

THE GOVERNMENT OF THE REPUBLIC OF CROATIA

**PROPOSAL FOR TOURISM DEVELOPMENT STRATEGY
OF THE REPUBLIC OF CROATIA UNTIL 2020**

Zagreb, February 2013

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Tourism Development Strategy of the Republic of Croatia until 2020

1. Starting point

Since the formation of the independent nation state, Croatian tourism has gone through a twenty-year transition process burdened with all the problems and contradictions of the economic and social development of the country. Carrying the burden of inherited and fairly ineffective business structure, and faced with the consequences of the war and the effects of different and often below par privatisation models, Croatian tourism still managed to show its vitality thanks to the strength and interest of the international market, the attractiveness of the country, and most of all the resilience of tourism as a reaction to occasional global events.

Despite all the troubles that Croatia faced in the recent past, tourism has had significantly better business results, especially since 2000, and in the Global Financial Crisis it has shown good resilience over several years, which has been confirmed in higher growth rates from those achieved in its competitive environment (the Mediterranean).

It is likely, however, that with joining the EU Croatia will be facing new challenges, as well as new opportunities in tourism. The European Union recognizes Croatia as a tourism destination with great potential, and our task therefore is fully to use that potential in the interest of our own prosperity, and to use the sustainable development value system and EU competitive strategy in the field of tourism.

In this context, the main development document of Croatian tourism, "Tourism Development Strategy of the Republic of Croatia until 2020", created in the anticipation of Croatia's imminent accession to the European Union, should provide direction and open new areas for the development of tourism in the coming period.

Pronounced economic and political instability at global level and in the European Union, new conditions of Croatia's micro-environment as well as dynamic changes to consumer expectations in the global tourist market all point to the necessity of re-examining the current tourism development model in Croatia with the aim of implementing developmental guidelines and operative strategies for the coming period. Thus, Tourism Development Strategy of the Republic of Croatia until 2020 both answers the question what type of tourism does Croatia wish and need to develop, and determines key activities of tourism policy aimed at ensuring production, institutional, organisational and human preconditions for the improvement of competitive capacities of Croatian tourism, while using resources based on the principles of responsible and sustainable development. Finally, since this is a document which should ensure Croatia's integration into a consolidated tourism policy of the European Union, Tourism Development Strategy of the Republic of Croatia until 2020 represents a complete conceptual framework which enables:

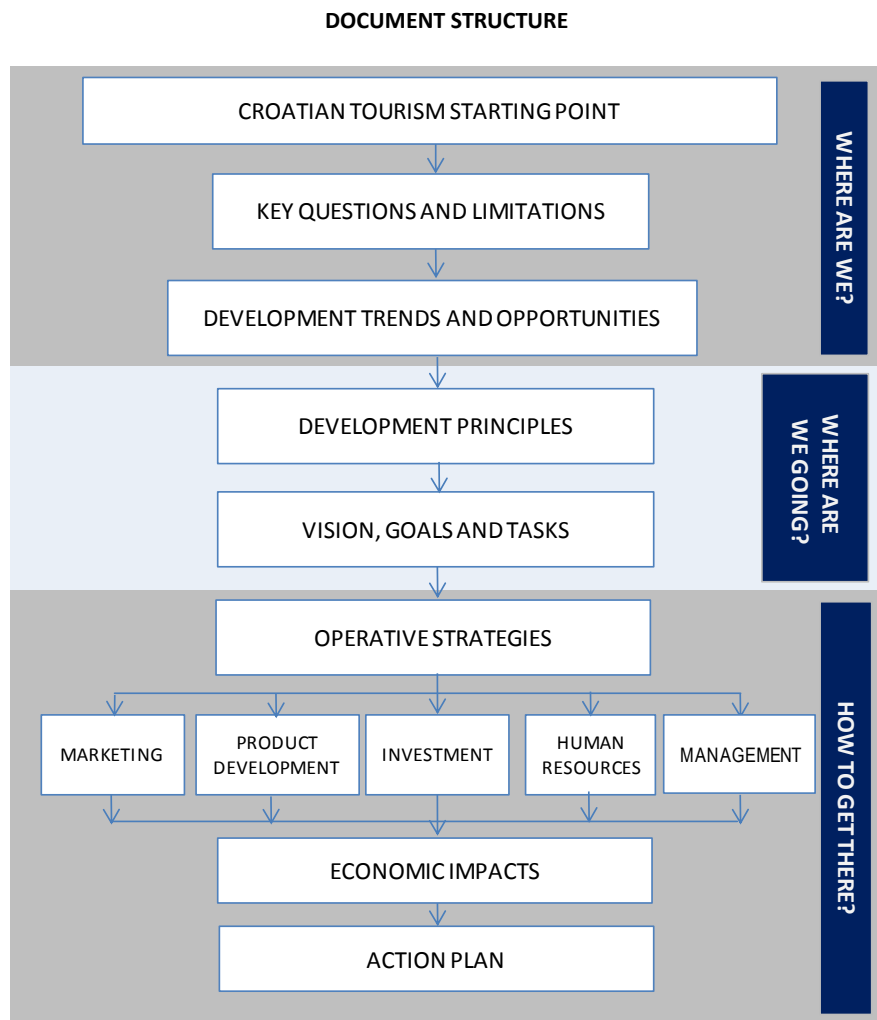
- Coordinated action from the tourism policy makers and systematic compliance with tourism policy measures;
- Complete understanding of key directions for the development of Croatian tourism as a prerequisite for attracting interest of potential domestic and foreign investors; and
- Targeted guiding of the development and investment process, and effective use of EU funds.

Tourism Development Strategy of the Republic of Croatia until 2020 analyses key indicators of achieved development as a starting point, considers limitations and development possibilities which are visible from relevant development trends in the global environment, and recognizes key success factors on which Croatian tourism policy should focus in the period leading up to 2020.

Results from the "status quo" analysis, together with the defining of key development principles, form the premise for the introduction of a new development vision, strategic goals and tasks which need to be completed by 2020. Development principles are a reflection of both the understanding of development

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processes and expected changes in the macro-environment, and of the need to implement pre-conditions for the development of Croatian tourism that is sustainable and competitive in the long run. Based on this, a new value system is introduced which is adapted to the market, and from which development strategy and strategic goals until 2020 are derived.



The final section of the document refers to the implementation of a defined vision and strategic development goals. The emphasis is placed on operative strategies in key areas of activity. These are activities aimed at the development of the product, improvement of accommodation capacities and tourism infrastructure, investments, marketing, strengthening of human resources, and the management of tourist development. Finally, an action plan expands on the system of priority measures of the tourist policy that are mainly aimed at removing the existing limitations for development.

2. Croatian Tourism Today

2.1 Tourism offer

2.1.1 Attractions

Croatia belongs to the list of countries that attracts visitors more with the quality of its natural environment and the richness of its cultural and historical heritage, than the quality, availability and diversity of its new generation tourist attractions.

The sea, highly indented coast and its many islands, as well as protected natural beaches and the greenery and woods of the large part of its territory are certainly Croatia's main natural attractions. Croatia has a large number of protected natural environments and parks, especially given the total size of its territory, which places it amongst the top countries in Europe when it comes to bio-diversity. Areas along the rivers of Dunav, Sava, Drava, Una, Kupa and Cetina, as well as many other rivers and waters in the hinterland, currently under-developed for tourism, carry significant tourist potential. In addition to natural attractions related to the sea, such as Natural Parks of Brijuni, Kornati and Mljet, Croatia has many features related to the karst phenomenon such as waterfalls and travertine barriers of the Plitvice Lakes and the River Krka, rocks on the mountain of Velebit, caves, chasms and other karst attractions, as well as a large number of unique National and Nature parks in the continental parts of Croatia, among them Risnjak, Žumberak, Lonjsko Polje, Papuk and Kopački rit. Several national parks offer accommodation (National Parks Plitvice Lakes, Brijuni and Mljet).

The abundance of Croatia's cultural heritage also provides a significant part of its resource and attraction basis. This is borne out by the large number of cultural monuments that are under UNESCO protection, such as the historic centre of Dubrovnik, the Diocletian's Palace in Split, the Cathedral of Šibenik, the city centre of Trogir, the Euphrasian Basilica in Poreč, and the Stari Grad Plain, as well as the Roman amphitheatre in Pula, city centre in the city of Hvar, city walls in Ston, and a large number of buildings in the historic centre of Zagreb and many other cities and towns. It is worth noting that there are in Croatia more than one thousand castles and fortifications, a strong potential for future tourism development of those parts. More importantly, Croatia has the largest number of UNESCO-protected monuments in Europe, and it follows only China and Japan in the world. Despite their exceptional worth and total, only a small number of these natural, historic and cultural attractions are included in tourist and destination offers.

2.1.2 Tourist infrastructure

In contrast to the situation with the wealth of natural and cultural heritage, Croatia is exceptionally poor in newly built tourist attractions, such as contemporary congress centres, theme and fun parks, golf courses, visitor centres, carefully thought-through themed tourist routes and similar tourist offers, without which it is difficult to widen the internationally already recognizable mix, to activate tourism in continental Croatia, including the inland areas behind the coast, and to prolong the tourist season. Croatia today lacks centres for mountain and sport tourism that are active throughout the year, high-quality cycling tracks with their accompanying infrastructure and suprastructure, diving and sailing centres and other facilities necessary for high-quality and long-term positioning on the special interest tourist market.

2.1.3 Existing accommodation capacities

In 2011, Croatia had 852,400 permanent beds in registered commercial premises, of which 13% were in hotels, 25% in camps, 13% in other collective premises, and 49% in private accommodation.

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In the last decade, Croatia increased available accommodation availability by 25% measured by the number of permanent beds registered in commercial accommodation. The highest growth in accommodation was achieved in private accommodation (46%), followed by hotels (19%) and camps (12%), while other accommodation capacity decreased by 3%.

ACCOMMODATION CAPACITIES (BEDS) ACCORDING TO THE MAIN TYPES OF ACCOMMODATION AND HOTEL CATEGORIES, STRUCTURE IN % OF AND CHANGE RATE IN %

	Total Number of beds	Hotels					Campsites	Other collective capacities	Private (family accommodation)
		Total	5*	4*	3*	2* i 1*			
		Structure in %							
1989	861.216	15	3	19	74	5	35	19	32
2001	682.721	14	3	2	45	49	28	17	42
2005	784.600	13	5	9	54	32	26	13	48
2011	852.433	13	9	32	44	15	25	13	49
Variable rate %									
2011/2005 in %	9	10	94	292	-11	-48	5	5	11
2011/2001 in %	25	19	220	1.472	16	-63	12	-3	46
2011/1989 in %	-1	-13	175	49	-48	190	-28	-32	53

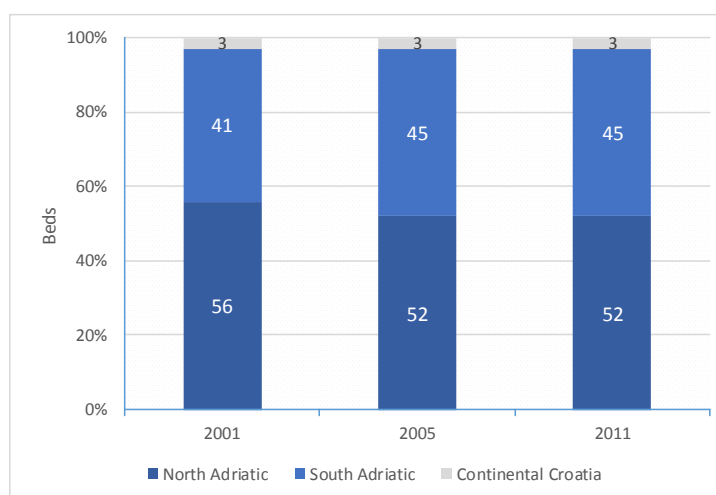
*Structure according to main types of accommodation: total number of beds = 100; structure according to hotel categories: total number of beds in hotels = 100.

Source: Online information system of the Institute for Tourism (BIST), original data CBS

Note: Hotel categories in 1989 were adjusted to the following categorisation: L=5*, A=4*, B=3*, C and D = 2* and 1*. Variable rates were calculated on absolute values of available capacity (beds).

The North Adriatic has the highest share of accommodation capacity (52%), with overnight stays higher by two percentage points than its capacity. The South Adriatic has a share of 45% of the total accommodation capacity in Croatia, with 3 percentage points less in overnight stays, while the continental part of Croatia has the same share in overnight stays and in accommodation capacity.

REGIONAL STRUCTURE OF ACCOMMODATION CAPACITY (BEDS), IN %



Source: Online information system of the Institute for Tourism (BIST), original data CBS

The structure of hotel accommodation for 2011 was dominated by 3* hotels with a share of 44% of permanent hotel beds, followed by higher category hotels (4* and 5*) with a share of 41%, and the remaining 15% were in 2* hotels. On average, five star hotels have 177 rooms, four-star hotels have 109 rooms, and hotels with three stars or less have around 80 rooms.

Apart from accommodation capacities in collective and private premises, Croatia's specific accommodation capacities also include 98 ports for nautical tourism. Of these, 50 refer to marinas with berths in the water, 11 to marinas with dry berths, the remaining 37 ports being characterised as places for anchoring, mooring, and as unspecified nautical tourism ports. By the end of 2011, nautical tourism ports recorded a total of 17,059 wet berths, and 5,231 dry berths. Just over half of these were vessels larger than 10 to 15 metres in length. Apart from nautical tourism ports with permanent and transit berths for boats and yachts, Croatia also has 240 ports and small ports with berths for boats and vessels of various sizes, which are mostly used by local people and businesses, but which have a limited capacity for commercial berthing. The number of ports for nautical tourism has in the last ten years increased by almost 50%, and the number of marinas by 20%.

2.1.4 General infrastructure and accessibility

The general traffic network and accessibility has been largely improved in the last ten years, which is primarily visible in the construction of the motorway system. Irrespective of that, it is important to point out that not enough has been invested in the infrastructure of regional and local roads, and although large and significant improvements have been made in the last decade, not enough has been invested in improving traffic and tourist signage, nor are there a satisfactory number of service stations on the roads. Problems exist in the organisation of traffic in tourist destinations, especially in relation to public transport, cycling paths, pedestrian areas and parking capacities.

The situation is a lot more unfavourable in other areas of traffic. This is a result of the lack of investment both into the traffic network and into improvement of the transportation system. The situation is particularly difficult with the trains, which due to poor quality of the tracks and slow speed have absolutely no significance for tourism. The situation with ferries is also poor in significant parts of the Adriatic, with infrequent and slow lines, especially between the islands.

Air traffic is somewhat more favourable, primarily thanks to the relatively large number of international airports. From the total number of seven airports, five are located near the coastline (Pula, Rijeka, Zadar, Split and Dubrovnik), which provides relatively good accessibility to nearly all tourist destinations. However, the lack of commercial interest in establishing permanent or temporary flights to/from certain destinations remains a problem, especially in the airports of Rijeka and Osijek. It is also necessary to point out the relatively poor levels of facilities in certain airports, especially at Zagreb airport, which is Croatia's busiest.

As for local infrastructure, with the exception of telecommunications which are at the highest possible level, other areas of infrastructure are not ideal and improvements must be sought in certain parts of the system. This refers less to the areas of electrical and water supply, which function well even in the high season. However, waste drainage and waste management need to be examined, especially in the coastal areas, as these may present problems to Croatia's tourist development in the future.

It is necessary to emphasise Croatia's richness in natural water, and the high quality of drinking tap water, as an important symbol of Croatia's reputation in tourism. Thus, tap water has been approved for drinking without any consequences to health, a fact not often the case with our competitors in the Mediterranean (Turkey, Tunisia, Morocco, etc.) and even in many countries in the European Union, where this is largely not recommended.

2.1.5 Products

The structure of tourist products in Croatia has changed only in small part over the last ten years, borne out by the seasonal curve. As for the current contribution to tourist income, tourist products can be divided into the dominant products (each product contributes to at least 5% of the income structure), and products with visible growth potential.

2.1.5.1 Dominant products

The sun and the sea - despite many initiatives and emphasis on reducing the seasonality of Croatian tourism and the development of other tourist products, the share of the sun and the sea in the total tourist product has for many years remained at a high 85% of the share of physical volume, with a smaller share in income (75 to 80%), given its lower income generation caused by the large availability of family accommodation in private houses. In addition to falling behind in the development of infrastructure for other products and other internal factors, this reflected the continuing demand in the global markets, as experienced by our Mediterranean competitors (Spain, France, Italy, Greece and Turkey). In such circumstances, Croatia has been showing increasingly better business results over the last ten years.

Nautical tourism (yachting/cruising) - a product with a high level of popularity globally, which continues to record high, even double growth figures. Due to its geographic position and boasting one of the most indented coastlines in the world, a pleasant climate and favourable winds, Croatia is already today one of the most desirable destinations in the world when it comes to nautical tourism. This is confirmed by the increasing business in nautical tourism (mostly the lengthening of the tourist season), as well as a continuing growth of ancillary activities. However in spite of this, yachting tourism in Croatia has over the last couple of years experienced stagnation in the development of new berths in marinas, although the demand is undoubtedly there if an attractive development concept were put in place. One should not look for the main reason behind this in the unfavourable investment climate. Cruising tourism has experienced an increasing number of arrivals of the mega-cruisers, but also an increase in the demand for cruising on small, domestic boats.

Business tourism - despite the fact that this type of tourism is incredibly sensitive to both domestic and foreign economic trends, individual and group business guests form part of a relatively stable source of demand which, depending on trends, changes only its qualitative features. Hotelier surveys show that business guests comprise between 10 and 15% of all hotel guests. The main growth barrier to this product is the lack of congress infrastructure (congress centres), and management and commercial systems that are still not sufficiently competitive. If these drawbacks were removed, a more significant development potential could be realised especially in regional and selected niche markets.

Cultural tourism - it is irrefutable that a lot has been done for the growth of this particular tourist product, on the national level as well as at many destinations, mostly due to the implementation of the national cultural development strategy, but also systematic work on creating regionally and globally recognizable events and an increased opening of many destinations to cultural tourism. Key barriers remain in the marketing system (and most importantly in integration into global systems), followed by the system of destination management which would enable cultural products to be appropriately integrated in the positioning and export of the complete experience of particular destinations. Areas of exceptional importance for Croatian cultural tourism are: (i) city tourism, (ii) heritage tourism, (iii) event tourism, (iv) creative tourism and (v) religious tourism.

2.1.5.2 Products with visible growth potential

Health tourism - this is a product that has been growing globally at a rate between 15 and 20% per annum. Croatia's competitive advantages for the growth of health tourism are the following: its closeness to large markets, natural beauty and favourable climate, security of the country, long tradition, competitive prices and generally strong reputation of health services. Products of health tourism that are especially relevant to Croatia at present include: (i) wellness tourism, (ii) healing tourism, (iii) health tourism.

Cycling tourism - It is estimated that cycling, as a method of transport will increase in Europe in the next ten years by more than 10 percentage points. An even more significant market segment comprises visitors for whom cycling is an important additional activity during their holiday. Although Croatia has relatively good local and intercity cycling networks, some of which form international cycling routes, this product has still not been appropriately valued nor commercialised.

Gastronomy and Oenology - a complex product which is consumed by nearly all tourists, although the number of international tourists who are visiting purely for food and wine is relatively small, therefore growth depends mainly on the local population. Available data shows that some 160,000 Croatians visit the so-called wine trails, 61% of which buy local wines and 63% buy local food and produce. Furthermore, 53% of restaurant visitors order local wines. Although gastronomy and oenology are the most developed as a tourist product in Istria, followed by Dalmatia and Slavonia, a more systematic approach in the development of the food and wine tourist offer is still undervalued, although it has been an integral part of the tourist promotion of Croatia for many years.

Rural and mountain tourism - it is estimated that rural tourism, which includes mountain areas, forms 3% of international travels, with an annual growth of 6%. Faced with underdeveloped local demand and disadvantageous surroundings, Croatian rural tourism offer is developing incredibly slowly. The only exception is Istria, and to some extent the County of Osijek and Baranja. As far as mountain tourism is concerned, existing mountain centres such as Bjelolasica, Platka and Begova Radolja have so far failed to make significant steps towards ensuring trading throughout the year.

Golf tourism - as one of the oldest sports, and an entertainment staple of the social elite for centuries, golf is today popular all over the world, with an estimated 60 million players and 32,000 golf courses in the world. The number of courses in significant golfing destinations of the Mediterranean has in the period from 2009 to 2011 increased from 17 to 20 in Turkey, 78 to 86 in Portugal, 316 to 352 in Spain. Croatia at present has only four golf courses with 18 holes, two courses with 9 holes and several training grounds. Because of this, Croatia does not exist on the tourist golf map despite the fact that golf is, at the moment and for the foreseeable future, one of the most significant market segments of the Mediterranean tourist offer, especially during the low season.

Adventure and Sport tourism - in its scope, this is an increasingly important and ever-growing group of products which, according to some operators, has an increase of 30% per annum, and which includes for example diving, kayaking and canoeing, river rafting, adrenaline sports, shooting, fishing, winter sports and sport preparation. Although a wide selection of certain niche adventure and sports programmes (e.g. caving and paragliding) is being increasingly developed, especially in the continental and coastal parts of the country, Croatia is still not fully using its comparative advantages to develop this group of products.

Eco-tourism - it is estimated that around 3% of international travel is motivated by ecotourism, and it is supported by the growing awareness on ecology by the consumer; thus this product is showing strong growth at between 10-20% per annum. Despite availability, attractiveness and preservation of natural

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resources, ecotourism is still underdeveloped in Croatia. Especially worrying is the fact that ecotourism is neglected even in a large part of protected natural areas.

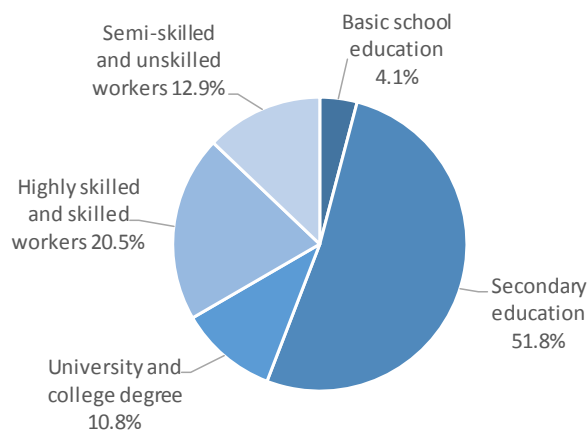
2.1.6 Human resources

In 2011 there were approximately 90,000 employed in the catering industry, which is nearly 6.4% of the total number of employed in Croatia. If we follow the methodology of the European Union and add to this number those working in tourism brokering, the number of those directly employed in the tourist industry rises to 95,000, or 6.8% of the total number of employed in Croatia. If we take into consideration the number of public sector workers in fields related to tourism, such as the Ministry of Tourism, tourist boards, special departments within the chamber of commerce, professional and local tourist bodies, as well as the number of teachers and other educators in tourism, the number rises by at least another 1,500 employees. This would bring the total number of those employed in tourism to 96,500 (6.9%).

The catering industry has seen employment rates rise above the national average. While the total growth of the number of employed in Croatia for the period between 2000 and 2010 was 11%, this figure was 21% for the tourist sector, which means that an additional 16,000 jobs were generated. At the same time, because the number of employees grew slower than the number of tourist arrivals and overnights stays over the last ten years, the productivity of those employed has increased.

The highest number of employed in the catering industry in 2011 was seen in hotels and similar accommodation premises (37%), and in the drinks industry (30%). The structure of those employed according to their level of training, which can only be monitored in catering services where 38,000 people are employed, demonstrates the following:

STRUCTURE OF EMPLOYED IN CATERING COMPANIES BASED ON SKILL LEVEL



Source: Croatian Bureau of Statistics (2011)

The number of employed with specific qualifications is inversely proportional to the category of the accommodation, i.e. the higher the category of accommodation, the smaller the number of employees of the above profile.

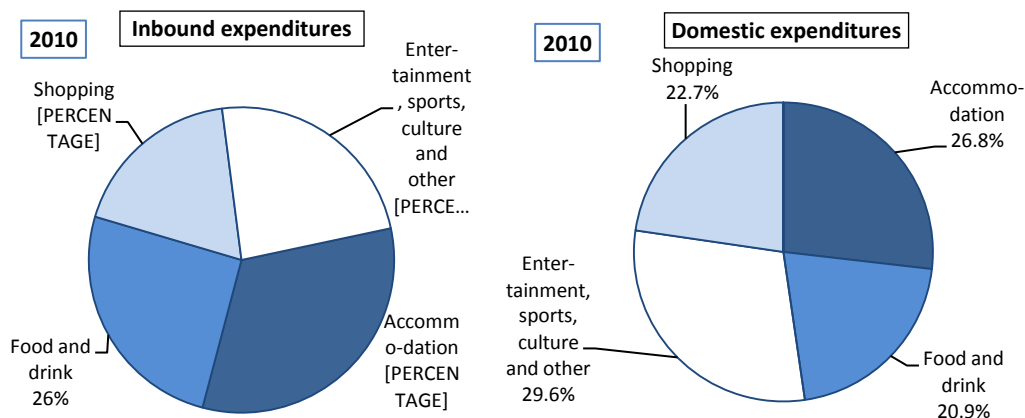
2.2 Demand

International demand has a dominant role in Croatian tourism. In 2010, there were 39.6 million visits by foreign tourists, of which 58% were one day trips, and 42% trips lasting several days. These travels make a

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total of 77% of all tourist travel, which earned a total spend of 6.23 billion Euros, i.e. 86% of total tourist spending. At the same time, domestic visitors recorded nearly 12 million visits, of which 54% one-day trips and 46% trips lasting more than one day, with a total spend of around one billion Euros, i.e. 14% of the total tourist spending.

STRUCTURE OF SPENDING OF FOREIGN AND DOMESTIC TOURISTS IN 2010 BY TYPES OF SERVICES



Source: Estimate by the Institute for tourism based on the results of the survey Foreign Tourists Spending in Croatia, Croatian National Bank and Tourist Activity of Domestic Tourists, Croatian Bureau of Statistics and Institute for Tourism.

A total of 60.4 million overnight stays were recorded in registered accommodation for 2011. The structure of guests broken down by their country of origin is as follows: German (21%), Slovene (11%), Croatian (9%), Italian (8%) and Austrian (8%). According to demographic characteristics, the majority of guests are of middle age, visiting as part of the family, while the proportion of younger tourists is falling. Furthermore, the proportion of tourists with higher education is increasing, while the proportion of tourists with secondary education is on the decline.

