT OR ADMINISTRATIVE BODY

by Vlatka Cikač, attorney-at-law and registered mediator

THE AMENDMENTS to the Land Registry Act from May 2013. Official Gazette issue 55/13, have introduced into the Croatian legal system a new type of notification entitled “notice of initiated proceedings”.

This notice is stipulated by the provisions of Article 7 of the Amendments to the Land Registry Act dated May 2013, that inserted Article 84a after article 84, reading as follows:

"Article 84a

(1) When the party that has initiated proceedings before a court or administrative body which proceedings could determine a recordation for which the notice of dispute cannot be entered, based on that motion accompanied with a certificate proving that it was filed with the court or administrative body for resolution, the land registry court shall allow the entry of the notice of initiated proceedings for those proceedings.

(2) The impact of the notice of initiated proceedings from Section 1 of this Article is that a decision made before another court or body regarding the initiated proceedings also has effect against those persons who acquired land registry rights after the proposal for notice of initiated proceedings was received by the land registry court.

(3) When in the proceedings referred to by the notice a decision is being rendered about the implementation of a specific recordation, that recordation shall be ranked in the order of priority it ensured by the entry of the notice of initiated proceedings.

(4) The provisions of Articles 83 and 84 of this Act shall apply to the deletion of the notice of initiated proceedings”.

In other words, this article stipulates that the land registry court, on grounds of a motion showing that proceedings have been initiated before a court or an administrative body, shall allow the notice of initiated proceedings those proceedings can order a recordation but not the entry of notice of dispute.

Namely, the institute of notice as such has been known in the Croatian legal system for a long time, and it represents one of the 3 possible types of entry in the land registry (besides registrations of title and conditional entries).

The notice is such a land registry entry that shows the circumstances for which it is stipulated by law that they may be entered in the land registry in the form of notice.

The list of possible types of notices is not open in nature, and the possible notices are defined by the Land Registry Act. Therefore, the introduction of a new type of notice from Article 84a of the Land Registry Act opens new possibilities for entry of notices also in the cases that were previously not allowed.

The law further stipulates that the “notice of initiated proceedings” can be entered in the case when the party has initiated the proceedings before the court or administrative body that might define a recordation for which the notice of dispute cannot be entered.

If we are to make a short overview of the “notice of dispute”, then it should be noted that it is the notice showing that regarding the land registry law proceedings are being conducted before a court or other respective body whose outcome could affect the registration, ownership, existence, scope, content or encumberment of that right.

In other words, until the introduction of this new type of notice - the “notice of initiated proceedings” - the possibility to enter a notice on initiation of proceedings was limited to the proceedings being conducted before a court or other body with respect to some land registry right, that is, regarding proceedings whose outcome could affect the registration, ownership, existence, scope, content or encumberment of that land registry right.

For example, it was not allowed to enter a notice of proceedings regarding pecuniary claims, court proceedings conducted for unsettled invoices in debt-creditor relationships, payment of a specific pecuniary amount, loan return, indemnification, acquisition without grounds, motion for annulment or establishment of the nullity of sale and purchase agreement, and similar. Also, it was not possible to enter a notice on initiated proceedings of provision regarding temporary measures, preliminary measures and similar. Actually, had the legal conditions existed, these types of notices could have been ordered only by the court before which the specific lawsuit was being conducted.

The change introduced by the notice from Article 84a of the Land Registry Act pertains to some new possibilities to enter notices in the land registry. That is, for the time being - until the corresponding court practice has been crystallized - it can be envisaged that the entry of the notice of initiated proceedings can be requested in the following proceedings:

- various proceedings regarding enforcement on real estate (declaring the execution illicit, intervening in an already instituted enforcement procedure, enforcement to hand-over the real estate, enforcement by division of real estate, and similar)
- and in various security proceedings to obtain provisional measures on real estates (e.g. preliminary enforcement, preliminary measures, temporary measures).

In the end, it should be mentioned that the respective provision contained in Article 84a mentions only the initiation of proceedings before a court or administrative body, so that the currently prevailing opinion is that the law does not foresee the possibility to enter the notice of initiated proceedings before public notaries.
THE WINTER OLYMPIC GAMES: LONG-TERM LESSONS FOR SOCHI

By Vedrana Likan, Managing Partner - Colliers International

The global property company, Colliers International, takes a look at the potential legacy of the Sochi Olympics.

BY EXAMINING THE LEGACY aspects of the five most recent cities to host the Winter Olympic Games: Lillehammer, Norway [1994], Nagano, Japan [1998], Salt Lake City, United States of America [2002], Turin, Italy [2006] and Vancouver, Canada [2010], and considering the impact of some more recent mega-sporting events, Colliers looks at what this may mean for Sochi, based on what was planned and built for the event and as a longer-term legacy for the area.

While hosting the Olympics will raise the stature of the city and its home country, it is clear, based on observations from previous Winter Games and other mega-events, that the host needs to have the framework to support it, not just logistically, but intrinsically with finance and investment as well as public and private support, which can take years.

The report addresses the motivation behind the desire to host, analyzing the pros and cons of the host role, in an attempt to draw down some of the lessons to be learned and understand how this may potentially impact the local economy, and employment and investment markets. Some of these pros and cons are listed below:

POTENTIAL LEGACIES FOR SOCHI – THE PROS

- Upgrading shore infrastructure has helped to deliver building materials required for construction and has created docking capabilities for yachts, international cruise and passenger ships.
- Transport and IT infrastructure – new transportation routes, including a railway terminal, new trains and lines, bridges, tunnels, road networks, a new airport terminal and extension, plus extensive power infrastructure and new/upgraded telecommunications. A new high capacity railway connection between Sochi and the alpine cluster has also been constructed.
- Infrastructure and new real estate development - has stimulated further property development and private investment, including numerous shopping malls, apartment buildings and Olympic hotels.
- Tourism and branding – the Games has acted as a catalyst for attracting other major cultural and sporting events to Sochi, including the Formula 1 Grand Prix seven year series and the 2018 FIFA World Cup.
- National center for winter sports – 11 new winter sporting venues have been constructed as well as a world-class alpine resort, which might become the best in Russia.
- Two Olympic villages - constructed as four-star resort hotels and will be used as tourist resort accommodation post-Games.
- New media center - new IBC building (45,000m²) and main press center (25,000m²) have the potential to be used as a media hub long term, as well as for the upcoming FIFA World Cup and Formula 1 Grand Prix seven year series.

