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on  
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**Country Presentation by  
The REPUBLIC of CROATIA**

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**The Government of The Republic of Croatia**

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## **A. INTRODUCTION**

When a multi-party system and the first multi-party elections took place in 1990, and the Republic of Croatia adopted a new Constitution and declared its independence in 1991, the process of transition from a socialist to a modern society based on political democracy and open market economy was initiated. The Croatian Constitution has declared the right of ownership and entrepreneurship and the free market to be the foundations of the economic system in the Republic of Croatia.

The political aspect of the process of transition means not only the development of democracy and the rule of law, but also protection of human rights and freedoms, while the economic aspect includes privatisation and the opening of the economy to market forces and international competition.

These strategic goals cannot be met unless a legal and institutional framework is created that is compatible to frameworks existing in market economies in the international environment. Other conditions for the fulfilment of the strategic goals mentioned are macroeconomic stabilisation and economic restructuring as necessary prerequisites for the process of reconstruction, the dynamic growth of the economy and living standards together with socially, regionally and ecologically balanced development.

On the 22nd of May, 1992, the Republic of Croatia was formally admitted into the United Nations, thus becoming an active member of the international community.

## **B. GENERAL DESCRIPTION OF THE CROATIAN ECONOMY**

The Republic of Croatia is a Central European and a Mediterranean country, with an area of 56,538 km<sup>2</sup> and a population of 4,784,265 people. Croatia's most important natural resources are, first of all, the sea, with a well indented coast suitable for the development of tourism, maritime activities, ports, and shipbuilding, then agricultural and rich forest areas providing the basis for food production and wood processing, also relatively important oil and gas fields (annual production of 2 million tons of oil and 3 billion m<sup>3</sup> of gas covers 70% of domestic needs) and finally, rich reserves of non-metal raw materials.

Croatia's geographical location provides a link between Western Europe and South-eastern Europe on the one hand, and Central Europe and the Mediterranean on the other, thus allowing for the development of different forms of transit transport.

Human capital is the most precious development potential since the people of Croatia are well educated and trained and have a good industrial culture and tradition. Statistical data support this statement, as fully 69.5% of the 1.5 million working population have at least a secondary school education (53% hold a secondary school diploma and 16.5% hold a university degree).

In the year 1990, Croatia had a GDP of 15,350 million USD, or 3,200 USD per capita. Sectoral analysis of the economy shows the high and increasing importance of services. Industrial production is still important, although it recorded a fall over recent years, as a result of loss of markets and adjustments in relation to international competition. A decrease in building and construction activities, due to lack of investment, has also contributed to the decreasing share of industry in the Croatian economy. (See Table 1.)

**TABLE 1. Value Added Structure**

	1990.	1991.	1992.
Total value added			
structure by sector	100,0	100,0	100,0
1. Agriculture 1*	13,6	13,2	14,7
2. Industry 2*	34,1	30,2	30,3
3. Services	52,3	56,6	55,0
a) Traditional 3*	24,6	22,8	20,8
b) Other 4*	27,7	33,8	34,2

Source: Estimates made by the State Institute for Macroeconomic Analysis and Forecasting (SIMAF)

- \*1 Includes agriculture, forestry, hunting and fishing and water resources management
- \*2 Includes mining, oil and gas production, processing industry and building and construction
- \*3 Includes trade, transport, catering, tourism and crafts
- \*4 Includes financial and other business services, general government services and housing and municipal services

Traditionally strong utility sectors of the processing industry, such as clothes, footwear, and food products together with shipbuilding and chemicals have maintained a share of Croatia's international trade. Services are another important sector of Croatian economy, with tourism and maritime transport being especially well developed and earning important amounts of foreign currency ( net foreign currency inflows from tourism amounted to cca 1 billion US\$ in 1990). Croatia has a very open economy, a fact illustrated by the total value of exports and imports within the GDP. The ratio was 91% in 1990 and 102% in 1992.

In recent years, major changes have taken place in the ownership structure of the economy with small and medium-sized enterprises expanding to fill the existing gap in the business sector. The changes have been encouraged by a speeding up in the process of establishing new companies and privatising existing ones. (See Table 2.)

As a result of these changes, the private sector produced about 37% of the total value added in 1992, and provided employment for about 40% of the total labour force, including the self-employed and independent farmers.

**TABLE 2** Ownership structure of companies operating in the business sector of the Republic of Croatia

	Dec. 1990.	Dec.1991.	Dec.1992.	June 1993.
No. of comp. in the business sector	10.859	16.504	27.138	31.387
A. ownership structure:	100,0	100,0	100,0	100,0
- private	62,5	74,0	83,4	88,2
- socially-owned	33,5	21,8	12,9	7,0
- mixed	4,0	4,2	3,7	4,8
B. structure accord. to origin of capital	100,0	100,0	100,0	100,0
- domestic	93,3	98,5	98,0	98,1
- foreign and mixed	1,3	1,3	1,8	1,8
- unknown	5,4	0,2	0,2	0,1

Source: Domestic Payment Transfers Agency

The number of companies operating in mid-1993 was two and a half times bigger than at the end of 1990, with the largest number of business start-ups in trade, financial and other business services.