OVERNIGHT STAYS BASED ON MAIN ACCOMMODATION TYPES, STRUCTURE AND CHANGE VARIABLES IN %

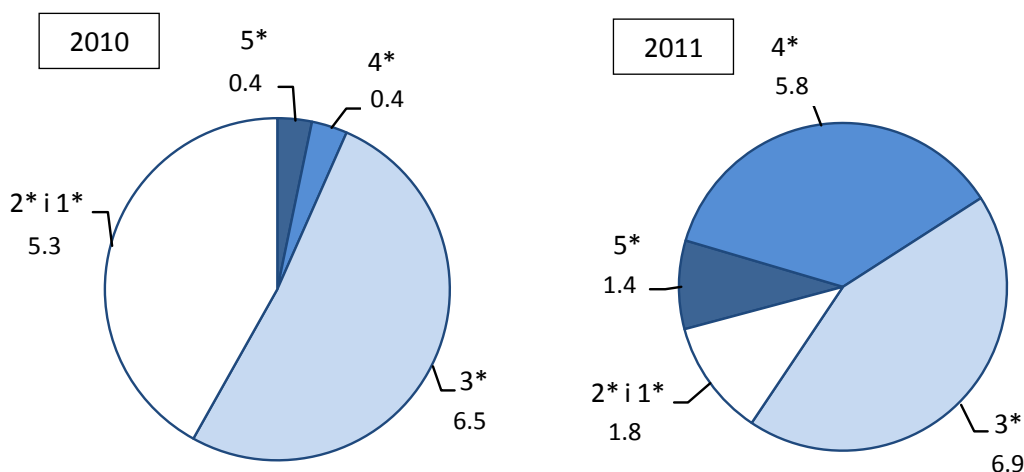
	Hotels	Campsites	Other collective capacities	Family accommodation (houses)
Structure in %				
1986	31	26	23	20
2001	30	28	20	22
2005	29	26	16	28
2011	26	25	14	35
Variable change in %				
2011/2005 in %	8	13	2	49
2011/2001 in %	26	27	-3	122
2011/1986 in %	-25	-18	-45	57

At the same time, the largest number of overnight stays according to accommodation type was recorded in private accommodation with every third overnight stay recorded in private accommodation in 2011. The current importance of family accommodation in private houses is a reflection principally that overnight stays in this type of accommodation rose by 49% in the period between 2005 and 2011, while overnight stays in hotels and camps recorded a much slower growth, and completely stagnated in other types of group accommodation.

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Apart from smaller proportion in the total number of overnight stays, in the period between 2001 and 2011 hotels marked a significant change in structure in overnight stays with regards to their category. From 15.9 million hotels stays in 2011, 45% were in higher category hotels (four and five stars), and 44% in hotels in the middle category (three stars), and 11% in the hotels of lower category (two stars). The highest growth was seen in four-star hotels.

OVERNIGHT STAYS IN CROATIA BASED ON HOTEL CATEGORY, IN MILLIONS



Source: Online information system, Institute for Tourism (BIST), original data NOS.

Four-star hotels recorded an increase in overnight stays for 2011, which is fourteen times higher than those recorded in 2001, and their share in the total number of hotel stays increased from 3% to 36%. Overnight stays in five star hotels increased threefold, overnight stays in three star hotels stagnated, and overnight stays in two star hotels went down to the level of 34% recorded in 2001.

Hotels marked the highest level of gross capacity (39%), in 2011, and following them are other group capacities (21.2%), camps (18.8%), and private accommodation (13.9%). Hotel capacity in 2011 was slightly lower than the one in 2005, but it was also higher than in 2001 by two percentage points.

OCCUPANCY RATES IN ACCOMMODATION (BEDS) BASED ON MAIN TYPES OF ACCOMMODATION AND HOTEL CATEGORIES, IN %

	Hotels					Campsites	Other collective capacities	Private houses
	Total	5*	4*	3*	2*			
1989	45,8	46,4	52,1	44,8	35,7	13,5	24,7	11,1
2001	37,0	37,8	50,7	42,1	31,5	16,7	21,1	9,2
2005	39,8	41,0	44,3	43,3	32,1	17,4	21,8	10,4
2011	39,0	39,9	43,8	38,5	29,5	18,8	21,2	13,9

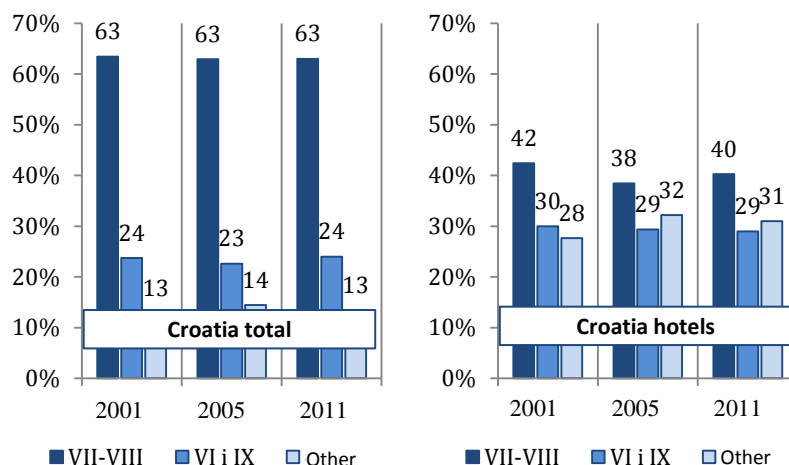
Four-star hotels showed highest occupancy rate (43.8%). Following them were five-star (39.9%), three-star (38.5%), and two-star hotels (29.5%). In the period between 2001 and 2011, occupancy rates decreased across all categories, with the exception of five star hotels. The highest level of occupancy rate decrease was recorded in four-star hotels where, together with a 16-fold increase in capacities, utilization dropped from 50.7% in 2001 to 43.8% in 2011.

With regards to nautical tourism ports, capacity utilization of all the berths, both dry and wet) was more than 65% at the end of 2010. However, since a certain number of nautical tourism ports are only open in the high season the real utilization of available berths is nearly at a maximum.

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Occupancy rates are a reflection of pre-season demand. In 2011, 63% of all overnight stays were recorded over the two summer months, and from June to September 87%. In the period between 2001 and 2011, the seasonal demand structure showed little change

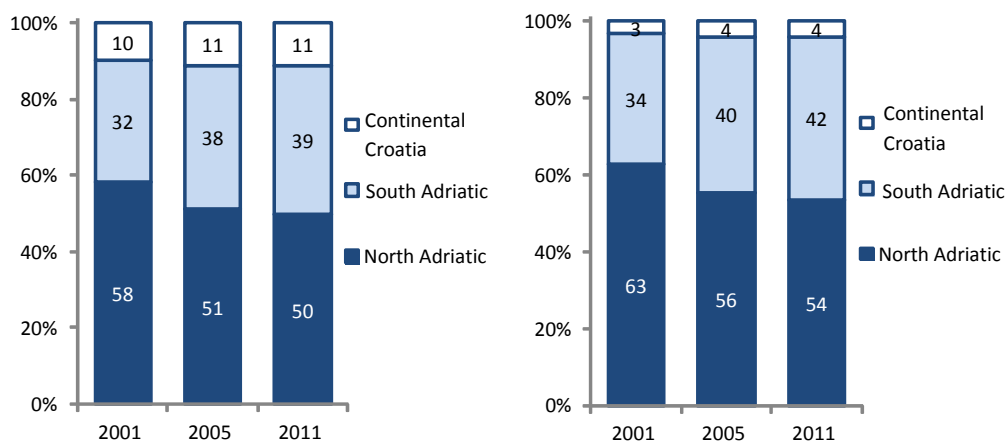
STRUCTURE OF TOTAL NUMBER OF OVERNIGHT STAYS AND NUMBER OF OVERNIGHT STAYS IN HOTELS BY MAIN SEASON, IN %



Source: Online information system of the Institute for Tourism (BIST), original data CBS.

The hotel industry also shows a very visible seasonal character in its demand. From June to September 2011, more than two thirds of annual overnight stays were registered in this period, while 40% of all overnight stays were recorded only in July and August. In relation to 2001, the seasonal character of demand reduced, but in relation to 2005 the proportion of demand in the two summer months increased in the two summer months (from 38% in 2005 to 40% in 2011).

REGIONAL STRUCTURE OF ARRIVALS AND OVERNIGHT STAYS, IN %



Source: Online information system of the Institute for Tourism (BIST), original data CBS

Geographical analysis of tourist turnover by tourist macro-regions shows that the North Adriatic is the largest Croatian tourist macro-region, both in the number of arrivals and overnight stays. In 2011, 54% of all overnight stays and 50% of all arrivals were recorded in this region. The macro-region of South Adriatic was in 2011 a destination for more than 39% of all tourist arrivals, and 42% of overnight stays. Unlike the predominantly summer destinations on the coast, tourists visiting the macro-region of the continental

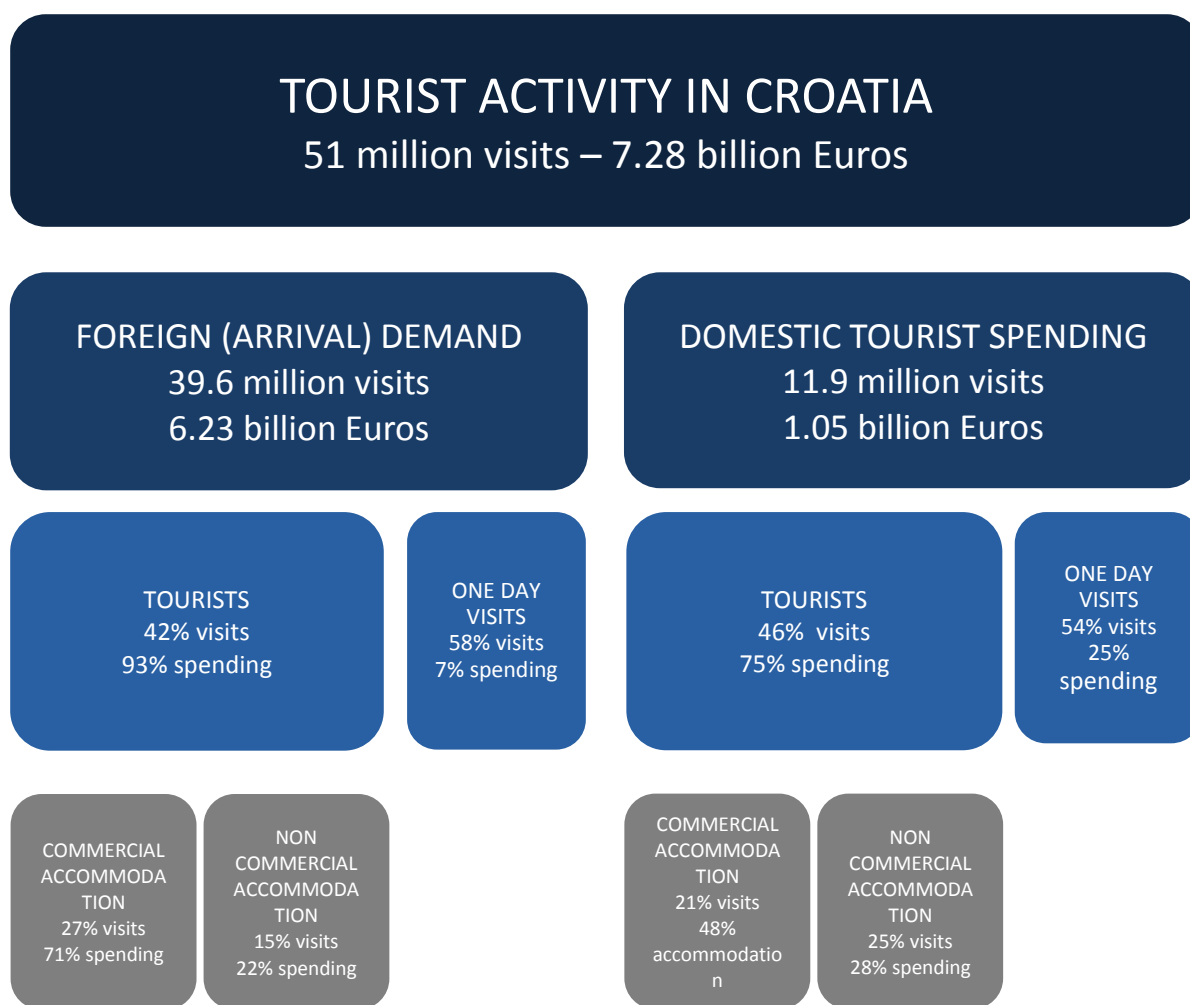
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Croatia stayed for shorter periods of time, and therefore 11% of all arrivals and 4% of overnight stays were recorded in this region. Geographical structure of demand over the last ten years was marked by a decrease in the proportion of the North and increase of the proportion of the South Adriatic.

2.3 Effects

Total tourist spending on the territory of the Republic of Croatia in 2010, based on the total of 51.6 million visits, were 53 billion Euros, or 7.3 billion HRK. According to the experimental satellite calculation, tourist spending turnover directly generates 8.5% of the gross added value, i.e. 8.3% of the direct gross domestic product of Croatia.

TOURIST ACTIVITY IN CROATIA IN 2010



Source: Estimate by the Institute for Tourism based on the results of the survey Foreign Tourist Spending in Croatia and Tourist Activity of Domestic Tourists, Croatian National Bank and National Office for Statistics, and Institute for Tourism

In 2007, the share of direct gross domestic product from tourism in the total gross domestic product was 8.3%. Assuming a stable relationship between intermediary expenses and added value of the tourist and other activities, it is estimated that the direct share of tourism in the gross added value in Croatia is 7.3%. At the same time, it is estimated that the total effect of tourist spending in Croatia, whether it is direct or indirect, generates around 14% of the total added value.

2.4 Competitiveness Analysis

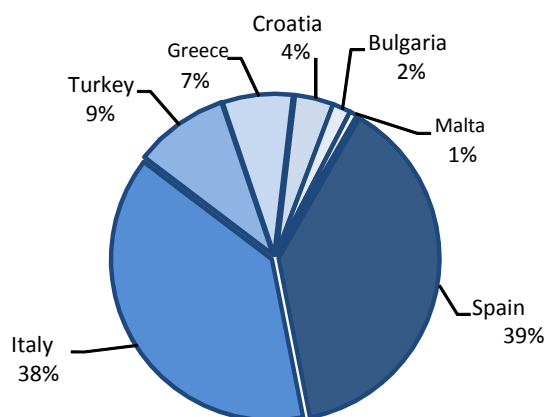
According to the results published by the Travel and Tourism Competitiveness Report, Croatian tourism ranked 34th worldwide in 2011. It is noteworthy that Croatia followed behind other tourist destinations in the Mediterranean (France, Spain, Italy, Greece, Cyprus and Malta).

Croatia is internationally the most competitive when it comes to the number of hotel rooms, cash point machines and car rental services per capita (rank 4), and in the country's affinity to tourism (rank 20). Croatia showed average competitiveness in areas concerning the quality and availability of cultural attractions (rank 30), as well as in the quality of medical services (rank 32) and personal safety (rank 33). Another circumstance that works in Croatia's favour is the fact that it was better placed than its Mediterranean competitors when it came to price competitiveness. On the other hand, a relatively low ranking in terms of human capital (rank 83) is worrying, especially since all other tourist destinations in the Mediterranean ranked higher.

Finally, Croatia received poor ranking for the competitiveness of its legal environment, namely legislature and its implementation (rank 77).

The most important receptive countries of Croatia's competitors' circle of the north Mediterranean in 2011 were Italy and Spain, which together account for 77% of the total number of registered overnights stays in collective accommodation. Following them are Turkey (9%), and Greece (7%), while Croatia ranks number 5 (4%). Countries with the smallest marked share are Bulgaria (2%) and Malta (1%). This analysis did not include France and Portugal, which are Mediterranean destinations only in small part. Croatia's share would be significantly larger if overnight stays in private accommodation were taken into account, which at the moment are not available in official statistics of other countries.

OVERNIGHT STAYS IN COLLECTIVE ACCOMMODATION, MARKET SHARE 2011, IN %



Source: Eurostat, Turkey and Croatia - national institutions' data. Note: period october-december 2011 for Greece, estimate.

The highest growth in demand for the period between 2001 and 2011 was recorded by Bulgaria (99%) and Turkey (89%). Croatia recorded a 19% growth in the same period, which is higher than the traditional most significant receptive markets of the observed sample, such as Italy and Spain.

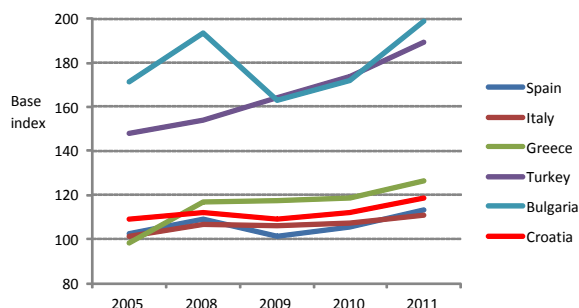
Around 74% of total overnight stays are recorded in collective accommodation premises in competitor countries, 11% in camps and 15% in other forms of collective accommodation.

Croatia generated 3% of overnight stays in hotels and similar accommodation premises within the competitor countries, and the largest share of hotel accommodation was recorded by Spain (39%) and Italy (35%). Significant results for total demand were recorded in Turkey (11%) and Greece (9%). The highest growth in overnight stays for the ten-year period between 2001 and 2011 was recorded in Turkey (97%), Bulgaria

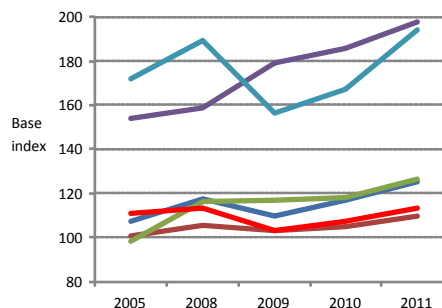
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(94%), Greece (26%) and Spain (25%). Croatia recorded a 14% rise in hotel demand which, compared to the results in its competitive circles, is only higher than in Italy (9%).

OVERNIGHT STAYS IN COLLECTIVE ACCOMMODATION 2005 - 2011, BASE INDEX 2001 = 100



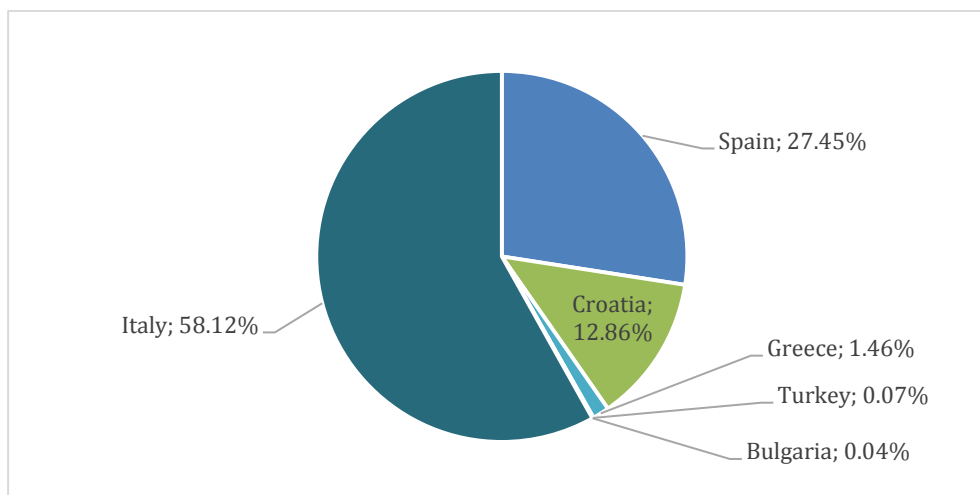
OVERNIGHT STAYS IN HOTELS AND SIMILAR ACCOMMODATION 2005 - 2011, BASE INDEX 2001 = 100



Source: Eurostat, Turkey and Croatia national institutions' data. Note: period October-December 2011 for Greece, estimate.

When it comes to camping, Italy is the leader in the market with a 58% share of total demand in 2011. It is followed by Spain with a 27% share, and Croatia with 13% of all overnight stays in the competitor circle. Greece, Turkey and Bulgaria do not have a significant market share in camping, while Malta does not keep an official record for camping statistics.

OVERNIGHT STAYS AT CAMPSITES, MARKET SHARE IN 2011, IN %



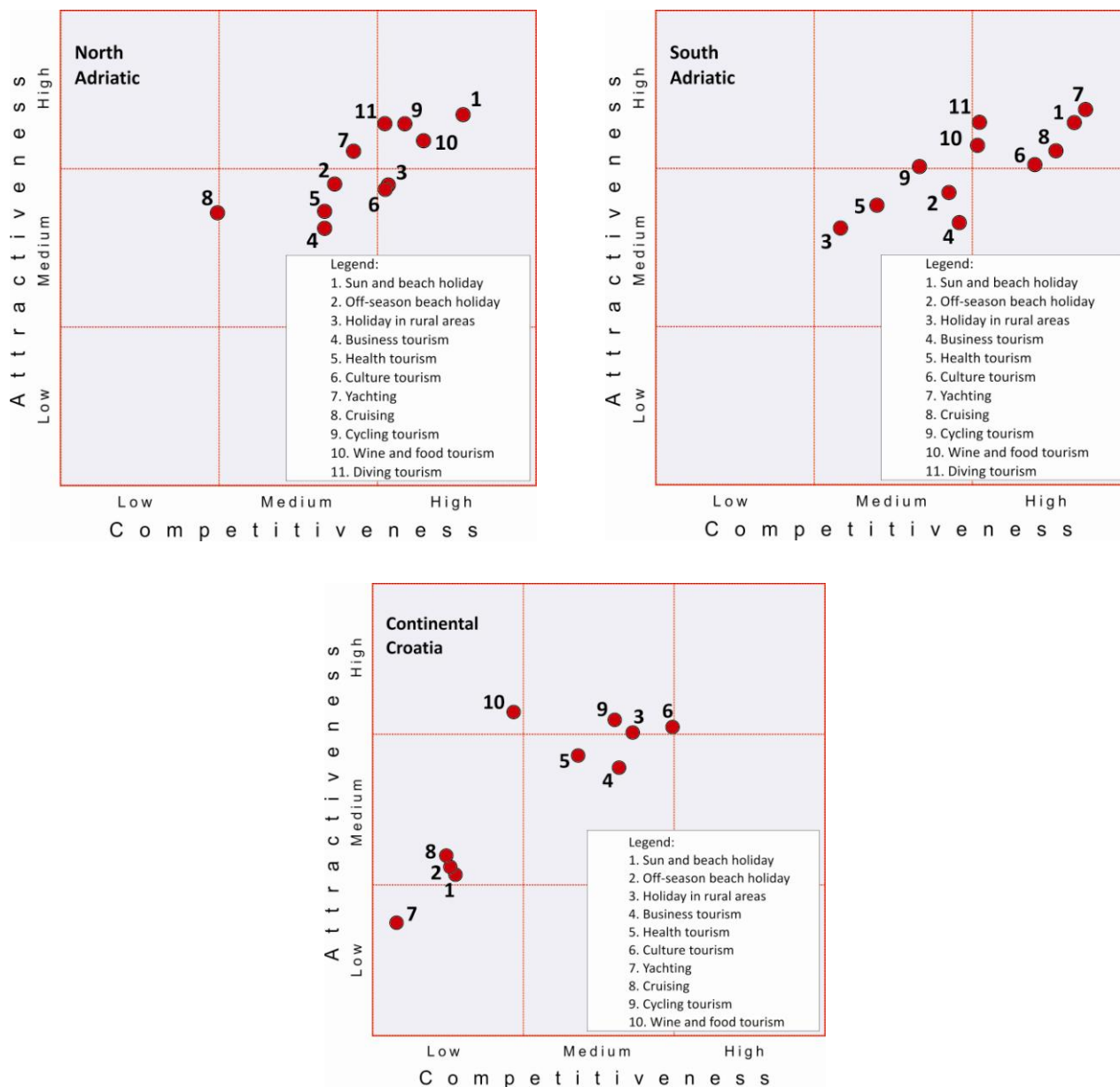
Source: Eurostat, Turkey and Croatia, data from national institutions. Note: period October-December 2011 for Greece, estimate.

Camping demand in Italy and Spain was stable in 2011, compared to the previous year. A drop in overnight stays was marked in Greece (3%), while the number rose in Croatia by 8%. Compared to 2008, Italy recorded a 3%, Spain 2% and Croatia 11% rise in the number of overnight stays in camps.

Croatia's position in the market compared to its competitors is partly a reflection of the readiness of its main tourist products. For the North Adriatic macro-region, these are relaxation in the sun and beach, and cycling and diving tourism. In the South Adriatic macro-region, yachting tourism and relaxation in the sea and on the beach is particularly important, while the best prepared tourist products for the Continental macro-region are cultural and rural tourism, and cycling.

