1 BASIC INFORMATION

1.1 CRIS Number: HR2005/4/2
1.2 Title: Strengthening of Capacity to Manage and Enforce the EU Competition and State Aid Policies
1.3 Sector: 33110
1.4 Location: Croatian Competition Agency, Zagreb, Croatia
1.5 Duration: 24 months

2 OBJECTIVES

2.1 Overall Objective(s)

- To strengthen market economy by strengthening capacity to manage and enforce the EU competition and state aid policies.

2.2 Project purpose

- Strengthen the capacity of the CCA, government officials and the judiciary to enforce the competition law.
- Strengthen state aid awareness and improve control and enforcement in government agencies, regional and local government, the judiciary, and the business sector.

2.3 Accession Partnership (AP) and NPAA priority

The European Partnership highlights the following priorities:

a) short-term priorities:
   “Strengthen the administrative capacity and the independence of the Agency for the Protection of Market Competition”, both in the fields of state aid and antitrust. Improve transparency in the field of state aid, inter alia, by providing to the EU a regular annual report, and establish a comprehensive inventory of state aid schemes.”

b) medium-term priorities
   “Reinforce the antitrust and state aid authority and build up a credible enforcement record. Substantially improve transparency in the field of state aid; develop training on competition law and policy at all level of administration and judiciary.”

It is necessary to continue harmonization with the acquis in both competition and state aid. In the field of competition the NPAA for the year 2005 sets the first quarter of the year as timeframe for the adoption of the last act in the package of implementing regulations: Regulation on the block exemption of the insurance agreements. The Regulation was adopted in April 2005.

In the area of state aid, amendments to the State Aid Act are to be brought in the first half of the year, and if needed amendments to the Regulation on State Aid as the implementing act. It is necessary to increase transparency of the system, among other things by way of delivering of regular annual report, and to establish a comprehensive inventory of state aid schemes. In 2005 a final list of existing state schemes will be created. The objective is to organise a comprehensive central state aid registry, in cooperation and with the support of twinning partners. By the mid 2005, regional state
aid charts should be created, in cooperation with the Ministry of Finance and State Bureau of Statistics.

2.4 Contribution to National Development Plan (and/or Structural Funds Development Plan/SDP)

n/a

2.5 Cross Border Impact

n/a

3 DESCRIPTION

3.1 Background and justification

Pursuant to the obligations under the Stabilisation and Association Agreement (SAA) between the European Union and the Republic of Croatia, as well as membership obligations in the WTO, competition policy, including antitrust and state aid, is one of the top priorities for the Government of the Republic of Croatia.

Strategic goals in the fields of competition and state aid the CCA sets out in its annual reports to the Parliament, where it addresses priorities related to EU accession. Furthermore, goals related to the adoption of the acquis are included in the abovementioned NPAA, whereas the other measures make a part of strategic document PEP –Preaccession Economic Programme of Croatian government.

Competition (antitrust)
With particular regard to competition policy, the SAA provides that Croatia shall endeavour to ensure that its existing laws and future legislation will be gradually made compatible with the Community "acquis".

In regard to those obligations a new Competition Act was adopted on July 21, 2003. In April 2004 followed the adoption of four regulations (Regulation on Notification and Assessment of Concentrations, Regulation on the Definition of Relevant Market, regulation on Block Exemption Granted to Certain Categories of Vertical Agreements, Regulation on Agreements of Minor Importance). By the end of 2004 three more regulations were adopted (Regulation on block exemption granted to agreements on distribution and servicing of motor vehicles, Regulation on block exemptions granted to certain categories of horizontal agreements and Regulation on Transfer of Technology Agreements, Licensing and Know-how). With the adoption of the last in the package of regulations, Regulation on block exemptions granted to certain categories of insurance agreements, in April 2005, legal framework in the field of competition is largely in line with EU acquis. For further information please see English translation of CA and the regulations on the Agency’s website www.crocompet.hr.

Croatian Agency for Telecommunication, Council for Energy Regulation, Council for Postal Services, Council for Electronic Media as well as Croatian National Bank, also implement general postulates of the CA (as so called “umbrella law”), in their respective sectors. Effective cooperation between the CCA and the regulators in particular sectors is therefore indispensable. In 2003 the CCA signed the Cooperation Agreement with Croatian National Bank and in 2004 with the Council for Energy Regulation. In 2005 and 2006 similar agreements on cooperation with other regulatory
bodies are to be concluded as a necessary precondition for establishing the efficient competition system in Croatia. Administrative Court and Courts for Misdemeanours have in their jurisdiction implementation and enforcement of CA.

