1 BASIC INFORMATION

1.1 CRIS Number: HR2005/5/4
1.2 Title: Active Employment Measures for Groups Threatened by Social Exclusion
1.3 Sector: 43010
1.4 Location: Croatia
1.5 Duration: 36 months

2 OBJECTIVES

2.1 Overall Objective(s)
To promote economic and social cohesion by increasing the employability of the most vulnerable groups in Croatian Society. As the employability of the most vulnerable groups in Croatia is very low, it is necessary to increase it by special measures that would be carried out through special program designed according to the needs of the groups threatened by social exclusion.

2.2 Project Purpose
In the context of the 'pathway approach' to labour market integration, to develop the capacity of labour market agents to carry out active labour market measures for groups threatened by social exclusion. Pathways can offer flexible responses to the needs of very different groups because they are the most effective in promoting integration.

2.3 European Partnership (EP) and NPIEU priority
The EP states that the medium priority is to continue efforts to improve labour market responsiveness and increase labour force participation.

Medium-Term Priority: Social Policy and Employment
The Medium Term Priority on Social Policy and Employment states that it is necessary to “continue alignment with the EU legislation on antidiscrimination, and to implement a comprehensive employment strategy with all relevant actors […] matched by capacity building for analysis, implementation and assessment”

EC Opinion Section 1: Political Criteria
1.2.3 Minority rights, protection of minorities and refugees
“Most Roma are not integrated into the Croatian society and suffer discrimination in all fields of public life such as access to employment…”

EC Opinion Section 3: Ability to Assume Membership Obligations
Chapter 13: Social policy & employment (new chapter No. 19)
“Croatia needs to develop a capacity for analysis, implementation and assessment of employment policies”

In order to prepare for the European Social Fund “Croatia will have to adapt its structures and legislation in order to create adequate administrative capacity for the management, implementation, monitoring, audit and control of Social Fund-type measures at both national and regional levels.”
Further progress is needed in the introduction of internationally comparable qualitative and quantitative indicators of social exclusion and poverty as well as methods for their calculation. In the framework of the future Joint Inclusion Memorandum (JIM), a specific analysis of social exclusion and poverty in the Croatian society will be carried out as a basis for future programmes for vulnerable groups such as pensioners, long-term unemployed persons, disabled persons, refugees and Roma, particularly in war-affected areas.

Specific legislation to tackle discrimination needs to be adopted. National measures to implement anti-discrimination provisions need to be taken. In this context, recent amendments to the Labour Code address a number of points covered by EC Directives (definitions of direct and indirect discrimination, harassment, burden of proof).

**NPIEU priorities connected to the project for example are:**

As stated in the NPIEU 2005 regarding Guideline 1 of the European Employment Strategy, active employment policies should -

“b) focus on long-term unemployment (exceeding 12 months) and especially those in danger of entering long-term unemployment.

c) include:
I. Education and training for job searching, including how to write a CV, application of various methods of job search, preparation for interviews, etc.
II. Acquisition of basic skills, including personal presentation, literacy and numeracy skills, team work, etc.

d) be integrated into the processes of the Croatian Employment Service with the aim of activating the unemployed. This means that the CES advisers will link the unemployed after six and twelve months with the existing measures of an active employment policy for persons in danger of falling into long-term unemployment.

e) Adequate techniques should be introduced (including monitoring studies) to evaluate the effect of individual measures from an active employment policy;...”.

**2.4 Contribution to the National Employment Action Plan and the Structural Funds Development Plan**

In preparation for the National Employment Action Plan, the European Commission and the relevant Croatian authorities (Ministry of the Economy, Labour and Entrepreneurship - MoELE) will complete a Joint Assessment Paper (JAP) which identifies the key challenges in labour market transformation in preparation for Croatia's participation in the European Employment Strategy (EES). In the context of promoting active employment measures for those excluded from the labour market, this project will contribute to this process.

A similar process will be completed under the Joint Inclusion Memorandum (JIM) where this project will also directly contribute.

In relation to the National Development Plan (NDP) which is currently under preparation, consistency will be ensured with both the JAP and JIM processes.¹ In

---

¹ The indicative deadline for the completion of the draft of both documents is expected to be December 2005.
this context, a key problem for Croatia to address is the fact that the share of long-term unemployment is around 50%. This project will specifically address this structural problem by increasing the employability of socially disadvantaged unemployed persons. The project will also contribute towards the implementation of the National Employment Action Plan as completed under the EES.