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MARKET READINESS OF SELECTED TOURIST PRODUCT GRUPS/PRODUCTS ACCORDING TO MACRO REGIONS



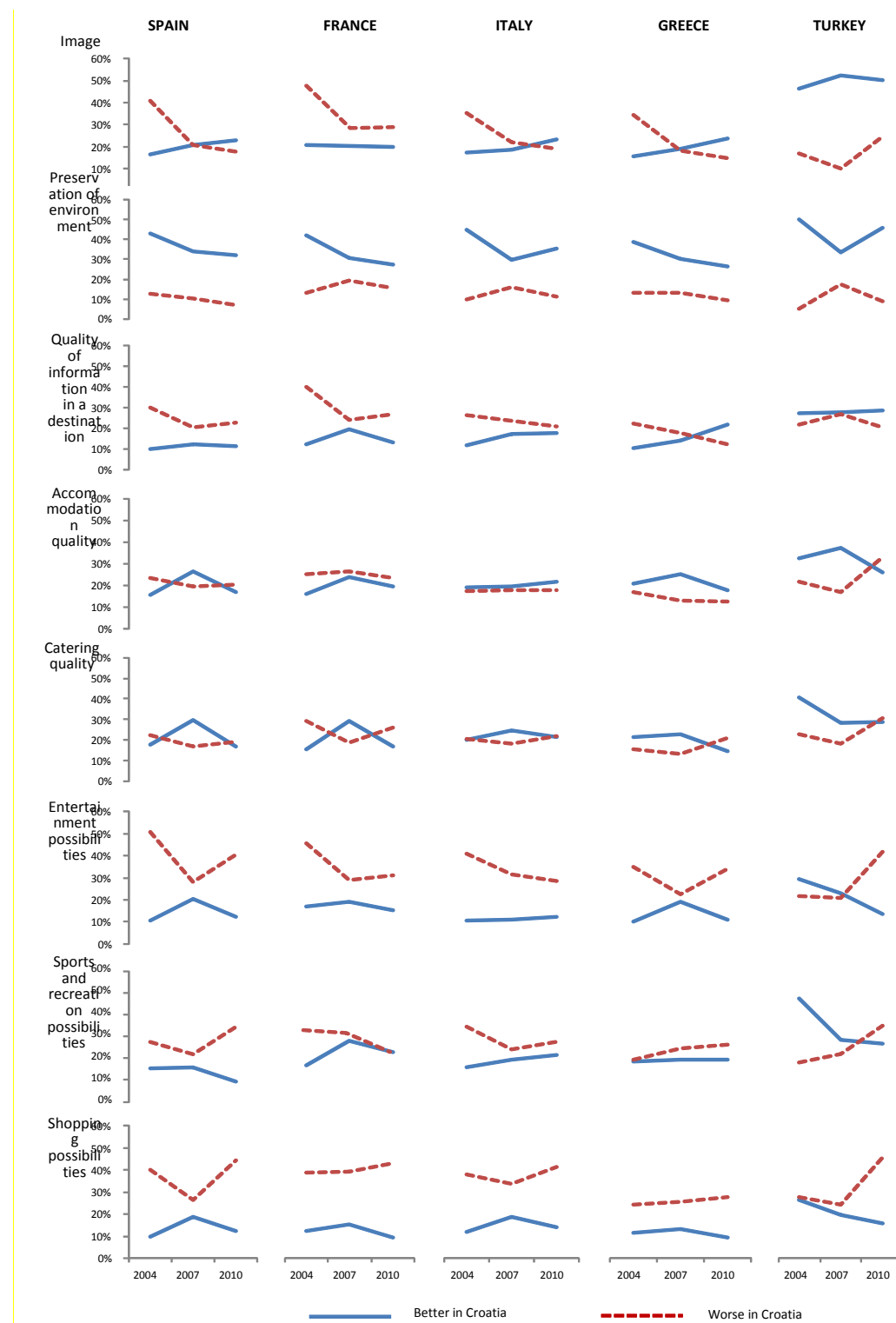
Source: Survey by representatives of various interest groups, Institute for Tourism, Zagreb, October 2011.

The quality of Croatia's tourist offer, when compared to Spain, France, Italy, Greece, and Turkey, shows that the country has improved the relative perception of its image compared to its main competitors. Whilst in 2004, Croatia's image was the worst amongst its competitors, with the exception of Turkey, in 2010 a large number of surveyed tourists put Croatia's image ahead of those of Spain, Italy and Greece.

The beauty of the scenery and the preservation of ecology are elements in Croatia's tourist offer that place her ahead of its competitors. Tourists perceive the urban and architectural harmony of Croatia's destinations as equal to its competitors, and while the preservation of the environment is one aspect of our tourist offer that firmly puts us ahead of the competition, Croatia's advantage in this field compared to Spain, France and Greece slowly decreased in 2010. It is therefore extremely important to continue to grow Croatia's tourism offer on continuing protection of the environment, preservation of the quality of natural resources and responsible and sustainable management of the content of its tourism offer.

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ELEMENTS OF CROATIAN TOURISM OFFER COMPARED TO COMPETITOR COUNTRIES, RESULTS 2004 - 2010



Source: Attitudes and spending of tourists in Croatia - TOMAS Summer Survey 2004, 2007, 2010, Institute for Tourism.

Critical points for Croatian tourism continue to be the lack of content and variety in terms of recreation, sport and shopping. Although Croatia is improving the quality of these services from year to year, the growth is not sufficient to change Croatia's relative position compared to that of its competitors. In 2010, perception of all these three elements deteriorated further in comparison to its competitors (the number of tourists who

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marked each of these elements worse in Croatia than other countries increased, and the number of those who judged it more positively decreased).

The growth in the quality of Croatia's catering offer did not result in any change of Croatia's position compared to its main competitors. The perception of relative quality of accommodation, and food and drink in Croatia stagnated in the period monitored above.

Staying in Croatia offers more value for money than in its competitive countries. In 2010, the perception of value for money for Spain and Greece came close to that of Croatia, while Turkey managed to provide a larger combination of values to the tourist sector.

2.5 Key questions and limitations of Croatian tourism

Croatia is a typical example of a mature tourist destination that is dominated by one product ("the sun and the sea") with a highly seasonal business period, which is characteristic for warm sea countries (primarily the Mediterranean and the Adriatic). While other Mediterranean and Middle-European tourist destinations had started their restructuring already in mid-1980s to comply with new tourist demands and behaviour, Croatia was entering the break-up of Yugoslavia that would last 10 to 15 years, which significantly slowed down the modernisation process of Croatian tourism. Only in 2000 did Croatia start a more significant change of course in the renovation of its tourist facilities and tourist destinations, since when the country has recorded a significant growth in the tourist market. Achieved business growth of Croatian tourism for the period between 2000 and 2011 was mostly based on price growth resulting from realised investments, the increase in the quality in hotels and campsites and the uncontrolled growth and improved quality of private accommodation in private houses. However, there was no significant change in the occupancy of Croatian tourist accommodation.

In essence, there are few reasons (products and services) to travel to or visit Croatia outside the high summer season, due to the lack of entrepreneurial interest, the barriers to development and business and inadequately managed public sector processes.

In these conditions of low competitiveness of the operative business environment and the lack of regulatory functions between national, regional and local levels, the contribution that tourism made to the business and social development of the country is therefore smaller than was realistically possible.

The following effectively still marks Croatian tourism:

- insufficient differentiation of products and services;
- lack of innovative and high quality products for visitors;
- growth based mainly on the expanding private accommodation sector;
- lack of high quality hotel offer combined with insufficient investment activity;
- poor connectivity by air and sea;
- static system of national marketing;
- too few branded destinations that are globally recognizable;
- inadequate tourist infrastructure at destinations;
- long-standing orientation of the local population towards seasonal trade.

In such conditions, an important factor in the development of tourism in the period before 2020 is the removal of the majority of these limiting factors, which previous tourism policies for many reasons failed to tackle. It is important to pay special attention to the creation of developmental and stimulating institutional conditions that will attract more successfully entrepreneurial interest and investment into the tourist sector, especially hotels and resorts. Significant efforts need to be made in the qualitative transformation of private

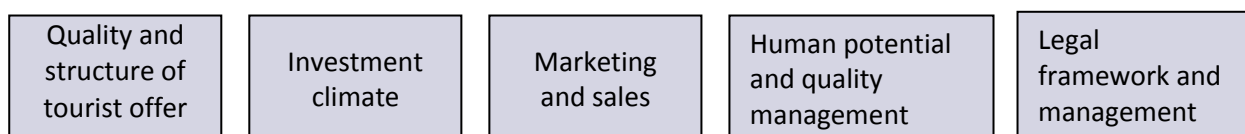
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accommodation, and the improvement of the tourist value chain in our many tourist destinations. It is therefore very important to use available EU funds to the maximum.

At the same time, since tourism development is expected to take place in the conditions of a prolonged financial, economic and energy crisis, tourism development in the period from now until 2020 should be supported by additional incentives. The incentive system should serve to enhance and accelerate tourist development in the continental part of the country, but also employ modern technologies and ecologically sustainable trading. In addition to creating the pre-conditions to start investment projects and attract international investment demand, tourist development should also be accelerated by managing development through various different forms of cooperation of different public sector institutions, and also in establishing vertical and horizontal forms of public-public, public-private and private-private cooperation which is often missing at present.

Based on research and communication with various players in the creation of this Tourism Development Strategy of the Republic of Croatia until 2020, key limitations to the development of Croatian tourism have been defined. They are divided into the following key areas in which tasks, operating strategies and change activities need to be identified:

LIMITATIONS TO THE DEVELOPMENT OF CROATIAN TOURISM 2012



Quality and structure of offer

Structure of tourist accommodation	<p>The existing accommodation structure, in which hotels have a modest 13% share, is detrimental to the length of the tourist season in Croatia.</p> <p>Accommodation structure which is 49% based on private accommodation complicates the management of tourist destinations because of its complex share structure (large number of small shareholders). An additional problem for such a large accommodation capacity is the lack of a management strategy, clear regulation or standardized and market recognized quality labelling that would encourage and reward quality.</p> <p>Such accommodation structure, partly due to the seasonal character of tourism, causes many irrationalities in the planning and management of different infrastructural systems, which in turn increases the cost not only of the construction of these systems, but also increases annual operating costs of using and maintaining of public and communal infrastructure.</p>
Other accommodation	<p>Croatia is lacking congress centres, health/wellness capacities and golf courses which would enable certain destinations to compete globally in new tourist products.</p> <p>Apart from several notable exceptions, there are no serious theme/adventure parks, interesting theme walks and routes, cultural activities and museums which would change the perception of destinations, and enable the creation of</p>

	<p>internationally relevant events, which would in time help reposition destinations within the existing product.</p> <p>Shopping possibilities are still one of the lowest perceived parts of the offer.</p> <p>The food and drink offer, whether in quality or price, is still below the standard of the competition (i.e. Croatia has no Michelin star restaurants, but several dozen restaurants have prices that are higher than the Michelin standard).</p>
Market structure	<p>At present, a large number of economic agents dominate certain areas, which tend to define the entire character of a destination, mainly due to their facilities and distribution. Such a situation often inhibits new entrepreneurial projects and has a negative effect on the interest of potential investors, especially the internationally established ones who could have a positive influence on present price levels and the length of the season in a destination.</p>
Accessibility	<p>Air traffic growth over the last several of years is mainly linked to the "low cost" and "charter" lines during the high season, but it still lacks regular connections that are key to the lengthening of the season.</p> <p>Connections in sea traffic are another major area in which Croatia is falling behind its competitors.</p> <p>Significant lack of modernisation of the railway, which could have a significant role in the future.</p>

Investment climate

Perception of international and domestic large investors	<p>Heavy red tape, a disorganized land registry, long waiting periods for issuing of necessary permits, uncoordinated legal regulation, limited ownership plan possibilities in buildings, and no international models for the management of tourist property, and generally unclear investment procedures and uncertainty.</p>
General investment terms	<p>Low capital availability;</p> <p>High business cost;</p> <p>Insufficient investment potential.</p>
Management of the national investment potential	<p>Prime property is unused. Primary reasons:</p> <ul style="list-style-type: none"> - lengthy market preparation processes; - lack of management capability and knowledge to find the best/most attractive investors for prime property; - unclear Maritime property borders and uncoordinated local planning regulations with real tourist investment interests; - long wait for coordination between national and local level.

Marketing and sales

Commercialisation system	<p>Unclear authority over the development of tourist products and commercialisation on national, regional and destination levels and the private sector;</p> <p>Tourism promotion system is not optimized in terms of the returns it brings for invested funds (in general, there are too many off-line and too few online advertisements).</p>
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<p>Branding/ quality labels</p>	<p>Visual identity and promotional materials based on the national tourist branding are outdated, which hinders future position on the market;</p> <p>Regional and destination brands (apart from several exceptions) are neither market-recognized nor relevant in source markets;</p> <p>Lack of national or regional generally accepted quality system for accommodation which would guarantee recognisability of high quality and/or differentiated products;</p> <p>No quality labelling for other destination offers (restaurants, bars, tourist infrastructure, etc.)</p>
<p>The web</p>	<p>Croatian tourism has no consistent, hierarchically structured and efficient web platform;</p> <p>Relatively passive relationship towards electronic marketing and online social services on regional and local level;</p> <p>Generally insufficient IT literacy in tourism.</p>
<p>Knowledge-base and research</p>	<p>Promotion and sales are too focused on experience, and not focused enough on research;</p> <p>Lack of high quality data analysis of the main source markets and client types from these markets;</p> <p>Insufficient knowledge of best practice examples from our own environment and wider across all levels, as well as trends in marketing and sales.</p>
<p>Public relations</p>	<p>No established analysis on the trends and forecasts of the consequences that influence organization and create public opinion.</p> <p>Strategic communication process which builds useful relationships between Croatian tourism and the public (internally and externally) is in its infancy.</p>

Human resources and quality management

**Formal
education**

The current formal tourism education system in Croatia is not fully adjusted to the current needs of the tourist economy nor tourist organizations, since it does not ensure a sufficient number of highly trained workers who could actively join work and management processes once they leave education. This is directly reflected in the quality of tourist services, and also the competitiveness of Croatian tourism on the international market, since most countries, particularly Croatia's tourist competitors in the Mediterranean, have developed modern systems in formal education that are tailored to the needs of tourist economies of their countries, thus ensuring an adequate labour market.

The main limitations of the formal tourism education system in Croatia are the following:

- The secondary schooling system in tourism has too many schools that train future tourist workers, the plethora of mutually incompatible educational programmes across various secondary schools, and generally lack of practical experience results in inconsistencies and below-par quality of those leaving secondary education to pursue a career in tourism;
- The higher education tourist system in Croatia is structured across several universities, polytechnics and academies where, in most cases,

study programmes are primarily based on theoretical knowledge, with very little practical, or business-related, experience. Thus, skilled workers who come into the tourist labour market after these degrees are not adequately prepared for the challenges and the responsibilities that come with management positions both in the economy and the tourist sector in general;

- One of the main limitations of the existing system of formal education for the purposes of the tourist economy, is the non-existence of training centres i.e. hotel units where secondary and higher education students could gain practical experiences and skills necessary for actively joining the labour market, both in executive and management positions (middle and higher management);
- Insufficient number of private polytechnics and academies in the hospitality, catering and tourist industries, whose programmes would offer highly-specialized training with high levels of practical experience intended to educate middle management in tourism; this is one of the most basic limitations of the current formal tourist education system in Croatia. The significance of this limitation stems from the great importance of appropriate educational and practical middle management training for efficient and productive trading in tourism;
- With certain exceptions, current formal tourism education in Croatia does not have sufficient cooperation with international centres for excellence in tourist management education or tourist organisation systems, which would include exchange of knowledge, teaching methods and visiting professors, and preferably even setting up branches of such international centres for excellence in Croatia.

The current system for lifelong learning in tourism in Croatia does not meet the requirements of the tourist economy and the system of tourist organizations, since it is neither comprehensive nor consistent enough. Its basic limitations are:

Lifelong learning

- The existing further education programmes organized by specialized organizations (such as the Association of Hotel Employers in Croatia) in collaboration with the Ministry of Tourism, are primarily aimed at the specialization of the production and catering hotel staff through training in basic skills, and only occasionally and rarely do they include middle and higher management which is key to the improvement of the competitiveness of the Croatian tourist economy. Existing lifelong learning programmes insufficiently include specialization in a wide range of personal, communication, sales and general leadership and management skills which are necessary for the efficient running of the tourist economy and organisations;
- There is no licensing system when it comes to lifelong learning providers in tourism; improvements would be based on coordinated programmes adjusted to tailored candidate groups (executive staff, middle management, higher management) and on contemporary achievements of the practices of the international tourist economy.

Creating tourism awareness

Although tourism represents a significant part of Croatia's economy, there is no general education system intended for the wider population that would create and raise awareness of the importance of tourism in Croatia from the earliest age, when life attitudes are formed (primary school). Given the tourist profiling of Croatia, this presents a significant limitation in raising general awareness and

creating positive attitudes of the population towards tourism, which is necessary for the satisfactory functioning of the tourist system in the country.

Legal framework and management

Legal framework

Apart from a couple of laws that regulate the tourist trade, tourism economy is mainly regulated by a variety of laws, regulations and directives regulated by various Ministries, which leads to a potential legal and legislative conundrum which is not easy to navigate.

A large number of statutes relevant to the tourist trade indirectly points to over-burdening legal formality and a possibility of conflicting interpretations of laws - the existing legal framework is not functional enough, and it is also often inadequate, unharmonized and unclear.

Complex and unclear law regulation complicates day-to-day trading for many legal entities (especially those in foreign ownership). Such institutionalized conditions impede investment activity of domestic and international investors, particularly the latter.

Unfinished privatisation

The privatisation process of economic businesses in the sphere of tourism is not complete.

The permanent or temporary retention of certain tourist and catering businesses in public ownership, in times of tight budget controls, has resulted not only in no capital investment in improving the competitiveness of tourist buildings and education of staff, but also in a highly bureaucratic way of conducting daily business operations.

This has resulted in many such companies dealing with outdated products and slow loss of competitiveness, leading to of poor market performance which forced many businesses deep into debt.

Physical planning

There are insufficient analyses into the availability of carrying capacities of the environment for tourist purposes, such as planning tools and space management using the principles of sustainable development and eco-system approach.

Infrequent usage of strategic plans for tourism development on an expert basis in the process of the making of space plans, and with the purpose of using available tourist spaces.

Destination management

There is no body on a national level with a clear mission to implement tourist strategy, and create and implement operating measures.

A destination management model that merely lists a large number of places, but with no clear rights and responsibilities is inefficient.

Regional and local tourist boards are the only legally defined support elements of the tourism management system, but their mission is mostly defined in effect as marketing and ancillary activities, and only a small part of their activity refers to product management. A significant number of tourist boards have limited material and human resources, and consequently low functional activity.

There is a lack of harmonized strategic documents. Decisions are mostly made based on individual positions of local, municipal or regional authorities or influenced by various interest groups.

A particularly visible problem is the issue of berths and welcome capabilities of destinations with one-day visits from mega-cruisers.

3. Global development context and opportunities for Croatia

Long-term trends of the movement of tourist demand show a continuous tourism growth over the last 60 years and, despite occasional crises, its position as the fastest growing economic activity in the world.

Europe has continually been the most significant receptive macro-region in the world which that in 2011 attracted 51.3% of total arrivals, and the Southern Europe/Mediterranean, with 18.1% of total worldwide arrivals, is traditionally the strongest tourist receptive region on the Continent. However, the Mediterranean is currently showing slower growth of large, 'mature' destinations such as Spain, France, Italy and Greece than it used to, and it is estimated that in the future its share will diminish in the total worldwide demand.

3.1. Global qualitative megatrends

Global movement on the tourist market and competitiveness of certain tourist destinations are strongly correlated with the following megatrends:

- ⇒ **Political environment:** Many worldwide regional conflicts will continue to be one of the key characteristics of the global political scene, which will have a negative effect on the size and territorial distribution of tourist traffic.
- ⇒ **Economic environment:** Despite occasional fluctuations, forecasts for economic movement in the next decade point to the increasing economic potential of the so called BRIC and MIST countries, including their affinities for tourist travel.
- ⇒ **Social environment:** Economic development, growing level of education and a general increase in prosperity all contribute to the transition towards post-materialistic social values of the experience economy.
- ⇒ **Legal environment:** Despite significant de-regularisation processes, tourist trade will be characterised by increasing regulation and a more evident convergence in legislation and common business practices. This is particularly visible in the area of consumer protection, work legislation, harmonization of fiscal policies and introduction of standards and certificates that will regulate quality, trading and work procedures.
- ⇒ **Environment:** Environmental issues and environment responsibility are the most current issues for the future. As an industry that both heavily relies on and influences the quality of the environment, tourism will more intensively apply the implementation of environmentally sound, "green" concepts both at the level of individual service providers and of entire destinations.
- ⇒ **Technology:** Forecasts indicate not only the continuing of steep growth of information and communication technologies, but also further market penetration and a rising number of worldwide users. In addition to communication technologies, a significant impact on tourism will come from the development of a new generation of large capacity aircraft with smaller consumption and further reach, development of superfast train networks, construction of mega-cruisers with increased capacity, and investment in road infrastructure and alternative fuels.

3.2 Tourism product development trends

Forecasts predict that in addition to "the sun and the sea" as the dominant tourist product, a number of other products such as nautical, health, cycling, adventure and sport, cultural and business tourism will grow

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significantly. Expected movement in the development of these production groups for Croatia are the following:

Sun and sea	Although sensitive to economic conditions and subject to cyclical movements, "the sea and the sun" holiday will continue to grow. Forecasts indicate the continuation of slower growth of Mediterranean destinations, and faster and above-average growth of remote destinations such as Asia, the Pacific and the Middle East, which will drive the new source markets of China, South Asia and India. Significant market segmentation, "new" values and increasing sophistication of the buyers will create the need for a bigger diversity of products, activities and services in a destination, as well as expansion of accommodation forms and the growth of holidays that will combine "the sun and the sea" with other products.
Nautical tourism	Continuing growth in the yachting industry will significantly depend on the development of new markets in the Middle East and the BRIC countries, and economic recovery of the traditionally large source markets of Western Europe and North America. It is estimated that the main users of this product will be buyers in the 55+ age group, whose active lifestyle, health and disposable income enable them to enjoy yachting. Innovative "Stay&Sail" packages and learning sailing skills will aim for this age group. Increased demand for larger vessels will result in expanding of the marinas and their capacities to berth large (12m+) and mega (20m+) yachts, including in the Mediterranean. A significant new aspect in yachting development is the group of initiatives aimed at environmentally responsible trading. Forecasts predict continued strong growth for cruising, supported by this product's high value for money perception and low market penetration. Cruising companies will continue to invest significantly in attracting new market segments, especially the young and families with children, but also MICE cruises by introducing new routes, theme travel and new activities and services on board. Ecological responsibility and "green" practice will become increasingly significant topics for the cruising industry.
Health tourism	According to available data, health tourism products generated a US\$200 billion profit worldwide in 2010, and 15% to 20% annual growth. Considering the aging-population trend, and increasing orientation towards "healthy lifestyle" and prevention, it is expected that health tourism will be one of the main reasons for travel. Key concepts that are predicted to boost this product all include "innovative", "authentic", "green" and "holistic" aspects. In that respect, specific success factors for health tourism primarily refer to the quality of specialised health centres and institutions, the quality of ancillary tourist offer and compatible development of the destination.
Culture tourism	Further growth is expected in culture tourism and this product is very significant to the future growth of the tourism sector. The trend of further diversification of demand and the growth of niche products will continue to support the growth of smaller, specialized service providers. It is particularly expected that "creative tourism" will grow, which in a way enables visitors actively to engage with local culture. Buyers' increasing sensitivity to ethical issues, especially the influence of travel on the environment and local social communities, will contribute to a further strengthening of "responsibility" in what products culture tourism offers.

Business tourism	Forecasts show a recovery for this product, following the recent recession, and a growth in business events and consumption can be expected. At the same time, observers in the industry note that the market for meetings, conferences and events is entering a new era of "the culture of saving", where closer destinations will be preferred, trends in smaller numbers of participants and event length will continue, and the development of live video-streaming technologies and usage of social networks will continue. Environmental responsibility of destinations and service providers will have a positive effect on the final choice.
Cycling, adventure and sports tourism	Continued fast growth of cycling, adventure and sports tourism is expected to continue, showing a trend susceptible to increasingly pronounced consumer need for an active, healthy and environmentally-friendly holiday. According to the values and interests of "new" tourists it is expected that this product will continue to diversify and use "combined" products which connect adventure and sports tourism with food and wine, culture or another socially-beneficial activity with "travel with meaning". Significant growth is expected in adrenaline sports and non-tourist destinations.

3.3 Market opportunities for Croatia

Global tourist trends on which Croatian tourism should capitalize until 2020 are the following:

- **Opening of new markets** - this includes penetrating into new markets geographically and attracting new market shares for buyers from different demographic and psychographic profiles. Contributing factors to a significant expansion of existing target markets are: growth of new source markets, pronounced market segmentation, i.e. growth of a variety of information technology services that enable stable, global, cheap and precise communication aimed at potential buyers, as well as the development of transport technologies.
- **Product development** - includes the enhancement of existing and the creation of new products. This continuous process relies primarily on adjusting tourism products to the needs and expectations of the "new tourist" who is active, informed, selective, critical, wants to be a participant and aspires to personal development and above all is a buyer of life experiences, adventures and stories; additionally the offer must be adjusted to the needs of various target guests. Such trends finally result in significant possibilities of creating a product portfolio that is abundant in activities, offering high quality and diversification.
- **Taking an environmentally responsible position** - implies a proactive attitude towards the preservation of the environment, bio-diversity, natural and social resources. The implementation of "green" concepts across all organisational and business levels opens the possibility of truly sustainable tourism development, and relevant market positioning.
- **Development of new communication and sales skills** - the use of increasing possibilities and higher levels of market penetration of new information technologies is a prerequisite for increased efficiency in reaching both existing and new buyers.
- **Development of new and renovation of existing business and management models** - networking of existing co-partners (so called "clusters") and strategic management at destination level is a prerequisite for growth in the efficiency of the private and public sector, but also necessary for the growth of competitiveness.

4. Croatian tourism in 2020

Tourism growth relies on economic and social movements in national and international frameworks. It is therefore important that its development is coordinated with long-term national policy, policies from similar areas and sectors, and also policies of the European Union since Croatia will become a full member on 1st July 2013.

With a well-articulated vision, recognisable strategy areas and clear action plan, Croatian tourism should initially be included in the existing strategic guidelines, and gradually influence the creation of future national and European policies. Simultaneously, the vision and strategic goals of Croatian tourism must reflect national priorities and be founded on our own strengths and values.

4.1. Development principles

The desirable development of Croatian tourism demands resource management that meets the requirements of the basic economic, social and aesthetic criteria for sustainable trading in the long-term, as well as growth of prosperity, preservation of cultural integrity and vital ecology systems and bio-diversity. Accordingly, the vision for tourism development until 2020 should be based on the following ten principles:

DEVELOPMENT PRINCIPLES FOR CROATIAN TOURISM UNTIL 2020



Source: Institute for Tourism

- **Partnership** - since 'tourism product' is an aggregate category, its development requires horizontal (inter-resource) and vertical (national-regional-local) cooperation, but also the cooperation of public governing bodies with the private sector (entrepreneurs), the civil sector, environmental protection institutions, culture, traffic, health, security and other bodies.
- **Institutional deregulation** - a significant simplification (deregulation) of existing legal and legislative frameworks is vital, which would create a stimulating and transparent institutional framework tailored around the entrepreneur.