POTENTIAL LEGACY ISSUES FOR SOCHI – THE CONS

- Governance of expenditure and democratic accountability – there is a risk that with such a massive level of public expenditure, focused on the Olympics/mega-event, that funding to other local government, and other public agencies (e.g. health, education, social welfare) will be negatively impacted.
- Legacy of debt – high cost of Games preparation can potentially lead to higher taxes or levies, particularly when there has been a significant overspend on original estimates, as in the case of the Montreal Summer Games in 1976 and London in 2012.
- Risk for local sports participation / community sport – focus on elite sports can begin to outweigh local/community level sports participation, as well as sponsorship and funding from the local government.
- Legacy of new infrastructure – can also leave behind a collection of older sporting venues and transport infrastructure that are still operational but now lack funding for improvement.
- Potential complications from private/public partnerships – tight deadlines in construction of venues and infrastructure can potentially create property right title issues later.
- Underutilized sporting facilities/new infrastructure – as well as the high cost of maintaining facilities to a world-class standard, venues are constructed for specialized sports that potentially are not traditionally active in the host city or, where the population does not exist to use them afterwards.
- Environmental/ecological damage – rather than brownfield or underutilized industrial areas, preparations for Sochi have involved using wetlands for some of its Olympic developments, speculating a loss to greenery and wildlife.
- Tourism Security/ Branding – potential security fears can affect the reputation of the host country and impact tourism.

The plan and bid for Sochi appears to have taken many of these factors into account. The development of new facilities should help boost tourism short-term via winter sports, and longer term through the redevelopment and re-use of the facilities for the Grand Prix and future World Cup.

In conclusion, in terms of definable real estate benefits, new infrastructure development will help improve facilities in the city and hinterland for local and regional occupiers. This should contribute to the improvement of Russia’s tourism development, stimulating latent and growing demand beyond the short term stimulus of the games.
PERCEPTIONS OF HEALTH AND SAFETY AT WORK... ARE CHANGING

By Jelena Gruja, Det Norske Veritas Adriatica d.o.o.

The latest survey of about 3,860 professionals from all over the world, performed by DNV GL-Business Assurance and GFK Eurisko, shows that we have to take health and safety issues as an integrated part of today’s normal corporate strategy, no matter where the organization is located, how big it is or what it delivers. The survey shows that 76% of the respondents have implemented even above and beyond what is required by laws and regulations. When it comes to small businesses, 70% of them have adopted a similar approach, but although they possess knowledge and expertise, the limitations of all sorts of resources are serious obstacles for them to develop an efficient risk approach and safety system.

The most important factors that prevent organizations from making progress in managing occupational health and safety are financial resources and focus on short-term results. The main drivers are laws and regulations. In Europe 91% state that laws and regulations are the main drivers for implementing policies and actions. There are also other motives, which are mostly either to maintain good relations with employees, to establish business continuity or to safeguard company assets from an internal perspective, and brand protection and competition from an external perspective. What is important to notice is that motivation is also significantly different in different parts of the world. In North America laws and regulations are an important driver (77%), but this is below the average of the total, while actual preservation of health and safety at work is perceived as crucial to preserving the business through safeguarding company assets, protecting property and fulfilling requirements from insurance companies. For Indians and Chinese, company assets, brand protection and customer satisfaction seem to be the most significant driver for health and safety development.

A reduction of all sorts of operational hazards is expected everywhere in the world. Regardless whether it is motivated by internal or external factors. In order to make it work, organizations need to go through an important change of attitudes. This can only be done by training, proper assessment of risks at all levels and implementation of effective prevention programs. Of course it will require investment, but 90% of companies will either maintain or even increase investment in occupational health and safety in the years to come. What is important to address is how successful organizations really are in preventing accidents and increasing their return of investment. Again, the difference between world regions is significant, showing that Norwegians (79%) and the Chinese (80%) are the most satisfied, while North Americans (76%) and Central-South Americans (72%) also record percentages well above average. The paybacks are mostly in terms of a decrease in accidents, and the positive impacts are that the companies in general benefit from it, save money in the long term and are able to defend themselves against unjustified compensation claims.

Whatever organizations see as the best approach in implementing effective health and safety system, it has to be based on effective risk management. Development of a good corporate culture means that the organization has implemented necessary processes for risk evaluations concerning the main three categories: employees, the community and the business. All actions and results in organizations come from the leaders, so good leadership is essential for the effective implementation of occupational health and safety system. Since good leadership begins with definition of clear expectations through purpose, vision, values, goals and policies, we can expect the best results in health and safety from aligning the stakeholders’ expectations with good strategies for achieving these expectations.

There will always be differences between companies when it comes to the level of awareness and understanding of the role of health and safety at work. So, as in all other business aspects, adequate training, concrete action for improvement, corporate strategies and “walking the talk” is what makes a difference between the organizations that are leaders and the rest.
ENGAGING LEADERS TO LEAD ENGAGEMENT

By Ana Vojnić Tunić, Employer Partner Certificate Project Manager, SELECTIO Ltd.

IT IS NOW WELL KNOWN in the business world that companies need engaged employees who fill their all on the market. Employees that are emotionally invested in the company and dedicated to investing extra effort to achieve the company goals are considered engaged.

SELECTIO has conducted research to investigate which factors have the greatest impact on employee engagement. Our definition of employee engagement includes a sense of pride, loyalty, passion for work and dedication to investing extra effort.

The results show that these five aspects are most important for driving engagement:
1. Leadership with vision
2. Shared values
3. Team spirit
4. Development opportunities
5. Transparent and supportive system

Interestingly, a relationship with an immediate supervisor was not an important factor in driving engagement, which is in line with other research (Crnjak, 2012). But that does not mean that immediate supervisors do not have an important role in engaging employees. They are the ones who are responsible for translating vision and goals and helping employees identify with them, they are the ones who need to foster values and team spirit, they are responsible for implementing HR policies and developing competencies. So their role is dispersed through all five major factors.

LEADERSHIP WITH VISION
Leading with vision has the greatest impact on employee engagement, especially a sense of pride and loyalty. Employees are willing to invest their energy and extra effort if they can see that their effort is meaningful. That is where leadership plays a key role. Employees need leaders that are:

- clear where they are leading the organization
- providing context and sharing vision
- truly invested to make things better - for employees, customers, society
- communicating the importance of every employee in reaching goals and realizing mission

In order to become such leader, it is not enough to make a speech a few times a year and talk about the importance of employees. It needs to be embedded in everyday decisions and actions: from setting strategic goals, to open communication with all levels.