Sector problems:

- Legal approximation
Whereas the priorities in the later period have been set as to harmonize the legislation and to build the institutional framework of the CCA as implementing authority, the future activities are to be focused on the effective implementation of the adopted regulations, which are essential in the development of competition policy in Croatia. In order to achieve efficiencies in the implementation of competition law, it would be useful to harmonise in a way all different regulations covering competition in different sectors. They are now spread among different regulators, which makes the implementation more complex.

- Enforcement
Probably the greatest focus should be put on raising competition awareness, in other words, actively engage in competition advocacy by making the knowledge and information in this field accessible to undertakings, consumers, government bodies and other public authorities, judicial bodies and the general public, especially in the form of seminars, conferences and publishing activities such as subject related brochures etc. In particular, problem in judicial sector, additionally to low awareness, is poor effectiveness resulting from inadequate knowledge by judges and consequently long procedures. Fines imposed on the undertakings which are found to breach the competition law are very low.

State aid
In year 2003, the jurisdiction of State Aid was given to the CCA by the Croatian Government, and the State Aid Act and the Decree on State Aid were adopted in the same year. Following the obligations related to the integration process into the EU, the Adjustment Programme of the Croatian State Aid System to the EU State Aid System and the Alignment Programme of the Existing State Aid Schemes to the Criteria Stipulated in Article 70 (2) of the Stabilisation and Association Agreement between the Republic of Croatia and the European Communities and their Member States were proposed by CCA and accepted by the Government. In December CCA Council adopted a Regulation determining the form and contents, and the method of collection of data and keeping the register on state aid.

Also, an interim list of state aid schemes was prepared, classified by the state aid providers. For the first time, in 2004 the Agency submitted to Croatian Parliament a State Aid Report, which was prepared following the methodology used by the European Commission.

Sector problems:

- Administrative capacity
It is necessary to strengthen the administrative capacity of the CCA by employing legal experts and economists and pursue with the training of the staff, as well as the education of beneficiaries (public administration authorities and local and regional self-government units), which is to contribute to efficient implementation of state aid system in practice. The purchase of IT equipment and setting up of an electronic data base on
state aid will be of primary importance (necessary support ensured from CARDS 2002 supply and twinning projects).

- Enforcement
There is still low awareness among government institutions and general public, including business sector, on notification process and understanding of functioning of state aid system in general.
It can be foreseen that in the future there will be also need to implement education for judges, in particular at Administrative Court which will become competent for state aid cases.

3.1.1 Involvement of Stakeholders and Civil Society in the programming process
Some of the stakeholders targeted in this project, have already been included in the competition and state aid activities through the previous CARDS projects, notably through the seminars/training activities. This primarily refers to the Ministry of Justice – Judicial Academy in the competition field and stakeholders – state aid providers, set out below under Component III. In addition, dialogue has been established between CCA and Judicial Academy and Administrative Court regarding the cooperation and participation in the training activities envisaged in the projects.

Project’s beneficiary is Croatian Competition Agency, which is the only stakeholder in the Component I – Institutional Capacity of the twinning subproject, while in other components the project partners will be:

- Twinning:

Component II - Competition

Component III – State aid
In the field of state aid active participation will be expected by state aid providers: Ministry of the Economy, Labour and Entrepreneurship, Ministry of Finance, Ministry of the Sea, Tourism, Transport and Development, Ministry of Environmental Protection, Physical Planning and Construction, Croatian Privatisation Fund, Croatian Bank for Reconstruction and Development;
- state aid receivers (shipyards, companies in textile industry etc.)

Both in the fields of competition and state aid:
- judges who are involved in competition cases and will be involved in the state aid cases in the future (Administrative Court judges). In the both fields training of judges will be coordinated by Judicial Academy;
- business community
- law and economics students
With these target groups contact has been established within ongoing projects where they are already participating or are expected to participate in the future.

- Supply:

IT supply
- regional and local government, users of future state aid database / registry
3.2 Sectoral rationale

n/a

3.3 Results

- Twinning

  1. Component I – Institutional capacity
     1.1. Improved management and work-flow in the Agency.

  2. Component II - Competition
     2.1. Strengthened capacity of the CCA in handling antitrust cases and improved enforcement record.
     2.2. Raised awareness and understanding of government officials implementing competition policy in related fields.
     2.3. The judiciary strengthened to handle competition cases.
     2.4. Improved capacity of law firms/lawyers in dealing with competition cases.