2.5 Cross Border Impact
Not applicable.

3 Description
3.1 Background and justification
“Under the principles of the European Employment Strategy it is recognised that the longer someone is unemployed the greater the chance that they will remain unemployed. Therefore, a key priority for labour market policy in Croatia is to reduce the flow of people into long-term unemployment. The causes of long-term unemployment include: low levels of employability brought about by poor education and lack of work experience; passivity in job search and reluctance to accept those jobs (mostly low paid) that do become available…”

The Croatian labour market is presently faced with a series of structural problems which must be addressed. This is reflected not only in a high unemployment rate but also in a high inactivity rate. The rate of long-term unemployment is around 50% of all unemployed persons. Following the ILO country review\(^2\) in the year 2003, more than 39.4% of the unemployed had been without regular work for more than two years. There is clearly an important link between long-term unemployment, on the one hand, and social exclusion and poverty, on the other.

Some of the groups of the unemployed which are especially vulnerable to the threat of social exclusion are, for example, the disabled, minorities, unskilled or low-skilled unemployed, war veterans and young people who have not found a job after school or college.

The Croatian Employment Service has been implementing since March 2002 the Active Labour Market Policy Programme, financed from the Government Budget. The programme consists of six groups of measures with the following goals: promoting the hiring of young persons with college education, promoting shorter and better quality college education, promoting a return to the place of residence, promoting incentives for young persons to remain in the Republic of Croatia, promoting the hiring of young persons in trades and promotion of the hiring of elderly people, disabled persons, persons with developmental difficulties and Croatian war veterans.

According to labour market experts, these employment measures have not always been successful. To increase effectiveness, efficiency and impact of these measures, full information about their performance would be necessary. At present, however, there is no systematic knowledge as to the success of the existing measures and the required measures for risk groups which are disregarded by the Active Employment Policy. This lack of information is due to the fact that there is no continued monitoring of the results and effects of the

\(^2\) ILO, Country Review of the Employment Policy of Croatia, November 2004, p.11
measures (see EC Opinion (p. 86) re. capacity building for the ESF). A comparison of the regional measures is also difficult as the CES bodies in the counties have implemented different types of measures to address the main labour market problems in their region.

These issues have rendered it difficult to actively involve the social partners and the Non Profit Sector into the formulation and the implementation of Active Employment Measures. However, when considering other instruments of the Employment Policy in the field of Active Labour Market Measures, the involvement of these stakeholders needs to be further developed. This is especially necessary because it keeps sensitive measures for the unemployed out of public discussion and gives the main stakeholders in the Croatian society the possibility to control the effectiveness of these measures. This will also lead to a better understanding of different types of active labour market measures and will ensure that the social partners accept the support of social groups threatened by social exclusion.

3.1.1 Technical Assistance

With regard to these issues, a systematic evaluation of the experiences with Active Labour Market Policy as a whole should be part of the Technical Assistance for the Croatian Employment Service. The TA also has to cover the design of a system of Active Labour Market Measures within Active Labour Market Policy Programme (ALM) and the training of a Management Team within the CES (Capacity Building).

- Systematic reflection of experience in the field of ALM: Lessons to learn by the results of a broad evaluation
  A comprehensive analysis should be the basis for each step in strengthening and developing the Croatian labour market policy. This evaluation has to cover not only the types of measures and their results but also key topics like the structure and the implementation capacity of the CES nationally and regionally, the involvement of other stakeholders, especially the social partners and civil society and the range of potential contractors, for example, in the training field.

  The evaluation results would indicate in which way should the staff be trained and prepared for future tasks, e.g. to take part in creating new ALMP, to learn how to deal with grants etc.

- Designing ALM on the basis of the evaluation results
  The findings of the analysis should help in the creation of a new Active Labour Market Policy Programme especially concerning the targeting of the groups of unemployed population or population threatened by unemployment. It should also help in capacity building of the CES staff directly involved in preparing, implementing and monitoring the ALMP.

  Based on the evaluation results it will be possible to develop a system of Active Labour Market Policy which targets the needs of the risk groups while taking into account the regional preconditions, the optimal capacity of the national and regional bodies of the CES and involving the stakeholders in decision making and monitoring.

- Capacity Building within the CES nationally and regionally will also be a precondition for implementing sustainable active employment measures
At present, there is a substantial lack of capacity within the CES to manage a grant scheme for the various risk groups prevailing within the labour markets. In this context, the CES as an institution has only very limited (and not systematically developed) experience in the realisation of active labour market measures. For example, concerning the knowledge of European mechanisms, there is no 'institutional memory' to ensure continuity in capacity building. Therefore, it is critical for TA to enable the institution to manage grant schemes successfully in order to further increase the employability of the labour market risk groups and to build bridges to new employment opportunities. Within capacity building activities it is necessary to train and support staff from various CES sectors who are directly involved in the ALMP to be able to carry out their tasks successfully and expertly, e.g.:

- to train counsellors how to deal with vulnerable groups (e.g. Roma population, people with disabilities);
- to educate analysts to monitor the ALMP;
- to establish and train the core group of experts (probably from university or institutes) that could be able to carry out evaluations of the ALMP;

3.1.2 Grant Scheme

Pilot measures to test actions for improving the employability of the socially disadvantaged unemployed.