- **Environmentally sound development** - first and foremost, the implementation of technical and technological solutions in construction and furnishing (e.g. heat waste reduction, energy-efficient cooling and heating systems, use of renewable energy sources), rational usage of existing space, respecting capacity guidelines of a destination and micro-location of projects, as well as the ability to join existing infrastructure systems. Special care needs to be paid to promoting solutions that lead to low-carbon development of Croatia and the participation of the tourism sector in the implementation of pro-active measures of the "Strategy for the Preservation of the Sea Environment with the aim of its Conservation and Permanent Protection".
- **More than the sun and the sea** - it is necessary to develop and commercialize a range of new, internationally competitive system of activities such as cultural tourism, cycling tourism, adventure and sports tourism, eco-tourism, but also golf, health and rural tourism.
- **Tourism across the country** - increasing the speed of development of rural tourism will not be possible without significant investments into resources and attractions with a significant contribution from EU funds. In doing so, it is necessary primarily to stimulate growth of such products and areas that have the highest chances of success, from a low but significant base in resources or attractions, and tradition in tourism trading.
- **Authenticity and creativity** - Successful differentiation between Croatia and its competitors should be primarily based on the nurturing of a natural, socio-cultural, climate and production (experience) authenticity, requiring creativity in the development of products, destination positioning and market communication.
- **Hotels - key driving force of investment cycles** - fast development of a high quality hotel offer does not only imply the construction of hotels suited for international branding, but also the construction of themed and boutique hotels, owned by small and medium enterprises, as well as development of integrated resort projects.
- **Innovative market appearance** - on the eve of Croatia's entering the EU, it is necessary to establish the image of the country that offers "more than just summer and more than just sun and the sea". Croatia's rebranding should be based on the interpretation of its central identity as the "country of beauty and fulfilment", that is to say with identity and value characteristics such as diversity, substance, authenticity, preserved environment, abundance in water and good food and wine, hospitality and beauty.
- **Tourism production** - Croatian producers should be more connected with the tourism industry, so that indigenous products of high quality can be presented internationally, which will in turn gradually influence the strength of their competitive ability. In that respect, cluster approach should serve as an opportunity for future development.
- **Quality culture** - successful international positioning of Croatia that is sustainable in the long term implies significant improvement of the existing level of quality and excellence. It is especially important to emphasize the improvement of the existing tourism education system, and the introduction of compulsory programmes in life-long education for various parts of the tourist industry. It is also necessary to introduce standardised quality categories across all categories in the tourist offer, with an emphasis on the introduction of compulsory licensing of certain types of service industry, introduction of certificates and signs of quality, publishing lists of best service providers and similar measures.

4.2. The vision for Croatian tourism development

The new vision for the development of Croatian tourism is based on a value system which answers three important questions: (i) what should Croatian tourism be, (ii) which are the key prerequisites for the development of Croatian tourism, and (iii) what will Croatian tourism use to attract attention?

VALUE SYSTEM OF THE NEW VISION OF CROATIAN TOURISM



The new vision for the development of Croatian tourism contains three aspects: conceptual, operational and production. The conceptual aspect of this vision gives an answer to the question of what Croatian tourism should be like. The operative aspect answers the second question of the key prerequisites for the development of Croatian tourism and identifies basic goals of its operating strategies. Manufacturing aspect gives an answer to the third question, what will Croatian tourism do to attract attention, pointing out key components of the Croatian tourism product.

In line with the above guidelines, a new development vision of Croatian tourism until 2020 has been created:

THE VISION FOR THE DEVELOPMENT OF CROATIAN TOURISM UNTIL 2020

In the year 2020, Croatia is a globally recognizable tourist destination, competitive and attractive to investors, which creates new job openings and manages the development on its entire territory in a sustainable manner nurturing the culture of quality, and offering hospitality, safety and a unique diversity of various activities and experiences.

4.3. Strategic goals and tasks of Croatia's tourism development

The three main goals of the National Strategic Reference framework are: encouraging faster economic growth that is based on the integration of the market and institutional reforms, higher employment rate and promotion of sustainable development.

Similarly, and taking into account the existing limiting factors for the future tourist development in the Republic of Croatia, as well as global tourism demand trends, **the main goal for the development of Croatian tourism until 2020 is to increase its attractiveness and competitiveness, resulting in bringing Croatia into the 20 most competitive tourist destinations in the world.**

At the same time, other strategic goals for tourism development until 2020 are:

- **Improved structure and accommodation quality**

Continuing the increase of the proportion of hotel accommodation, raising the quality of camp and private accommodation and decreasing the proportion of camp and private accommodation. The share of hotel beds increased from 13.1% in 2011 to 18.1%, whilst the share of camps increased simultaneously from 25.2% to 25.8%, while that of private accommodation fell from 48.7% to 43.4%.

- **New employment**

Creating 20,000 to 22,000 new jobs in tourism and around 10,000 new jobs in non-tourist industries, but involved in tourism activity;

- **Investments**

Attracting new investments of around 7 billion Euros.

- **Tourist spending increase**

Achieving EUR14.3 billion of tourist spending, of which 12.5 billion will derive from international, and 1.8 billion from domestic spending. Achieving this level of tourist activity, with increased use of tourism for the placement of other local products and services, will nearly double the direct influence of tourism on gross domestic value of Croatia than was achieved in 2011.

5. Operating strategies

In addition to the harmonization of the legal framework, implementing the new operating visions and strategic development goals of Croatian tourism requires action in several key areas which will, together with strong engagement from public government, ensure the improvement of competitiveness and international perception of Croatian tourism. These are operating activities that should form the emphasis for tourism policy until 2020. The competent authority for all programme activities is the Ministry of Tourism together with other ministries and other relevant key players in Croatian tourism.

5.1 Marketing

Marketing activities are key to the transformation of Croatia into a destination that offers more than a family holiday, more than the sun and the sea. The emphasis is on key market strategy, and the strategy of the tourism product system which should also encourage adequate promotion.

Tourism Development Strategy of the Republic of Croatia until 2020

5.1.1. Target market strategies

In the period until 2020 Croatia will be focussing on five groups of source geographical markets and, together with traditional market segments of "family with children" and "golden age", will be much more significantly embracing other consumer segments whose travel style and preference for a wider product palette will enable the lengthening of the tourist season.

TARGET MARKET COUNTRIES AND SPENDING SEGMENTS

Target markets geographically							
Markets	Emissive country	Share (2020)	Growth (ϕipa) (2012-2020)	Market s	Emissive country	Share (2020)	Growth (ϕipa) (2012-2020)
Leading	Germany	21%	3% - 5%	Challenging	Russia	4%	7% - 10%
	Slovenia	9%	1,5% - 3%		The Netherlands	4%	4% - 6%
	Austria	8%	4%		G Britain	2%	2,5% - 8%
	Croatia	7,5%	1% - 2%		France	3%	1,5% - 8%
	Italy	7%	0,7% - 2%		Spain	1%	5% - 10%
Favourable	The Republic Czech	6%	1% - 3%	Remote	Scandinavia	3,5%	1% - 7%
	Poland	6%	4% - 6%		USA	1%	5% - 6%
	Slovakia	5%	5% - 8%		Canada	0,4%	10%
Neighbouring	Hungary	2,5%	0% - 4%	Remote	Australia	0,5%	10%
	B&H	2%	4% - 6%		Japan	0,4%	8%
	Serbia	1%	4% - 5%		China	0,1%	10% - 12%

In addition to the stated orientation towards the five key emissive market groups, Croatia will pay special attention to other remote markets with exceptional development potential, such as India and Brazil.

5.1.2 Market segmentation strategy

Market segments, or in other words experience seekers, can be found across all age groups, income levels, geographical locations and time of year in which they travel. The optimisation of marketing efforts assumes a segmented approach, allowing messages and promotional activities to be placed in the best way for varied placement groups.

Key spending segments on which Croatian tourism can target can be found in 8 groups:

- Young (18-24) - this is a spending segment that has incredibly varied social and/or cultural background and affinity to different ways of travel, including *backpacking*.
- DINKS (double income, no-kids couples) - characterised by the fact that they are money-rich but time-poor. Interested in short holidays, rewarding activities and travel packages. They are mostly informed through the internet, lifestyle magazines and friends. The segment is not price sensitive.
- Families – the segment includes those with smaller children (up to 7 years old) and families with older children (7-14 years old). Whilst the first group is characterised by the slogan "everything evolves around children" and their primary focus is to satisfy their children's needs, families with older children

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look for content that can satisfy all members. The Family segment normally travels during school holidays, is mostly informed through recommendation and is extremely price sensitive.

- Empty-nesters (working population whose children have left home and live on their own: 50 to 65 year-olds) - characterised by the fact that they travel all year round, often combine business with pleasure and are prone to a holistic lifestyle (wellness, healthy food, activities and revitalisation). This group is not price sensitive, they like to treat themselves when traveling, they thoroughly prepare for travel and are informed through recommendations, specialised books and the internet.
- Golden age (pensioners without any significant health problems, 65+ years): this is a group that still actively travels, and is interested in visiting the main attractions. They value comfortable accommodation, and it is necessary to have access to medical help for the elderly. This group is price sensitive, travels mostly in the spring and autumn, and mostly follows recommendations as a source of information.
- Specialised tourism travel organisers - these are specialist brokers for business and 'incentive' travel that mostly take place in the spring and autumn. This group prefers recognisable/attractive destinations and high quality of service.

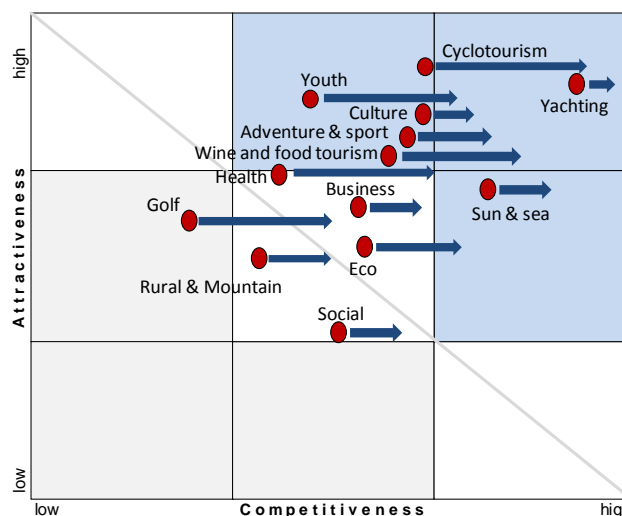
5.1.3 Tourist products system in Croatia

Starting with the existing characteristics of the Croatian tourism offer, and its high quality features, ten key products have been defined on which Croatia's tourism until 2020 should be built.

TOURIST PRODUCT SYSTEM

- Sun and sea
- Nautical tourism
- Health tourism
- Culture tourism
- Business tourism
- Golf tourism
- Cycling tourism
- Wine and food tourism
- Rural and mountain tourism
- Adventure and sports tourism
- Other important products: eco-, youth and social tourism)

CROATIAN TOURISM PRODUCTS – PORTFOLIO MATRIX



Such a diversified tourism offer allows Croatia to reach a wider visitor segment structure whose affinity to various types of travel, different price points and tourism activity, as well as all-year-round travel, opens new possibilities for a significant extension of tourist activity and tourist spending in Croatia.

Tourism Development Strategy of the Republic of Croatia until 2020

	Youth (18-24)	DINKS (25-34)	Families (35-49)	Empty nesters (50-65)	Golden age (65+)	Specialised business travel agents
Sun and sea	●	●	●	●	○	○
Nautical tourism	○	●	●	●	●	●
Health tourism	○	●	○	●	●	○
Culture tourism	●	●	○	●	●	●
Business tourism	○	○	○	○	○	●
Golf tourism	○	●	○	●	●	○
Cycling tourism	●	●	○	●	○	○
Wine and food tourism	○	●	○	●	●	●
Rural and Mountain tourism	○	●	●	●	●	○
Adventure tourism	●	●	○	●	○	○
Other products	●	●	○	●	●	○

On the other hand, further diversification of the basic tourism experience product, including commercialising of some 30 individual products, allows the spread of tourist activity to the whole of Croatia, contributing to a gradual reduction in the current uneven dispersion of the effects of tourism activity.

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Product groups	Products	Istria	Kvarner	Dalmatia Zadar	Dalmatia Šibenik	Dalmatia Split	Dalmatia Dubrovnik	Lika-Karlovac	Conti-nental	Slavonia	Zagreb
Sun and sea	Sun and sea										
Nautical tourism	Yachting										
	Cruising										
Health tourism	Wellness										
	Therapy										
	Health										
Culture tourism	City tourism										
	Heritage tourism										
	Events										
	Creative tourism										
	Religious tourism										
Wine and food	Wine and food										
Business tourism	Associations										
	Corporations										
	Incentive										
	Team building										
Golf tourism	Golf tourism										
Cycling tourism	Cycling tourism										
Rural/ Mountain tourism	Rural/village										
	Mountain										
Adventure and sport tourism	Diving										
	Kayak/canu										
	Rafting										
	Adrenaline										
	Hunting										
	Fishing										
	Snow sports										
	Preparation										
Other products	Eco-tourism										
	Youth										
	Social										

5.1.4 Image and promotion

Using mainly classic communication channels, Croatia is today primarily recognized as a sea and tourist destination, and recognized in the tourist market primarily as a destination for a summer holiday. The existing dominant image, and market communication which continues to stress it, are amongst the key limitations for reaching a new spending market that could lead to the lengthening of Croatia's season. In that respect, Croatia needs to focus on:

The branding system

It is necessary to implement professional re-structuring of the Croatian tourist brand and its architecture in order to change the perception of the source market of Croatia as a summer destination. Developing a professional branding system that would include Croatia's identity as a mixture of rational, emotional, social and cultural advantages available to its guests, will create clear branding that is founded on real competitive advantages.

Public relations

Croatia's awareness and visibility in the pre- and post- season should be examined over the next couple of years in order to promote Croatia's positive image in key markets. In order to reposition Croatia's tourism, it is necessary to establish an intensive and coherent public relations focus on all emissive markets. The results for the new PR are monitored through the number of positive articles written on Croatia, and their market value.

Turn towards the electronic media

Renovation of the promotion mix includes a much more significant emphasis on the so-called "new media", i.e. internet and Smartphone devices, recognised as channels with an increasing growth of users, and many advantages such as accessibility, information, multimedia communication and sale of services. In this process, special attention should be paid to the following: (i) checking the quality and improving websites of tourist boards, (ii) intensive use of social networks, (iii) more intensive development of mobile and Smartphone applications.

5.2. Development of the Tourism Offer

Together with the development of products that are important for Croatian tourism, the development of the tourism offer also implies the completion of the privatisation process, activation of unused state property that is of interest to tourism, and improving the accommodation and other tourist offers. Considering the fact that Croatia has a large number of protected areas that 47% of its territory lies in the ecological system of the Republic of Croatia and a portion of these areas is included in the proposal for the future European ecological network NATURA 2000, it is necessary to examine the estimate of private accommodation capacity and determine an acceptable content of the tourism offer, especially on the coast and islands.

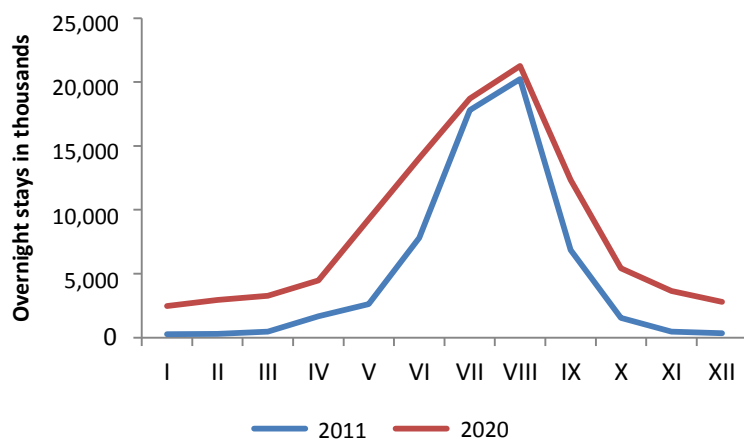
5.2.1 Product development

At present, Croatia's dominant tourist products are "the sun and the sea", which will continue to be the case in the future provided that its competitive position in the Mediterranean is continually improved through growth quality and content of the accommodation and service offer, i.e. the widening of the value chain in a destination. On the other hand, the dominant position of the sun and the sea product today is

Tourism Development Strategy of the Republic of Croatia until 2020

simultaneously also the main reason why our tourism demand is extremely seasonal and concentrated on the narrow seaside belt. Since relying heavily on this product will not produce a more significant improvement in Croatia's competitiveness as a tourist destination in the long run, nor a better use of its development capacities, in the period until 2020 Croatia needs to increasingly turn towards developing products that will enable not only better usage of existing capacities outside the summer months period, but also activate tourism potential of the continental region of Croatia.

SEASONALITY OF OVERNIGHT STAYS IN COMMERCIAL ACCOMMODATION – TODAY AND 2020 VISION



Source: For 2011 Online information system of the Institute for Tourism (BIST), original data CBS; for 2020 forecast by the Institute for Tourism.

Starting with global market trends in the tourism market and the quality of the resource and attraction basis i.e. the developmental potential of certain products, the following product groups are important for the development of Croatia's tourism in addition to "the sun and the sea": nautical tourism (yachting and cruising), health tourism, culture tourism, business tourism, golf tourism, cycling tourism, wine and food tourism, rural and mountain tourism and adventure and sports tourism. With these products, Croatia can also develop several specific product groups, such as eco-tourism and young and social tourism.

In order to develop specific products it is extremely important to ensure timely and innovative market communication, which primarily involves a significant step forward in e-marketing, i.e. improving online information and sales portals for service and destination providers (e.g. continual content development aimed towards target spending segments, tourism offer described through experience, improving website 2.0 functionality, search engine optimisation of portals), intensifying online shopping possibilities and/or service reservation (e.g. accommodation, trips, event tickets) on destination portals and intensifying the development of CRM systems at service providers and destination levels (for example, themed newsletters, pre- and post-travel information).

5.2.1.1 The sun and the sea

Target position in 2020

The growth and development of the sun and the sea product is based on safeguarding the natural comparative advantages of Croatia, but also on the development of content that is significantly richer and of higher quality to meet the demands of the customers in a selective and profiled offer in accommodation, various artificial attractions, sports and fun. Intensifying sales and promotional results will result in higher usage and improved pricing position for all types of accommodation in the period between April and October, and especially in the June-September period.

<p>New development</p>	<ul style="list-style-type: none"> ▪ Developments are focussed mainly on hotels in higher category brackets, on improving the campsite experience, as well as raising the standards of private accommodation in homes including their transformation into small hotels, B&Bs and boutique hotels; ▪ Brownfield investments involve the modernisation of existing accommodation that is not market-appropriate, and redeveloping existing state property for tourist purposes (old military barracks, industrial sites, etc); ▪ Greenfield investments are aimed primarily at areas and urban sites already in use; ▪ New development involves the application of new technologies and environmental standards, taking into consideration all relevant ecological criteria.
<p>Priority product development activities</p>	<ul style="list-style-type: none"> ▪ Improving the quality of accommodation in hotels and campsites, including their positioning and branding (improving facilities, raising existing category standards and introducing new standards in the quality of service) ▪ Diversification of the accommodation offer through themes (e.g. family sports, business, etc.), construction of integrated resorts, larger share of smaller family hotels and B&Bs, etc. ▪ Improving the quality of accommodation in private homes, including raising category standards, introducing new quality standards and interest-based clustering ▪ Development of new attractions (e.g. theme or fun parks, aquariums, interactive museums, etc) with a potential to attract regional and international demand ▪ Organisation of tourist destination infrastructure, especially beaches, walkways and paths (cycling, walking, etc.), signalisation in traffic, public parking spaces and local transport
<p>Other product development activities</p>	<ul style="list-style-type: none"> ▪ Including a larger number of service quality standards in compulsory hotel categorisation ▪ Introducing a certification system for "green" businesses ▪ Increasing the diversity and quality of food and drink, recreation, fun and shopping possibilities ▪ Redeveloping local villages and small towns respecting and interpreting elements of traditional architecture and authenticity ▪ Improving the tourist information system in a destination (e.g. information desks, interpretation of the area, tourist signage)

5.2.1.2 Nautical tourism and yachting

<p>Target position in 2020</p>	<p>Croatia is the most desirable yachting destination in the Mediterranean. This position is based on the diversity, level of preservation and the culture of life of its coast and islands, as well as the quality of nautical infrastructure, safety and themed trips. The offer is adjusted to the mega yacht demands, while the charter offer is based on high-quality and licensed service.</p> <p>International cruising is carried out in strong partnership with shipping companies and protecting the interests of Croatian destinations, which includes defining the ports that can take large and medium sized vessels, and ports for ships with up to 1,000 passengers. Croatia is a mecca for smaller and the most luxurious vessels. Nearly all boats in the international cruising system on the river Danube stop in Croatia in one of its four ports.</p> <p>Local cruising in Croatia is one of the most attractive tourism products in Europe. The quality of the product has been improved, and it includes new vessels</p>
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	intended for year-round travel.
New development	<ul style="list-style-type: none"> ▪ Construction of 15,000 new berths, 5,000 of which to be wet berths in marinas, 5,000 in ports open to visiting traffic and 5,000 dry berths; ▪ Construction of new berths will primarily be aimed at existing nautical tourism ports and ports open to visiting traffic, as well as dilapidated areas and where infrastructure has already been partly built; ▪ Construction of mega yacht marinas, primarily in attractive destinations with year-round tourism offer; ▪ Construction of an additional home port for vessels in local cruising; ▪ New development involves the application of new technologies and environmental standards, taking into consideration all relevant ecological criteria.
Priority product development activities	<ul style="list-style-type: none"> ▪ Creation of an Action Plan for yachting tourism; ▪ Creation of a study on berthing capacities in marinas and ports intended for yachting and cruising, as well as anchoring as necessary to carry out relevant activities in a sustainable and environmentally acceptable way; ▪ Enriching and improving the quality of the offer aimed at passengers, crew and vessels in existing and new ports for nautical tourism, as well as in ports open to visiting traffic; ▪ Organising the mooring system (charge, services, prices); ▪ Adopting and amending the regulations (for example, the Law on Maritime Affairs and Sea Ports; classifying vessels and marinas); ▪ Introducing "Friends of the Environment" measures for marinas, and acceptable environmental standards (black and grey waste water, separate waste, non-invasive paints); ▪ Promotion and improvement of waste management systems, including collecting waste from boats, yachts and cruisers; ▪ Since maritime activities are the largest contributor to underwater pollution, define areas of restricted navigation based on scientific and professional research in order to preserve the sea environment; ▪ Improving arrival and departure services in ports with domestic and international cruiser traffic, and equipping international departure ports for cruisers with up to 2,000 passengers.
Other product development activities	<ul style="list-style-type: none"> ▪ Stimulating arrivals of small cruisers; ▪ Introducing limited sailing and mooring areas in areas of special protection according to the relevant environment and capacity studies; ▪ Improving the systems for sea safety (coast guard, rescue services).

5.2.1.3 Health tourism

Target position in 2020	<p>Croatia is recognized as a renowned destination for health tourism. Efforts in developing new tourism offers and continuous increase in quality have resulted in competitive wellness offers, mostly within tourist accommodation, but also in the repositioned tourist market aimed at offering thermal and water therapy centres. Additionally, the focus on dental service, plastic surgery, orthopaedic services and physical therapy, as well as longer stays, has all contributed to the significant improvement in health tourism. Croatia's advantage lies in the combination of accessibility, excellent medical services, competitive prices and a pleasant stay in a tourist country. Croatia is particularly recognized as the new destination for water therapy services.</p>
New development	<ul style="list-style-type: none"> ▪ The existing offer needs to be further enriched with services relevant to different segments of potential users of health, medical, wellness and

	<p>recreational services. Apart from the modernisation and construction of diagnostic and therapeutic centres, this particularly refers to raising the quality of accommodation (ensuring high hotel-standard accommodation), as well as ensuring the development of a number of fun activities (water fun, parks, sports, and other free time activities);</p> <ul style="list-style-type: none"> ▪ In addition to several health and tourist centres and destinations, the existing health offer needs to be complemented with the development of new hotels, which would have equal access to natural health factors; ▪ Special focus on the environment and authenticity of the area when developing new health tourism facilities.
Priority product development activities	<ul style="list-style-type: none"> ▪ Creating an Action Plan for the development of health tourism together with the Ministry of Health and the Ministry of Tourism; ▪ Establishing minimum standards for wellness centres, health centres, health tourism centres, including standards for facilities, equipment, safety, service quality and environmentally sound "green" trading; ▪ Croatian health destinations will, where appropriate, strategically link and network with internationally recognized and established service providers in health tourism in the countries of our competitive circle (Austria, Italy, Germany, Hungary and Slovenia).
Other product development activities	<ul style="list-style-type: none"> ▪ Croatian health centres are specified in their activities and market specialisation (specific qualities of natural remedies, quality of medical programmes, holistic approach to health, etc) in order to reduce their dependency on the national health service, and to attract demand and a large number of affluent tourist customers, including users from the national health service systems in other countries; ▪ Creation of destination cooperation that focus on health (e.g. accommodation, catering, infrastructure, specialised health services); ▪ Introducing a wellness offer into selected campsites; ▪ Professional leadership of a national health tourism association with the aim of market research, information, education, lobbying, and membership.

5.2.1.4 Culture tourism

Target position in 2020	<p>Croatia has been recognized as a new content-rich and interesting cultural destination as a result of investment in a variety of innovative culture tourism products, and their intensive and specialised sale and promotion. Investment in a lively cultural scene in many Croatian cities has resulted in their inclusion on large tourist itineraries, while revitalisation and investment in individual cultural heritage sites and buildings (such as monuments under UNESCO protection), religious sites and a network of pilgrimage routes, as well as the introduction of new generation products that enable creative expression and visitor interaction with the local environment, have all opened Croatia to new spending segments. On the cultural tourist map Croatia's continental and coastal regions have been recognised as destinations with rich cultural and historical heritage that includes more than a thousand castles and fortresses.</p>
New development	<p>New development of buildings intended for cultural tourism is predominantly of brownfield character, and it involves adaptation of properties that are currently disused, such as industrial or military buildings in public ownership with the aim of creating infrastructure for the development of various events.</p>
Priority product development	<ul style="list-style-type: none"> ▪ Creation of an Action plan for the development of Croatian tourism, in cooperation with the Ministry of Culture, the Ministry of Tourism and tourist board system;

activities	<ul style="list-style-type: none"> ▪ Investing in raising the recognizability of a wide range of individual cultural attractions (UNESCO world heritage sites, archeological finds, castles); ▪ Creation of modern visitor centres at key attractions; ▪ Identifying possibilities for the development of new events with potential international recognizability to enhance destinations' image; ▪ Incentivising the development of cultural themed roads and paths (e.g. historical roads, UNESCO heritage roads, religious roads), which also includes clear development criteria and management systems.
Other product development activities	<ul style="list-style-type: none"> ▪ Encouraging the introduction of minimal levels of tourist access to cultural sites (e.g. working hours adjusted to tourists, basic texts and signs written in different languages) ▪ Investing in cultural, fun and sports events and especially in contemporary cultural productions in cities (strategic and action plans, continual education of professionals, promotional support); ▪ Creating a portfolio of very attractive cultural products related to life and work, with priority given to products that support the image of cultural and tourist destinations.