SHARED VALUES
Shared values have the greatest impact on a sense of pride and dedication at work. It is not enough only to know what we want to do, but also how we want to do it. This is where the passion to make things better for all stakeholders is translated into the way we do business. Leaders need to:

- set values that will guide the way they do business
- live by those values

- recognize and foster values within the company

Companies often have some values defined on paper, but they do not live by them. If for example a team spirit is one of the values, then the company cannot have only individual goals and rewards for employees.

TEAM SPIRIT
Shared vision and values is the glue that connects the team. The sense that we are all working together towards a common mission is a great engagement driver, especially for passion at work. The role of leaders in creating team spirit is:

- firstly to demonstrate a team spirit on the highest level – all functions working together
- to organize work so that the team effort is needed and rewarded
- carefully to choose teams and support collaboration not only within a sector but between sectors
- to communicate the importance of all functions

This means that finance or sales are not more important than other functions, but that the leader recognizes the contribution of all parts, and supports them to work together in order to achieve goals.

DEVELOPMENT OPPORTUNITIES
If employees are stuck at the same type of work for too long, their engagement will gradually decline. Development opportunities are the key to progress, and have a great impact on passion for work. Leaders often delegate responsibility for employee development to the HR department, but their role is very important in:

- creating a clear vision of growth
- growing the organization and business
- leading and inspiring change
- being involved in supporting development of their team and talent
- being an example of growth.

TRANSPARENT AND SUPPORTIVE SYSTEM
A functional system provides transparency and a sense of order and justice that drives loyalty. The set of rules on how things are done in the organization has to stem from the mission and values, and send clear message that all employees are equally valuable in reaching goals. The leader’s role is to:

- foster open and two-way communication
- be in contact and recognize the importance of all levels
- cascade strategy and goals
- recognize and reward success
- support transparency of the system

Inspiration is the key function of all leaders and that is why they are vital for engaging employees. It requires dedication and integrity to create and then drive a business and employees towards the future. Not an easy task, but highly rewarding.
Is the road to effective construction and spatial planning paved with amendments?

By Marin Vuković, partner and Ema Menđušić Škugor, associate, Odvjetničko društvo Divjak, Topić i Bahtijarević d.o.o.

ON JANUARY 1ST 2014, the Spatial Planning and Construction Act (“Act”) was replaced by three new acts, each for a different and specific field previously governed by the Act: Construction Act, Spatial Planning Act and Construction Inspection Act. The necessity for amendments arose from the wide consensus about the numerous faults and disadvantages of the Act’s previous legislative solutions. Although the provisions of the Act were extensive, they were also unclear, inconsistent and did not provide for complete solutions in planning and construction procedures. In an attempt to achieve clarity and facilitate enforceability, the latest amendments in spatial planning and construction entered into force in the form of three new acts, each with a separate field of application. This three way separation allows for more extensive and more detailed legislative arrangements in each of the aforementioned acts, and the hope is that it will prove more effective in practice.

The above mentioned acts have also brought several changes to construction and spatial planning in Croatia, some of which were long overdue. In this article, we will try to summarize the key changes which occurred by the entering into force of each of the three new acts, principally referring to the practical difficulties and advantages that the new procedures bring.

THE SPATIAL PLANNING ACT

The new Spatial Planning Act sets a straightforward framework for implementing spatial planning in Croatia; the principles and conditions of spatial planning, as well as the subjects thereof are clearly provided for.

Particular changes have occurred with regard to the application of spatial planning, conducted by enforcing spatial plans and acts brought under such acts. Most importantly, the location permit is no longer one of three permits required for any construction procedure, but now must be obtained only for:

- exploitation fields, construction of operational mining facilities, storage and facilities for permanent disposal of hydrocarbon gases in geological structures;
- planning new military zones and buildings;
- interventions which are, under special regulations, not considered construction;
- staged and/or phased constructions;
- construction for which land (legal) status has not been resolved.

Under the Spatial Planning Act, the investor does not have to submit proof of legal interest in its request for issuing the location permit. However, proof of legal interest has to be submitted when requesting the issuing of the building permit; hence the overall procedure has not been significantly simplified by reducing the number of documents necessary for issuing permits.

Under the Act, county physical plans could have laid out the tourist areas outside of settlements (the remote touristic zones) in three types of zones – the T1, T2 and T3 area. Also the Act further prescribed the conditions under which condominium ownership could be established over touristic facilities in those remote zones as well as the limitations on disposing of such condominium units. Surprisingly, the Spatial Planning Act is tacit on that matter which could be interpreted as removing the previous limitations. Hopefully, the true intention of the legislator will be revealed in time.

Notwithstanding the aforementioned changes and their intended impact, it appears that the full effect of the new Spatial Planning Act will remain limited, at least during the first several years of its application. Namely, the transitional provisions of the Spatial Planning Act provide that the Act will continue applying in certain situations. Also, spatial planning documents in force under the provisions of the Act (and their corresponding bylaws) shall remain in force until new documents are entered into under the provisions of the Spatial Planning Act.

Although such transitional solutions regarding the applicability timeframe of the Act and the Spatial Planning Act were necessary, it is our opinion that they were not provided for in an understandable and clear manner. This could lead to difficulties in enforceability and increase the level of legal uncertainty, thus furthering the achievement of the desired and proclaimed results of the Spatial Planning Act.

THE CONSTRUCTION ACT

As stated above, the latest amendments in the field of building and construction have entered into force in the form of a new act - the Construction Act.

The principal change is that all types of constructions have now been clearly divided into five different categories, based on the complexity of the construction and its related requirements. The first group is the most complex, and the fifth group is the least complex. If a building meets the requirements to be placed in more than one complexity category, or in the case of doubt as to which group a structure falls into, the more complex category will apply.

Particular changes have occurred with regard to energy efficiency and management, since with the coming into force of the Construction Act, energy efficiency of buildings has generally been widely provided for in one act. Also, the recast Directive 2010/31/EU on the energy performance of buildings has been further implemented in the Croatian legal system.
With regard to the permit procedure, several major changes have occurred. Primarily, a location permit is no longer a necessary prerequisite for obtaining a building permit, except for explicitly stipulated types of constructions. However, this did not simplify the overall permitting procedure since most of the documentation that previously needed to be provided with a request for obtaining the location permit now has to be provided with the request to obtain a building permit.