  3. Component III - State Aid
     3.1. Improved transparency and reliability of data and improved annual reports.
     3.2. Raised awareness of all stakeholders on the operation of the database.
     3.3. Improved implementation capacity on a regional and local level.
     3.4. Improved reporting and information flows from state aid institutions to CCA, including regional and local government.
     3.5. Improved CCA implementation capacity.
     3.6. Improved awareness of state aid law on regional and local government level.
     3.7. Raised capacity of dealing with state aid issues in the business sector.

- Supply:

  IT supply
  1. Improved efficiency in administrating competition cases.
  2. Increased internal efficiency as well as transparency and security of the reporting system

3.4 Activities (including Means)

The project will be organised in two subprojects as follows:

- Twinning subproject with the following components:

  - Institutional capacity
  - Competition
  - State aid

- Supply subproject
The activities will be organised as follows:

- **Twinning subproject**

3.4.1. Institutional capacity

- In coordination with the activities under supply tender, issuing internal recommendations for more efficient management and workflow among all the divisions of CCA and the Council;
- Consulting the Council on decision-making in sensitive competition and state-aid cases.

*Means*

- Interviews with the CCA Council members and expert staff of all CCA divisions, peer review discussions.

3.4.2. Competition:

- Training of CCA staff in EC competition, including case law, as well as competition economics and recent competition developments.
  Staff of the Competition Division and the Legal Affairs and Economic Analysis Division (14 members of staff at the present) will be trained through internal on-the-job seminars (e.g. discussion of cases from initial stage to the preparation of decisions, preparation of economic studies etc.).
- Study trips to EU member states.
- Develop, organise, and deliver training to government officials (training the trainers), mainly targeting the bodies implementing competition policy in related areas. For smaller groups of government officials from various bodies the training will be organised in the CCA premises.
- Consolidate the development, organise and deliver training to judiciary (curriculum and modular, train-the-trainer). This training component will be delivered in cooperation with the Judicial Academy.
- Develop, organise, and deliver training in cooperation with the Croatian Bar Association – seminars intended for lawyers.

*Means*

- Training activities and study tours.

3.4.3. State aid:

- Consultants will together with CCA staff create structures of co-operation related to state aid inventory, state aid annual reports and state aid decision making in particular in sensitive sectors (procedures); improve ex-ante notification discipline and ex-post monitoring of Agency’s decisions and opinions;
- Development, publishing and distribution of leaflets on the operation of the inventory.
- Provide expertise on structuring of inventory on a regional level.
- Deliver training on regional and local level on state aid policy and rules, including reporting and operation of the inventory; provide awareness raising of aid providers and disseminate information to the courts. It is envisaged that the training will be delivered in approximately ten selected regional centres.
(zupanijas’ centres) in a module of one-day seminar at regional self-government unit responsible for providing state aid + one-day seminar at a regional court.

- On-the-job training in order to deepen and specialize the knowledge in state aid case law, economics and procedures.
- Awareness raising activities concerning state aid policy targeting the business sector and public companies (such as leaflets and workshops)
- Deliver training to business sector specifically targeted at sectors receiving state aid – selected companies to receive one-day to two-day seminars on state aid system.

**Means**

- Training on state aid database developed under CARDS 02 twinning for regional and local government;
- Training and seminars on state aid policy rules for CCA (regional and local level);
- Awareness raising campaigns.
- Production, publicity and printing of leaflets.
- Design necessary for the application of the database on a regional level.

**Supply subproject**

3.4.4. IT supply:

- Design and structure, as well as implement a new competition database and management and reporting system which would include all past and present cases within the CCA.

Database should be designed based on the existing draft of the database structure. It would include past cases, dating from the beginning of Agency’s activities in 1998 until 2004 and the ongoing ones from the beginning of year 2005.

- Training of CCA staff on management and operation, as well as maintenance of the database.

**Means**

- Development of software and applications and supply of necessary equipment for the database.

3.5 **Linked Activities**

The process of strengthening the CCA’s administrative capacity, especially the education of staff in the area of competition, as well as other officials enforcing the relevant legislation is already partly covered by CARDS 2001, “Support to the Development of Competition Policy in Croatia in line with the EU Standards and Practice” (€650,000). The project’s three components (legal approximation, institutional capacity building and training, public and governmental awareness raising) have been implemented and in 2005 the project is continuing through training seminars for CCA staff and external stakeholders.