3.1.3 Involvement of Stakeholders and Civil Society in the programming process

The project will be supported by the Social Partners and the Civil Society. In particular, the Croatian Employers’ Association, the Trade Unions and the National Foundation for Civil Society Development all expressed a special interest in contributing to the development and implementation of the project.

In general the involvement of the social partners into the formulation, decision making, implementation and monitoring of the Croatian labour market policy is not sufficient at present, especially concerning the trade unions. Above all, this is due to the lack of experience with the development of effective coordination. To this end, cooperation with the social partners within the field of active labour market measures will require further development.

The use of active employment measures is still in the early stages. In this phase, concentrated efforts on the part of all stakeholders are critical as the designing activities of this project will offer the possibility to establish a basis for systematic cooperation of the responsible institutions with the social partners.

In comparison, the cooperation with the civil society is a bit more developed but due to its weak social and political position is also in need of improvement. Nevertheless this is viewed as a good starting point given that the National Foundation for Civil Society Development is already involved in labour market activities (for example, it already participates in the building of territorial cooperation pacts in four regions financed by the CARDS 2003 programme).

3.2 Sectoral rationale

Not applicable

---

3All those civil society organizations that take part in the design of the grant scheme cannot participate in it.
3.3 Results

- **Result 1**: The effectiveness of the current active ALM in Croatia is thoroughly evaluated and the group of experts for an evaluation is established and trained.

- **Result 2**: A set of ALMs is designed, including an improved version of the current measures and other fully new ones. The CES staff is educated and acquainted with the principles, mechanisms, regulations and procedures that will be used within the IPA and ESF context.

- **Result 3**: The capacity of the CES staff dealing with ALMs (including Grant Schemes) is strengthened.

- **Result 4**: The employability of groups threatened by social exclusion is furthered.

3.4 Activities (including Means)

**Activity 1**: Evaluation of the active employment measures targeted at the unemployed people threatened by social exclusion implemented in previous years by the Croatian Employment Service and other public institutions

In order to implement the pathways approach to the labour market integration, the evaluation will have to cover at least the following components:

- Types of measures implemented at county level for the unemployed (inventory)
- Special arrangements within the measures to meet the needs of the target groups (for example: support of the participants by psychologists or social workers; training how to learn)
- Effectiveness of the measures in terms of number of participants, allocation of target groups, placement rates, skills gained in the measures
- Reasons for success / lack of success
- Opinions of the participants
- Efficiency and impact
- Capacity of the national and regional bodies of the CES to implement active employment measures in a systematic and comprehensive way

On the basis of the evaluation results, recommendations for the selection of measures will be designed which are targeted to the needs of the socially disadvantaged unemployed. If the existing measures are not sufficient for these target groups, new ones must be designed. The measures provided by the CES are not specifically targeted to the groups threatened by social exclusion and therefore there is a need to design well focused measures for these groups. The evaluation results of the existing measures targeted to vulnerable groups (e.g. elderly people, disabled persons) would help to avoid their undesirable effects and support the valuable outcomes that should be reflected in the recommendations.

Further tasks within this activity will include:

- Assist a Steering Group which includes the main stakeholders within the employment policy field to discuss the outcome of the evaluation and the development of adequate measures for the target groups.
- Decisions to be made with regard to the management preconditions within the CES and the steering committees at the county level by using existing structures.
- Develop a first draft of recommendations and circulate it within the human resources experts’ community.
- Draw up a final draft of the recommendations.
The issues covered by the recommendations should include

- In-depth analysis of the labour market needs and design of an ALM applicable to the groups at risk of social exclusion,
- Change and improvement of the structural conditions within the CES and its regional bodies for implementing active employment measures.

**Means:** Technical Assistance

**Activity 2: Grant scheme management**

In accordance with the activity 4 hereunder and given its character as pilot grant-scheme, the project will provide technical assistance for a correct selection of applicants and a smooth implementation of grant contracts, for that purpose technical assistance will be provided in a pre, on-going and post-grant setting.

**Pre-grant activities**

- Awareness raising among potential applicants to call for proposals: methods of awareness raising to explain the aims of active employment measures, the expected service of potential contractors, different steps of concrete information, e.g. information about the selection criteria;
- Train potential applicants in EC grant-scheme requirements.
- With ex-ante approval by the Contracting Authority, establish minimum standards for grant assessors and grant trainers, gather candidate application for assessors and grant managers, identify the best candidates and recruit them (at least 9 grant assessors and 10 grant trainers), after approval by the Contracting Authority.
- Arrange and provide training sessions as appropriate for the experience of the grant assessors and grant trainers recruited to ensure their familiarity with and confidence in following the applicable assessment procedures set out in the Grant Guidelines and “The Practical Guide to contract procedures financed from the General Budget of the European Communities in the context of external actions.” (PRAG)
- Assist in the assessment of administrative and eligibility compliance for the grant scheme published under this Phare 2005 allocation.
- Complete the process of assessment of applications in conformity with the Grant Guidelines and PRAG.
- Submit to the Contracting Authority the results of the assessment procedure along with recommendations of projects for funding.
- Participate in the meetings of the evaluation committee and present the assessment results.
- Based on the decision of the Contracting Authority as to which Projects to support, prepare in conformity with the PRAG all grant contracts for signature and submit these with a list of the obligated pre-payments to the Contracting Authority.