The importance of the so-called "socially-owned" companies within the business sector is still considerable, especially in regard to the level of capital invested and employment as most of them are large and medium-sized companies. The number of social companies operating in the business sector fell from 33.5% in 1990 to a mere 7% in mid-1993. Two thirds of these companies are in the process of being privatised. The private sector has been expanding not only in the number of companies but also in terms of capital, employment and overall activity. Therefore, its share of total capital employed amounts to 14.1%, share of employment is 34.2%, share in total business activity measured by revenues is 42.8%. and 51.4% share in profits is a clear indication of its superior efficiency.

Although Croatia has created a very liberal legal framework, foreign investments remain relatively low, with 2,184 foreign investment deals valued at 617 million DEM registered in 1992 while the 1,276 foreign investment deals registered in the first half of 1993 had a total value of 165 million DEM.

The overall performance of Croatian economy has deteriorated, due to the following factors: structural changes related to the process of transition to a market economy; loss of an important segment of former markets ( Eastern Europe and former Yugoslavia); impact of war ( destruction and blockade of one part of infrastructural and industrial installations, disruption of transport and other infrastructural links); and as a result of an increased risk factor. The fall of business activities was most evident in 1991, with negative trends slowing down over the following two years.

The cumulative fall in gross domestic product amounted to 32% in the period 1991-1993. War risk had a particularly disastrous impact on tourist activities, where results in 1993, although better than in the previous two years, only amounted to a meagre 25% of the prewar level. These developments caused the unemployment rate to double in comparison with the late eighties, as the growing private sector was unable to absorb the excess labour force. (See Table 3.).

**Table 3. Main Macroeconomic Indicators**

	1991.	1992.	1993.**
GDP (% change) *	-20.9	-8.4	-5.0
industrial product.(% change)	-28.5	-14.6	-5.0
tourism (% change)	-80.7	5.6	22.8
rate of unemployment	15.5	17.8	17.5
General Government deficit (%GDP)	-4.5	-3.0	-1.4
CAB (% GDP)	-5.5	3.7	1.0
CPI (annual rate of change)	149.5	937.3	1149.3

\* GDP 1991. i 1992. estimated by SIMAF

\*\* 1993. annual forecast by SIMAF

Growing budget expenditure as a result of increasing expenses for defence, care for refugees and displaced persons, growing social benefits, coupled with the fall in tax revenues (due to a reduced taxable base) resulted in a considerable fiscal deficit.

Inflation strongly increased due to an increase in the existing overall disequilibrium present both in the real and in the financial sectors.

Croatian international economic relations to some extent reflect the negative trends present in the domestic economy. After a drastic deterioration in international economic relations in 1991, the following two years have seen a gradual improvement, mostly due to increased earnings in tourism and increased transfers from foreign countries. As a result, total foreign currency reserves increased and amounted to 1.3 billion US\$ on 17 December 1993.

### **C. CURRENT ECONOMIC SITUATION**

The economic situation in Croatia at the end of 1993 and at the beginning of 1994 has developed under the decisive influence of Government anti-inflationary measures introduced in October 1993. Factors relating to ownership restructuring and to structural patterns still present in Croatian production and consumption were also influential. Another influence contributing to difficulties was the recession in the most important Croatian export markets.



Due to the introduction of a tight monetary and fiscal policy supported by income policies, i.e. the abandonment of the backward looking indexation of wages, exchange and interest rates, inflation was drastically reduced from a monthly increase of 40% in October to 1% in November, -0.5% in December 1993, -0.2% in January 1994 and 1.3% in February 1994.

Another important factor in curbing inflation was the stabilisation of the foreign exchange rate in the foreign exchange market due to an increased supply of foreign currency from the domestic sector, as a result of a heavily reduced overall dinar liquidity. Inflows of short-term foreign capital resulted in increased foreign exchange reserves held by the monetary sector in spite of the current account balance deficit.

The increased high demand for money induced by disinflation and coupled with a restricted money supply resulted in high real-term interest rates. A high disinflation has had no substantial adverse effects on production and employment levels as they are predominantly determined by structural factors.

Overall production levels have been levelling off due to low exports and weak home demand. Employment has been falling in the non-privatised business sector and has levelled off in the government services sector. Employment has been increasing slowly in the private sector.

There have been no major changes in the official unemployment figures, mostly due to the considerable level of employment in the informal sector of the economy. However, the process of company restructuring, coupled with bank rehabilitation in the second stage of the stabilisation program implementation, is bound to spur the gradual transformation of presently hidden unemployment into officially declared unemployment levels.

## **D. PRIVATISATION**

### **1. General Description**

Privatisation of the economy is a priority among the goals of economic policy. Not only is a market economy with a dominant private sector one of the main strategic goals, but it is also essential to privatise existing socially-owned companies and banks if long-term stabilisation and integration into the international economic system are to be achieved.

Although Croatia has already committed itself to privatising its economy there are some distinct differences that should be noted before any comparison is made with other Central and Eastern European countries undergoing a transition into a market economy.