Under the 2001 project CCA also benefited from the supply of IT equipment, including hardware and creation of new website. For the purpose of successful implementation of the supply CCA employed an IT person to administer the IT system. However, the managements system is still poor and needs significant upgrading.
There have also been two CARDS projects preparing the ground for the twinning CARDS 2002 project in the area of state aid, “Support to the Croatian State Aid System”: 1) short-term technical assistance project, completed in November 2004 (€190,000), and 2) ongoing state aid supply project (€400,000). The twinning project, to begin in June 2005, is envisaged to use the results and outputs of these projects as a basis for achieving its objectives.

The short-term technical assistance project was the first project in the CCA in the field of state aid. The project carried out the activities in the area of legal harmonisation, IT support system and training. The legal component provided a first legal analysis of the State Aid Act and the secondary legislation (Regulation on State Aid), the main output being a Legal Gap Analysis. This review considered the gap analysis within the context of the issue of harmonisation of the respective Croatian State Aid Act and Regulation with EU State aid law, policy and practice. Furthermore, it looked to other possible future legal drafting that could be carried out at a later stage, within twinning project.

The IT component provided a short-term expertise on setting up a future state aid database (CROSADS – Croatian State Aid Database System), following the methodology of the European Community survey on state aid. Here the main output was Technical Needs Assessment Report, which outlined a model of IT support to the CCA’s state aid sector. Following the Report, a local IT expert developed technical specifications as a basis for the supply of necessary equipment in a separate contract. Supply procedure for CROSADS is currently under way.

Training component provided continuous training for CCA staff, along with six seminars for ministries and governmental bodies: two shipbuilding seminars, one transport seminar, one tourism seminar and two seminars on guarantees and taxation respectively. This type of informing and educating civil servants should be continued in the future. As for the internal training of CCA staff, based on series of interviews with individual members of State Aid Sector a Training Needs Analysis was prepared.

The implementation of the last of the CARDS projects, CARDS 2003, "Further strengthening of the Croatian Competition Agency and implementation of competition law and policy" (€ 450,000,00), is to begin in the second half of 2005, and is comprised of two components. One refers to the implementation and enforcement of competition legal framework within the government and private sector and the other to institutional and administrative capacity building of the CCA. It continues to build upon the training component of the CARDS 2001 project, proceeding with the training activities of the CCA staff as well as with the training of external stakeholders (government and private sector representatives).

In the past, CCA has benefited from the technical assistance of the World Bank in the context of the "World Bank TAL - 2" (Technical Assistance Loan) project. In particular, CCA was one of the beneficiaries of the Technical Assistance Project for Institutional and Regulatory Reform for Private Sector Development (March 1999).

CCA has received a limited amount of technical assistance from German legal experts of IRZ Stiftung, for review and approximation of legislation and is not foreseen to continue.
In addition to the above, CCA's representatives are habitually invited by the OECD to participate in seminars for non-member countries covering various aspects of competition policy.

3.6 Lessons learned
Following from the projects implemented so far in the Croatian Competition Agency, twinning has been chosen as a preferred form of assistance, primarily because of the exchange of experience with other state administrations.
In terms of specific activities, several difficulties have been identified:
In the implementation of training activities, it is often low level of interest in other governmental bodies and judicial institutions that can put in question successful implementation (in the CARDS 2001 competition project). Training on specific topics has shown to be more efficient than general type of training, in particular training based on specific cases from EU or Croatian practice.
In the field of state aid, there is still low awareness on the functioning of the system. It has shown that it takes a certain time to foster state aid culture at all levels of government. Therefore, apart from CARDS 2002 twinning project, there are still long-term efforts needed in order to achieve sufficient sensibility in state aid matters.

4 Institutional Framework
The application and enforcement of the Competition Act and State Aid Act is entrusted to the Croatian Competition Agency. The Agency performs the tasks assigned to it by the acts and reports to the Croatian Parliament. Its activities are managed by the Competition Council (the Council) and the President of the Council, who are appointed by the Parliament for a period of five years. The Council, which consists of five members, is the managing body of the Agency, while the President of the Council represents and speaks for the Agency and manages its activities.

During 2004 six new experts were employed for both competition and state aid areas, while in 2005 nine new staff members are planned. Within the started CARDS projects the activities have started on the educating and informing government bodies and raising public awareness.

Currently CCA employs 39 persons – four Council members, eight staff members and one director in Competition Division, six staff members and one director in State Aid Division, one staff member in International Cooperation Division and six staff members and one director Legal Affairs and Economic Analysis Division. There are also eleven other staff (financial department, personnel department and secretaries, translator, IT person and driver).