**On-going grant activities**

- Set up a grant monitoring system for all grant projects funded under the Phare 2005 allocation and record all grant payments within its database.
- Ensure that the grant manager visit each project during its first 6 weeks to assess grantees initial progress and potential need for support. Based upon these assessments the grant manager will plan and implement programmes of ongoing review and support of grant projects. Submit to the Contracting Authority a
monthly grant report showing progress, achievements and difficulties encountered within each grant project.

- Receive and process all narrative and financial reports from grantees and recommend their acceptance or rejection by the Contracting Authority and, where appropriate recommend and on approval carry out audits required.
- Prepare and submit to the Contracting Authority required payment requests accompanied by certification that financial and narrative reports have been received and approved.
- Not later than 12 weeks after the commencement of the grant projects arrange a workshop for all grantees to:
  - brief and train grantees as required to ensure they can fulfil grant reporting obligations;
  - obtain feedback and evaluation as to the process;
  - gather and exchange experience and lessons for the future.

Post-grant activities

- At the end of the grant projects publish and disseminate to VET schools and government bodies and institutions a compendium of projects funded showing detailed and consolidated results and lessons learned.
- Organise a one-day workshop for grantees and partner institutions for discussing detailed and consolidated results and lessons learned.

Means: Technical Assistance

Activity 3: Capacity Building for CES

The CES is an institution with 1,100 staff covering a Central Office, 22 Regional Offices and 90 Local Offices. The CES is expected to be a key player in the instrumentation and structures put in place under the future implementation of the EES. In this context, capacity building has been highlighted as an urgent need for the CES.

An initial support to the CES will be given by a M€ 0.5 CARDS 2003 project on the “Decentralisation and Reorganisation of the Croatian Employment Service (CES)”. The goal of the project is to strengthen the capacity for the adaptation to changes on the labour market within the Croatian Employment Service on the local, regional and national levels via decentralization. These projects will have a significant impact on institutional reorganisation and system development, but only has limited resources for the institution building necessary after the reorganisation and introduction of new systems. A significant programme of institution building is therefore planned to ensure that the benefits of the CARDS 2003 project are fully achieved. The exact detail of the institutional development requirements will be defined as one of the key outputs of the CARDS 2003 project and therefore cannot be defined in detail at this stage, but it is expected to focus a great deal on management to meet the requirements for Structural Funds Programmes. Additionally, on-the-job training will be given to strengthen the capacity of the CES to design grant schemes for the pilots and undertake their technical management (the financial management will be undertaken by the CFCU) under the PHARE 2005 and 2006, but also for the IPA and the Structural Funds post-accession.

The capacity building components within this particular project will also contain the following aspects:
• Develop a methodology for setting up a range of indicators that can be extrapolated and used to target initiatives and resources.

• Training of advisors dealing with risk groups (e.g. Roma, people with disabilities): special emphasis has to be laid on the needs of different groups and how these needs can be translated into components of adequate active employment measures; e.g. within the Cards 2001 “Labour Market Restructuring” project 26 advisors were trained in dealing with people with disabilities which was only the first step to attain the quality of work with this population of the unemployed.

• Training and support concerning the establishment of monitoring and evaluation systems: monitoring concepts that fit to the requirements of active labour measures, development of quality standards for monitoring and evaluation; cooperation with contractors.

• Change management within the field of active employment measures based on systems of monitoring and evaluation meeting the standards and procedures capable of handling the ESF programmes.

• Internal information methods to gain a proper cooperation of all relevant departments of the CES.

• Methods of cooperation with the relevant stakeholders outside of the CES to ensure their support for the active employment policy and its measures.

Means: Technical Assistance

Budget: For activities 1, 2 & 3 the budget will be € 1.25 million
Activities 1, 2 & 3 will be tendered as a single service contract (restricted tender).

Activity 4: Grant Scheme (pilot projects): Measures to increase the employability of the groups at risk of social exclusion

In the context of the 'pathway approach' to labour market integration the pilot projects have to test the possibilities of increasing the employability of the target groups. This means they have to be tailored to the needs of the socially disadvantaged unemployed. If these pilot projects are successful, they will lead to new broader programmes in the labour market policy. One of the outcomes within the programme should be that the agents on the labour market are acquainted and capable to cope with the principles, mechanisms, regulations and procedures concerning the IPA and ESF.