5.2.1.5. Business tourism

Target position in 2020	Continued development of the manufacturing infrastructure, primarily the construction of congress centres and improvement of hotel and congress capacities, as well as investment in hotel branding and development of high-quality "congress value chain", and significantly more flexible sales and promotion, all enable Croatia to focus primarily on congresses of up to 500 participants, and enter the market for large conferences and corporations.
New development	<ul style="list-style-type: none"> ▪ Construction of at least one large multifunctional congress and exhibition centre (smart centres) with 3,000 seating capacity. ▪ Construction of several smaller multifunctional congress centres (smart centres) with 1,000 seating capacity; ▪ Possible recognized congress centre destinations are primarily Zagreb, Dubrovnik, Split, Pula, Rijeka/Opatija, Osijek and other cities.
Priority product development activities	<ul style="list-style-type: none"> ▪ Creation of an Action plan for the development of the congress offer; ▪ Introduction of additional well known global brands into the hotel offer in general, and especially in congress and tourism destinations; ▪ Introduction of a larger number of air connections with European congress hubs.
Other product development activities	<ul style="list-style-type: none"> ▪ Innovation in congress offer through the flexible use of alternative objects and sites (e.g. museums, palaces, squares, parks); ▪ Encouraging a certification system for congress hotels, centres and generally Destination Management Companies (DMCs) and Product Management companies (PMCs); ▪ Strengthening the capabilities of congress offices and professional bodies for market research, education, lobbying, encouraging cooperation of everyone involved in the "congress value chain", participating in product development.

5.2.1.6. Golf tourism

<p>Target position for 2020</p>	<p>Golf contributes to attractiveness and better occupancy rates in accommodation, but also to higher investment competitiveness of the tourism sector compared to other sports and recreational activities. Accordingly, Croatia will construct 30 golf courses of high quality. Most of the courses will be recreational, and some of them will also serve for competitions that will include golf courses designed by world-renowned golf-architects and will be organized in several regional clusters. Quality will be visible in well-planned courses that are environmentally sound, and integrated into high-quality accommodation that will include top brand-hotels with wellness, wine and food and water therapy. Golf courses that are environmentally sound and developed in harmony with their surroundings are a recognisable and different attribute of the new golf offer in Croatia.</p>
<p>New development</p>	<ul style="list-style-type: none"> ▪ Golf offer is developed in clusters (around 5 courses located approximately 1 hour's drive from one another); ▪ Golf courses are planned in areas which are easily accessible, have mild climate, strong infrastructure and are near larger tourist and/or urban locations; ▪ Special attention will be paid to environmental sustainability (e.g. preferring already barren areas, limiting construction in protected areas with limited water supply, limiting over-invasive penetration into space and landscape, etc.)
<p>Models for the development of the golf offer</p>	<ul style="list-style-type: none"> ▪ Golf courses without commercial accommodation - courses are constructed close to larger existing concentration of commercial accommodation, and are formed as independent (public) sports complexes where the construction of a small number of ancillary facilities is possible. The model is based on public and/or private investment/partnership where traditionally both the state and/or local authority participate (securing the land, physical planning and part of the investment) with tourist (hotel) economic operators from the destination (securing the funds from the EU), and EU funds in the case of public golf courses. Golf course management will lie with specialised professional organizations that will derive revenue from the course. ▪ Hotel resort projects with golf – hotel complexes built in designated tourist zones which, among other activities, include golf. ▪ Golf courses with appropriate ancillary facilities - courses are constructed in planned sports and recreation areas, with possible ancillary facilities in nearby building areas, in order to ensure larger investment profitability and the existence of demand and supply. Management will lie with specialised professional organisations which will derive revenue from the course.
<p>Priority product development activities</p>	<ul style="list-style-type: none"> ▪ Creation of an action plan for the development of the golf offer; ▪ Creating an inventory of the state/local land appropriate for the development of golf courses (both as a sport and for recreation), an integral analysis of the planned locations and a selection of priority areas that will be selected based on revised planning. The preparation of project documentation for investors will start for selected locations. ▪ Simplification of legal procedures and building permit approval for the construction of golf as a sport and recreation in such a way that green areas do not need to be turned into building areas for new golf courses, and for the simplification of procedures for the right to use state property. Reclassification of forestry into building areas will be carried out in areas

	needed for the construction of buildings.
Other product development activities	<ul style="list-style-type: none"> ▪ Launching a programme for informing the public of the characteristics of golf.

5.2.1.7. Cycling tourism

Target position 2020	in	Croatia is successfully building a position as one of the key cycling destinations in the Mediterranean. This is supported by striking natural resources, high quality of infrastructure for this product, such as themed bike parks/areas, marked routes and paths, accommodation and catering, safety measures and competitions, in addition to other complementary experiences such as health tourism, eco-tourism and culture.
New investment		<ul style="list-style-type: none"> ▪ Faster development of main and supporting cycling networks across Croatia, especially by designating smaller local roads, village pathways, river banks and derelict railways, which will all be clearly themed and marked (e.g. wine, food, educational bike routes, etc.). ▪ Construction and appropriate features for a larger number of cycling routes and themed bike parks/areas across the country, and especially around larger tourist areas and cities, and in parts of the country where cycling takes place alongside busy roads.
Priority product development activities		<ul style="list-style-type: none"> ▪ Creation of an Action plan for cycling tourism; ▪ This measure will encourage signage for both trans-European cycling route (river E-6 and Mediterranean E-8) in parts which go through Croatia, and their organisation in a way that will enable cycling tourists to proceed without disrupting motor traffic and their own safety (especially in places where there are no alternative routes); ▪ New and existing paths will be appropriately equipped with tourist signage and interpretation (e.g. road signs, information points) and relevant facilities (e.g. resting points, view points, service points, etc.); ▪ Further accommodation development according to the "bed & bike" standards (e.g. small hotels, B&Bs, campsites, rural guest houses, mountain huts) with a high level of local atmosphere, joy and sustainability; ▪ Continuous development of competitions and events, including at international levels.
Other product development activities		<ul style="list-style-type: none"> ▪ Creation of specialised regional agencies for the development and promotion of the cycling destination offer; ▪ Professional leadership in the national cycling tourism association, with market research, information, education, lobbying, networking and partnerships with other sports organizations and international memberships; ▪ Further development of local products, including food; ▪ Further integration of public transport and cycling tourism (e.g. bikes on the train/ferry)

5.2.1.8. Wine and food tourism

Target position 2020	in	Croatia is successfully building its position of one of the fastest growing gourmet destinations in the Mediterranean. The growth and development of this product is based on a rich wine and food tradition and a growing catering offer that includes top wine and food produce from local areas.
New		<ul style="list-style-type: none"> ▪ Construction of a large number of new catering facilities of all sizes whose

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investment	<p>buildings correspond to the traditions of local architecture, and fine selection of local food;</p> <ul style="list-style-type: none"> ▪ New development is taking place primarily in the main tourist areas and around large cities.
Priority product development activities	<ul style="list-style-type: none"> ▪ Encouraging excellence in the food industry (e.g. establishing the "Croatian Academia for Cooking"), and including the wine and food offer into global gourmet guides (e.g. Michelin); ▪ Branding of the national and regional food offer; ▪ Development of educational programmes and manuals with best practice examples, intended for all who wish to engage in the food and wine industry; ▪ Encouraging integration of local producers with the catering sector (clusters); ▪ Creating an advisory service for interior decoration in keeping with local traditions; ▪ Encouraging the development of food and wine theme roads and pathways (e.g. wine trails, olive oil trails, pumpkin oil trails, etc.)
Other product development activities	<ul style="list-style-type: none"> ▪ Organise Croatia into theme regions that will make the most of its food and wine differences; ▪ Encourage food and wine events; ▪ Create specialised regional agencies for the development of food and wine travel and packages.

5.2.1.9. Rural and mountain tourism

Target position in 2020	<p>Croatia is established as a new destination for rural and mountain tourism. In addition to emphasising landscape variety and the quality and authenticity of the tourism and catering offer, the experience is particularly based on several mountain centres, but also on several internationally recognised rural and tourist clusters with a large number of protected traditional rural communities. Additional different elements involve the local wine and food offer, variety and preservation of the animal world and abundance in water. Establishing the support system that will include information, education and associations of small traders, will result in the creation of a more organized, themed, and content-rich offer in individual family farms, but also at cluster and destination level.</p>
New development	<p>In addition to the construction and/or modernisation of existing mountain centres and the procurement of appropriate vertical transport (cable cars, chair lifts, etc.), this primarily concerns enhancing the content of the offer in small, family-run rural farms, but most of all through the establishing of local/regional man-made attractions, including wine cellars, recreation facilities, lookouts, theme parks, etc. It is important continually to encourage the renovation of abandoned villages and use them as part of the tourist offer.</p>
Priority product development activities	<ul style="list-style-type: none"> ▪ Creating an Action plan for the development of mountain tourism centres; ▪ Modernisation of the existing "tired", as well as new mountain centres (Bjelolasica, Platak, Begovo Razdolje, Bijela kosa, Papuk, etc.); ▪ Construction and/or modernisation of vertical transport systems (cable cars, chair lifts, etc), snowmakers, and pathways; ▪ Producing a Plan for the Development of Rural Tourism and creating the Plan for the Development of Hunting and Fishing Tourism, both together with the Ministry of Agriculture and the tourist board system; ▪ Organisation of particular rural farms in line with traditional elements of local building and physical planning; ▪ Creating a plan for the categorisation of rivers, lakes and other waters for the purposes of tourism;

- Organising the offer in themes by grouping farms in clusters and different themes (e.g. organic family farms, horseriding farms, cycling tourism farms, etc.); each theme will have its own set standard ;
- Development of several "ethno-villages" specifically reviving largely or completely abandoned rural areas, it will be necessary to ensure life on these locations, and not "museum-like" conditions;
- Management of the system of continuous education of rural and mountain entrepreneurs (theme modules, "Q" connection, reference trainers).

5.2.1.10. Adventure and sports tourism

Target position in 2020	Owing primarily to its very diverse protected and supremely beautiful nature, Croatia is successfully building its position as an adventure and sports destination. In addition to the attractiveness of the resources, this is enhanced by strong infrastructure, such as clear signage on routes and paths, accommodation and catering, safety, various competitions, different schools and also other complementary experiences, such as health tourism, eco-tourism and culture. Furthermore, Croatia currently holds the position as one of the leading diving destinations in the Mediterranean, and is one of the top five kayaking venues in the world.
Priority product development activities	<ul style="list-style-type: none"> ▪ Profiling several top diving, kayak and canoeing destinations with an offer that is tailored to relevant consumers. ▪ Continuous development of competitions and events; ▪ Establishment of the minimum standard system (e.g. level of equipment, safety, environmental responsibility) for diving, kayaking, canoeing and similar centres; ▪ Implementation of relevant international licensing and certification system.
Other product development activities	<ul style="list-style-type: none"> ▪ Continued accommodation development with a emphasis on sense of authenticity, pleasure and environmental responsibility; ▪ Continuous development of local produce and wine and food offer; ▪ Organizing a system and conditions for providing services in diving tourism (regulations on diving safety, regulations on methods of service provision in diving tourism); ▪ Establishment of a professionally run national association for adventure and sports tourism (with different sections) that will focus on market testing, providing information, education, lobbying, networking, partnerships with sports associations and memberships of international organisation.

5.2.1.11. Other important products

Other important products for the development of Croatian tourism until 2020, especially in the context of creating conditions for all-year-round trade are: (i) eco-tourism, (ii) youth tourism, and (iii) social tourism.

Eco-tourism

Target position in 2020	In accordance with the NATURA 2000 programme, and mostly due to the large number of national and nature parks, and other protected areas, Croatia can meet the needs and expectations of guests from less demanding nature lovers, to focussed eco-tourism "experts", thus contributing to the creation of an additional dimension to the image of Croatia with new consumers.
New development	<ul style="list-style-type: none"> ▪ Creating a critical mass of complete eco-tourist complexes and resorts (eco-tourist villages, eco-campsites, individual buildings) in the area and near

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	<p>national and nature parks and other suitable locations in rural areas, on the islands and in protected natural areas (especially in the mountains, areas with watercourses and swamps i.e. hunting grounds, provided that these areas have suitable micro-climate conditions).</p> <ul style="list-style-type: none"> Any development in national parks, nature parks and other protected areas needs to be coordinated with the relevant Ministry.
Priority product development activities	<ul style="list-style-type: none"> Establishing the maximum number of visitors at a given time, and adjusting the visiting system (including "quiet days") for national and nature parks, and other protected areas. Establishing appropriate activities and size of the tourist and catering offer in national and nature parks, and other protected areas; Raising quality standards of the existing accommodation and service in national and nature parks, and other protected areas; Defining models for the functioning of commercial catering and tourist activities in national parks and other protected areas (concessions); Establishing modern visitor centres with key attractions with informative and educational functions; Zoning of eco-tourism areas in Croatia with the aim of establishing a network of locations with varying levels of protection, activities and experiences; Creating an internationally recognizable tourist brand.
Other product development activities	<ul style="list-style-type: none"> Further development of physical planning; Clustering of local service providers; Further development of the sustainable or "green" recreation infrastructure.

Youth tourism

Target position in 2020	Croatia is actively orientated towards youth travel and it is recognized in this market as a desirable and rich content destination, be it when it comes to educational activities or demands for affordable accommodation (hostels), public transport, fun and safety.
New development	<ul style="list-style-type: none"> Increasing the number and quality of multi-functional youth hostels in Croatia; Further development of accommodation capacities with a high level of local atmosphere, joy and sustainability.
Priority product development activities	<ul style="list-style-type: none"> Adapting the existing multifunctional youth hostels and their inclusion into global tourist youth networks; Establishing tourist information centres catering for youth; Further development of local produce, wine and food offer; Further development of internationally recognized events tailored to young tourists and their expectations.
Other product development activities	<ul style="list-style-type: none"> Development of the youth discount network in Croatia; Strengthening of not-for profit organisers and creators of products for this sector.

Social tourism

Target position in 2020	Ensuring tourism infrastructure and suprastructure that will provide a high quality and diverse holiday to vulnerable social groups, which is suitable to their needs and standards in the European Union.
New development	New development of social tourism facilities is primarily tied to the reorganisation of different properties currently owned by the State (military barracks, resorts for

	children and youth, etc.)
Priority product development activities	<ul style="list-style-type: none"> ▪ Development/construction of 2 to 3 resorts designed to meet the demand of people with special needs (persons who are not capable of using the existing accommodation capacities).
Other product development activities	<ul style="list-style-type: none"> ▪ Starting an internet web page for social tourism; ▪ Development of the social tourism database; ▪ Creation of detailed guidelines for necessary adjustments of existing buildings for hosting various key groups in social tourism; ▪ Starting a campaign for raising awareness of tourist workers of the importance and relevance of social tourism.

5.2.2 Privatisation and the activation of state property in tourism

Unlike some other economy sectors and industries in which the absence of the privatisation process can be explained through the protection of national interests ("natural monopoly"), this cannot be the case in the tourist trade. Namely, this is an economic activity whose global prosperity is closely tied to the private sector.

Although the privatisation process started twenty years ago, the privatisation of the operators in tourism is not complete. With the exception of ACI, these are largely economic operators which mostly operate in very attractive locations (location rentfree) despite showing below-average results, and often losses. Therefore, it is extremely important to carry out their privatisation as soon as possible, taking into account the maximisation of cumulative effects of privatisation in the long term.

Target aim	Privatisation and trading efficiency monitoring of all tourist companies and property/buildings that are mostly in state ownership, and are not of strategic importance for the Republic of Croatia.
Resolving ownership and land obstacles for privatisation	Clear and settled land and ownership issues are a necessary prerequisite for any privatisation. In that respect, all properties that are of interest to the tourism industry, which are currently owned by the Republic of Croatia and need to be privatised (companies, properties managed by the Government Asset Management Company - GAMA), will be declared to be of national interest, and any issues relating to such property that can potentially limit its privatisation will be expedited.
Preparation of companies for privatisation	Tourist and catering companies that have not been privatised are in a different economic sector in terms of their business results, balance structure and product competitiveness. Accordingly, the process of privatisation is taking place on a case-by-case basis following different, market-appropriate privatisation models, taking into account potential interest/category of the buyer, market position, product competitiveness, financial position and other relevant criteria of each non-privatised company. In addition to resolving the potential land and ownership issues, objective analysis of the market position and potential of particular companies form the basis for the defining of appropriate model, strategy and dynamics of their privatisation.
Privatisation implementation	Amendments to the Law on the management of state assets should allow that the implementation of the privatisation process of certain tourist companies might, depending on different cases, include the selection of privatisation advisers, negotiation and signing conditional agreements on privatisation, as well as control of the privatisation process and finally post-privatisation achievement of set goals.

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On the other hand, with reference to the activation of state property for tourism purposes, the following properties are particularly of interest: derelict military barracks, inactive industrial factories and other objects and locations mostly owned by the state and/or under direct control of local authorities, since the existing institutions in charge of their management use these properties either very rarely or in an economically inappropriate manner. Each and every one of these individual cases is a potential development and investment project for tourism. Their start and implementation are initiated and controlled by the executive government, whilst their realisation, which involves various business and management models, is achieved through private capital. Development and investment models are carried out using private capital. New development and investment projects in the improvement of accommodation on state property can be divided into brownfield and greenfield projects.

Brownfield projects - Priority lies in the revitalisation of "tired" buildings in the existing tourist offer, including properties managed by GAMA, namely the redevelopment of existing but abandoned industrial and/or military barracks and derelict areas.

Greenfield projects - The new accommodation offer is primarily aimed at the partly constructed tourist facilities and tourist zones with good infrastructure in order to minimize construction costs i.e. so that the new, still "untouched" tourist zones would be preserved for significantly important projects.

Irrespective whether investment projects are brownfield or greenfield, each location needs to have a clear land and ownership situation. Furthermore, for each individual tourist object and/or land the best-use concept should be created, based on which the terms of reference document is produced as the key document for the implementation of the tendering process.

5.2.3 Improving accommodation

Raising Croatia's competitiveness as a tourist destination implies a step forward in the quality of all types of accommodation, mainly hotels, campsites and private homes. The developmental step forward depends on this new construction and the increase in quality of the existing offer.

Hotels

Only hotels in the higher category brackets have relevant facilities to attract off-season guests. The existing structure of Croatian accommodation, particularly under conditions where there is no additional offer in the majority of tourist destinations, significantly hinders the extension of the season that is already short. In other words, together with the development of such accommodation in tourist destinations, increasing the growth of high-quality hotel accommodation will be imperative to the lengthening of the tourist season.

Development of all areas of the tourist offer, whether through the construction of new or reconstruction of existing accommodation, implies additional facilities such as swimming pools, wellness centres, sports and recreational activities, activities for children, business meetings and conferences facilities etc, whereas special attention should be paid to preserving the original features in cases where this is economically viable.

Target aim	Capacity growth by around 20,000 new accommodation units in the period between 2013 and 2020, and it is expected that growth in the period between 2015 and 2020 will be significantly faster than in the period 2013 to 2015.
Balanced growth	Construction of new hotels equally includes detached hotels, resorts and integrated resort projects.
Rational use of space	Where possible, the construction of new hotels is primarily aimed at areas that are already urbanized, or where there is some construction activity, so that the cost of infrastructure can be reduced, and over-building in these areas limited

	in the future. Coastal tourist development zones are planned for the construction of around 10 integrated resorts that will actively contribute to improving the current image of Croatia.
Quality, branding and authenticity	Construction of new and improved hotels mostly relies on 4* facilities, that are medium sized (around 150-200 keys). Construction of 5* hotels is primarily aimed at large urban centres, i.e. areas of large tourist concentration. Construction should respect the authentic nature of the destination, and ensure an appropriate appearance.
Eco-orientation	With the aim of preserving sustainable and internationally competitive development, and also energy efficient trading, the construction of new hotels in Croatia entails employing environmentally sound practice at all levels, whether during construction or active trading.
Project preparation on state level	The state will initiate the development of hotels, with the responsibility being redistributed as follows: the public sector (authority) shall hold a tender process in accordance with pre-agreed written criteria, set out the conditions, method and management and business model of the desirable function of the location or zone in question (regulatory role), and control the entire development process (supervisory role), whilst the private sector will, generally, carry the entire responsibility (and entrepreneurial risk) for the realisation of that project.

Small and family hotels B&B/ Small floating hotels

Small family hotels along the Adriatic coast, and also in the continental area, represent very attractive accommodation in different niche markets or consumer segments, and especially in the special interests market. Thus, these are accommodation capacities that contribute to the differentiation of the Croatian tourist offer, especially when organized in themes which also represent a very interesting opportunity for medium and small local entrepreneurs.

Target aim	Opening of around 200 small and themed family hotels and traditional B&Bs along the coastline, in the hinterlands and in the continental part of the country.
Rational use of space	The construction of the new, small family hotels and B&Bs is primarily aimed at locations that have already been urbanised, as well as those with the largest tourist concentration, with appropriate possibilities for both decreasing the cost of infrastructure equipment and protecting these areas from over-development.
Quality, branding and authenticity	The construction of new and improving existing small family hotels and B&Bs rely primarily on 3* and 4* hotels. Construction of new hotels should support the authenticity of the destination product, and ensure visual harmony with the environment.
Eco-orientation	With the aim of preserving sustainable and internationally competitive development, and also energy efficient trading, the construction of new hotels in Croatia requires the implementation of environmentally sound practices at all levels, both during construction or actual trading.

Camping

The quality of locations and natural resources, and their closeness to emissive markets are the main competitive advantages of camping in Croatia, and the basis of its long history.

Target aim	Increased capacity by 7,000 camping spaces (20,000 beds) i.e. circa 15% in relation to 2012. This will increase the capacity in campsites by around 5-7%, create 5-6 new medium sized campsites, and the construction of about 50 small family campsites.
New development	The construction of new campsites involves primarily the development of themed small campsites (boutique campsites, family campsites and campsites on farms), eco-campsites, campsites in the continental part of the country (next to the attractions, next to the main roads and in the cities) and campsites close to special protection areas (national and nature parks, islands, etc.). Furthermore, construction of campsites needs to take place in urban areas, or tourism development areas with existing construction, in order to reduce infrastructure costs and the benefit of usable space in the long run.
Focussing offer towards quality	Increasing camping competitiveness through quality requires a varied product, enhancing the non-hotel accommodation offer (wellness, swimming pools, activities for children, etc.), increasing service quality and accommodation diversification (dividing and equipping the units), raising the category and increasing capacity, which primarily applies to campsites along the coast that currently have less than 4*.
Removal business and development limitations	In addition to the harmonization of the appropriate legislation (problems with tourist land, concessions, maritime property), the removal of business development limitations opens the possibility of constructing campsites, elimination of unnecessary limits in campsite sizes (15 ha) and creating legal assumptions for an easier development of campsites in continental Croatia and in protected areas.
Improving promotion	In addition to the exceptional quality of natural resources, the new promotion emphasis is in product profiling (e.g. product such as family, wellness, luxury, adventure campsites) and high quality offer (accommodation improvement, recreation, sport).

Family accommodation (houses)

Family accommodation is a large, obvious, but inadequately used potential of Croatian tourism.

Target aim	Slowing down the growth in private accommodation (houses), raising total awareness of standards and turning part of the capacities into family small hotels, B&Bs and boutique hotels.
New development	New development is completely controlled, and if necessary limited.
Focusing offer towards quality	Amendments to the current minimal technical equipment standards and introducing additional excellency criteria (service quality) applicable to certain accommodation types aim to establish quality standards in this service. Service quality and a more competitive market approach will also be promoted through merging them into family accommodation groups at local, regional and national levels.

Improving commercialisation and promotion	Special presentations through destination and specialized travel agents and websites. The so-called diffuse hotel is one such way of joining together. This is an offer that has a larger number of family accommodation units (houses) of the same quality and owned by different people in the same destination, who are positioning themselves in the commercial market in a unique and centralized way. This requires an existing (joint) service and accommodation service, and also the establishing of market recognizability.
Raising knowledge and skills levels	The Ministry of Tourism together with family accommodation units will start a programme with various professional, themed workshops, seminars, on-site training and other forms of professional meetings for family accommodation service providers.

5.2.4 Improving the remaining tourism offer

Investment in the improvement of the remaining tourism offer primarily includes the construction of theme parks and visitor centres, raising the quality of beaches through appropriate management of the existing beach space, construction and introduction of ancillary facilities for cycling/walking paths, interpretation of cultural and tourist locations and sites and the improvement of shopping and fun at tourist destinations. Investment into these areas will further enrich and diversify the quality of the value chain in Croatian tourist destinations, creating the necessary preconditions for a happy stay, longer season, and equal dispersion of the tourist offer into the continent and the hinterlands.

Theme parks

Target aim	Creating a new attraction in order to generate additional tourist numbers, equal distribution of physical demand and an increase in tourist spending.
New development	The establishment of different new theme parks that are relatively equally spread across all three macro-regions in Croatia; Theme parks are different in content in order to create a system of mutually complementary activities and establish a relatively balanced park offer dedicated to family recreation (especially water parks), raising the adrenaline (adventure parks) and education (science and technology parks); Since all parks cannot (and should not) have the same autonomous attraction, in addition to the construction of several internationally recognizable theme parks it is necessary to build several regional parks intended solely for tourist travel. Special attention will be paid to the possibility of attracting investment from top international brands in the theme park area.
Suitable locations	The choice of high priority locations for the development of large parks is based on criteria such as proximity to large cities, concentration of tourist offer, traffic accessibility, all-year-round use, availability of land in public ownership, etc.

Visitor centres

Target aim	Innovation in the approach and development of the national visitor network with the aim of raising the quality of information, wider dispersion of the tourist demand and increased tourist satisfaction.
New development	The establishment of new visitor centres of various size and functionality at high-priority locations.