Firstly, Croatia has an strong existing private sector in the form of small handicrafts, shops, hair salons etc.. Although this sector was in contradiction to the former centrally planned economy this was somehow allowed to exist due to the strong traditional ties with this sector in Croatia

Secondly, State ownership officially did not exist due to the "self-management" system that introduced a so called "socially-owned" status under the former system.

Therefore, the new democratic Croatian Government could not conduct a privatisation process as an official "owner" but rather as a regulatory "care-taker" body that monitored the transition of ownership and partial privatisation of so called "socially-owned" enterprises.

Thirdly, in recognising that some former socially-owned enterprises fell into the category of public enterprises/utilities, the new democratic Croatian Government separated these from the list of "socially-owned" enterprises undergoing transformation and has allowed individual privatisation/restructuring programmes to be made for each entity.

The fourth and last issue that needs to be taken into account is that over 80% of Croatian land is privately owned.

As can be seen by the above facts Croatia has some clear advantages when compared to other Central and Eastern European countries in privatising its economy due to the presence of existing private ownership. Also, it should be noted that Croatian citizens were very much exposed to "Western" cultures through the tourism industry which has always been a traditionally strong sector. This exposure was not only evident through tourism but also through the far less restrictive international movements/travel of its citizens compared with other former "communist" countries.

Privatisation of socially-owned companies is being carried out according to the Law on the Transformation of Socially-Owned Enterprises, which was adopted in the first half of 1991, with the Croatian Privatisation Fund being the central institution responsible for the transformation and privatisation process. An autonomous privatisation process in Croatian companies can take one or a combination of any of the four forms included in the Law: sale of entire companies or parts thereof, additional capital investments in companies, debt equity swaps, and free transfer of all remaining company shares to the Croatian Privatisation Fund and to the two Pension funds.

The present law on privatisation does not deal with privatisation of public enterprises, banks, insurance companies, cooperatives, ports, marinas, hospitals and schools. Special regulations will be passed to deal with these.

The process of privatisation is open to all domestic and foreign natural persons and legal entities. Domestic natural persons enjoy a discount on purchase of a stake not exceeding 20,000 DEM, i.e. a total stake not exceeding 50% of company value.

The process of privatisation, i.e. owner identification, saw a slow down in 1991 due to the war, but continued in 1992 and 1993, so that the first stage of the process is now almost complete. Most small and medium-sized companies (48% of the total number of companies and 10% of their total value) have been fully privatised, 37% of medium-sized companies representing 48% of total company value have seen the CPF and Pension funds become their minority owners with a 30% stake in ownership. The remaining 15% are large companies. They represent 42% of the total capital invested. State funds are their majority owners, with a 52% stake of their capital.

The second stage of the privatisation process, which started in the course of 1993, was initiated by the Croatian Privatisation Fund selling shares held in its portfolio by organising auctions and inviting public tenders. Trading also started in the off-the-counter secondary stock market both with fully owned shares and with those not yet fully owned

(purchased to be paid for in instalments).

A number of shares held by the Croatian Privatisation Fund will be used to compensate former company owners in the process of restitution, and a number of them will be distributed freely to certain groups of citizens.

The process of company privatisation is planned to be completed in the course of 1994 using a combination of flexible sales, other trading methods and free distribution of shares held in the Croatian Privatisation Fund portfolio. 1994 is the year in which the privatisation process in banks and public enterprises is scheduled to start.

Housing and other forms of accommodation was already to a large extent (75%) under private ownership. The process of privatisation has also been extended to the remaining 25% of housing and accommodation which was classified as "socially-owned". to date over 40% of this category has also been transferred into private ownership.

Macroeconomic stabilisation and the privatisation of most companies are expected to create the conditions necessary for successful restructuring of banks and companies, which in turn should result not only in their increased competitiveness but also in the increased competitive strength of the whole economy in the global market.

The process of structural adjustments will encompass modernisation of traditionally strong industrial sectors, continued market entry of new small and medium-sized companies and liquidation of companies without prospects. At the same time, expenses created by reduced employment levels will be transferred from companies to the state, as it is the responsibility of the state to ensure a well-developed network of social benefits so that social tensions cannot impede the restructuring process.

New legislation on companies, labour and related fields will come into practice during 1994 and 1995 and will provide a legal framework compatible with international standards, thus creating prerequisites for the development of all the labour and capital market institutions needed in a fully operational market economy, and also ensuring the flexibility necessary for the smooth running of the structural adjustments process.

Foreign investments are considered to be a very important element of economic restructuring and reconstruction. That is why the entire legal and macroeconomic framework will be geared towards ensuring liberal, stable, and encouraging conditions for all kinds of foreign investments.

## **2. Update of Results from the Privatisation of the former "socially-owned" sector**

The Government of the Republic of Croatia through its Croatian Privatisation Fund (CPF) is in the final stages of completing the transformation of "socially-owned" enterprises into joint-stock or limited liability companies that have defined ownership structures. Regardless of the circumstances under which this transformation is taking place, significant achievements have been made in actually privatising the majority of the share capital of the former "socially-owned" enterprises.