If measures are to be tailored to the needs of target groups it is usually necessary to combine different components such as the motivation of the participants, labour market orientation, vocational training (main component), clearing the social background, social skills.

Also in this scenario, the pilots will have an important function as they deliver information about the capacity of the potential contractors and give an overview concerning this market.

According to the Grant Scheme guidelines, eligible activities to be financed are:

• Training programmes for the target groups
• Professional guidance, career counselling and job mediation services
• Combined programmes (motivation, employment for public benefit, training, social skills)
• Any other innovative measure to assist the target groups enter or return to the labour market
• Training of human resource development (HRD) staff from municipalities, regions, enterprises and educational institutions on HRD planning and implementation

Eligible applicants:
• private companies providers of human resource development services (in guidelines for applicants the parameters for the participation of private companies will be strictly determined)
• VET schools, higher education and research institutions, as well as adult learning providers
• civil society organisations
• training institutions of the social partners and Chambers of Economy and of Crafts and Trades
• employment brokers

Eligible applicants will have their headquarters in Croatia and be registered as Croatian organisations according to the Croatian law.

Geographic coverage:
The financial resources will be available nationally, but with some preconditions. For example counties where local partnerships are established will be preferred.
Minimum individual grant size: € 50,000
Maximum individual grant size: € 150,000

Means: Grant Scheme

Budget: € 750,000 plus 25% national co-financing

The grant scheme will be operated in accordance with Section 6 of the Practical Guide.

3.5 Linked Activities
1. Key components of the EC CARDS 2001 Labour Market Restructuring project, which started in June 2003 and will have concluded by January 2005:
• Design and pilot-testing of qualitative labour market surveys, including medium-term forecasts of skills and training needs for use by regional employment services;
• The development of tools for career assessment/orientation and educational information and the training of counsellors from the employment services;
• IT development for the CES;
• Establishment of a Labour Redeployment Fund;
• Establishment of 3 to 7 Mobility Centres (local employment service units) on the premises of 3 to 7 companies that are undergoing restructuring in order to provide labour market services to redundant workers.

Main results achieved by the CARDS 2001 Labour Market Restructuring project relevant to this project:
• qualitative labour market surveys were designed and pilot-tested in 4 regions in Croatia (Zagreb, Osijek, Rijeka and Zadar) – 2,000 employers were included in the survey;
• the CES career guidance department strategy was developed and an action plan for this department will be developed by the end of 2005; 12 CES career guidance counsellors were trained as trainers to transfer skills to secondary school staff on how to inform students on their possibilities on the labour market; 26 CES counsellors were trained in November 2004 for work with disabled and hard-to-place unemployed persons;
• new IT equipment was purchased and installed;
• a Labour Redeployment Fund was established as a part of the existing Fund for Development and Employment;
• by April 2005, 7 Mobility Centres were established in companies or public institutions undergoing restructuring; both the Labour Redeployment Fund and the Mobility Centres will remain operational until November 2005.

2. The EC CARDS 2002 Local Partnership project, which is also managed by the CES, is to contribute to the implementation of regional development goals, as outlined in the Regional Operational Programmes, in the Zadar, Šibenik-Knin, Sisak-Moslavina and Vukovar-Srijem counties by appropriate human resource development (HRD) measures. In all 4 counties labour market surveys will be undertaken, HRD plans designed, and active labour market measures implemented, following the ESF approach. The same approach is scheduled to be replicated in 4 other counties in the frame of the CARDS 2004 Local Partnership project starting in the second half of 2005.

3. In the period 2002-2003, the UK Government (DFID) funded a project for the former Croatian Ministry of Labour & Social Welfare / Croatian Employment Service. In the framework of the project (completed in December 2004):
• A national employment policy and a National Employment Action Plan were drafted (June 2004) that drew on the EES and guidelines;
• A detailed analysis was undertaken of all passive and active labour market measures currently implemented by the Croatian Employment Service, and recommendations were made for their adjustment4;
• Training of key staff in the Regional Offices of the CES was undertaken (a total of 264 counsellors were trained), as well as a train the trainers programme (trainers are attached to the CES Central Office – 22 trainers were trained). The train the trainers programme encompassed training on how to deliver training on the following topics: counselling skills, marketing skills and handling difficult situations. The trainers were also trained on training needs assessment (TNA) development and training course design and they undertook an initial TNA of the whole CES organisation (Central, Regional and Local Offices) and developed short training programmes based on the identified needs. The trainers evaluated the impact of training on the performance of the staff. 22 CES Regional Directors received initial training on management skills development.

4. The EC CARDS 2001, 2002 and 2003 VET projects (the CARDS 2001 VET project started in March 2003, the 2002 project will start in 2005, etc.) aim at initiating a systemic reform of the secondary technical and vocational education system. This will be done through support to policy & legal development, labour market / sector analysis, VET profiles and curriculum development, school manager and teacher training, and equipment upgrading in pilot schools.