	Centres need to be capable of the following functions: offer information, advise visitors, ensure a professional guide, education and also souvenir sales, exhibitions and events. It is possible to arrange the following services; standard services for visitor centres include information and education space, sales area, food and drink area, toilets. Special attention is paid to the size and organisation of outside parking, and to basic interior standards (architecture suitable to the location, functionality of the interior, multi-media).
Suitable locations	Suitable locations are the main entry points to Croatia, traffic choke-points, national parks and other important protected areas, large cities as well as locations with high tourist densities.

Beaches

Target aim	A more appropriate resource categorisation and protection of the planned space to ensure long-term satisfaction of its users, and create economic interest for the local community and/or concession holders, including separating public from "private" beaches (hotel and campsite), and establishing a regime for the use of public beaches (fee vs. free).
New development	Since many beaches, especially public ones, still have insufficient infrastructure, and in some cases lack complete facilities and equipment, new development involves ensuring that existing beaches have all the equipment required by visitors (shower, toilet, changing room, beach accessories, catering facilities, etc) It is particularly important to note that beaches are fairly evenly distributed along the coast and on the islands. Finally, any beaches that are not physically suitable for visitors will be developed only in exceptional circumstances, respecting environmental criteria, since these activities require complete physical changes of the contact space between the sea and the land, through filling or use of concrete, which is environmentally unacceptable.
Suitable locations	The choice for public beaches is based on criteria such as: (i) location within larger clusters, (ii) immediate proximity to a large concentration of tourist demand, (iii) easy accessibility and (iv) possibility of all-year-round use.

Other content in the destination offer (walkways and pathways, shopping, entertainment, etc.)

Despite significant improvements, entertainment, culture and recreation offered in its tourist destinations, Croatia is currently lagging behind its main competitors in the Mediterranean.

Target aim	Reduce the deficit in Croatian competitiveness in other (newly-built) activities of its tourist destination offer by enhancing the offer for entertainment, culture, recreation (including walkways and paths) and shopping, dependent on the size, physical possibilities and the demand of the tourist population at particular destinations.
New development	New development addresses the lack of sports and recreational activities and involves the introduction of a larger number of specialized stores in the highest tourist concentration zones. All new facilities must be appropriate to the character of particular destinations, their size, subject matter and needs of tourists.
Priorities	Strengthening of the partnership and cooperation between different key players in tourism activity in each of the destinations is the main goal of the

targeted improvement of existing value chains, and therefore good entertainment, culture, shopping and recreation that have been adjusted to the needs and requirements of tourists.

Cooperation between key development players at destination level is vital for improving knowledge and awareness of all the players of the need for mutual coordination of interest and acting in synergy. The basic prerequisite for this is the existence of strategic tourism development documents for a destination as well as their implementation, but also the rational use of available space owned by local authorities. Finally, an appropriate fiscal incentivisation system aimed at entrepreneurs interested in investing, will further improve the entire development process.

5.3 Investments

Due to many limitations and barriers, investment activity in Croatia in the last quarter was below expectations. There were too few greenfield investments by new investors, and larger Croatian hotel and tourist companies also had modest investments which were mainly focussed on redeveloping existing facilities. At the same time, although it is a phenomenon that mainly takes place outside tourist zones, the poorly regulated construction of holiday homes on the coast has created a perception of its over-development. Investment in development of tourist infrastructure and new tourist attractions is completely absent.

In line with the established development vision, strategic goals and the above development strategy of the Croatian tourist offer (points 5.2.3 and 5.2.4), the operating investment strategy is presented as follows.

5.3.1 Investment strategy

Total predicted investment strategy until 2020 is expected at around 7.0 billion Euros, and is based on:

- Catalogue of Croatian tourism investments in different stages of preparation, including an analysis of physical planning by local and regional authorities;
- Investment plans of Croatian companies working in tourism;
- Investment plans of potential investors;
- Planned berthing development according to the Nautical Tourism Development Strategy of the Republic of Croatia, 2009 - 2019.

New construction of hotels and resorts, which includes individual but also so-called integrated mixed-use resorts, is based on the construction of around 20,000 new hotel rooms (keys) and an investment of circa 2.2 billion Euros. Anticipated distribution of new hotel construction would be as follows:

- Istria - construction of about 4,000 hotel rooms (keys) and accompanying facilities, including the completion of the Brijuni Rivijera project;
- Kvarner - construction of about 2,000 hotel rooms (keys);
- Zadar area - construction of about 3,000 hotel rooms (keys);
- Split area - construction of about 1,000 hotel rooms (keys);
- Dubrovnik area - construction of about 4,000 hotel rooms (keys);
- Continental Croatia - construction of about 3,000 hotel rooms (keys).

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Renovation and reconstruction of existing hotels (brownfield investments) involve the need to further improve the accommodation offer and facilities, especially in companies that are still mainly in public ownership, and privatised companies where the process of modernisation of accommodation has been stagnating or developing too slowly. These are some 15,000 rooms (keys) and an additional investment potential of about 825 million Euros.

Investing in small family hotels and B&Bs is estimated at 295 million Euros. A total of 265 million Euros will be spent on the construction of 200 hotels i.e. the conversion of family accommodation (houses) into hotels and the remaining 30 million Euros will be spent on raising existing quality and improving the facilities.

Investing in small sailing vessels is estimated at 110 million Euros, where 100 million Euros will go into the construction of new vessels, and the remaining 10 million into improving the quality of the existing offer (50 vessels).

Investing in camping is estimated at circa 400 million Euros, and it involves investing in new camps (170 million Euros), but significantly more in raising the quality of existing camps (230 million Euros) and improving the facilities.

Investing in private accommodation in private homes is estimated at circa 700 million Euros, and it primarily involves investment in reconstruction and quality improvement, as well as facilities upgrade. This includes the possibility of establishing the so-called "diffuse hotels".

Investing in nautical tourism ports, in accordance with the guidelines set out in the Nautical Tourism Development Strategy of the Republic of Croatia 2009-2019, predicts an investment potential related to the improvement of nautical tourism ports in the amount of 552 million Euros, 475 million of which involves the construction of berths in new marinas, existing marinas and ports, and 77 million Euros for the improvement of quality levels in existing marinas and ports. This includes the construction of a certain number of mega yacht marinas and ports, primarily in attractive destinations that provide an all-year-round service.

Investing in newly realised tourist attractions includes carrying out a number of investments in the provision of different facilities in tourist infrastructure, such as golf courses, theme parks and congress centres. An insight into the development of golf courses shows the need to construct some 30 courses with a total investment of 210 million Euros. In addition, the construction of at least two congress centres is expected to cost 46 million Euros, while the construction of some ten new theme parks that will be equally spread across the country is expected and would require 300 million Euros.

Investing in other tourist infrastructure includes investment in food and drinks facilities, fun, sport and recreation activities, trading, and public infrastructure standards.

In the conditions of increased and varied tourist demand and the reduction of the financial burden, primarily through the reduction of value-added tax rate on food and drinks, it is estimated that the period until 2020 will see a number of new, and renovation of at least 30% of privately owned business units in food and drinks preparation and catering. This will require circa 200 million Euros.

Destination facilities for fun, such as clubs, open stage venues, etc, as well as shops, sports and recreation units, from hiking and cycling paths to various indoor sports objects, represent one of the areas that require constant improvement and expansion, especially taking into consideration new marketing and product development guidelines. In the period until 2020, investment potential for this facilities group is estimated at 160 million Euros.

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A requirement for raising competitiveness in Croatia is improving the infrastructure of all tourist destinations in the country. It is estimated that the improvement of small towns, coastline and beaches; presentation of cultural and natural heritage, creation of visitor centres and improvement of infrastructure (clean towns, local transport, traffic and signage, public cultural events, walkways and beaches, etc. as well as an upgrade of the tourist information system) will encourage investment activity in the amount of 1.0 billion Euro in the period until 2020.

The above-mentioned investments also include education infrastructure, and financing of various education programmes. Investments into the creation of strong regional tourism education centres, training centres and specialised higher education business schools are estimated at 20 million Euros, while an additional 10 million Euros need to be allocated to the financing/co-financing of education programmes for those working in tourism, as well as retraining of the unemployed.

5.3.2 Investment environment

The implementation of development goals and the new vision of Croatian tourism imply the start of specific development and investment projects with international recognisability. The creative qualities of such projects will attract new segments of tourist demand, extend the tourist season and contribute to the overall improvement of the image of Croatia's tourism. The establishment of an encouraging entrepreneurial and investment environment in today's conditions requires a strong engagement from the authorities in both preparing institutional and other prerequisites for encouraging competitiveness in Croatian tourism, and starting development and investment projects on a large scale.

Tourism Development Strategy of the Republic of Croatia until 2020 will start many such measures that aim to create conditions for ensuring market trading and investment that is both long-term and viable. Furthermore, in addition to activities that are related to marketing and product development, human resources development and tourist policy management, creating an encouraging entrepreneurial and investment environment is based on removing the existing limitations for entrepreneurial and investment activity, reduction of fiscal pressure, creation of incentives system and establishment of new rules for management and organisation of hotel facilities and resorts.

The legal issues related to efficient tourism management and activities that are related to tourism are currently regulated through a large number of regulations issued by various state administration bodies. Such regulations are often inadequate, unclear and inappropriate, thus creating an environment that is difficult to navigate. In that respect, activities that are aimed at increasing the functionality of the existing legal framework through harmonisation of existing legislation between the relevant sectors, i.e. deregulation of the tourist trade are in the process of being introduced. The lack of efficient regulatory functions between national and local levels is also prominent, which often slows down and in some cases completely hinders the investment activity. In that respect, a special new law is planned aiming to encourage investment activity, which would give special status to investments that are of national interest (investments larger than 50 million Euros), and allow derogation of existing regulations that are mutually contradictory. Some of the activities in establishing a new investment environment are measures aimed at ending the Croatian economy's transition process towards a market economy, which include privatising companies that are still mainly government-owned, resolving any ownership issues and solving the problems of the so-called tourist land.

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Special measures intended for hotel projects refer to enabling the organization of hotels into smaller units and the selling of these units, provided that they remain in hotel use. The possibility of using sold capacities will therefore be limited to a maximum 30-50% of the capacity of each resort.

In terms of fiscal policy, apart from increasing catering profitability based on ensuring a preferential tax status on the added value of accommodation, food and drink, it is necessary to establish the conditions for an additional reduction of fiscal pressures (value added tax, tax on profit, income tax, salary contributions and other) that will acknowledge the specific nature of individual tourist activities, as well as reduce parafiscal contributions, that is to say their harmonisation with those of other Mediterranean countries, as well as adjusting their calculations to the seasonal nature of trading and real usage of capacities.

In terms of fiscal incentives, ensuring preferential loan rates for investment projects into tourism will continue through the Croatian Bank for Reconstruction and Development (HBOR), whereas the bank needs to secure a minimum 1.5 billion Euros for investment.

Finally, with the aim of changing Croatia's image as a country with low investment potential, an implementation of all bidding procedures in compliance with international procedures and clear terms of reference is envisaged, based on which potential investors will have a clear insight into the location and readiness of a development zone, the scale and structure of investment, acceptable business and management model, ways of participation in investment bidding and similar, as well as organising investment conferences, creating central information points for potential investors in tourism, detailed cataloguing of state-owned property, producing a book on tourist investment projects that are ready for the market, and systematic 'road shows' to globally recognized investors and image creators.

5.3.3 Using EU funds

EU cohesion policy is one of the pillars of EU common policies that reflect the scope of social and economic differences within the European Union, but also the political significance of the cohesion of the project of a united Europe. The determinants of the cohesion policy therefore shift from the initial emphasis on reaching a unified development within the EU towards the strengthening of global competitiveness and sustainable growth of the EU economy.

The National Strategic Reference Framework of the Republic of Croatia for the period until the end of 2013 lists traffic infrastructure, energy infrastructure, environment infrastructure, competitiveness enhancement, encouraging equal regional growth, encouraging employment, workforce training for the job market, and strengthening the efficiency of state administration and justice. The operational programme for equal regional development in the tourism sphere includes public and private projects in tourist infrastructure as prerequisites for its growth. The operational programme for human resources, as part of the priorities supporting sustainable hiring and improvement of human potential activities in tourism, will aim funds primarily at developing the projects that raise the capacity of educational institutions.

When the Republic of Croatia enters the European Union, key players in the public, private and civil sectors in Croatian tourism will have significant opportunities for using EU funds to co-finance different development projects. Funds that will be available primarily include structural funds (European Fund for Regional Development and European Social Fund), EU Cohesion Fund and EU Agricultural fund for rural development. In that respect, the significance of the Tourism Development Strategy for the Republic of Croatia until 2020 is of key importance, since strategic foundation is the basic principle for defining and producing national operational programmes and priorities, in accordance with the main goals from the strategy Europe 2020,

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and special theme goals of particular financial perspectives, and which form the foundation for the preparation of projects for the withdrawal of EU funds.

Tourism Development Strategy for the Republic of Croatia until 2020 is significant primarily in defining the basic characteristics and limitations, as well as goals and estimates for future development, in order to clearly define areas in which it will be possible to use EU funds to co-finance projects in Croatian tourism. The fact that this document clearly defines Croatian tourism until 2020 is completely in accordance with the current and future financial perspective of the EU for the period until 2013, and from 2014 to 2020. Strategic guidelines will be transferred into operational programmes and priorities through the programming process, which will serve to withdraw EU funds for tourism projects in the best possible way, and which are compliant with strategic guidelines and thematic goals of EU financial perspectives.

Experiences from other countries that have gone through this process show that it will be possible to withdraw funds for a large variety of development projects, be it in public infrastructure for tourism development or in private projects for tourism education, promotion, protection of the environment and similar. Investment potential clearly defined in this document firmly shows that tourism, as one of the most competitive and powerful sectors of the Croatian economy, has exceptionally respectable absorption potential. At the same time, our country's experience shows that funds withdrawn from the pre-accession programmes, in particular EU's Instrument for the Pre-Accession Assistance (IPAs), had a large number of successful project applications. All this, together with feedback from the key players, indicates that Croatian tourism has very strong expectations from entering the European Union and the possibilities offered through its funding.

The Ministry of Tourism of the Republic of Croatia actively participates in all activities at Government level, and cooperates with other operational bodies in central state administration in the process of preparation for the withdrawal of funds in the second half of 2013, and the programming process for financial perspective between 2014 and 2020. The entire procedure will in the end define positions of all sectors in Croatian society and economy in relation to the possible withdrawal of EU funds, as well as the possible role of the Ministry of Tourism as an intermediary in the operative structure for the financial perspective 2014-2020.

5.4. Human resources development

The suitability of quality in human resources i.e. possessing the right current knowledge and practical skills is the basic element for delivering a tourist offer of highest quality and improving the competitiveness of Croatian tourism. Fast and increasingly intensive changes in market and business environments, as well as the development of new technologies, require new skills and knowledge, especially various practical skills that are necessary efficiently to carry out executive and management processes in tourism. With the development of the Croatian tourism sector, tourism economy will show an increasing need for highly skilled executive and management staff. In addition, the growth and need for new knowledge and life long learning in Croatia is parallel to the development of small and medium sized enterprises in tourism. Since the formal systems of formal and life-long education are not well-adjusted to the needs of the tourism economy sector and the system of tourist organisations, education in the function of human resources development in tourism needs to be structured as a joint responsibility between the state, employer and local communities.

Desirable change	The market-orientated system of vocational education in tourism directed at creating competitive human resources across all segments and levels of tourist activity, as a prerequisite for high quality and growth of the competitiveness of Croatian tourism.
Strong regional tourism centres within secondary education	The formal education system is based on the principle of quality concentration. It is established in several strong regional centres within the secondary education system with a high quality infrastructure and teaching staff (Counties of Istria, Primorsko-goranska, Zagreb, Osjecko-baranjska, Splitsko-dalmatinska, and Dubrovacko-neretvanska). Regional centres will have coordinated teaching programmes based on the balance between different current knowledge theories and practical lessons based on work experience in the tourism sector.
Coordinating the curriculum needs in the economy with the	Regional centres conduct lessons following a simple, mutually-coordinated curriculum, which significantly relies on practical work experience and reflects possibilities for flexible adjustments to market needs for skills, knowledge and competencies that are required in the tourism sector.
Training centres / technical equipment in vocational schools	At least two to three training excellence centres to be established across Croatia responsible for monitoring and executing practical lessons and learning of current and relevant knowledge and skills required for the tourist trade. These centres would be market-orientated hotels that would "hire" students. This way, students could perform work duties through their learning experience and work across different areas of the trade, gaining experience and skills relevant for executive and management functions. Possible training locations are Zagreb, Opatija and Dubrovnik, and a city in Istria. These centres should become reference centres for the rest of the country.
Formation of highly specialised business schools in higher education	The key to achieving excellence in tourism is training of the middle management, which is the basic requirement for delivering high quality. Several private highly specialised schools for hotel management, catering and tourism should be established, which would focus on specialised programmes based on an efficient combination of acquiring specialised knowledge and practical skills, and whose programme would include a high level of practical work experience and application of modern teaching methods, in addition to necessary current knowledge.
Formation of the lifelong learning system	It is necessary to establish a complete and consistent life long education system in Croatia for tourism needs, which would be based on current needs in the economy and tourist sectors. Lifelong learning programmes involve everyone working in the private and public sector related to tourism. Private sector programmes include programmes for executive manufacturing and catering staff and middle and higher management, and encompass themes aimed at hotel operations, management, controlling and finance, marketing and sales, modern distribution and fund management systems, investment projects development, strategic planning, hospitality culture, excellence culture, energy efficiency, etc. Public sector programmes include destination management through partnership, development and management of the DMOs, managing destination marketing and using marketing tools, creation of tourism development plans, project management, controlling and monitoring of efficient fund allocation, applications for EU funds, creating complex tourist

	products, etc. Lifelong learning programmes should be carried out in cooperation and partnership with professional bodies (Croatian Association of Hotel Professionals, Croatian Camping Association, Croatian Association of Travel Agents, etc).
Connecting global centres of excellence education with centres of in	Introduction of continuous cooperation with certain world and/or regional education excellence centres specialised in tourism (such as the Cornell School of Hotel Administration, Ecole Hoteliere de Lausanne, etc.). In addition to coordinating the teaching curriculums and/or visiting lecturers, the programme also envisages student exchange or international practical work experience for Croatian students. Finally, activities include the possibility of opening branches of these schools in Croatia.
Tourism as part of primary education programme	In order to promote the awareness of the significance of Croatia's orientation towards tourism, it is necessary to establish tourism as a part of the education programme in primary schools, which would create a positive image of tourism at an early age where basic life values are formed. This is a necessary condition for an efficient and harmonious functioning of tourism in this country.

5.5 Process management

Efficient implementation of the conclusions from the Tourism Development Strategy of the Republic of Croatia until 2020 assumes organisational adjustments at the levels of the Ministry of Tourism, functioning systems of local tourist boards, and also present cooperation between ministries associated with tourism.

The Ministry of Tourism is the main competent authority for the implementation of the Tourism Development Strategy of the Republic of Croatia until 2020 and as such, the Ministry needs to be fully prepared for this task on both organisational and functional level. Accordingly, the existing Strategic Planning, Competitiveness and Sustainable Development Office acting within the Department for Tourism Development and Competitiveness, needs to be further improved to be able to take responsibility for daily coordination of activities and key players in developments that are responsible for the implementation of certain conclusions in the Tourism Development Strategy of the Republic of Croatia until 2020.

The system of tourist boards needs to be revised and rationalised, not only in order to implement the conclusions in the Tourism Development Strategy of the Republic of Croatia until 2020, but also to promote an increase in its total efficiency, especially on regional and local (destination) levels, where tourist activity takes place. Increase in the efficiency of tourist boards implies ensuring the necessary pre-requisites for a systematic application of jobs and functions in destination management.

When it comes to the rationalisation of the system, merging of certain local (city/borough) tourist boards is encouraged, following the principles of spatial, functional and manufacturing integrity (for example, islands rivas, regions), where affiliation with these counties will not be a requirement. Along with ensuring complete coverage of the territory of the Republic of Croatia, merger of tourist boards in certain areas, and consequently the responsibility for work in destination management, is generally based on financial self-sufficiency criteria. In other words, through the process of system rationalisation and territorial clustering, current tourist boards will become destination management organisations (DMOs) in the true sense of that word. This implies appropriate staffing and additional education in destination management, which is

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particularly relevant to the tasks of strengthening destination competitiveness and coordination ability, as well as coordinating often-conflicted interests of key players in a destination.

In addition to tourism professionals, it is advisable to include local residents in the management of the destination, in order to ensure growth that is "tailored to the local community". In that respect, positive experiences from Europe point to the possibility of forming so-called Local Action Groups (LAGs).

The main income for tourist boards as destination management organisations will still primarily come from sojourn tax, membership fees and donations, as well as EU funds for the co-financing of various projects. A possible additional income source is self-generated income from commercial services, provided that such commercial activity is aligned with the function of the basic activity and does not affect the market. Funds generated through the sojourn tax and tourist memberships will be used for raising the competitiveness levels of the areas where they are generated more than is the case today. The reason for this is the need to encourage local tourist boards actively to participate in developing and improving systems in destination experiences through the merger of different players (public and private). At the same time, promotion will mainly take place at national and regional levels.

Enforcing the rationalisation of the current tourist board system will not only ensure a more efficient use of available financial and human resources, but also the strengthening of regional and local tourist recognisability. Together with strengthening the negotiating positions of regional DMOs, this will also ensure complete representation of specific local and regional interests, strengthening of local and regional initiatives, and better integration of local key players in creating internationally competitive products.

Due to tourism's heterogeneous and multi-discipline nature, the inclusion of ministries whose activities are closely related to tourism is a necessary precondition for efficient operation of the Tourism Development Strategy of the Republic of Croatia until 2020. Although cooperation between different ministries already exists, efficient implementation of the Development Strategy of the Republic of Croatia until 2020 implies a much stronger formal cooperation. To that effect, a special **Interministerial Professional Tourism Council** will be created, formed not only of high officials in the Ministry of Tourism, but also members who are state officials from other Ministries (Deputy Minister level), from the Ministry of Maritime Affairs, Traffic and Infrastructure, Ministry of Construction and Physical Planning, Ministry of Culture, Ministry of Science, Education and Sports, Ministry of Agriculture, Ministry of Entrepreneurship and Crafts, Ministry of Regional Development and EU funds. The work of the Professional Council can also on occasion include Council for Physical Planning of the Republic of Croatia, professional bodies within the Croatian Chamber of Commerce and the Croatian Olympic Committee, and other civil and not-for-profit organisations.

The main task of the **Interministerial Professional Tourism Council** is to discuss and agree on annual action plans for the implementation of the Tourism Development Strategy of the Republic of Croatia until 2020 (establishing action), and monitoring the execution of agreed activities. Annual action plans will be proposed by the Ministry of Tourism and adopted by the Government of the Republic of Croatia.

The Croatian Chamber of Commerce and the Croatian Olympic Committee will actively participate in the process of raising awareness through defining proposals on the regulation and deregulation of the legal system, not only to protect the interests of their members, but also to establish relevant categorisation criteria and certification of buildings in the tourist offer, as well as to run systematically various activities to raise the quality of tourist workers.

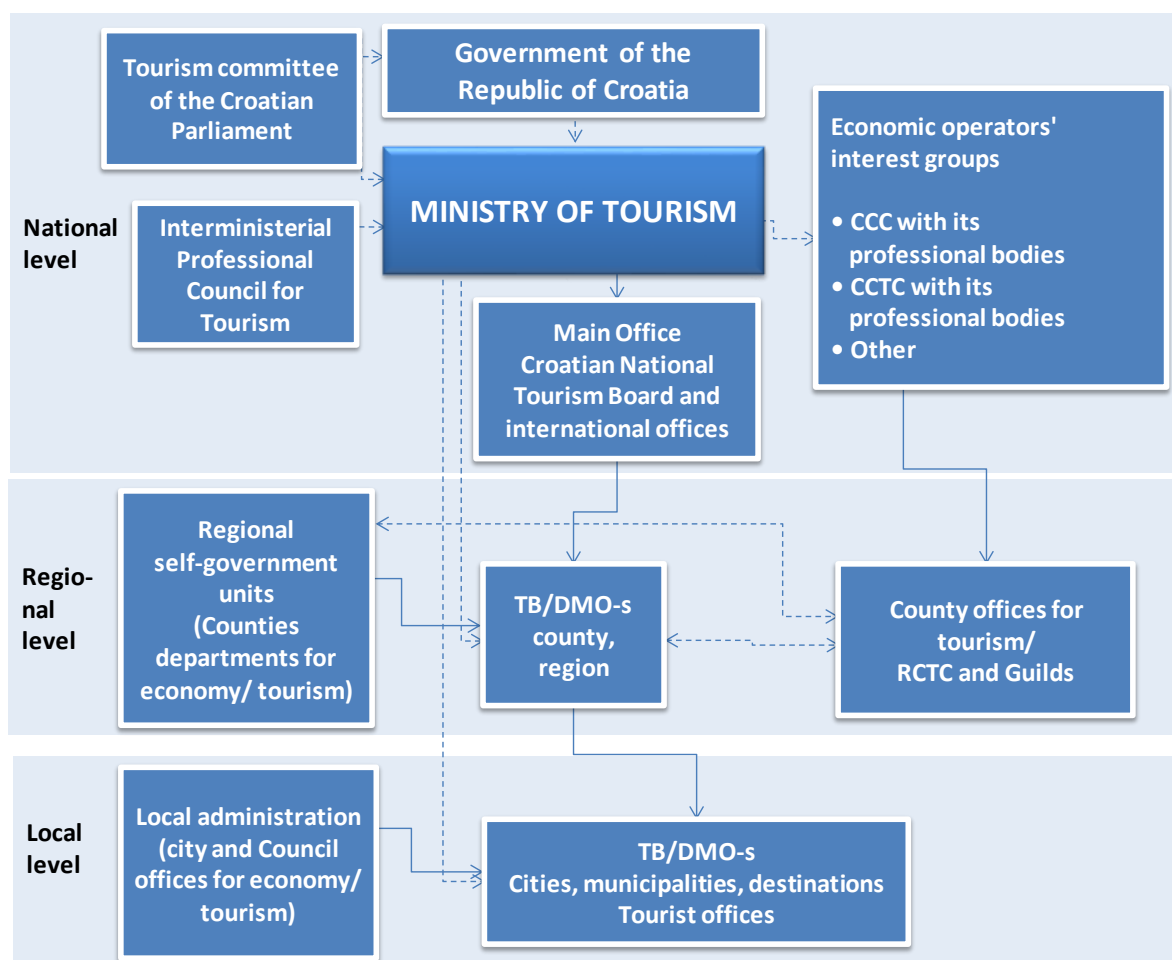
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Supervision of the Tourism Development Strategy of the Republic of Croatia until 2020 with the aim of initiating possible correction activities will be carried out on two levels: activity control as defined by the Action plan, and categorisation of the effects of these activities.