According to the **Law on the Transformation of Socially-Owned Enterprises**, which came into effect in April 1991, **2877** applications for autonomous privatisation/transformation have been received of which **2349 (82%)** have been given approval by the CPF to proceed with the selected model of privatisation. Several amendments to the Law have been made since it came into effect to improve the actual privatisation process, however, the main objective still remains, that is, to transform the enterprises into companies with transparent owners. From the **2349** companies that have been given approval by the CPF, **1907 (81%)** have registered as of the **20th of January 1994**. Please refer to **Figure 1** for a graphical summary of the privatization process in Croatia.

In order to better understand **Figure 1** the following information should be noted.

- Former "socially-owned" companies that opted for an autonomous privatisation process had to submit an application to the (CPF) by the end of June 1992. (A small percentage of companies were granted extensions due to war damage or inaccessibility in temporarily occupied areas).
- The CPF, once it received the applications, screened the auditing and legal documents prior to giving approval to ensure that the transformation will be carried out according to the Law.
- Once approval has been given by the CPF the current procedure is for the enterprise to invite employees, former employees and other Croatian citizens to subscribe to a maximum of 50% of the Asset value of the enterprise. The remaining 50% (plus the remainder of the first 50%, if valid) is publically offered for sale by the CPF under a closed tender system.
- Two thirds (2/3) of the unsold portion is automatically transferred to the CPF, whereas, the remaining one third (1/3) is transferred in equal portions to the two Pension Funds.
- Regardless of whether a "private" owner was found in the first stage of the privatisation process the ownership structure is clear and the company undergoes a registration process with the commercial courts.
- Those former "socially-owned" companies that did not submit an autonomous application automatically were transferred (100%) to the CPF as of the 31st of December, 1992.

**Table 4** gives details of the actual data from the privatisation process based on the **1907** companies that have been registered. Considering the current economic, political (war/aggression) and social conditions the results are very promising and indicate a high success rate.

# Autonomous Privatization (as of 20th January, 1994)

30th June 1992

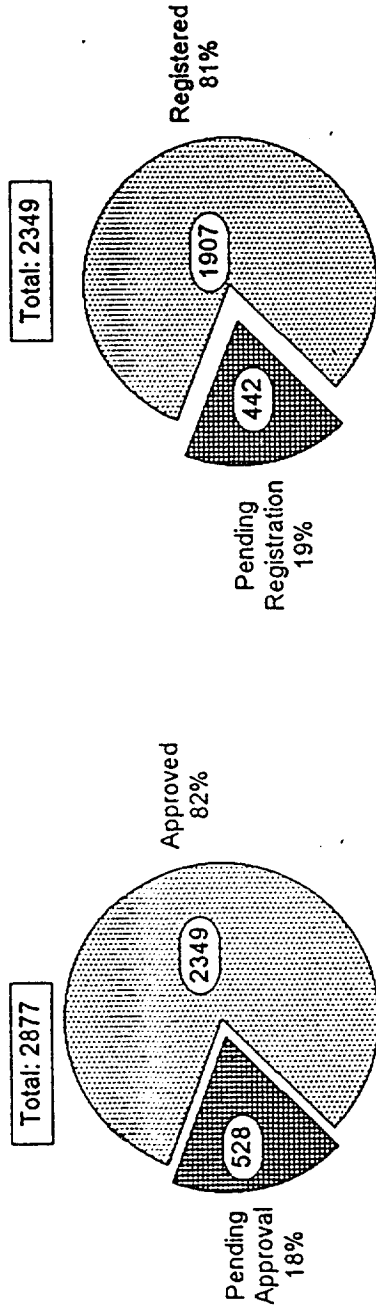
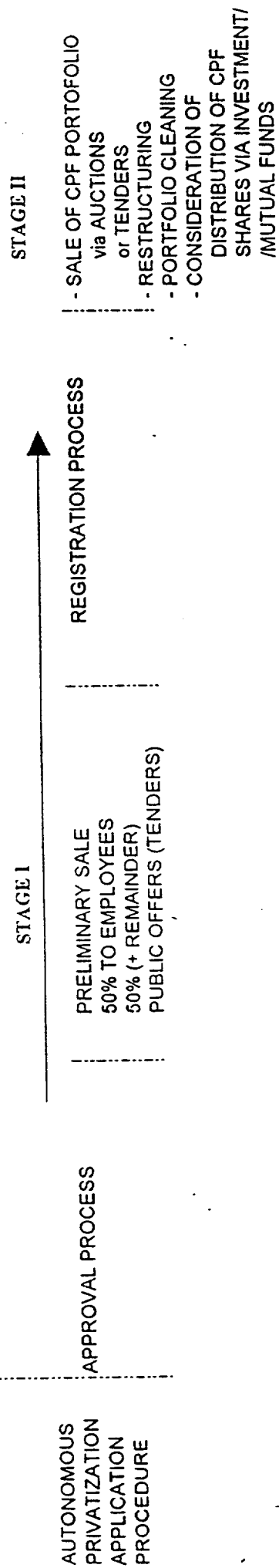


Figure 1



AUTONOMOUS PRIVATIZATION APPLICATION PROCEDURE

Although the process of approval by the CPF has almost been completed many companies are still undergoing the registration formalities with the commercial courts and therefore a detailed analysis at this stage can only be made for the 1907 that have actually been registered up to the 20th of January, 1994.