3.6 Lessons learned
The experiences in the new Member States of the EU, for example in the Czech Republic, in the Slovak Republic and in Hungary, show that the long-term unemployed and groups threatened by social exclusion are especially unmotivated to participate in measures of the active employment policy. In addition, their readiness for mobility is usually very low. This is quite understandable as they normally do not expect any improvement in their labour market position were they to move to other regions. This experience indicates that active measures must be focused on employability when it comes to target groups that are threatened by social exclusion. In these cases, employment measures have to be tailored to the needs of the target groups and this is of special concern in the proposed CES PHARE project.

Both the intended evaluation and the recommendations for a comprehensive redesign of the Croatian active employment measures will have special focus on the employability dimension. In the future, it should then be ensured that these measures are tailored to the needs of the target groups.

At the same time, it is necessary to start with pilot measures (Grant Scheme) to improve the low practical experience of the CES with this kind of active employment measures. We also know from both the old Member States (for example Austria in its first year after accession) and the new Member States that the use of the ESF often fails because of the lack of implementation experience. In other words: if the insecurity concerning the suitability of measures is too high, it takes a long time before the implementation is started.

As one of the main objectives of the PHARE is to introduce the Candidate Countries to the Structural Funds, adequate practical experiences are to be made as early as possible. Therefore, the implementation of active measures under a Grant Scheme can then be justified even when the results of the evaluation and the recommendations have not yet been determined. To support the CES with the implementation of pilot measures there will also be a contribution under Technical Assistance.

The international experience also shows that a lack of sufficient cooperation between the headquarters of employment services and their regional bodies can be an obstacle to implementation. In such cases, the regional bodies are not prepared to take on their part. In this project, the regional bodies of the CES will be supported by taking in the regional employment pacts. These pacts will function as steering committees and it is expected that this arrangement will contribute considerably to the success of the project.

3.6.1 The experience of ALM Programmes (ALMPs) in Croatia:
The funding for active programmes requires significant rationalisation and gives rise to severe swings in programme size and content. Programmes are poorly targeted and separate from wider labour market activation policies. Their impact is not evaluated. ALMPs should be designed to support the main thrust and objectives of employment policy and be closely linked to the counselling activities of the CES. New approaches including ‘workfare’ may be needed for people who
have been unemployed for many years and who are in receipt of welfare payments.

4 INSTITUTIONAL FRAMEWORK

The Contracting Authority for the project will be the CFCU, if accredited by the time of signature of the Financing Agreement. The project will be technically managed by the “Department for Implementation, Monitoring and Evaluation of Projects” within the CES.

As Contracting Authority, the CFCU will be responsible for all tendering, contracting and grant disbursement in relation to the ALM grant scheme. The CFCU shall further be responsible for:

• Establishing an appropriate project monitoring and evaluation system in accordance with the Practical Guide;
• Verifying the appropriateness of guidelines for applicants, issuing of calls for grant proposals in accordance with the Practical Guide, the evaluation and assessment of grant proposals recommended by the Evaluation Committee, the awarding and conclusion of grant contracts and the disbursement of grants to grant beneficiaries; and
• Publishing and regularly updating information and data on their Internet website, including Grant Scheme Annual Work plans, Guidelines for Applicants and tender notices;
• Establishing an ALM grant scheme Coordination Committee under its chairmanship with representation from the CES and MoELE. The purpose of the Committee will be to provide final advice to the CFCU on the approval of the annual work plan and guidelines for applicants (including the establishment of eligibility and selection criteria and co-financing basis). It will have particular responsibility for assisting the CFCU to agree final selection and co-financing criteria;
• Establishing the Evaluation Committee in accordance with the Practical Guide;
• Reviewing, approving and forwarding to the ECD for approval of all Programme Documentation, Guidelines for applicants and other similar documentation as required by the Practical Guide.

Assisted by a Consultant, the CES shall be responsible for the technical development and management of the ALM grant scheme. The CES shall also be responsible for:

• preparing, in conjunction with MoELE, an Annual Work Programme for the ALM grant scheme;
• promoting awareness of the ALM grant scheme among potential stakeholders and stimulating grant applications;
• appointing member(s) of the evaluation committee on the request of the CFCU;
• conducting site visits and project monitoring and evaluation and ensuring that grant beneficiaries comply with their contractual requirements with the CFCU and comply with EC Regulations.

4.1 Changes of the institutional framework by the results of the project:

In the context of the milestone approach the results of the evaluation of the design process and of the pilot projects will enable the CES to develop a consistent active labour market policy and therefore will also increase the efficiency and the effectiveness of their efforts in this field.
This includes that the knowledge gained also leads to changes in the institutional structure in terms of building special units both on national and on regional level which are responsible for the systematic use of active employment measures and for the integration of other stakeholders into decision making and monitoring.