Since the location permit is generally no longer necessary, the determination and confirmation of zoning conditions for a particular building are now determined in the building permit obtaining procedure. The responsibility for cohesion between the main design certificate (submitted with the request for issuing the building permit) and the spatial plans now lies with the designer-architect as well.

Strict deadlines for completing construction, particularly with regard to the exterior appearance of the building and the building plot have been introduced. Depending on their classification, buildings must be completed as follows:

- building within the first category within a decade;
- building within the second and third category within seven years;
- building within the fourth group within five years;
- building within the fifth group within three years.

The period referred to above begins on the date when the commencement of construction was reported to relevant authorities. Any alterations to the building permit under which construction began do not affect the previously described deadlines.

The building permit is now issued for a non-extendable period of three years - the permit loses its validity if construction is not commenced within three years from its finality and validity.

Payment of utility and water contributions is no longer a prerequisite for issuing a building permit. This slight delay in payment of required fees should lie particularly well with investors.

The transitional provisions of the Construction Act have, unfortunately, made it almost impossible to view the permitting procedure as a simple and effective procedure. Namely, for some actions and sections of the permitting procedure, the Act will continue applying, whereas in other sections and segments the Construction Act will apply. As with the Spatial Planning Act, or even more, this shows that there will be a long transition period before the Construction Act takes full and actual effect. Although it is not possible to say with certainty, it seems that the desired effect of clarity, simplicity and effectiveness in developing real estate projects will not be achieved with the provisions of the Construction Act in their current form.

**CONCLUSION**

Construction and spatial planning have undergone a major legislative change in 2014, and the changes were initiated primarily due to previous experiences of inefficiency and legal uncertainty. As well as in the model (three acts instead of one), the new legislation also introduced certain substantive changes affecting the construction and spatial planning procedures.

The proposed changes which have now entered into force were announced as having the purpose of modernizing and simplifying the procedure, but even their initial overview shows that the desired result might not be realized. Although the division of previously related, but separate legal fields into three acts has allowed for the widening of legislative solutions within those acts and although some of the solutions provided therein may prove valuable in practice, it seems that the required degree of clarity has not been reached, especially with regard to transitional solutions.

Taking the aforementioned into account, the entering into force of these new acts will likely not result in raising the level of legal certainty, at least for some time. As for the remainder of the new legal solutions provided in the three new acts, only their practical application will show whether they succeeded in bringing Croatia closer to effectiveness in the field of spatial planning and construction.
THE NEW CROATIAN LABOR LAW: A SMALL HELP TO COMPANIES

By Dani jel Pribanić and Franka Baica, attorney at law and an associate with attorney at law Aleksandra Raach, in cooperation with Karanović & Nikolić, Zagreb

ALTHOUGH THE GOVERNMENT HAS BEEN advertising the enactment of a new labor law for a year, the national trade unions have managed to postpone its enactment, alleging that the new law would radically affect employee rights and decrease the level of social security.

Some of the changes announced seem revolutionary, such as the end of the long-standing Croatian tradition to go on sick leave when being dismissed in order to extend the termination notice period, but the overall impression of the bill is that no significant changes would be made in practice. The changes generally aim to release companies from social burdens and in some cases enable them more freedom to manage the work process. Another goal is to give labor inspectors the authority to issue orders to companies during inspections in order to eliminate mistakes immediately.

This article summarizes the most relevant changes being proposed in the new labor law and provides a comparison with the existing labor law provisions.

MORE FLEXIBLE WORKING HOURS
Currently, overtime is limited to 180 hours annually. The new law proposes to increase this limit to 250 hours per year. Overtime would still need to be paid at higher rates, or, alternatively, it may be compensated with extra vacation time if this is regulated in the company’s rulebook. The new law would allow more flexible working hours, setting up a rule that in one quarter, the average hours worked would have to be 48 a week, with a maximum of up to 56 hours. Companies would be able to determine working hours more in line with their needs, but would still be required to pay for additional work at overtime rates (or compensation with vacation time).

Even now, companies may determine working hours throughout the week or month differently, but this option is rarely used. Why would employees sit at work until 4 or 5 pm and battle with rush hour traffic, when they could leave earlier and be with their families? On the other hand, in this day and age, when employees put in extra hours at work, they would expect to be paid or compensated for this in some way. The outcome is that employees spend more time at work, but do not necessarily generate more income for their company.

By using flexible working hours, employees would spend less time at work, but be there when actually needed. They would have to receive an order to work in longer shifts or would have the right to leave.

FASTEN REDUNDANCY
Even though the new law eliminates the need for preparing a formal redundancy document, this change would not affect the need for setting up rules, criteria and reasoning for mass lay-offs. Companies that find themselves in the position of having to decrease their labor force by 20 or more employees would still have to prepare a document listing all relevant data for the redundancies. The change is that the national employment service would no longer sanction the redundancy program, but it would focus more on placing redundant employees in new posts. The overall procedure for layoffs should be shorter.

NO MORE SICK-LEAVE DURING THE NOTICE PERIOD
One Croatian particularity is still that your employee, once terminated, can go on sick leave, during which the termination period is frozen. The notice resumes only after the sick leave has been terminated. This has often been abused by employees as it extended their contracts and all employment rights and benefits, for as long as sick leave was ongoing. The absurdity of this model was that such extensions ended up being an additional expense in terms of additional sick-leave compensation, higher severance pay and vacation days. Companies were rendered unable to plan the final termination date of employment contracts.

In practice, companies would send letters to medical doctors and to the national healthcare insurer, alleging the misuse of the right to be on sick-leave, and within a few days sick leave would be terminated. This was especially the case if the employee went on sick leave on the first day that the employee was made redundant. The new law eliminates this risk and sick-leave would no longer affect the notice. The same rule would also apply to vacation time.

In addition, under the existing regime, companies could not effectively terminate the contracts of employees already on sick-leave, as the notice would start to lapse only the day when the sick leave is cancelled. Unlike the general perception that during sick leave an employee cannot be fired, the new law restates the right of companies to do so, and introduces a generally applicable limit of notice in such cases up to 6 months. In other words, the contract of any employee on sick-leave could be terminated after 6 months.

NON-COMPETE CLAUSE VALID ONLY FOR HIGH PAID EMPLOYEES
Companies may inhibit their employees from seeking jobs with their competitors for up to two years. This may be carried out with the payment of compensation for the duration of the non-compete clause, or by allowing the employee to pay a fixed “bail out” fee, which should be specified in the employment contract. Although criticized for jeopardizing employee standards, the “bail out” model is widespread in Croatia.