There is a clear need to further strengthen the administrative capacity and the independence of the Agency, institutional capacity and the enforcement transparency, but also the awareness and knowledge of other bodies participating in the system of competition and state aid (all levels of administration and judiciary), as well as entrepreneurs, consumers and wider public.
## 5 Detailed Budget

<table>
<thead>
<tr>
<th>Year 2005 - Investment support jointly co funded</th>
<th>Phare/Pre-Accession Instrument support</th>
<th>National Public Funds (*)</th>
<th>Other Sources (**)</th>
<th>Total Co-financing of Project</th>
</tr>
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<tbody>
<tr>
<td>Supply contract</td>
<td>300,000</td>
<td>100,000</td>
<td>/</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Investment support – sub-total</strong></td>
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<tr>
<td><strong>Total project 2005</strong></td>
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| Year 2005 – Institution Building support       |                                        |                          |                    |                              |                              |
| twinning contract                              | 1,500,000                              | /                        | /                  | /                            | 1,500,000                    |
| **IB support**                                 |                                        |                          |                    |                              |                              |
| **Total project 2005**                         | 1,800,000                              | 100,000                  | /                  | 100,000                      | 1,900,000                    |

(*) contributions form National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises

(****) private funds, FIs loans to private entities

1. All **investment** sub-projects supported by PHARE must receive co-financing from **national public funds**. Minimum requirement for co-financing from national public funds is 25% of the combined PHARE and national contributions to the overall investment support.

2. Many Institution building projects will also have a degree of co-financing – this should be quantified and included wherever possible.

3. Expenditure related to equipment (regulatory infrastructure or ESC-related) and to Technical Assistance supporting investment (e.g. pre feasibility study / supervision of works / technical specifications) should be considered as Investment support in the project fiche.

4. All co-financing must be provided on a joint basis. Parallel co-financing will, in a principle, not be accepted. Exceptions to this rule have to be agreed with the Commission in advance.
5. All co-financing should be clearly quantified, also the degree of certainty of such co-financing (i.e. for National Public Funds: is it already earmarked in local or national budget, for FIs Loans, private funds: are they already approved/under appraisal, etc.).

6. Where parallel co-financing is accepted and justified per exception to the normal rule it should be provided in monetary form. If this is not possible there should be clear criteria set out for the valuation of any non-monetary contributions (that should be quantified in the table).

7. If twinning is involved, clearly state the expected budget of the twinning covenant.

8. The financial engineering of the project should be closely monitored against actual delivery during implementation and against the objectives that were set in the project fiche so that corrective actions may be taken where required.

6 IMPLEMENTATION ARRANGEMENTS

6.1 Implementing Agency
Programme Authorising Officer
Mrs Vladimira Ivandić
Assistant Minister
Ministry of Finance
Katanciceva 5
10000 Zagreb
Croatia

Senior Programme Officer
Mr Nikola Popović
Vice-president of the Competition Council
Croatian Competition Agency
Savska 41
10000 Zagreb
Croatia

6.2 Twinning
Twinning National Contact Point
Mr Davor Ćilić
Assistant Minister
Ministry of European Integration
Petretićev trg 2
10000 Croatia

6.3 Non-standard aspects
The Practical Guide to contract procedures financed from the General Budget of the European Communities in the context of external actions (the PRAG) will be strictly followed.

6.4 Contracts
- contract for twinning (1.5 mil Euros)
- contract for supply (400,000 Euros)

7 IMPLEMENTATION SCHEDULE

7.1 Start of tendering/call for proposals: within 3 months from the signature of the financing agreement
7.2 Start of activities under subprojects twinning and supply: within 9 months from the signature of the financing agreement
7.3 Completion of supply subproject: within 6 months from the signature of the financing agreement
    Completion of twinning subproject: within 24 months from the signature of the financing agreement

8 EQUAL OPPORTUNITY

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.
Specifically in relation to the issue of equality between men and women, Croatia’s population (2001 census) constitutes 51,87% women and 48,13% men, with those in active employment based on Labour Force Survey Statistics conducted in accordance with ILO methodology, for the second half of 2002 divided 45,31% women and 54,69% men.
All contractors shall be requested to provide monitoring data recording the participation of men and women in terms of expert inputs (in days) and of trainees benefiting under the project (in days) as an integral component of all project progress reports.

9 ENVIRONMENT

n/a

10 RATES OF RETURN

n/a

11 INVESTMENT CRITERIA (APPLICABLE TO ALL INVESTMENTS)

n/a

12 CONDITIONALITY AND SEQUENCING

The components of the project are a Twinning contract and an IT supply contract. There are three components under the twinning contract: Institutional capacity, Competition and State Aid.