4.2 Implementing responsibilities and coordination within the Government

The CES will be responsible for the implementing tasks. Its headquarters has to guarantee the management and the monitoring of the implementation. The CES is under direct control of the MoELE. This Ministry will be responsible for the coordination within the Government.

The CES has direct command over its regional bodies. In the regions where the project is implemented these bodies are responsible for the direct support of the contractors and for the steering activities together with other stakeholders. It is also responsible for collecting data for the monitoring of the project.

After completion of the project, the measures will be part of the standard instruments of the active employment measures of the CES or there will be further Technical Assistance to achieve this goal.

5 Detailed Budget

<table>
<thead>
<tr>
<th></th>
<th>Phare/Pre-Accession Instrument support</th>
<th>Co-financing</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€</td>
<td>National Public Funds (*)</td>
<td>Other Sources (**)</td>
</tr>
<tr>
<td><strong>Year 2005</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>jointly co funded</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant Scheme</td>
<td>750,000</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Investment support –</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sub-total</td>
<td>750,000</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>% of total public funds</td>
<td><strong>max 75 %</strong></td>
<td><strong>min 25 %</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Year 2005</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institution Building</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Contract</td>
<td>1,250,000</td>
<td></td>
<td>1,250,000</td>
</tr>
<tr>
<td>IB support</td>
<td>1,250,000</td>
<td></td>
<td>1,250,000</td>
</tr>
<tr>
<td><strong>Total project 2005</strong></td>
<td>2,000,000</td>
<td>250,000</td>
<td>250,000</td>
</tr>
</tbody>
</table>

(*) contributions form National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises
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 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 FI 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
Katančićeva 5
10000 Zagreb
Croatia

Senior Programme Officer Deputy
Mrs. Zrinka Blažević
Croatian Employment Service
Director General
Radnička cesta 1
10000 Zagreb
Croatia
6.2 Twinning
Not applicable. Evaluations are not carried out by civil servants but by qualified companies. Therefore twinning is not appropriate here.

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
Two types of contracts will be announced:
• service contract for technical assistance
• grant scheme.

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 project activity: within 9 months from the signature of the financing agreement
7.3 Project completion: within 36 months from the signature of the financing agreement.

8 EQUAL OPPORTUNITY
All activities of the project will give special attention to the matters of equal opportunity:

8.1 Technical Assistance and Twinning
• The evaluation will have a special focus on equal opportunity and on the activities of the CES to promote equal opportunity as a basic requirement within the active employment policy.
• In the design of recommendations, the questions of equal opportunities will be an explicit topic.
• The Technical Assistance for Capacity Building will take the aspects of equal opportunity as a special concern.

8.2 Grant Scheme
Concerning the Grant Scheme, equal opportunity will be guaranteed by the following precautions:
• The call for proposals has to point out that only tenders which are built on an equal opportunity in the proposed measures are accepted,
• In the measures themselves, there must be special arrangements for equal opportunity,
• The monitoring of the measures will have its own section of items to document the issues of equal opportunity

9 ENVIRONMENT
Not applicable

10 RATES OF RETURN
Economic rates of return cannot be calculated because they will depend on the nature of the individual applications.
11 INVESTMENT CRITERIA (APPLICABLE TO ALL INVESTMENTS)

11.1 Catalytic effect
Not applicable

11.2 Co-financing
It will be earmarked in the Budget of the CES for the year 2006.

11.3 Additionality
At the moment the active employment policy concentrates on subsidies for employers to support the hiring of unemployed people. The measures financed by the grant scheme of this project will concentrate on the employability of different target groups among the socially disadvantaged unemployed. They are in quality and quantity an extension of the existing labour market measures.

11.4 Project readiness and size
The guidelines for applicants and the terms of reference will be fully prepared by June 2005.

11.5 Sustainability
The project is fully in line with the EU best practices for fostering human resources development. The technical assistance activities and the pilot measures financed by the Grant Scheme will create a “know how” that is an absolute precondition for all further steps of extending active labour market policy in Croatia. The Government considers continuing with ALM for this target groups.

11.6 Compliance with state aids provisions
The project is in compliance with state aid provisions

12 CONDITIONALITY AND SEQUENCING
No preconditions are foreseen.

The major milestones for the project are:

- The completion of the project evaluation report
- The completion of a proposal with the re-designed and new ALM
- The completion of a CES staff training programme
- The publication of the call for proposals
- The signature of ALM project contracts

Annexes to the Project Fiche
Annex 1 – Logframe
Annex 2 – Detailed Implementation Chart
Annex 3 – Contracting and Disbursement Schedule
Annex 4 – Reference to Feasibility/Pre-feasibility Studies.
Annex 5 – List of Relevant Laws and Regulations
Annex 6 – Reference to Relevant Government Strategic Plans and Studies
## Active Employment Measures for groups Threatened by Social Exclusion

**Programme name and number**

**PHARE 2005**

<table>
<thead>
<tr>
<th>Croatian Employment Service</th>
<th>Contracting period expires: 30.11.2007</th>
<th>Execution of contracts period expires: 30.11.2008</th>
</tr>
</thead>
</table>

**Overall Objective**

To promote economic and social cohesion by increasing the employability of the most vulnerable groups in the Croatian Society.