The new law allows for non-compete clauses, but limits the validity of the “bail out” model to employees with sector average salaries at the time the non-compete clause was signed. Previously, there were no such limits as to that model, and any such clause was effective. This change would enable skillful employees to seek better paid jobs without paying a bail out fee.
TEMPORARY EMPLOYEES PAID LESS THAN REGULAR EMPLOYEES

One of the most criticized changes in the labor regime is the possibility for a temporary employment agency to pay their employees even when they are not engaged by the agency’s client. The existing rule forced agencies and the temporary employees to sign contracts only for the duration of the actual engagement with the agency’s clients. Under the new regime, agencies should only pay social welfare benefits, without paying a salary, for periods when their employees are not engaged.

This would definitely make that type of work more attractive, both for employees and companies. Only if an agency signs a collective bargaining agreement with their employees’ trade unions, would the salaries of temporary employees be lower than the salaries of regular employees working with the companies. Until employees join trade unions and provoke the signing of collective bargaining agreements, they would remain unemployed when not needed. These employees would be able to work for the agency for up to 3 years instead of 1.

These changes seem not to have significantly affected the labor market and would certainly not affect the government and businesses from further outsourcing, as feared by trade unions. Outsourcing is usually carried out through regular service providers and not through temporary employment agencies.

OTHER CHANGES

In practice, we have seen cases where companies being closed down were not able to be deleted from the companies’ registry until employees on maternity leave return to work. This would no longer be an obstacle for the closure of business.

Croatian companies and employees are generally inclined not to work part-time. The new law encourages part-time working hours as such employees would no longer be entitled to receive full employment benefits, such as bonuses. Furthermore, it also simplifies the regulations of distance work.

The new rules would enable employees to go on strike the day after they should have received salaries but did not. Currently, they may do this legally only after a month.

It is illusory to believe that the courts would decide in favor of companies when deciding on grounds of dismissal. The burden of proof will always be on the employer, under the present or any future labor law. However, the new law sets up a new range of damages to be paid to successful employees if not returned to work posts, limiting it to 8, and no longer 12 salaries.
CAN CROATIA BECOME A HOLDING COMPANY DESTINATION OR WILL IT REMAIN JUST A TOURIST PARADISE?

By Krešimir Lipovšćak, Partner, Crowe Horwath

CROATIA IS A POPULAR TOURIST DESTINATION and the tourism sector directly or indirectly constitutes 50% of the national economy. The question is: are there other methods for boosting the Croatian economy? Can Croatia attract foreign holding companies in addition to being a tourist destination?

There is a reason to believe that having joined the EU, Croatia could become an interesting location for setting up holding companies and could compete with “standard” places such as Malta, Cyprus, Luxembourg, or the Netherlands.

What factors influence the decision making process where location or re-location is concerned? Apart from the usual aspects, such as the stability of the legal system, the costs of maintenance of a holding company, the time and cost of incorporation, and immigration policy, the tax regime of a country plays the most important role. There are some aspects of the Croatian tax system that can make Croatia attractive to holding companies, and additional facets that the government could consider implementing to make this system even more attractive. Laid out below there is a brief guide through these tax aspects.

OVERALL TAX BURDEN The nominal corporate profit tax rate in Croatia is 20%, which is higher than in Cyprus, but lower than in Malta or Luxembourg. However, Croatia has a number of additional taxes and duties, (various chamber contributions, imposed fees, etc.), which increase the actual overall taxation burden. It is advisable for the government to consider eliminating or decreasing such contributions and fees.

DIVIDENDS RECEIVED FROM DOMESTIC SHAREHOLDINGS Dividends received by a legal entity from domestic shareholdings are fully exempt from paying corporate profit tax.

DIVIDENDS RECEIVED FROM FOREIGN SHAREHOLDINGS Dividends received by a legal entity from foreign shareholdings are fully exempt from paying corporate profit tax.

CAPITAL GAINS RESULTING FROM THE DISPOSAL OF DOMESTIC SHAREHOLDINGS Capital gains resulting from the disposal of domestic shareholdings by physical persons or foreign legal entities are exempt from corporate profit taxation. Where domestic legal entities are concerned, capital gains are included in the tax base as revenue.

CAPITAL GAINS RESULTING FROM THE DISPOSAL OF FOREIGN SHAREHOLDINGS Capital gains resulting from the disposal of foreign shareholdings by physical persons or foreign legal entities are exempt from corporate profit taxation. Where domestic legal entities are concerned, capital gains are included in the tax base as revenue.

CAPITAL DUTY ON CASH CONTRIBUTIONS The Croatian authorities do not charge capital duty on any cash contributions (unlike Austria, for example). However, a special administrative procedure applies to the payment of such contributions.

CAPITAL DUTY ON CONTRIBUTIONS OF SHARES IN A FOREIGN SUBSIDIARY The Croatian authorities do not charge any capital duty on contribution of shares in a foreign subsidiary.

DEDUCTIBILITY OF INTEREST EXPENSES LINKED TO FOREIGN SHAREHOLDINGS Interest expense resulting from foreign related party lending is generally deductible up to the discount rate of the Croatian National Bank, which at the moment is 7% p.a. There are some other conditions regarding the deductibility of foreign related party lending, which will be explained in further detail below. Croatia is one of the rare countries that set the interest rate by decree; other countries mainly apply the market rate approach.

DEBT-TO-EQUITY LIMITATIONS The debt to equity rule most likely originated in the U.S. The basic idea was to limit deductibility of interest (and corresponding decrease in the tax base) by imposing a level of debt to equity in a company. This was a legal method of avoiding paying taxes and shifting profits out of a particular jurisdiction. The debt-to-equity ratio in Croatia is 4:1 and is applicable to loans of direct shareholders and other related parties. This rule is a standard provision in most tax jurisdictions.

DOUBLE TAX TREATIES A double tax treaty network plays an important role in international business and its main purpose is to make the life of an international business entrepreneur easier when it comes to taxes, and as the name suggests, spare them from double taxation. The treaties usually apply to certain types of income and give the right of taxation to only one country, or limit the rates of taxation in particular, withholding taxes on dividends, interest and royalties. Croatia has a relatively large double tax treaty network of almost 60 countries, 57 to be exact.