In accordance with the implementation schedule (section 7) and the detailed Annexes 2 and 3, the first project activities are envisaged to begin in September 2006, referring to the first component (Institutional Capacity) simultaneously with the Database development. It is envisaged that these two groups of activities should run in parallel due to their close link on the issue of work-flow and document management in the Agency.
The Competition component will build upon the results of the Institutional Capacity component and creation of database and will be implemented in the following period of twelve months in the year 2007.

Due to the activities of CARDS 2002 twinning project in the field of state aid which will partly run in parallel with this project, it is envisaged that the State Aid component, also to build upon the Institutional Capacity component, should not begin before September 2007. It would then be implemented throughout the following twelve months. The timeframe of Competition and State Aid components is designated to follow up the activities under the preceding CARDS projects.

The project is to be completed within 24 months from the signature of the financing agreement, which will be until October 2008.
ANNEXES TO THE PROJECT FICHE

Annex 1 – Logframe
Annex 2 – Detailed implementation chart
Annex 3 – Contracting and Disbursement Schedule
Annex 4 – Reference List of Legislation
Annex 1.

Logframe for Phare pre-accession scheme projects

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR</th>
<th>Programme name and number</th>
<th>HR2005/4/2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project: Strengthening of Capacity to Manage and Enforce the EU Competition and State Aid Policies</td>
<td>PHARE 2005</td>
<td></td>
</tr>
<tr>
<td>Croatian Competition Agency (CCA)</td>
<td>Contracting period expires: 30.11.2007</td>
<td>Execution of contracts period expires: 30.11.2008</td>
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<tr>
<td></td>
<td>Total budget: 1.9 mil euro</td>
<td>Phare budget: 1.8 mil euro</td>
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<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To strengthen market economy by strengthening capacity to manage and enforce the EU competition and state aid policies.</td>
<td>• Enforcement records of competition and state aid acquired in line with Internal Market practice</td>
<td>• Agency records</td>
<td>• Good and continuous interaction between the Agency and other stakeholders relevant to the enforcement of state aid and competition rules</td>
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<tr>
<td></td>
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<td>• EU Commission Internal Market reports</td>
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<td></td>
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<td>• NPAA</td>
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<tr>
<td></td>
<td></td>
<td>• State Aid Annual Report</td>
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<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strengthen the capacity of the CCA, government officials and the judiciary to enforce the competition law.</td>
<td>• Increased number and improved quality of decisions taken by the Agency</td>
<td>• Annual report of the Agency</td>
<td>• Continued of keeping records including interchange of information on court decisions etc.</td>
</tr>
<tr>
<td>• Strengthen state aid awareness and improve control and enforcement in government agencies, regional and local government, the judiciary, and the business sector.</td>
<td>• Improved public perception of the Competition Agency as a protector of a free market competition</td>
<td>• EU Commission’s Regular Report</td>
<td>• CCA has the budget, staff etc. required for expanding capacity.</td>
</tr>
<tr>
<td></td>
<td>• Implementation of effective compliance programme</td>
<td>• other Agency records</td>
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<td></td>
<td></td>
<td>• Project reports</td>
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<td>• Court records</td>
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<td>• survey of public perception</td>
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<td>• State Aid Annual Report</td>
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<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td>• Twinning subproject:</td>
<td></td>
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<tr>
<td>Institutional capacity:</td>
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<tr>
<td>1.1 Improved management and work-flow in the Agency.</td>
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<tr>
<td>Competition:</td>
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<tr>
<td>2.1 Strengthened capacity of the CCA in handling</td>
<td>Quality of Agency’s decisions</td>
<td>Agency records</td>
<td></td>
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<thead>
<tr>
<th></th>
<th>Competition</th>
<th>Competition</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Continued of keeping records including interchange of information on court decisions etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• CCA has the budget, staff etc. required for expanding capacity.</td>
</tr>
<tr>
<td>Supply subproject:</td>
<td>IT supply:</td>
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<tr>
<td>antitrust cases and improved enforcement record.</td>
<td>1. Improved efficiency in administrating competition cases.</td>
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<tr>
<td>2. Raised awareness and understanding of government officials implementing competition policy in related fields.</td>
<td>2. Increased internal efficiency as well as transparency and security of the reporting system.</td>
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<tr>
<td>2.3 The judiciary strengthened to handle competition cases.</td>
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<tr>
<td>Activities</td>
<td>Means</td>
<td>Assumptions</td>
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<tr>
<td><strong>Twinning subproject:</strong></td>
<td></td>
<td><strong>Both projects will be building on achieved results of:</strong></td>
<td></td>
</tr>
<tr>
<td>Support of competition and state aid policies with main components:</td>
<td>Twinning – 1.5 M€</td>
<td>CARDs 2001 + 2003 (competition) - legal framework and training</td>
<td></td>
</tr>
<tr>
<td>1.1 In coordination with the activities under supply tender, issuing internal recommendations for more efficient management and workflow among all the divisions of CCA and the Council.</td>
<td>Interviews with the CCA Council members and expert staff of all CCA divisions, peer review discussions.</td>
<td>Ongoing twinning 2002 projects (State Aid) - inventory design and functioning</td>
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<tr>
<td>1.2. Consulting the Council on decision-making in sensitive competition and state-aid cases.</td>
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<tr>
<td><strong>Support of enforcement of competition law with following main components:</strong></td>
<td><strong>Competition</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Training and study tours</td>
<td>CCA Annual report</td>
<td></td>
</tr>
<tr>
<td>2.1 Training of CCA staff in EC competition, including case law, as well as competition economics and recent competition developments.</td>
<td></td>
<td>State aid annual reports</td>
<td></td>
</tr>
<tr>
<td>2.2 Study trips to EU member states.</td>
<td></td>
<td>EU Regular Report of the pace of implementation on state aid and competition policy on sector level (see the Avis)</td>
<td></td>
</tr>
<tr>
<td>2.3 Develop, organise, and deliver training to government officials (training the trainers), mainly targeting the bodies implementing competition policy in related areas. For smaller groups of government officials from various bodies the training will be organised in the CCA premises.</td>
<td></td>
<td>Project reports</td>
<td></td>
</tr>
<tr>
<td>2.4 Consolidate the development, organise and deliver training to judiciary (curriculum and modular, train-the-trainer). This training component will be delivered in cooperation with the Judicial Academy.</td>
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<tr>
<td>2.5 Develop, organise, and deliver training in cooperation with the Croatian Bar Association – seminars intended for lawyers.</td>
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</tbody>
</table>
Support of enforcement of state aid law with main components:

3.1 Consultants will together with CCA staff create structures of co-operation related to state aid inventory, state aid annual reports and state aid decision making in particular in sensitive sectors (procedures); improve ex-ante notification discipline and ex-post monitoring of Agency’s decisions and opinions;

3.2 Development, publishing and distribution of leaflets on the operation of the inventory.

3.3 Provide expertise on structuring of inventory on a regional level.

3.4 Deliver training on regional and local level on state aid policy and rules, including reporting and operation of the inventory; provide awareness raising of aid providers and disseminate information to the courts. It is envisaged that the training will be delivered in approximately ten selected regional centres (zupanijas’ centres) in a module of one-day seminar at regional self-government unit responsible for providing state aid + one-day seminar at a regional court.

3.5 On-the-job training in order to deepen and specialize the knowledge in state aid case law, economics and procedures.

3.6 Awareness raising activities concerning state aid policy targeting the business sector and public companies (such as leaflets and workshops)

3.7 Deliver training to business sector specifically targeted at sectors receiving state aid – selected companies to receive one-day to two-day seminars on state aid system.

State Aid

- Training on state aid database developed under CARDS 02 twinning for regional and local government
- Training and seminars on state aid policy and rules for CCA (regional and local level)
- Awareness raising campaigns
- Production, publicity and printing of leaflets.
- Design necessary for the application of the database on a regional level.
| Supply subproject: IT supply:  
1. Design and structure, as well as implement a new competition database which would include all past and present cases within the CCA. Database should be designed based on the existing draft of the database structure. It would include past cases, dating from the beginning of Agency’s activities in 1998 until 2004 and the ongoing ones from the beginning of year 2005.  
2. Training of CCA staff on management and operation, as well as maintenance of the database. | Development of software and applications and supply of necessary equipment for the database (supply contract) - 0.4 M€ |
Annex 2. Detailed Implementation Chart

<table>
<thead>
<tr>
<th>Strengthening of Capacity to Manage and Enforce the EU Competition and State Aid Policies</th>
<th>Detailed Implementation Chart</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td>1. Twinning Contract</td>
<td>T T C R R R R R R R R R R R R R</td>
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<tr>
<td>1.0 Institutional capacity</td>
<td></td>
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<tr>
<td>1.1 Competition</td>
<td></td>
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<tr>
<td>1.2 State Aid</td>
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<tr>
<td>2. IT Supply Contract</td>
<td>F F T T T T T T T T T T T T T T T T T T T T</td>
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<tr>
<td>2.1 Database development</td>
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</tbody>
</table>
Annex 3A. Cumulative contracting schedule