**Objectively Verifiable Indicators**

- Increased employment of the groups of unemployed persons threatened by social exclusion

**Sources of Verification**

- Statistical data provided by the Croatian Employment Service
- Statistical data provided by the National Bureau of Statistics

**Project Purpose**

In the context of the 'pathway approach' to labour market integration, to develop the capacity of labour market agents to carry out active labour market measures for groups threatened by social exclusion.

**Objectively Verifiable Indicators**

- Beneficiaries of the measures are job ready

**Sources of Verification**

- Project reports

**Assumptions**

- Statistical data available for all target groups
- Unemployed persons willing to cooperate in the project

**Results**

**Objectively Verifiable Indicators**

- Evaluation report is finished
- Approved concept for improved and new measures of the Active Labour Market Policy
- CES staff is trained
- Pilot measures are tested

**Sources of Verification**

- Evaluation report
- Physical evidence
- Training attendance
- Grant contract

**Assumptions**

Sufficient number of contractors found

**Total budget:** 2,250,000 €  
**PHARE budget:** 2,000,000 €
Schemes) is strengthened
Result 4: The employability of groups threatened by social exclusion is furthered.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| 1. Evaluation of the active employment measures implemented in the previous years by the Croatian Employment Service and other public institutions targeted at unemployed people threatened by social exclusion (with special concern on the project target groups). | Technical Assistance: € 1.250.000 mil.  
Grant scheme: € 750.000 mil.  
National co-financing: € 250.000 mil. (25% of Grant Scheme) | Assumptions |
| 2. Design recommendations for improvement of existing measures and introduction of new measures. | Assumptions                                                                                         |             |
| 3. Capacity Building within the CES for managing a Grant Scheme            | Assumptions                                                                                         |             |
| 4. Implement active employment measures targeted at the socially disadvantaged unemployed. | Assumptions                                                                                         |             |

Preconditions
The role of the CES is cleared by the Government.
<table>
<thead>
<tr>
<th>Active Employment Measures for groups Threatened by Social Exclusion</th>
<th>Detailed Implementation Chart</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Contract</td>
<td></td>
</tr>
<tr>
<td>Grant Scheme</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Contract</td>
<td>C I I I I I I I I I I I I I I I I I I I I R R R A</td>
<td>T T T T T C C C C C C C C C C C C</td>
<td></td>
</tr>
<tr>
<td>Grant Scheme</td>
<td></td>
<td>I I I I I I I I I I I I I I I I I I</td>
<td></td>
</tr>
</tbody>
</table>

A A A
### ANNEX 3 – CONTRACTING AND DISBURSEMENT SCHEDULE

#### Active Employment Measures for groups Threatened by Social Exclusion

<table>
<thead>
<tr>
<th></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>Service Contract</td>
<td></td>
</tr>
<tr>
<td>Grant Scheme</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL (EUR):</strong></td>
<td>1,250,000</td>
</tr>
</tbody>
</table>

#### Cumulative disbursement schedule by quarters in EUR (provisional)

<table>
<thead>
<tr>
<th>Active Employment Measures for groups Threatened by Social Exclusion</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Contract</td>
<td>I</td>
<td>II</td>
<td>III</td>
</tr>
<tr>
<td>Grant Scheme</td>
<td>I</td>
<td>II</td>
<td>III</td>
</tr>
<tr>
<td>TOTAL (EUR):</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I</td>
<td>II</td>
<td>III</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ANNEX 4 – LIST OF FEASIBILITY STUDIES, FINANCIAL APPRAISALS, EIAs ETC
ILO, Country Review of the Employment Policy of Croatia, November 2004

ANNEX 5 – REFERENCE LIST OF LEGISLATION
• Labour Act (Official Gazette, No. 137/2004)
• Act on Job Placement and Unemployment Insurance (Official Gazette, No. 32/02; 114/03)
• Gender Equality Act (Official Gazette, No. 116/2003)
• Law on Benefits of Croatian Homeland War Veterans and their Family Members (Official Gazette, No. 108/96, 94/01)
• The Act on Vocational Rehabilitation and Employment of Disabled Persons. (Official Gazette, No. 143/02, 33/05)

ANNEX 6– REFERENCE OF STRATEGIC PLANS
• National Programme for Roma (October 2003)
• National Employment Action Plan (November 2004)
• The National Policy for Disabled Persons 2002-2006 (Official Gazette, No. 13/03)