According to the 1907 registered companies 890 (46.7%) have been completely (100%) privatised (i.e. not including the State (CPF) or the two Pension Funds). Actually, the percentage of companies that can be considered to be able to operate as "private" companies is much higher (85.5%) if the companies with a CPF minority stake are taken into account. This is of particular importance as the CPF, in the companies where it has minority stakes cannot make decisions that are contrary to the wishes of the majority, truly private, shareholders. Figure 2 below shows the ownership structure according to the number of registered companies.

A large proportion of the small and medium enterprises have achieved high levels of privatisation compared with the larger companies and as a result it is better to show the ownership structure according to the total share capital of the 1907 registered companies. Figure 3 below shows the distribution of the total assets, whereas Figure 4 shows the proportion of the three major shareholders i.e. private, CPF and Pension Funds. It should be noted that the CPF is bound by Law to shed its portion (34.1%) of the total assets to private owners. This is currently being done by various methods the most prominent of which is direct sales via public auctions and tenders.

The total revenue from the process of privatisation to date amounts to 614.3 million DM. This is far short of the total Asset value of the privatised shares, however, this can be explained by the fact that the majority of shares have been purchased on an instalment basis over a five year period. This form of purchasing shares by the employees, former employees and other Croatian citizens was introduced to alleviate the hardships due to the impact of the war-aggression and unfavourable economic conditions that reflect upon the standards of living of Croatian citizens. Also, a method of paying for shares with "frozen foreign savings accounts" has been introduced to reduce the public debt that was inherited from the former system. Figure 5 shows the total revenue accrued from the privatisation process to date.

Unfortunately, due to the excess number of companies being offered for sale not only in Croatia but also throughout Central and Eastern Europe, many shares will remain in the hands of the CPF indefinitely as there is a general lack of demand from investors (both foreign and domestic). The problem is further aggravated by the fact that many Western countries are at the same time privatising far more attractive companies in much more stable environments.

For this reason the Croatian Government and the CPF are looking at various means of further privatising its portion of shares within the transformed enterprises. Portfolio cleaning and restructuring programmes are being considered for the companies where the CPF has a majority stake, especially in companies that have potential buyers. A distribution of CPF portfolio shares is also being considered via "Investment or Mutual Funds". Stage two of the privatisation process has already begun and will be accelerating with the further improvement of the economic environment as a result of the Croatian Government's stabilisation efforts.

INFORMATION ON THE TRANSFORMATION OF 1907 COMPANIES

Table 4

	100% PRIVATIZED COMPANIES	CPF MINORITY SHAREHOLDING	CPF MAJORITY SHAREHOLDING	TOTAL
NUMBER OF COMPANIES	890	739	278	1,907
SHARE CAPITAL	1,404,723,858 DM	7,672,960,160 DM	7,627,938,867 DM	16,705,622,885 DM
SOCIAL CAPITAL	1,296,686,517 DM	6,858,740,533 DM	7,362,223,004 DM	15,515,650,054 DM
COMPLETED FURTHER CAPITAL INVESTMENTS	42,662,818 DM	83,235,441 DM	59,636,695 DM	179,534,954 DM
TRANSFORMED RECEIVABLES INTO SHARES (DEBT - EQUITY SWAP)	35,962,542 DM	614,220,200 DM	39,453,616 DM	689,636,358 DM
GOVERNMENT BONDS	7,020,445 DM	109,430,070 DM	60,923,667 DM	171,374,182 DM
TRANSFORMED PARTICIPATION / INVESTMENTS INTO SHARES	38,012,659 DM	84,880,593 DM	136,454,465 DM	259,347,717 DM
NUMBER OF BUYERS	68,623	238,754	85,802	393,179
AMOUNT	1,269,828,121 DM	4,292,070,858 DM	1,272,795,126 DM	6,834,692,105 DM
TRANSFERRED TO THE FUNDS	0 DM	2,471,817,345 DM	6,109,485,978 DM	8,581,303,323 DM
SOLD	90.40%	55.94%	16.69%	40.91%
FURTHER CAPITAL INVESTMENTS	3.04%	1.08%	0.70%	1.07%
DISCOUNT FOR FURTHER CAPITAL INVESTMENTS	1.31%	0.26%	0.00%	0.33%
TRANSFORMED RECEIVABLES INTO SHARES (DEBT - EQUITY SWAP)	5.27%	9.11%	2.31%	5.68%
GOVERNMENT BONDS	0.50%	1.35%	0.80%	1.03%
FUNDS	0.00%	32.21%	80.09%	51.37%
TRANSFERRED TO THE CPF	0.00%	21.48%	53.40%	34.25%
AVERAGE SHARE CAPITAL	1,578,341 DM	10,382,896 DM	27,438,629 DM	8,760,159 DM
AVERAGE NUMBER OF BUYERS	77.10	323.08	308.64	206.18