Reports on the accomplishment of activities from the Tourism Development Strategy for the Republic of Croatia until 2020 will be submitted by designated bodies in each of the tasks set out in the Action plan, and delivered to the Ministry of Tourism, in charge of its implementation, to inform the Minister of Tourism and the Interministerial Council on the status and future plans for such activities.

Influences of tourism on the economy, environment and society (as a whole and locally) will be monitored annually, not only as a consequence of the completion of particular measures and projects of the Tourism Development Strategy of the Republic of Croatia until 2020, but of tourism in general. This monitoring will take place through activities carried out by many other institutions in Croatia, and its improvement is desirable not only in terms of better (more complete) information, but also of timely availability of this data. The Ministry of Tourism should gather this information once a year and present it to the Interministerial Professional Council and the general public as a whole. With the aim of monitoring the effects of the Tourism Development Strategy of the Republic of Croatia until 2020 (and tourism in general), it is necessary to define indicators that will follow relevant development baselines, for each of the three indicators: economy, environment and society.

ORGANISATIONAL SCHEME OF NEW TOURISM MANAGEMENT SYSTEM IN CROATIA



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CCC – Croatian Chamber of Commerce
CCTC – Croatian Chamber of Trades and Craft
RCTC – Regional Chambers of Trades and Craft
TB – Tourism Board
DMO – Destination Management Organisation

6. Economic effects

The development of tourism until 2020 can be divided into two periods: (i) period from 2013 to 2015, and (ii) period from 2016 to 2020.

The period until 2015 is marked with the following: elimination of development limitations, preparation of development projects and market repositioning. Despite the expected successful implementation of planned tourist policy measures, their effect will not be achieved in a period less than two to three years. With this in mind, before 2015 it will not be possible to rely on significant positive shifts in the effects of the tourist trade.

Having completed the earlier processes of removing institutional limitations and de-regularisation, introducing new solutions into the tourism management system, in guiding tourism policy and taking the necessary steps to ensure an increase in the efficiency of human resources, the period between 2016 and 2020 is the time when we can expect to see market changes arising from the effects of completion of newly built accommodation and other investment into the growth of volume, quality and diversity of different aspects of accommodation and out of season tourist offer.

It can be expected that the positive effects of these measures and activities taken until 2020, aimed at de-regularisation, incentives for entrepreneurship and increase in investment activity, will continue until 2021 and 2025. For that reason, expected effects of the Tourism Development Strategy of the Republic of Croatia until 2020 will carefully be considered for that period as well, even though its time frame falls outside of the scope of this document.

6.1 Period between 2013 and 2020

Expected effects of activities undertaken until 2020 are set out as follows:

Demand - It is estimated that in 2015, Croatia will achieve around 68 million overnight stays in registered commercial accommodation, 13% more than in 2011 (average annual growth of 3.1%). It is expected that increased demand for paid accommodation will follow the growth in the number of overnight stays in non-commercial accommodation capacities with an average annual growth rate of 2% for international, and 1.7% for domestic tourists. Therefore, an estimated 74 million overnight stays will be registered in non-commercial accommodation in private houses and flats (according to the methodology applied by the National Institute for Statistics).

Furthermore, it is estimated that by 2020 Croatia will have achieved about 86 million overnight stays in commercial accommodation. With an average annual growth of 4.8%, this represents 43% more than in 2011, and 26% more than expected in 2015. Demand increase for non-commercial accommodation for this period is estimated at around 2.2% per annum, with an expected growth in the number of tourists at an average annual rate of 2.5% for international tourists, and 1% for domestic tourists. Tourist travel related to commercial and non-commercial accommodation in private homes, and non-commercial accommodation in

Tourism Development Strategy of the Republic of Croatia until 2020

houses and flats will reach 93 million overnight stays in 2020 (according to the methodology applied by the National Institute for Statistics).

Spending - in the period leading up to 2015, it is estimated that average spending per visit by an international tourist staying in commercial accommodation will increase from 342 Euros to 369 Euros, or 6.1%. At the same time, average spending by domestic tourists in commercial accommodation will not increase significantly. Increase in average spending and the expected increase of physical demand will result in increased total tourist spend from 8.0 billion Euro in 2011 to 9.3 billion Euro in 2015, of which 83% related to international (arrivals) and 17% to domestic tourist demand.

Finally, total tourist spending in 2020 should reach circa 14.3 billion Euros. Taking into account real growth of average spending in commercial accommodation from 369 to 465 Euros, international (arrival) tourist spending should therefore reach circa 12.5 billion Euros, and domestic around 1.8 billion Euros.

Offer and occupancy rates

It is estimated that commercial accommodation potential in 2015 will reach 920 thousand beds, which is 8% higher than in 2011. In conditions where the demand rises quicker than the supply, all types of accommodation will experience a rise in occupancy rates. It is expected that in 2015 hotels will increase gross occupancy rates to 41%, which is 2 percentage points higher than 2011. Family accommodation in private houses should increase gross occupancy rates by 1 percentage point (from 14% in 2011 to 15% in 2015), while campsites will continue to maintain today's level of occupancy rate, with minor oscillations.

Total commercial accommodation capacity for Croatian tourism in 2020 should be around 995,000 beds, with stagnation in the growth of private accommodation in houses after 2015, mostly through their thorough and financially incentivised growth into small hotels and boarding houses. The fastest growth is planned in hotel accommodation, which will take over the role of the key driving force of investment cycles in tourism, but significant offer improvements also include the construction of a wide variety of newly organized activities, and well as improvement and expansion of the camping offer. In such conditions it is estimated that gross occupancy rates for hotels in 2020 can reach 47%, which is 8 percentage points higher than in 2011 and 7 percentage points above the planned estimate for 2015. In addition to the expected rise in quality and diversity of the camping offer, it is expected that in 2020 camping can reach occupancy rates of 23%, which is 3 percentage points higher than in 2011. Family accommodation (private houses), which currently has the lowest occupancy rates, has the potential to increase gross occupancy rates by 20% in 2020, in relation to 2015.

Investments - The total number of investments by 2020 is 7.0 billion Euros. Investments would therefore reach 1.4 billion Euros in the period until 2015, and in the period between 2016 and 2020, 5.6 billion Euros.

It is estimated that the investment potential for larger private or public-private entrepreneurial projects until 2015 is 900 billion Euros, while smaller, private projects should attract investment of a total of 250 billion Euros. Finally, around 250 billion Euros represents the investments into the improvement of public destination infrastructure that is primarily designated for tourists.

From 2016 to 2020, the period of intensive investment and market activation of projects that are aimed at increasing the volume, diversity and quality of the tourist offer will continue. It mainly concerns investments into new hotels and other accommodation, marine berths, golf courses, congress centres and theme parks, which are estimated at around 3.6 billion Euros. Investment into smaller entrepreneurial projects (in the transition from private accommodation in houses to small hotels/boarding houses, and new offers for food

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and drinks premises) is estimated at 1.1 billion Euros. Finally, an investment of 100 billion Euros is expected in new construction and improvement of the quality of existing activities for fun, culture, sport and recreation and/or retail outlets, while an additional 0.8 billion Euros should be invested into various destination infrastructural projects (regeneration and cleanliness of small towns, local transportation, signalisation, public cultural activities, walkways and paths, beaches, etc, as well as improving the tourist information system).

New jobs - It is estimated that the planned projects have the potential to employ between 20,000 and 22,000 workers by 2020, 13,000 of which would be employed in the hotel industry, and the remaining 7000 to 9000 in areas such as catering, theme parks, golf, visitor centres, etc. Finally, the growth of the tourist activity should also ensure induced hiring of additional 10,000 workers in non-tourist trade. In other words, the total impact of Tourism Development Strategy of the Republic of Croatia until 2020 has the potential to create 30,000 to 32,000 new jobs.

6.2 The period between 2021 and 2025

In addition to the expected stabilisation of the economy in the European Union, tourist activity in Croatia will take place in the conditions of stable and moderately growing demand. In such conditions, and with the assumption of further innovation into the production portfolio and the growth of competitive capacity, a further strengthening of Croatia's market position can be justly expected. This will be visible both through the growth of the accommodation and other offer, as well as through occupancy rates and the increase in average daily income from tourist spending.

Demand - In the conditions of steady growth of international demand, in 2025 Croatia has the potential to realize about 107 million overnight stays in commercial accommodation, which is 24% more than in 2020. Increase in demand for non-commercial accommodation is estimated to be around 1.4% per annum, where average growth for tourist travel is expected at around 1.5% per annum for international and 1% for domestic tourists. This means that an expected 114 million overnight stays will be achieved in 2025 in both commercial and non-commercial accommodation in houses and flats (according to the methodology applied by the National Institute for Statistics).

Spending - With an estimated 11% growth in average spending, it is estimated that tourism spending will reach 18.5 billion Euros in 2025, international spending amounting to 16.3 billion Euros, and local to 2.2 billion Euros.

Offer and occupancy rates - Total commercial accommodation capacities for Croatian tourism in 2025 would be around 1.1 million beds, 22% of which would be in hotel accommodation, 26% in camping, 39% in family accommodation (private homes) and the remaining 13% refers to other commercial accommodation (tourist villages, etc.). With an additional 35 thousand rooms, hotel accommodation is still the main bearer of tourist investment cycles.

It is estimated that the gross occupancy rate for hotels in 2025 could reach 50%, which is 3 percentage points higher than in 2020. With additional increase in quality and the diversity of the camping offer, it is expected that the gross occupancy rates for campsites could reach 26%, 3 percentage points higher than in 2020. Finally, an additional 15% increase in private family accommodation (private houses) is expected in relation to 2020.

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Investments - The period between 2021 and 2025 is still a period of intensive investments and market activation of projects aimed at increasing the volume, diversity and quality of the tourist offer. Additional investment potential in this period is estimated at 6 billion Euros.

New jobs - It is estimated that planned projects have the potential of creating 25,000 new jobs, 18,000 of which would be in the hotel industry, and the remaining 7,000 in various sectors, such as the catering industry, theme parks, golf, visitor centres, etc. Finally, the growth of tourist activity should also ensure employment of additional 12,000 workers in non-tourist trade. In other words, the total impact of Tourism Development Strategy of the Republic of Croatia in the period between 2021 and 2025 has the potential to create 37,000 new jobs.

6.3 Total effects from 2013 to 2025

Despite methodological limitations that primarily imply decreasing the authenticity of projections with the lengthening of the prognostic interval, especially in conditions of an extremely turbulent environment, the predictable total effects of the Tourism Development Strategy for the Republic of Croatia until 2020, in the period until 2025 can be summarized as follows:

- (i) Around 107 million overnight stays in commercial accommodation, which is 77% more than in 2011, and 114 million total overnight stays in commercial and non-commercial accommodation in houses and flats (according to the methodology applied by the National Institute for Statistics);
- (ii) Around 1.1 million beds in commercial accommodation in 2025 (29% increase compared to 2011), 24% of which is hotel accommodation, 24% campsites, 39% private accommodation (houses) and the remaining 13% in other commercial accommodation capacities;
- (iii) Around 18.5 billion Euros in tourist spending, which is 11 billion Euros more than in 2010;
- (iv) Around 45 to 47 thousand new jobs in the tourist sector (of which 31 thousand in the hotel industry and circa 14 to 16 thousand in other), and around 22 thousand induced jobs in the non-tourist trade;
- (v) About 13 billion Euros of new investments.

7. Action plan

Measures for raising competitiveness of the integral Croatian tourist product are directed mostly towards efficiency in managing the destination tourism product, and towards increasing service quality and trading profitability of individual economic operators. However, a significant increase in tourist industry efficiency is not possible without creating an institutional framework for the "releasing" and incentivising tourist entrepreneurship, or without introducing changes in the organization of the present management system for the entire tourism activity.

Accordingly, 26 priority measures have been recognized for the tourism policy, divided into two categories: the first category (highest priority/blue colour) are measures without which it is not possible to achieve defined strategic goals. The second category (medium-high risk/green colour) represents measures that are key for the achievement of individual development goals.

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All high priority measures will be carried out in 2013. Medium priority measures will mostly be carried out in the period between 2013 and 2015, or in the case of unexpected circumstances between 2016 and 2020. Where necessary, various appropriate experts will be appointed to implement the measures defined in the Action plan.

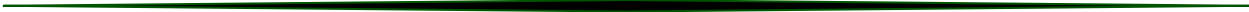
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Measures/sub-measures/projects	Description	2013.	2014.	2015.	2016.	2017.	2018.	2019.	2020.
6. Proactive tourism fiscal policy	Continual review of possible reduction of fiscal pressure.								
7. Starting new incentive programmes for the development of small, medium and large entrepreneurial projects in tourism	Ensure funds for incentivising investment activity of small, medium and large tourism entrepreneurs.								
8. National programme for the development of small family hotels	Establish a more appropriate and encouraging institutional environment for the development of small family hotels.								
9. National programme for the improvement of family accommodation	Establish a more appropriate and encouraging institutional environment for increasing the quality of the private accommodation offer.								
10. Creating entrepreneurial clusters	Establish entrepreneurial clusters and ensuring organizational, financial and staffing prerequisites for their functioning.								
11. Defining unique criteria for strategic planning of tourism development on regional/local level	Establishing standardised methodological framework for drafting strategic tourism development plans. Harmonise existing and new strategic development tourism plans on regional/local level with a methodological framework.								
12. Regional/local beach management programmes	Establish a systematic, methodical and sustainable approach to cleaning and managing beaches.								
13. Action plan for the development of nautical tourism – yachting	Assessment of locations for future construction, with priority given to existing nautical tourism ports as well as ports open for public use.								
14. Action plan for the development of health tourism	Establish priorities for the modernisation of offer/service of existing destinations/institutions and recognising priority locations for the development of the offer.								
15. Action plan for the development of cultural tourism	Establish the concept of optimal development for cultural tourism in Croatia, and in specific regions, and activities for improving competitiveness and significant positioning of culture in the tourism offer.								
16. Action plan for the development of congress tourism offer	Establish priority destinations for the construction of new congress centres, create an estimate for market and financial justification of the construction, but also the positive and negative effects on the environment.								
17. Action plan for the development of golf	Establish specific and land-registry appropriate construction locations, develop concepts for the best use of such areas, as well as a proposal for the business-management model.								

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Measures/sub-measures/projects	Description	2013.	2014.	2015.	2016.	2017.	2018.	2019.	2020.
18. Cycling development programme	Establish a comprehensive system of cycling paths across Croatia, with an emphasis on the main tourist areas and connecting urban areas with their surroundings.								
19. Harmonising education with demands in tourism	Rationalise the number of educational institutions and creating stronger regional education centres and specialised higher education institutions.								
20. National life-long programme for those in tourist employment	Systematic implementation of life-long learning programmes for everyone employed in the tourist and catering industries, and additional tourism education for the unemployed.								
21. Reorganization of the tourist boards system and building efficient tourist destination management system	Organisational changes and/or adjustments of the present system of tourist boards, and the implementation of tasks and responsibilities of regional and local tourist boards as Destination Management Organisations (DMOs).								
22. Creating a new strategic marketing plan for Croatian tourism	Creating a new strategic marketing plan for Croatian tourism to establish marketing goals, as well as its design, communication and value distribution for the planned period.								
23. Development programme for the specialisation of receptive travel agents	Develop placement and creative possibilities for unique, memorable experiences, as well as tourist packages with a special interest focus, especially in pre- and post-season, and continental destinations.								
24. Continual development of Tourism Satellite Accounts (TSAs) and regional TSAs	Ensuring information, organization and inter-institutional prerequisites for occasional development of tourism satellite accounts for the Republic of Croatia.								
25. Promoting tourism investment	Defining a central location for potential investors to obtain information in the areas of tourism, project preparation, hosting investment conferences and visiting investors.								
26. Positioning the Ministry of Tourism as a mediator in using the EU funds 2014-2020	Positioning enables the creation of high quality preconditions for the withdrawal of EU funds for tourist projects.								

Appendix



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Appendix 1 Detailed description of tourism policy measures

Measure 1	Harmonisation of the legal framework to strengthen entrepreneurship
Measure description	<p>Legislative infrastructure is a prerequisite for the management of tourism development. This framework is regulated in Croatia through several specialised laws, but also an entire array of general regulations and legislation that are proposed and implemented by a variety of national governing bodies. These are first and foremost laws such as: Law on Construction and Environment Design, Law on Forests, Law on the Protection and Conservation of Cultural Goods, Law on the Management of State Property, Law on Maritime Property and Sea Ports, Law on tourist and other construction sites, and other regulations.</p> <p>These regulations are often not harmonized and are procedurally too complicated and undefined, and as such represent legislation that is difficult for investors to understand.</p> <p>This measure refers to the increase in the functionality of the existing legal framework, and inter-resource harmonization of certain provisions of above Laws, such as a better regulation of necessary procedures, and shortening of procedures and their clear definition.</p> <p>For Amendments of these laws, six additional Measures are listed below as a sub-measure to this one.</p>
Action	Relevant Ministries in cooperation with the Ministry of Tourism

Submeasure 1.a	Amendments to the Law on physical planning and planning
Measure description	<p>The existing Law has many procedural and functional limitations for a more significant investment cycle in tourism. Apart from unclear provisions that regulate the possibility of organizing tourist zones, such as the classification of golf courses as buildings, making it necessary to turn green zones into building areas in order to construction a golf course; the existing classification of tourism development zones (T1, T2 and T3) is</p>

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also very limiting to the development of accommodation; the discrepancy between the terminology for nautical tourism ports and the Law on Maritime Property and Ports and the Law on Providing Services in Tourism; and also the fact that military zones are still unidentified “grey zones” in local planning documents and land registry. With this in mind, amendments to the said laws refer to the following: (i) supplements that will clearly explain how to manage and organize tourist zones in order to prevent excessive construction of unregulated accommodation, (ii) amendments that would enable the construction of golf courses in forestry land without the need to reclassify the area into a building zone, (iii) amendments that would enable the reclassification of the forestry land into building zones for the construction of buildings, (iv) change to the existing classification of tourist zones into only two types (real estate and camps), (v) harmonization of the names and types of tourist accommodation structures (nautical tourism port, hotel, hotel/suite, resort, suite, etc.) across various regulations, and (vi) including a certain number of military zones that are not of long-term interest to the Ministry of Defence into the relevant local land planning documents.

Action

Ministry of Construction and Physical Planning together with the Ministry of Tourism and the Ministry of Agriculture

Submeasure 1.b

Amendments to the law and regulations in employment

Measure description

Amendments to the employment laws to increase the possibility to work within simple and informal forms of employment, and the ability to use flexible organization for working hours and rest, and implement measures of active recruitment policies to encourage employment in the tourist sector.

Due to the seasonal nature of trading, special care is paid to addressing the current daily and weekly rest, and to the annual distribution of working hours, and this is also regulated through the Law on Employment, as a general regulation defining working relationships.

The development of new work and legal institutes for employment for part-time and

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temporary jobs will be implemented through new legislation on part-time and temporary work which, due to its nature and characteristics, is different to work that is already regulated and defined through the existing work-related regulations.

The measures of active hiring policy that will be issued annually will encourage hiring in the tourism industry by supporting the protection of work places for permanent seasonal workers, and through co-financing of hiring workers on a definite or indefinite basis who have worked in tourism on a seasonal basis and with the appropriate conditions for the implementation of these measures.

Action Ministry of Employment and Pensions and the Ministry of Finance together with the Ministry of Tourism

Submeasure 1.c

Amendments and changes to the Law on Maritime Property and Sea Ports

Measure description

The process of issuing concessions in tourism, especially on maritime property, needs to be improved. This primarily refers to the shortening of procedures to define the borders of maritime property. In certain cases, it is necessary to prescribe the possibility to approve concessions to economic operators in the catering and tourism industries at their request, and not, as has been the case thus far, based on tender. Amendments to the existing regulations should establish the creation of closed concessions on maritime property, and recognizing those who have so far invested in beaches, including the adjustment with the provisions relating to the catering industry (for example, regulated enclosures for campsites).

Furthermore, the need and possibility of redefining charges for beaches (including the re-defining the types of beaches) will be established.

It is necessary to resolve ownership issues for properties within the borders of maritime property, and to establish a regime for the utilisation and valorisation of existing investments, including defining the status for existing buildings within the borders of maritime property (for example, disposal with a fee or long-term concession).

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Action Ministry of Maritime Affairs, Transport and Infrastructure together with the Ministry of Tourism

Submeasure 1.d Amendments to the Law on Forestry

**Measure
description**

Forestry enjoys special protection as defined by the Constitution and relevant regulations. Tourism most certainly represents a significant addition to the economic use of these values, and in that respect it is necessary to remove the obstacles that are currently limiting the development of the tourist trade, while making sure the above-mentioned resources are appropriately protected. The Law on Forestry does not allow the construction of tourist and catering premises within forestry, which is limiting to the future development of tourism, even more so since numerous tourist zones are planned in areas which are currently marked as forestry, or green areas, and certain types of these projects, such as the construction of camping sites, are directly related to forestry and green zones. The present law requires a building permit for the construction of a golf course, as well as the re-classification of the green zones into building areas, even though in essence this is not relevant since no construction will take place in the designated area.

Amendments to the law on forestry should enable tourism investment in forestry, with the necessary protection of forests and green areas.

Action Ministry of Agriculture together with the Ministry for Construction and Physical Planning and the Ministry of Tourism

Submeasure 1.e Amendments to the Law on Preservation and Protection of Cultural Goods

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Measure description	<p>Cultural property is a significant resource for tourism. However, the existing legal solutions do not contribute to the development of tourist activities in such areas nor their protection, placing them in the cultural and tourist offer as one of the possibilities of their appreciation. The often diverse and discreet approach in determining the protection of these goods is one of the key problems for potential investors.</p> <p>Amendments to the law need to clearly define conditions, criteria, financial framework and deadlines for determining the status of a cultural object.</p>
Action	Ministry of Culture together with the Ministry of Tourism

Submeasure 1.f

Amendments to the Law on tourist and other construction land

Measure description	<p>Despite the fact that the Law on tourist and other construction land unvalued in the conversion and privatisation process was adopted more than two years ago (OG 92/2010), and the implementation act (OG 12/2011) was adopted more than a year ago, no concessions have been granted to this date pursuant to that law.</p> <p>Amendments of the Law on tourist and other construction sites should resolve the problems of defining the real size and urban area for campsites, and resolve ownership status of land and other property between the Republic of Croatia and companies, as is defined for hotels and tourism villages by the above said law. Apart from legal consequences, this would resolve any doubts on the legitimacy of the regulations defined by the Law that stipulate the establishment of joint ownership in a campsite. It is also necessary to resolve issues pertaining to the legitimacy of subsidiary companies granting concessions, as well as cases of planning permissions are amended to allow different purpose for campsites than the ones originally approved.</p>
Action	Ministry of Tourism together with the Ministry of Justice, the Ministry of Construction and Physical Planning, and the Ministry of Agriculture

Measure 2 Expediting investment activities through special legislature

Measure description

Legal solutions that are not harmonized and the lack of efficiency of the regulatory functions between the national and local level reflect negatively onto the investment climate. Such situation significantly slows down, and in some cases impedes, investment activity. In order to improve the investment climate and activity, which would allow for an activation of a variety of investment projects, it is necessary urgently to commence the international harmonisation of a larger number of laws. Since this is a long-term process, it is necessary to introduce a special law (*lex specialis*) for very significant projects, so that such projects could be achieved through simple and shorter legal procedures.

Action

Ministry of Economy together with other relevant ministries

Measure 3 Fast-track resolution of land and ownership issues

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Measure description	<p>Settled legal and ownership issues are the <i>sine qua non</i> of any investment, whether it is a reconstruction or a renovation of an existing structure in a company, or a brand new investment. Disputes and settlements that take a long time to be resolved have thus far impeded the realisation of a whole range of tourism investments over the last ten years. For example, out of 9 locations that were allocated to Club Adriatic in 2001 to manage on behalf of the Ministry of Defence as property of little interest to the Ministry, only two locations have had the legal and ownership issues resolved to this day. The situation is even more complex in many locations designated for tourist construction that owned by the State. Similar problems occur in hotels and companies that have not yet been privatised, which makes these companies even more difficult to privatise.</p> <p>Certain projects, which meet the relevant set criteria, should be declared of national interest for the Republic of Croatia and, depending on the size of the project, its significance to the country and the level of investment, given absolute priority when it comes to expedited ownership and legal issues, especially for projects which have to be constructed on the land that belongs to the State. It is necessary that the governing bodies and subjects resolve property and ownership issues quickly and as a matter of priority.</p>
Action	Ministry of Justice, Attorney General's Office, Ministry of Economy, State Office for the Administration of State Property; Government Asset Management Agency

Measure 4 Creating and implementing the programme for privatising tourist companies in mostly public ownership

Measure description	<p>The privatisation process of companies partly or mostly owned by the State in the catering industry is not complete, partly because of the unresolved property and ownership disputes in State companies that have not been privatised. This measure refers to the establishment of an institutional framework for the realisation and optimisation of the remaining stages of this process. Apart from resolving property and land ownership disputes, the said companies are finding themselves in a different economic situation from the point of view of their business results, balance</p>
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sheet structure and/or product competitiveness. An objective analysis of the market position and potential of some of these companies is the basis for defining the strategy of their privatisation – from selling their shares and/or individual buildings, selling of individual companies to the selling of entire groups of companies. All companies who are mainly owned by the State and who wish to be privatised need to resolve all potentially limiting ownership and legal issues, and with a large number of companies it is necessary to implement financial consolidation and restructuring.

Action State Office for the Management of State Property and the Government Asset Management Agency together with the Ministry of Tourism

Measure 5 Economic activation of buildings/locations of tourist interest currently managed by the Government Asset Management Agency

Measure description

This measure requires the analysis of the State property managed by the Government Asset Management Agency in order to establish which locations/buildings are of interest for tourism (abandoned industrial sites, property from the Ministry of Defence of the Republic of Croatia that has been declared to have no perspective for the future, quarries, etc.). The result of this process is a list of high-priority buildings and locations that have high tourist potential, with a proposal for the best possible future use for them to be created in due course.

The criterion for selection of such properties includes information from the land registry, and an environmental analysis of the location, including criteria such as the attractiveness of the location, orientation, view, natural and cultural heritage, possible conflicts, and the levels of natural factors such as air, water, noise, etc.