CFC / SUBPART F PROVISIONS Controlled foreign corporation (CFC) rules are another U.S. invention. The idea behind the rules was to limit artificial deferral of tax by using offshore tax havens. The basic mechanism and details vary among jurisdictions. Generally, some companies must declare amounts earned by foreign entities that are controlled by them or related persons, as income. Countries with CFC rules include the U.S. (since 1962), the United Kingdom, Germany, and Japan.

Subsection F of the CFC rules was intended to enable the taxation of income that could be artificially shifted. At the same time, such rules were not intended to interfere with active business income
or transactions between unrelated parties.

Croatia does not have extensive CFC rules, one of the reasons being that there are not many “powerful” domestic corporations willing and able to shift profits abroad. However, Croatia does apply higher withholding tax rates for payments of dividends, interest, and royalties to certain tax havens listed by the Croatian Ministry of Finance (e.g., Cayman Islands).

WITHOLDING TAX ON DIVIDENDS PAID TO AN EU PARENT COMPANY (EU PARENT-SUBSIDIARY DIRECTIVE) After Croatia joined the EU, the so-called EU parent-subsidiary directive was automatically applied. This directive enables 0% withholding tax on dividends payable to the EU parent companies if the minimum shareholding capacity is 10% and the shares are held for at least two years. Some companies wonder if the condition of holding the shares for at least two years applies to them, as Croatia has been a member of the EU for less than a year. The answer: shares held prior to Croatia joining the EU count in the holding period.

WITHOLDING TAX ON DIVIDENDS PAID TO A U.S. PARENT COMPANY Croatia and the USA have not signed a double tax treaty; as such, dividends paid to U.S. parent companies are subject to 12% withholding tax.

DEDUCTIBILITY OF CAPITAL LOSSES RESULTING FROM THE DISPOSAL OF DOMESTIC SHAREHOLDINGS Capital losses resulting from the disposal of domestic shareholdings are fully deductible for corporate profit tax purposes.

DEDUCTIBILITY OF CAPITAL LOSSES RESULTING FROM THE DISPOSAL OF FOREIGN SHAREHOLDINGS Capital losses resulting from the disposal of foreign shareholdings are fully deductible for corporate profit tax purposes.

CONCLUSION Croatia has more than 1000 islands, but it is not the Cayman Islands. Even though it has a relatively favorable holding company regime, for it to be able to attract such companies it may have to follow the example of countries like Austria and consider measures like non-taxation of capital gains after a holding period of two years.

Furthermore, the recently broadcasted idea of a minimum of one employee per Limited Liability Company will neither aid the attractiveness of the country to holding companies, nor solve the national unemployment issues.

Croatia should not remain a mere tourist destination. For it to prosper, it has to become a business destination as well. We are confident that a giant step can be made in that direction if the government would consider proposals such as these.

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REDESIGNED ECC ONLINE SERVICES

The web pages of Erste Card Club (ECC) online services have been given a new, refreshed appearance that visually matches the Erste Card Club and Diners Club web sites. Apart from a more modern appearance, the new web pages also offer an easier overview of functionalities that are available to users, such as the options to review spending by cards used, activation of the option to receive monthly e-bills and pay them using internet banking.

ECC online services can also be used to access the budget control app Diners ProFile. The app provides a simple and understandable overview of everyday purchases made by a Diners Card and users are at all times able to review their expenses and their structure by different categories and sub-categories. Thus users can track how much they have spent in a period from one month to up to 24 months previously on food, phone, fuel, clothes, bills etc. by paying by Diners Card, as well as see what their average purchase amount was in each of the categories. Used regularly, the app helps customers be aware of their habits and to start spending responsibly. The app is available for iPhone and iPad devices, while the browser version is available as part of the ECC online services.

ECC online services have been recognized by numerous users. By the end of December 2013, nearly 82,000 users were registered for these services, which is 8 percent more compared to the end of December 2012. The number of users of Diners ProFile also increased; by the end of last year, the app was activated by 65,000 users, which is 20 percent more compared to the end of 2012. The app is regularly used by just over 52,000 users, which is 13 percent more than in the previous year. ECC online allows users to receive a monthly e-bill, an option that was activated by nearly 23,000 users by the end of last year. Registering an account with ECC online and using the services is free and available to all holders of Diners Club, Visa and MasterCard cards.

HERTZ CROATIA OPENS A NEW RENT A CAR OFFICE AND BUSINESS CENTER

Hertz Croatia recently opened a new, state-of-the-art rent a car office and business center in Ul. grada Vukovara 274, Zagreb. During his welcome address at the opening ceremony, Mladen Petreski, Managing Director of Anterra d.o.o. Hertz Croatia, highlighted that the design of the new office took into consideration the exciting new Hertz ‘North Star’ quality brand guidelines. Hertz Croatia is amongst one of the first Hertz International franchisee countries to rebrand its key-location in accordance with the new design. Hertz Croatia offers their corporate and all other clients a ‘one-stop-shop’ service in the new location, from general information and advice regarding short- or long-term vehicle rental, to contracting, invoicing, customer support, and so on. During the opening ceremony, Mladen Petreski spoke about business car rentals and how, over a number of years, the local market has started to recognize the economic benefits of flexible renting rather than owning cars or even a fleet.

Hertz Croatia is proud to be part of a very large and professional International company which exists in over 150 countries, with more than 500,000 cars. In Croatia, Hertz rent-a-car has existed for over fifty years, and since 1998 through an exclusive country franchise agreement with Anterra.

KARANOVIĆ & NIKOLIĆ NAMED ‘LAW FIRM OF THE YEAR’ IN EASTERN EUROPE AND THE BALKANS

The Lawyer, a weekly British magazine for top commercial lawyers and in-house counsel, named Karanović & Nikolić law firm of the year for Eastern Europe and the Balkans during their annual European Awards ceremony in London on 20 February, 2014. The awards showcase legal knowledge and expertise and recognize excellence in corporate, finance, projects and competition work. All award recipients have demonstrated a commitment to excellence across the board and a clear strategic vision for the future.