<table>
<thead>
<tr>
<th>Strengthening of Capacity to Manage and Enforce the EU Competition and State Aid Policies</th>
<th>Cumulative contracting schedule by quarters in EUR (provisional)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td></td>
<td>I</td>
</tr>
<tr>
<td>1. Twinning Contract</td>
<td>1.500.000</td>
</tr>
<tr>
<td>2. IT Supply Contract</td>
<td>300.000</td>
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<tr>
<td>Audit</td>
<td></td>
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<tr>
<td>TOTAL (EUR):</td>
<td>1.800.000</td>
</tr>
</tbody>
</table>
Annex 3B. Cumulative disbursement schedule

| Strengthening of Capacity to Manage and Enforce the EU Competition and State Aid Policies | Cumulative disbursement schedule by quarters in EUR (provisional) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 |  | 2007 |  | 2008 |  |  |  |  |  |  |
| | I | II | III | IV | I | II | III | IV | I | II | III | IV |
| 1. Twinning Contract | 1.020.000 | 1.020.000 | 1.020.000 | 1.500.000 | 1.500.000 | 1.500.000 | 1.500.000 | 1.500.000 | 1.500.000 | 1.500.000 | 1.500.000 |
| 2. IT Supply Contract | 300.000 | 300.000 | 300.000 | 300.000 | 300.000 | 300.000 | 300.000 | 300.000 | 300.000 |
| TOTAL (EUR): | 1.320.000 | 1.320.000 | 1.320.000 | 1.800.000 | 1.800.000 | 1.800.000 | 1.800.000 | 1.800.000 | 1.800.000 | 1.800.000 |

| Strengthening of Capacity to Manage and Enforce the EU Competition and State Aid Policies | Cumulative disbursement schedule by quarters in EUR (provisional) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 |  | 2007 |  | 2008 |  |  |  |  |  |  |
| | I | II | III | IV | I | II | III | IV | I | II | III | IV |
| 1. Twinning Contract | 1.020.000 | 1.020.000 | 1.020.000 | 1.500.000 | 1.500.000 | 1.500.000 | 1.500.000 | 1.500.000 | 1.500.000 | 1.500.000 | 1.500.000 |
| 2. IT Supply Contract | 300.000 | 300.000 | 300.000 | 300.000 | 300.000 | 300.000 | 300.000 | 300.000 |
| TOTAL (EUR): | 1.320.000 | 1.320.000 | 1.320.000 | 1.800.000 | 1.800.000 | 1.800.000 | 1.800.000 | 1.800.000 | 1.800.000 | 1.800.000 | 1.800.000 | 1.800.000 |
Annex 4 – Reference List of Legislation

• Competition:

- Competition Act, (Official Gazzette No. 122/03)
- Regulation on Notification and Assessment of Concentrations, (Official Gazzette No. 51/2004)
- Regulation on the Definition of Relevant Market, (Official Gazzette No. 51/2004)
- Regulation on Agreements of Minor Importance, (Official Gazzette No. 51/2004)
- Regulation on Block Exemption Granted to Certain Categories of Vertical Agreements, (Official Gazzette No. 51/2004)
- Regulation on Block Exemption Granted to Certain Categories of Horizontal Agreements, (Official Gazzette No. 158/2004)
- Regulation on Block Exemption Granted to Agreements on Distribution and Servicing of Motor Vehicles, (Official Gazzette No.105/2004)
- Regulation on Block Exemption Granted to Certain Categories of Technology Transfer Agreements, (Official Gazzette No. 2/2005)
- Regulation on Block Exemption Granted to Insurance Agreements. (Official Gazzette No. 54/2005)

• State Aid:

- State Aid Act (Consolidated version by Croatian Competition Agency), (Official Gazzette No. 47/2003; 60/2004)
- Regulation on State Aid, (Official Gazzette No. 121/2003)
- Ordinance on the Form and Content of the Notification and the Method of Data Collection and Keeping the State Aid Register, (Official Gazzette No. 11/2005)
- The Alignment Programme of the Existing State Aid Schemes to the Criteria Stipulated in Article 70 (2) of the SAA between the Republic of Croatia and the European Communities and their Member States, (Official Gazzette No. 125/2004)
- The Adjustment Programme of the Croatian State Aid System to the EU State Aid System. (Official Gazzette No. 125/2004)

For the texts see www.crocompet.hr