Source: Croatian Privatization Fund, January 31, 1994

Figure 2

**OWNERSHIP STRUCTURE**  
According to the Number of Registered Companies  
Total = 1907

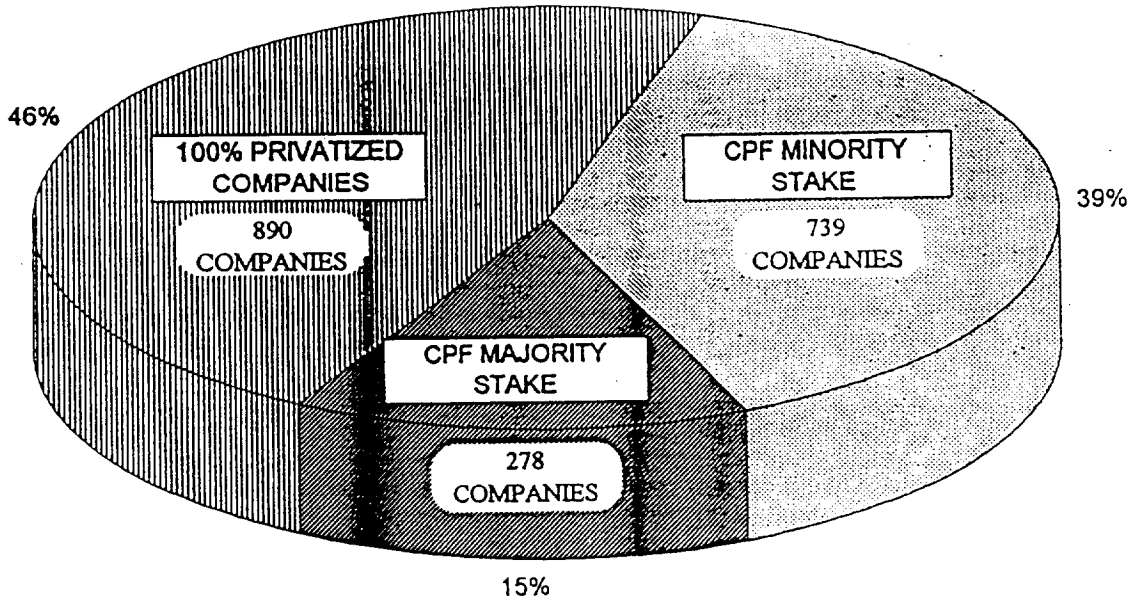