ATLANTIC GRUPA TAKES ON DISTRIBUTION OF UNILEVER PRODUCTS FOR CROATIA AND SLOVENIA

Atlantic Grupa and Unilever signed a contract by which Atlantic took over Croatian and Slovenian distribution for one of the leading global producers of fast moving consumer goods (FMCG) with annual revenues of over 50 billion euros. Unilever’s portfolio consists of globally renowned brands such as Knorr, Rama, Lipton, Bertolli, Hellmann’s, Dove, Axe, Rexona, Cif, Domestos, and many others. The contract, taking the annual sales on the two markets, is worth a total of 32 million euros. The new partnership reaffirms once again Atlantic Grupa’s status as the leading FMCG distributor in the region, with a high level of distribution service and realization of distribution parameters. It is a great acknowledgement when a successful international corporation like Unilever recognizes the value and the potential of distribution business we have been developing for over 20 years now, and decides to place its confidence in our experienced management and distribution operations, with excellent service, customer relations and
market expertise. Through our cooperation we will justify this trust and our well-deserved reputation, to our mutual benefit, as well as the benefit of all our customers and consumers”, commented Emil Tedeschi, President and CEO of Atlantic Grupa.

“Unilever is looking forward with great expectation to this cooperation with Atlantic Grupa in Slovenia and Croatia. We are strongly committed to these very important markets, and by signing this agreement with the leading distributor of the region, we would like to strengthen our operations, accelerate growth, but most importantly serve our customers and consumers with much higher quality than before”, said Harm Goossens, Unilever Executive Vice President of Central Eastern Europe.

RIT CROATIA STUDENTS WIN HENKEL INNOVATION CHALLENGE IN CROATIA!

The students of RIT Croatia, the only American college in this country, have won the semi-finals of the Henkel Innovation Challenge, a renowned international student competition. The goal behind Henkel Innovation Challenge is to give students the opportunity to apply theory in practice, by creating an innovative product or technology for a Henkel brand in 2050, which contributes to sustainable development.

Applied knowledge goes in line with RIT’s career-oriented education.

This year, many teams applied for the competition, but only 10 were selected for the semi-finals in Croatia. Out of the 10 selected teams, four were from RIT Croatia, with two of them scoring first and third place! Student success is what makes RIT Croatia a very proud institution.

The “RIT team” that won the finals, Daren Perićić and Dominik Benger, will continue their competition in the international finals in Düsseldorf (end of March) where they will compete with the best teams from the other 29 participating countries. We wish them the best of luck!

HUP-ZAGREB INC. AND STARWOOD HOTELS & RESORTS WORLDWIDE SIGN A NEW CONTRACT

The successful cooperation between two companies that has been going on for over two decades was prolonged by contract renewal with the Starwood Hotels & Resorts, for both the Westin Zagreb and the Sheraton Zagreb Hotels, in December 2013.

Global brand awareness of Starwood brands, with the continuous development, and HUP-Zagreb Inc. human resources competence, amongst other things, contributed to the fact that hotels within the HUP-Zagreb Group today represent the center of major business, political, social and sporting events in Zagreb and Croatia.

Following the contract signature ceremony, which was attended by the Deputy Minister of Tourism Ratomir Ivičić and the Mayor of Zagreb, Milan Bandić; Starwood’s Vice President for the EMEA region, Robert Koren and Andelko Leko, CEO of HUP Zagreb, pointed out that in 2014 the Westin and Sheraton hotels will see investments of over 10 million EUR in service quality enhancement at all levels. HUP Zagreb is in a continuous cycle of investment, and investments in hotels are constant. The hotel is a “living organism” and effort and activities never stop. Through the new investment wave announced, all public spaces and accommodation units will be renovated, along with the technology that has a direct impact on guest satisfaction level.

Through the continuation of cooperation with Starwood, the globally recognized hotel brands, the Westin and Sheraton, will continue operations in Zagreb for the next 15 years. The presence of leading Starwood brands grants Zagreb a position alongside all other European capital cities.

DNV GL TOP RANKED AMONGST SUSTAINABILITY ASSURANCE PROVIDERS

DNV GL is a global leader in sustainability assurance services, according to the 2013 global survey by Verdantix. The Verdantix survey provides a detailed comparison of the sustainability capabilities of global assurance providers, in order to help buyers of sustainability assurance understand which providers have the strongest expertise in nine key service capabilities. DNV GL was ranked as the leader.

Verdantix gave DNV GL an especially high score for product sustainability assurance, an achievement tied to DNV GL’s investment in product water footprints, as well as its ProSustain™ standard. The survey itself recognizes DNV GL’s expertise in management system certification as a foundation for broader assurance services, as well as strong expertise in sustainability assurance services.

The survey assesses assurance providers against a total of 63 criteria and reflects the views of 15 buyers of sustainability assurance services, comparing the assurance capability and market momentum of the providers.
THE UNIQUE CAMPAIGN OF THE NOVA TV CREATIVE TEAM

In 2013 the Nova TV Group achieved great success, as shown in the results of viewership and their regular annual financial report, which confirmed the market leadership of this media group. However, apart from the results, the Nova TV Group stands out on the market through its unique campaigns, produced by its creative team.

In the image campaign of Dnevnik Nove TV (Nova TV Main News), created in the form of testimonials, reporters talked about their work with a deep belief in their profession and its mission. Mislav Bago, political commentator, reporter and editor on Nova TV, said in one of the trailers: “Every day I question myself whether I gave my best”. For the first time top professionals speak about their emotions and perseverance in the fight for credible and timely information. “Every day I believe in my work more and more, and in my impact on society and the public”, says Ivana Petrović, reporter and foreign affairs editor. Petrović is one of nine reporters who have participated in this campaign, which is unique to our area. Their candor reminded us why they are the ones who make up the news program we trust most.

Nova TV’s creative team also produced an almost movie-like treat, in the form of 30-second TV trailers, promoting the world’s most successful culinary talent show MasterChef. The third season brings significant novelties because the contestants are celebrities. In TV trailers the three judges - Radovan Marčić, Dino Galvagno and Andrej Barbieri - are playing poker and plays on words. The unique concept awakened the attention of the media. Instead of standard cards, the judges are putting together the winning combination with cards showing the smiling faces of the famous competitors. In this way, an excellent creative introduction to one of the world’s most successful television formats was created around a poker table, and produced by Nova TV.

