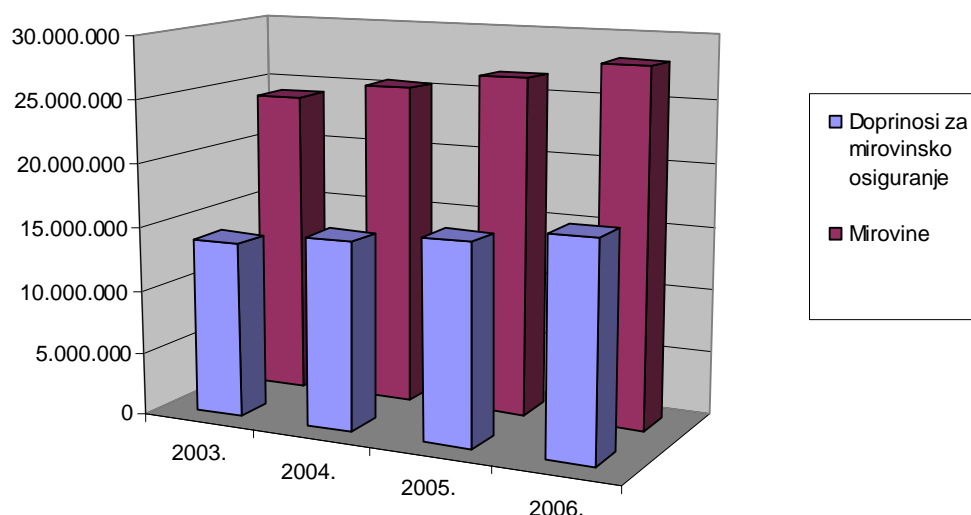


## Statement to the Panel Ministry of Finance, Croatia

### (i) Fiscal pressures

#### *Contributions vs Pensions*



#### *Pensions, health expenses and other social benefits*

000 kuna	2003.	2004.	2005.	Plan 2006.	2006.	Indeks 06/05
	1	2	3	4	5	6=5/3
Pensions (total)	24.092.912	25.410.621	26.688.272	28.531.170	28.114.956	105,35
od čega: mirovine branitelja	1.954.678	2.733.207	2.943.724	3.399.570	3.395.724	115,35
Total health and other social benefits	16.267.898	16.924.186	17.783.456	19.022.016	19.070.909	107,24
od čega:						
socijalna skrb	2.627.479	2.656.250	2.728.665	2.806.111	2.823.146	103,46
socijalne naknade HZZO-a	12.989.080	13.768.104	14.410.221	15.447.609	15.495.648	107,53
<b>UKUPNO</b>	<b>40.360.810</b>	<b>42.334.807</b>	<b>44.471.728</b>	<b>47.553.186</b>	<b>47.185.865</b>	<b>106,10</b>

*Izvor: Ministarstvo financija*

(ii) and (iii) What do the ministers expect from labor market and financial market policies to support the pension reform process and outcomes? How do they intend to support the achievement of such reforms?

- **Continuing implementation of National Action Plan for Employment and annual plans for stimulating employment will contribute to the resolution of the mismatch between supply and demand which represents the structural**

problem in the labour market and **to the further increase in the employment** in Croatia.

- Since Croatian pension system relies primarily on the *pay-as-you-go* system, this structural reform and the increase in the employment will definitely contribute to the reduction of a mismatch between employed persons and pensioners.
- Continual investment in people as well as raising their employability through adoption of knowledge and skills that are required by the labour market increases their flexibility in the long term. A developed system of formal and informal education is a much more efficient protection against unemployment and poverty than statutory protection.
  
- Financial market developments can surely contribute to the pension reform outcomes. Namely, **development and deepening of financial markets gives Pension Funds more options and choices for investments and ultimately leads to higher yields on their funds.**
- Croatian Government is working on the implementation of a modern legislative framework for the domestic financial market which surely gives additional impetus for its development. In this contexts, a number of laws have been adopted:
  - Insurance Act
  - Act on Compulsory Insurance within the Transport Sector
  - Act on Investment Funds
  - Leasing Act
  - Accounting Act
  - Act on Credit Unions
- Furthermore, as of 1<sup>st</sup> January 2006 new supervisory institution has been established, Croatian Financial Supervisory Authority (HANFA), by uniting the then-existing institutions for the supervision of the non-banking sector
- Also, the orientation of government's financing on the domestic market and issuance of bonds on the domestic markets and in domestic currency for longer maturity (such as the 10-year bond in 2006.) further deepens the financial market in Croatia.