Figure 3

DISTRIBUTION OF TOTAL ASSETS  
FROM 1907 REGISTERED COMPANIES

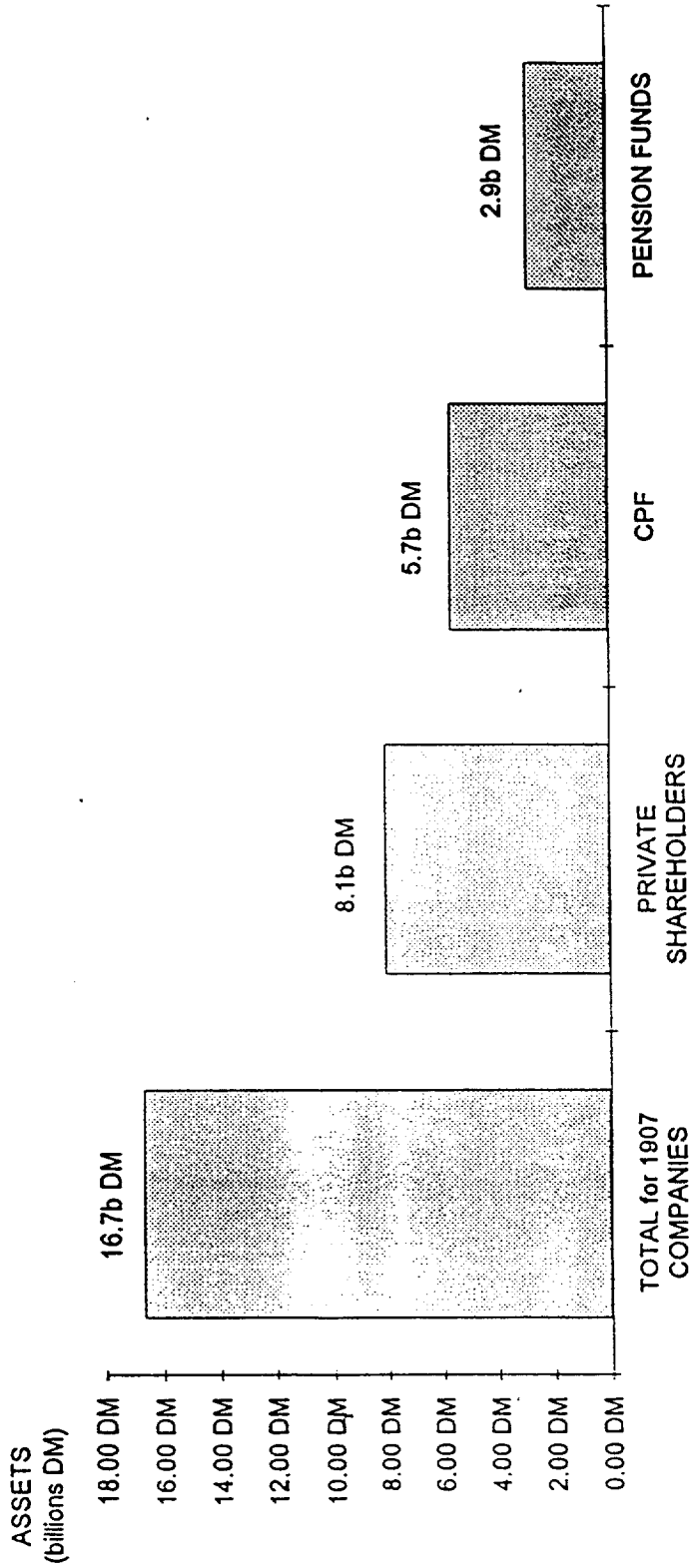
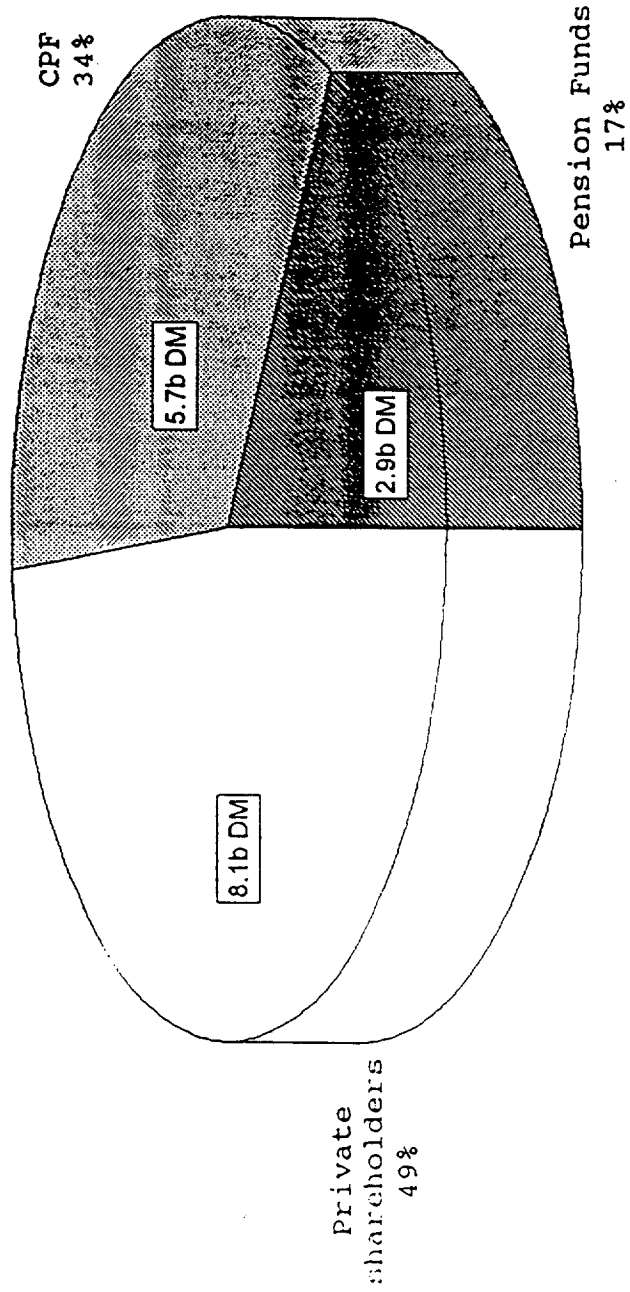