IVANA PETROVIĆ  MISLAV BAGO

A UNIQUE PROGRAM FOR EXTRAORDINARY STUDENTS

Webster Vienna Private University Invites Top Students to a Challenging Program

The first group of students participating in the new Webster Scholars Program at Webster Vienna Private University will soon finish their first year. The Scholars Program was created in order to attract highly-motivated and gifted students who want to study in a competitive environment. “What is unique about this program is that highly motivated students study together with our most challenging professors who will test them to the limit of their ability. We focus on global citizenship, leadership and ethics, no matter what the student’s major is,” commented Dr. Arthur Hirsh, Director of Webster Vienna Private University. The students in this challenging program partake in real-life practice while also engaging in the areas of innovation and creativity. During their senior year, the students have the opportunity to complete a thesis or an independent project, mentored on a one-to-one basis by a faculty member, specializing in the topic they have selected. The goal is to offer the students a competitive advantage when applying to graduate school or when entering the job market. With a thesis, or independent research project on the résumé, the students will be sure to stand out. The Scholars students are invited to participate in special events designed to inspire them intellectually and allow them to grow their own social and professional network.

“I am really happy that I chose the Scholars Program because not only is it going to look good in the future that I was in a program that held me to a higher standard, but I think it has been really good for me to learn to exert this type of pressure on myself” said Emily Bantelmann from the USA.

More information about Webster Vienna Private University and the program: www.webster.ac.at

DHL SERVICE PARTS LOGISTICS SERVICES

DHL offers a specialized solution on the Croatian market. For over 200 customers in more than 100 countries, DHL ensures that the right service parts are in the right place at the right time. By understanding the needs of key industries with global trade flows, DHL helps customers to achieve a leading position with aftermarket service provision.

DHL’s service and replacement parts solutions address the unique challenges businesses face in the aftermarket: complex demand chains, increasing competition, high-service and low-cost requirements and more. DHL systems offer potentially significant cost reduction, by helping improve parts availability, inventory optimization, reducing lead- and cycle-time, and improving order accuracy.

DHL aims to reduce the need for expensive same and next day delivery, but having supply chain functions and an extensive express delivery network means it can respond effectively to urgent situations, and minimize the cost of doing so.

With a network supported by professionals who understand the tight delivery times required in the aftermarket services supply chain, DHL provides the right part, in the right place, at the right time.

DHL Service Parts Logistics Services:

• International freight forwarding
• Domestic and regional in-bound deliveries
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• Outbound delivery
• Distribution center operations
REFINED AND PLAYFUL, Zagreb finds its way into your heart almost unnoticeably, and its trams of the typical blue color, old-time charm and warmth are difficult to forget. Sophisticated and ebullient, Zagreb will sneak into your heart almost imperceptibly - its trams with their typical blue color, the charm of the old days and the warmth are not easy to forget. Nor is it easy to forget its inhabitants, enjoying a cup of coffee and a chat on the squares, even at midday. Even then, the streets are not empty because the inhabitants of Zagreb enjoy colors, flavors and aromas of their city at any hour.

The warmth is symbolized by the trademark of Zagreb – the heart. Young men used to give gingerbread hearts to their girlfriends, and today they have become one of the national symbols and an original traditional souvenir from Zagreb. It is no small feat that the making of a licitar's heart (traditional gingerbread heart) is on the UNESCO intangible cultural heritage list. After gingerbread hearts, we should also mention the mechanical pen, which was first patented in Zagreb by the engineer Eduard Slavoljub Penkala, who soon afterwards designed the first solid-ink fountain pen. The necktie is also an original Croatian product, nowadays a fashion accessory you cannot avoid, and it was developed when the sophisticated tying of the scarf around the neck of Croatian soldiers caught the eye of the fashionably aware French.

Did you know that the Zagreb funicular railway was once called the "stop-and go" funicular? The reason behind it, of course, was its tendency to get stuck. Today, however, it safely takes you to the Upper Town. The Upper Town no longer looks like it did when Perica would run across it to get "just a little liter" in the cult movie "One Song a Day Takes Mischief Away" (Tko pjeva zlo ne misli), but it still reminds us of charming old times. Here, you will come across the Ban’s Palace, the seat of the Croatian government; the Stone Gate – the only remaining preserved gate of four, which on the inside hides the character of Dora Krupićeva from Šenoa’s novel "The Goldsmith’s Gold"; and the Lotrščak Tower, from which a canon is fired every day.
at noon which has been a tradition since 1887. A stroll along Kaptol takes you to Dolac, where peasant women called ‘kumice’ from the slopes of Medvednica and the surrounding area bring fresh produce; on Saturdays, some estimate that around 100 000 people visit the market. You will also come across the statue of Petrica Kerempuh – a tribute to the people and a scoundrel who was brought to life by many Croatian artists. We cannot fail to mention the Cathedral of the Assumption of the Blessed Virgin Mary, the tower-bells of which are the highest structures in the city. It is a little known fact that its treasury is a cultural institution of world significance, and as such it hides a great treasure, still unrevealed to the public. And while Marija Jurić Zagorka, the first Croatian female journalist and author of novels with love story plots and nationalist themes, calmly observes the picturesque medieval Tkalčićeva, old Vlaška – one of the oldest streets in the city, boasts a monument to the Croatian author, August Šenoa.

“See you on the square” is a phrase popular among the people of Zagreb, and of course everyone knows it refers to Ban Jelačić Square. A stroll along Zrinjevac takes you to the Archaeological Museum, the Croatian Academy of Sciences and Arts, the Gallery of Modern Art, the elegant Esplanade Hotel, built for the affluent and famous passengers of the renowned Orient Express train. The area around the main square reveals the Flower Square, so named after the numerous flower sellers, Oktogon, the Manduševac fountain, to which, according to tradition, Zagreb owes its name. In other words, a ban (viceroy) once called out to a girl standing next to the water “Mandušo, scoop up (zagrabi)!”, and so the well was named Manduševac and the place Zagreb. It is interesting that New Zagreb once used to be a place with no social life, whereas today, owing to the Museum of Contemporary Art and an elegant shopping mall, it is a popular meeting place. When it comes to traditional specialties, make sure to try fresh cheese with sour cream, turkey with mlinci (pasta tatters), štrukle (baked pastry stuffed with cheese), and let us not forget the pepper gingerbread, the recipe for which has remained a well kept secret. It is also a secret how the Zagrebački melem cream is so good at erasing wrinkles. As a gift to your loved ones bring home a Croatian delicacy – Bajadera or Griotta, which remain as a sweet souvenir. Zagreb boasts an exceptional position - only 20 minutes away from the city center, there is a ski slope, and the Adriatic Sea is only a two-hour drive away. The Zagreb Film Festival, promenades on Zrinjevac, folklore festivals, jazz concerts, performances by star musicians, numerous street festivals... with its many events, Zagreb successfully presents the face of modern metropolis.
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