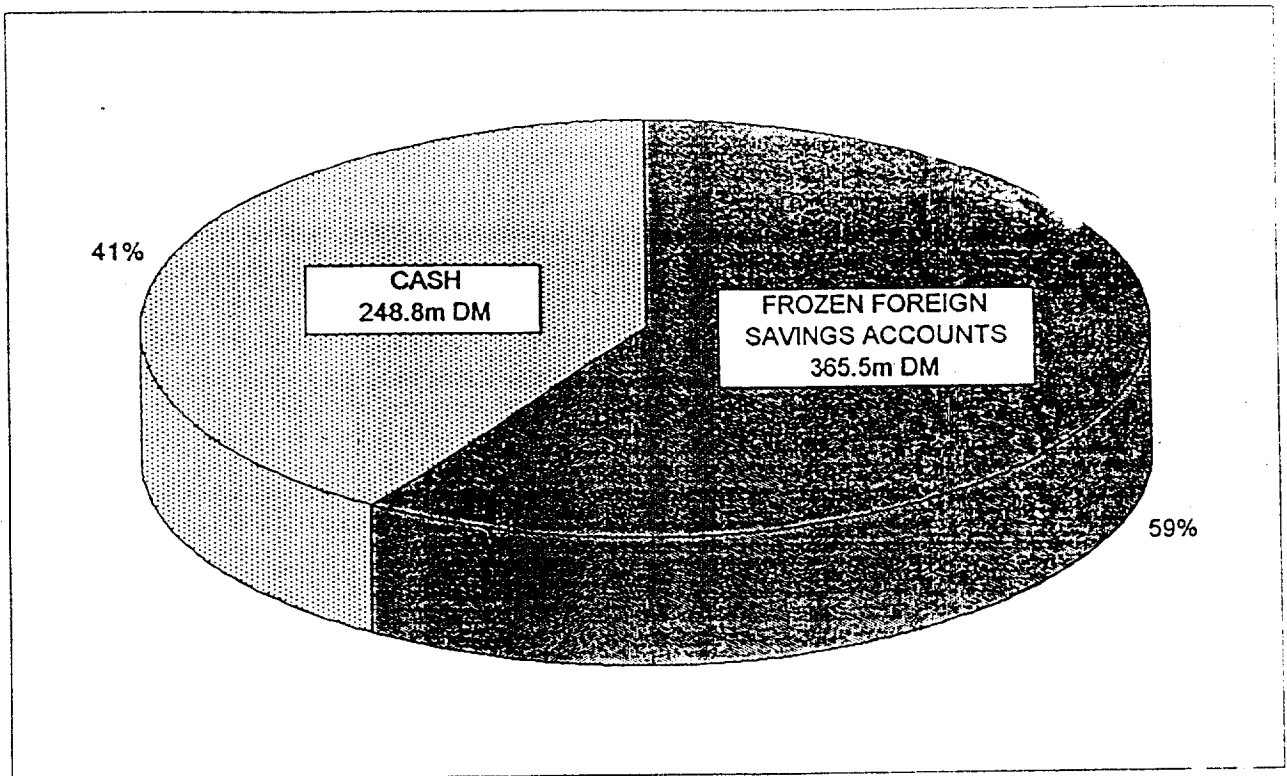
Figure 4

**OWNERSHIP STRUCTURE**  
ACCORDING TO THE SHARE CAPITAL (= 16.7b DM)  
OF 1907 REGISTERED COMPANIES



TOTAL REVENUE FROM THE  
PROCESS OF TRANSFORMATION/PRIVATIZATION  
(614.3 mDM)

Figure 5



### **3. Other Privatisation Areas of Interest to Croatia**

The Republic of Croatia is very aware of the fact that the public enterprise sector is a problem area that needs prompt attention. With this in mind it established an Office for the Economics and Restructuring of Public Enterprises. Several companies that were initially put on the list of Public enterprises have now been taken off this list as individual restructuring and privatisation programmes had been adopted for the respective enterprise. Examples of these are the "INA" Petrochemical Industry and the "PLIVA" Pharmaceutical Industry. Further restructuring and privatisation programmes are being developed for each of the remaining public enterprises particularly in the utilities and services sector. It should be noted that the public enterprise sector was not subject to the Law on the Transformation of Socially-owned Enterprises.

Other privatisation areas of interest is the agricultural, medical, educational and cultural sectors. Each of the Ministries that are responsible for each respective sector are looking at means of privatising certain areas within these sectors. The phasing in of privatisation is essential as these sectors are very sensitive and no mistakes can be afforded. Many models and experiences from other countries are being considered in order to avoid the same mistakes.

Although the Pension Funds in Croatia are independent, the current situation represents a burden upon the State budget as they do not have enough funds of their own to meet the requirements of existing pension payments. Methods of privatising this sector are also being considered in order to alleviate the problem of insufficient funds and also for increasing the efficiency of their operations.

Due to the inherited poor economic condition the Croatian banking sector has not been able to restructure in time to assist the on-going privatisation process. The Croatian Government will be assisting the four major regional banks in order to rehabilitate them financially, however, it has liberalised the banking laws to allow the introduction of foreign banking into the economy. With the improvement of the political situation many foreign banks have already applied for operating licences from the National Bank of Croatia which now acts as the central bank. The Banking sector in Croatia already has played a vital role in the privatisation of former socially-owned enterprises, namely through Debt/equity swaps, Management and/or Employee Buy-outs, use of frozen Foreign Savings Accounts as forms of paying for shares. The role of Croatian banks in the privatisation process will further increase especially with the inflow of foreign capital and investments.

## **E. CONCLUSIONS**

In spite of the inherited problems and the heavy war/aggression and refugee burden, the Republic of Croatia began to change its laws and infrastructure to adopt a system of a free market economy. In support of this policy it began to transform and privatise its socially-owned sector with the introduction of the Law on the Transformation of Socially-owned Enterprises in April of 1991. The process of transforming this sector will be complete during 1994 and the further privatisation of the shares that were temporarily transferred to the Croatian Privatisation Fund is continuing using various commercial methods.

Through its commitment to achieve a total transition into a free market economy the Government of the Republic of Croatia is also seriously considering privatising other areas of the economy especially the in the utilities and services sector. The previous results discussed in this report clearly show that the private sector is fast becoming a dominant sector within the Croatian economy and that all future actions of the Croatian Government are directed at supporting this sector and its development both on the domestic and international markets.