The concept for best use will include a general description of activities intended for each tourist building/complex, service and quality level, and a valuation of the appropriate business and management models for their realisation and trading. Drawn up concepts for best use will form a basis for actively approaching potential investors.

Resolution of land and property ownership issues, rapid solution of new purposes for

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the above-mentioned locations and buildings, including significant simplification of the procedures and demarcation of authority, are all key prerequisites for an efficient implementation of this measure. It is therefore necessary that all property of interest which is in State ownership and is to be used for economic purposes, is declared to be of special interest to the Republic of Croatia, where such cases are justified.

Action State Office for the Management of State Property and the Government Asset Management Agency

Measure 6 Proactive tourism fiscal policy

Measure description

Despite the preferential tax status for the catering industry through the value added tax, the fiscal burden of added value, as well as the total fiscal and parafiscal burden to the tourist trade is higher than in the relevant competitive countries. In order to increase competitiveness of Croatian tourism, the effects of the existing fiscal and parafiscal system on tourist entrepreneurs are being continually evaluated, and various options for the reduction of fiscal pressure (value added tax, tax on profit, income tax, contributions to and from salaries) are being examined. At the same time it is necessary to look at specific aspects of certain tourist activities (tax treatment for *gratis* services and daily rates, compensations for living separately, entertainment costs, etc). Special attention should be paid to different parafiscal charges and adjusting their calculation to the seasonal trade and real capacities usage.

Action Ministry of Finance together with the Ministry of Tourism

Measure 7 Starting new incentive programmes for the development of small, medium and large entrepreneurial projects in tourism

Measure description

With the aim of enabling small and medium, but also large, tourist businesses to grow, this measure aims to secure funds for starting up new investment projects. With the introduction of exact, professionally monitored and rigorous control mechanisms, every financial incentive (allocation of non-refundable funds, preferential loans, fiscal

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benefits) will be tied to a particular programme and/or initiative, for example. conversion of rooms and suites in private houses into small family-run hotels, revitalisation of houses in derelict villages in the countryside, construction of accommodation intended for the special needs market, construction of themed activities in the tourism offer, acceleration of growth of the continental and other areas that have not been developed for tourism.

Action

Ministry of Tourism, the Ministry of Economy and the Ministry of Entrepreneurship and Crafts

Measure 8 National programme for the development of small family hotels

Measure description

With the aim of transforming a proportion of family accommodation into small hotels and B&Bs, and increasing the entire accommodation offer as well as stimulating local entrepreneurial activity and self-employment in tourism, it is necessary to create new activities and plan and implement a development programme for small family hotels.

This measure is aimed at potential new investors, but also at existing owners of small hotels. The measure requires activities, key players and implementation deadlines for: a) the creation of a more appropriate and stimulating institutional environment for the development of small family hotels, including flexibility in determining technical requirements in line with the competitive environment; b) obtaining the appropriate education level and relevant skills to develop and successfully manage the business; c) establishing the appropriate system of financial support (non-refundable funds for the development of project documentation) and/or financial incentives (tax relief over a number of years, etc.) that are based on objective criteria.

Efficient implementation of the national programme means building on existing regulations related to the selection and categorisation of hotels, as well as the creation of a special rule book adjusted to the particular needs of small family hotels.

Action

Ministry of Tourism together with the Ministry of Entrepreneurship and Crafts

Measure 9 National programme for the improvement of family accommodation

Measure description

Accommodation capacities in private homes provide nearly 50% of available, statistically registered accommodation capacities in Croatia. Family accommodation (houses) is still not a unified category, but one with varying levels of quality whose owners display varying levels of capabilities in providing tourist and catering services. With the aims of establishing a more efficient commercialisation of family accommodation capacities, and increasing their operating efficiency, it is necessary to develop excellence and quality criteria for certain types of this accommodation, in addition to the categorisation criteria, and implement such criteria through a comprehensive education programme for those who offer services in this type of accommodation.

The measure involves activities, key players and implementation deadlines for: a) the creation of a more appropriate and stimulating institutional environment to enhance the quality of private accommodation, including the setting of minimal, but flexible technical requirements in line with the relevant competitive environment; b) raising the level of knowledge and skills necessary for successful trading; c) establishing appropriate and objective criteria based on financial and/or fiscal incentives for raising the quality of accommodation and, in due course, transformation into family hotels and B&Bs.

Action

Ministry of Tourism

Measure 10 Creating entrepreneurial clusters

Measure description

It is necessary to encourage the creation of a large number of entrepreneurial clusters in order to strengthen entrepreneurial activities, create new jobs, emphasize cultural excellence, improve the existing quality of service, create the foundations for the development of new and/or improvement of the existing tourist experiences, as well as increase business profitability and market efficiency. The aim of entrepreneurial clusters is cooperation, exchange of experiences, protection/improvement of the quality of service through standardisation and/or certification, easier market

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performance, increase in market recognisability, etc.

Entrepreneurial clusters in Croatian tourism should form on a regional basis (total regional offer for the tourist experiences market) as a supplement to particular existing activities of the professional bodies (small hotel owners, campers, etc.) and/or on the production and themed basis (clusters of wine manufacturers, olive producers, national parks, and similar).

Finally, this project should define and establish a certain number of entrepreneurial clusters in each of the characteristic tourist macro-regions and ensure organizational, financial and staffing elements for their function.

Action

Ministry of Tourism together with the Ministry of Economy, the Ministry of Regional Development and EU funds, Ministry of Entrepreneurship and Crafts, Ministry of Agriculture

Measure 11

Defining unique criteria for strategic planning of tourism development on regional-local level

Measure description

Many counties, cities and local councils still do not have a strategic document that identifies the challenges facing tourist development. One of these challenges is the inconsistency in the content of the existing documents. This measure serves to establish a standard framework for the development of strategic documents of tourist development at regional level. This would ensure a professional and objective consideration of tourist potential at the available location, together with its resource and attraction basis, and recognize possible infrastructure, demographic, institutional and similar limitations for its development, in other words determine target market segments and products to be developed. The implementation of this measure requires a public discussion as well as harmonization of interests in all development players in a destination. Local authorities in the continental part of the country, on the islands and in other vulnerable parts of the country, are eligible to receive co-financing for the development of strategic documentation for tourism development from funds intended for the growth of tourism in the continental region, on the islands and in other vulnerable areas.

Action

Ministry of Tourism together with the Ministry of Construction and Physical Planning, and the Ministry of Agriculture, regional and local authorities and relevant tourist

offices and departments

Measure 12 Regional/local beach management programmes

Despite the distinguished natural and attractivel qualities of Croatian beaches, there is still no consensus on the way in which they should be used and managed. On the one hand, there are many beaches that are not appropriately prepared in terms of infrastructure and activities. On the other hand, an increasing number of beaches are used to generate profit which contributes to the loss of their original charm, beauty and uniqueness.

This measure serves to introduce a systematic, methodical and sustainable approach to the organisation and management of beaches in order to ensure both long-term satisfaction for the users and economic interest to the local authorities and/or concession holders.

Measure description

It is necessary to analyse the features of beaches that are already organized, since they are defined through urban and planning documentation (space plans of local authority unites and local-regional authorities).

Defining desirable ways to organize beaches that are attractive for tourism, and determining their best use, necessary content, possible themes and admission charges is part of the implementation of the measure which includes permanent protection of their natural beauty and environment, whilst ensuring positive effects on local budgets.

In this way, and distinguishing public from “private” (hotel or campsite) beaches, this measure aims for the best and environmentally friendly ways to organize beaches.

Action

Ministry of Tourism together with the Ministry of Environmental and Natural Protection, the Ministry of Maritime Affairs, Traffic and Infrastructure, and the Ministry of Construction and Physical Planning

Measure 13 Action plan for the development of nautical tourism – yachting

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Although Croatian yachting is a remarkably competitive product internationally, the existing yachting infrastructure and suprastructure, including the capacity and quality of their services, are becoming increasingly limiting to further growth and development of yachting tourism. This is particularly true regarding the lack of marinas that are capable of berthing 50m+ vessels.

The action plan for the development of yachting tourism includes proposed locations for future construction, with priority given to the existing nautical tourism ports and ports open to public traffic, as well as derelict and partially constructed areas (abandoned military complexes and industrial facilities). Furthermore, the action plan also has the aim to create a brand that is internationally recognizable.

Measure description

This action plan will detail different activities necessary for the achievement of selected projects, their key players and implementation deadlines. In line with this, activities for each of the selected locations include: (i) securing appropriate land that is mostly in public ownership, (ii) resolving any land ownership disputes or issues, implementation of planning procedures and creation of necessary project documentation, (iii) creation of projects to solicit offers from potential investors, (iv) presentation of investment possibilities and analysis of initial interest, (v) carry out a tender process and selecting the partner.

The action plan includes amendments to the present Law on Concessions and regulations on maritime property, as well as physical planning coordination with the aim of changing the original purpose and using locations such as dilapidated and disused military buildings/zones and/or derelict industrial sites.

Action

Ministry of Tourism together with the Ministry of Environmental and Natural Protection

Measure 14

Action plan for the development of health tourism

Measure description

Together with a detailed analysis of the competition, the action plan for the development of health tourism will set out the priorities for the modernisation of offer/service of existing destinations and institutions for thermal and water therapy, as well as destinations and institutions for wellness and health tourism, and recognize locations of high priority for the development of new facilities of the health

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offer. The action plan includes proposing the concept of best use and the most appropriate business and management model. This plan particularly develops activities related to staff training, interest affiliations and other activities for improving market performance.

The action plan also details activities necessary to achieve selected projects, their key players and implementation deadlines.

Efficient implementation of this action plan requires (i) amendments to the existing regulations related to equal allocation of concessions of the use of geo-thermal sources, as well as other naturally healing facilities to all interested public and private investors, and also (ii) establishing ways for usage and management of condominium stakes in buildings and areas for the health tourism offer.

Action Ministry of Tourism together with the Ministry of Health

Measure 15 Action plan for the development of cultural tourism

Despite initiatives that have already started or are fully planned in terms of institutional and human resources, in the absence of an all-encompassing cultural offer it is necessary to develop an action plan for the development of cultural tourism whose main aim will be increasing competitiveness of existing cultural and tourist attractions, and the valuation and inclusion of new cultural resources in the destination offer.

Measure description

The action plan should define a concept for optimal development of Croatia's cultural and tourist offer, both nationally and in its regions, with a prior analysis of their competitiveness. Such detailed analysis should also identify the market potential and weakness of current attractions and resources, and their ability to be part of the tourist offer, so that this can serve as a foundation for establishing the goals and measures for their implementation within the defined deadlines. The plan should, by reorganising current activities of relevant institutions, identify key players for specific measures and should offer and reorganize trading of key cultural tourist institutions. In addition, the plan should particularly focus on the personnel needed to modernise the cultural offer to achieve competitiveness with the aim of placing culture in a more important position in tourism. This will have an effect on the public finances,

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which will benefit from significant inclusion of cultural institutions into entrepreneurial and tourism projects. The action plan also includes the production of a marketing plan for the development of cultural tourism that would, in its content and outline, be based on culture as a powerful tool in the promotion of cultural destinations.

Activities that this action plan predicts need to be coordinated with existing documents and initiatives by the Ministry of Culture, and local and regional authorities (i.e. Strategy for the Conservation, Protection and Sustainable Economic Utilization of Cultural Heritage of the Republic of Croatia, Entrepreneurship in Culture programme, Action plan for incentivising cultural and creative industries of the City of Zagreb, cultural development strategies of individual cities, etc.) in order to achieve maximum utilization and synergy of studies, plans and projects that have already been published.

Action Ministry of Culture together with the Ministry of Tourism and tourist boards network

Measure 16 Action plan for the development of congress tourism offer

With the aim of fine-tuning development priorities and establishing investments that are sustainable in the market, it is necessary to create conditions for a sustainable and cost-effective approach to the development of congress tourism.

The action plan for the development of congress tourism offer will provide a detailed analysis of current needs, but also establish priority locations for the construction of new congress centres. A document outlining estimated market and financial justification of construction, as well as positive and negative effects on the environment will be created for each individual project.

Measure description

The action plan will develop activities necessary for the achievement of selected projects, their key players and implementation deadlines. In line with this, the following activities for each project should be included: (i) securing appropriate land in public ownership, (ii) resolving any land and ownership disputes, implementing legal and land coordination, and the creation of appropriate documentation, (iii) creation of a project for soliciting offers from potential investors, (iv) presentation of investment possibilities and assessing initial investment interest, (v) carrying out a

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tender process and selecting partners.

Action Ministry of Tourism

Measure 17 Action plan for the development of golf

Measure description

Thirty new contemporary golf courses are planned for construction in the period until 2020, with appropriate facilities organized in several regional clusters. In addition to a detailed analysis of current needs, the action plan for the development of golf will include specific locations with undisputed ownership for the future construction of golf courses. The best offer concept will be created for each, as well as a proposal for a business and management model, and an estimate of market and financial profitability. Moreover, the action plan will detail activities necessary for the realisation of certain projects, their key players and implementation deadlines. In line with this, implementation activities for each of these projects include: (i) securing appropriate land in majority public ownership, (ii) resolution of ownership and land disputes, implementing legal and land coordination and the creation of necessary documentation, (iii) creation of a project for soliciting offers from potential investors, (iv) presentation of investment possibilities and assessing initial investment interest, (v) carrying out a tender process and selecting partners.

The action plan involves amendments to the Law on Physical Planning and Construction, and Law on Forestry which will enable the construction of golf courses in forests without the need to have such land re-categorized as building land, all in accordance with existing documentation on physical planning. This will shorten the procedure for obtaining all necessary licences, and significantly increase the number of appropriate locations for the construction of golf courses. The action plan also involves carrying out a tender process and coordinating the interests of all the key players in a destination.

Action Ministry of Tourism together with the Ministry of Construction and Physical Planning,

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and the Ministry of Agriculture

Measure 18 Cycling development programme

Measure description

This measure will plan and implement the programme for the fast development of main and smaller cycling route networks in all parts of Croatia, particularly by revitalising smaller roads, local pathways, river banks and derelict railways, which will all be clearly themed and marked (i.e. wine, food, educational bike routes, etc.). The measure will also encourage the construction and appropriate equipping of a large number of cycling routes, theme bike parks/areas across the country, especially around larger tourist areas and cities, and in parts of the country where cycling takes place alongside busy roads. This measure shall encourage signage for the trans-European cycling route (river E-6 and Mediterranean E-8) where it goes through Croatia, and its organisation so that cycling tourists can move without disrupting motor traffic maintaining their own safety (especially in places where there are no alternative routes).

Action

Ministry of Tourism together with the Ministry of the Maritime Affairs, Traffic and Infrastructure

Measure 19 Harmonising education with demands in tourism

Measure description

The network of secondary schools in tourism and catering education and higher education institutions that have tourism and catering programmes is geographically very dispersed, fragmented and technically inadequate (practical education). The measure is aimed at creating stronger regional centres within vocational secondary education, and several private higher education schools and business schools with strong infrastructure and teaching staff. This requires continuous updating of educational and study programmes for creating skills, knowledge and competencies necessary in the tourist trade.

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Action Ministry of Tourism together with the Ministry of Science, Education and Sports, Ministry of Employment and Pensions, Ministry of Entrepreneurship and Crafts, Ministry of Economy, Croatian Employment Service and education agencies; Croatian Education and Teacher Training Agency, Agency for Vocational Education and Training and Adult Education; Agency for Science and Higher Education

Measure 20 National life-long programme for those in tourist employment

Measure description Knowledge acquired in formal education is not being updated and is therefore insufficient for the needs of modern tourism and catering trade. Despite recognizing the importance of life-long learning, it is not supported with an adequate institutional framework in Croatia, and therefore is lacking the support and responsibility of the State, employers and local communities.

The measure will introduce an institutional framework for a sustainable implementation of life-long learning for all tourism and catering workers, and also of further education for tourism and catering industry for the unemployed. This includes programmes to attend relevant courses (at least every two years) and elaborates on the development programmes aimed at increasing competitiveness in human resources (based on best European practice examples).

Action Ministry of Tourism together with the Ministry of Science, Education and Sports, Ministry of Work and Pensions, Ministry of Entrepreneurship and Crafts, Ministry of Economy, Croatian Employment Service, and education agencies

Measure 21 Reorganisation of the tourist boards system and building an efficient tourist destination management system

Measure description Implementation of the Tourism Development Strategy for the Republic of Croatia until 2020 involves an efficient system of destination management at local and regional level, and coordination of national tourist policy with the development of destination products.

In line with the expected changes to the Law on Tourist Boards and the Promotion of Croatian Tourism, this measure deals with organizational changes and/or adjustments

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to the existing tourist board system in order to increase efficiency of the system's functionality.

This includes ensuring sufficient staffing, technical and financial resources for the implementation of the reorganization of the entire Tourist Board (TB) system, and its efficient and successful performance in the area of destination management at local and regional level.

The existing TB system is not included enough in the creation and implementation of tourist policy at destination level, where TB's current legal responsibilities are not coordinated enough with implementation possibilities. In order to ensure that the TB system takes over the role of destination management, it is necessary to redefine tasks and responsibilities of regional and local tourist boards, observing the principles of financial self-sufficiency. Rationalisation of the system implies the application of principles of unity between space, function and production. In this way, tourist boards will gradually take over the function of complete destination management organisations (DMOs). This requires their appropriate staffing, and education and training for working in destination management organisations, which particularly involves the tasks of increasing destination's competitiveness, the ability to coordinate interests of the key players in destinations, which are often conflicting.

Implementation of this measure also implies new legal solutions. Depending on the changes in legislation, the measure will include monitoring the effects of the new organisational system in order to adjust to recognized implementation problems.

Action Ministry of Tourism together with the network of tourist boards

Measure 22 Creating a new strategic marketing plan for Croatian tourism

Measure description

Croatia's current tourist slogan "Mediterranean as it once was" was created in the post war period when the primary function of the slogan was rightly to position the country in a positive cultural milieu, but this slogan primarily supports the image of Croatia as a "summer sea destination". In the context of the next phase of the development of Croatian tourism, and generating an image of a destination that offers "more than sun and more than the sea", it is necessary to start thinking about a new tourist slogan and

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its implementation, but also a promotional campaign that will contribute to the rebranding process and change of Croatia's image as a tourist destination.

Selecting a clear and innovative slogan which clearly communicates Croatia's market identity, as well as the programme for implementing such slogan (applications on web and mobile internet pages, printed material and other forms of market communication), the measure includes development of a communication media strategy, and adjusting the messages to the conditions of these media, development of an operating media plan for the implementation and realization of the campaign. Furthermore, the measure includes the redesign of the website content of the Croatian National Tourist Board's website and the websites of other tourist boards (brand concept, interactivity, consistency, legibility, informativeness, connectivity, website content update) and the intensification of social web (e.g. strengthening of the role of social networks, user-generated content, "mash-up" functionalities, blogs) as well as adjusting and developing the content for mobile phone and smartphone use. Finally, a viral marketing campaign is also in development as well as appropriate support systems (e.g. content download, data updating) and methods for continual monitoring of website usage and performance.

All activities envisaged in this measure will be developed in the new Strategic Marketing Plan of Croatian Tourism.

Action Ministry of Tourism and Croatian National Tourist Board

Measure 23 Development programme for the specialisation of receptive travel agents

Measure description

Specialized receptive travel agents (DMC - Destination Management Companies) which create and place complex tourism offers, i.e. holiday packages tailored to the needs and/or demands of tourists in specific market segments, are one of the key players in the diversification and standard increase of the total value of destination offer.

The emphasis of the measure is on the development of the ability to create and place unique and memorable experiences and special interest tourist packages, especially in pre- and post-season periods, and in continental destinations. The measure requires programming and implementation of a system that will incentivise manufacturing specialisation and competitiveness of receptive travel agents. Accordingly, it defines the methods to incentivise specialisation and competitiveness growth for example education and consultancy assistance, financial aid, study trips, organisation of

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specialised travel agents into clusters, integrating with specialized international partners and their vertical networking, etc.

Action Ministry of Tourism, Croatian National Tourist Board, and professional travel agent bodies

Measure 24 Continuous development of Tourism Satellite Accounts (TSAs) and regional TSAs

Measure description

The concept of tourism satellite accounts was developed to enable analyses of tourism's economic factors, and it enables - within the framework of national computer systems of a particular country - a separate analysis of the tourism supply and demand by focussing on financial data, which in due course can be compared to other economic activities at regional, national and international level. The European Commission also emphasizes the importance of using tourism satellite accounts.

The measure will ensure information, organizational and inter-institutional propositions for a recurrent creation of tourism satellite accounts for Croatia, which will include additional analyses of the size and characteristics of typical products/services (i.e. the sun and the sea, business tourism, transit, health tourism, nautical tourism) and create pilot tourism satellite accounts for different regions.

Action

Ministry of Tourism together with the Ministry of Finance, Croatian National Bank and the National Statistics Office of the Republic of Croatia

Measure 25 Promoting Tourism Investment

Measure description

In order to change Croatia's unfavourable image as an unattractive investment country, in addition to swift and efficient removal of the large number of administrative barriers, be it at legislative level or in implementation, it is necessary to have at least one conference on investment that is dedicated to tourism. Prerequisites for achieving this are as follows: defining a central place where potential investors can get information on tourism investment, detailed categorisation of state property and creation of a portfolio of tourism investments

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that are ready for the market. In addition to organizing the land registry and resolving any land and ownership disputes, each investment project has to have clear terms of reference that is based on best use concept, based on which investors will get a clear insight into the location and readiness of the development zone, the size and structure of investment, acceptable business and management models, ways of incorporation and participation in investment selection process, and similar.

Apart from organizing investment conferences, increasing the investor demand for tourism development projects in Croatia will be ensured through road shows with globally recognized investors and image creators.

Action

Ministry of Economy and Agency for Investments and Competitiveness together with the Ministry of Tourism

Measure 26 Positioning the Ministry of Tourism as a mediator in using the EU funds 2014-2-2-

Measure description

Tourism has an important role in the overall economic sector of Croatia, and as such has a defined and important investment development potential which has the capacity to reach the goals outlined in its vision until 2020, as can be seen from this Tourism Development Strategy of the Republic of Croatia until 2020. Unlike other economic sectors, tourism has maintained continuous growth despite many obstacles. With Croatia entering the European Union, this trend is expected to continue, and for that reason EU funds need to play a significant part in the process. In order to achieve planned development goals, it will be necessary to ensure adequate sources of funding, especially with the aim of creating conditions for sustainable development compliant to the general and specific EU goals. In that respect, the task of modifying structure and quality of accommodation capacities, and the construction of additional public infrastructure in destinations, which is a prerequisite for the development of all-year-round tourism is particularly important for creating projects which will apply for EU funds. That entire area has been thoroughly discussed in this document.

In accordance with this, it is necessary to plan for the Ministry of Tourism of the Republic of Croatia to have a special position in the operating structure for the management of EU funds in financial projections for the period 2014-2020, which

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would enable a strong process of programme creation, implementation and control of the entire process related to tourism projects, the result of the Tourism Development Strategy until 2020. Having such position as a mediator will enable high quality tourism management of the whole process, and more significant withdrawal of funds from EU funds to all the key players who wish to participate in accordance to strategic guidelines and goals of the EU.

Action

Ministry of Regional Development and EU funds together with the Ministry of Tourism

Appendix 2 Investment project locations with high potential

According to specific programmes, there are more than one hundred and fifty development and investment ideas with high potential, specifically development and investment locations directly managed by the public sector, whether on national or regional and/or local level. Some investment and development project proposals represent ideas that require further amendments, and creation of additional and more specific implementation of content and programme. This also includes an estimate of the market and economic sustainability as well as the use of appropriate business and management models, and their suitability in terms of physical planning. Therefore, in future the list of suggested development and investment projects in tourism needs to be converted into carefully thought-through investment projects (investment portfolios) that will be advertised internationally.

Privatisation projects

Although these are not typical development and investment projects, an adequate approach to the privatisation process of businesses in the tourism and catering industry that are still in public ownership requires their recapitalisation, i.e. ensuring investment into market repositioning of individual under-invested and visually 'tired' and/or technically obsolete buildings in the tourist and catering trade.

The implementation of different models/speed of privatisation to companies that are still majority owned by the State refers to the following companies in the tourism and catering industry¹: Maestral Hotels (Dubrovnik), HTP Korčula, HTP Orebić, Plat Hotels, Makarska Hotels, Živogošće Hotels, Podgora Hotels, Modra Špilja (Komiža), Imperijal (Rab), Medena Hotels (Seget Donji), Vranjica Belvedere (Seget Vranjica), Dalma (Split), ZRC Lipik, Bizovačke toplic, Jadran (Crikvenica) – following the insolvency procedure, and tourist and catering buildings managed by Club Adriatic Ltd. (Uvala Slana – Selce camp, Hrvatska Hotel – Baška Voda, Alem Hotel – Baško Polje, Baško Polje campsite, Komodor – Orebić hotel and bulgalows, Perna campsite – Orebić).

¹ Given its exceptional trading record, and the fact that it is one of the internationally recognized 'products' of Croatian tourism, and the fact that it operates in the area of nautical tourism, the only exception this rule is ACI Ltd. It is therefore necessary to decide firstly whether the company is of strategic importance for Croatian tourism and, if so, should it be privatised and under what conditions. In that respect, part-capitalisation is possible (through raising capital) if this would mean that it would create prerequisites for a significant improvement of today's competitive position, increasing the number of nautical tourist ports in its system, and therefore raising the market value of the company.

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Brownfield projects on State-owned property

The list of potential brownfield projects on State-owned property based on tourist macro-regions and investment areas in Croatia can be found in the following table.

Modification of military objects	North Adriatic	South Adriatic	Continental Croatia
Hotels/resorts	<ul style="list-style-type: none"> • Pula - location Muzil (project Brijuni Rivijera) • Pula - location Hidrobaza (project Brijuni Rivijera) • Pula - location Katarina Monumenti (project Brijuni Rivijera) • Fažana - location Pineta (project Brijuni Rivijera) • Mali Lošinj - Tovar hill (part of the complex adjacent to Cres–Lošinj road) 	<ul style="list-style-type: none"> • Zadar (Šepurine) • Šibenik (Zablaće/ Anthony's Canal) • Rogoznica (Kruščice) • Prevlaka • Lastovo (barracks M. Tito, Ubli) • Vis (barracks Rogačić) 	<ul style="list-style-type: none"> • Bjelovar (SRC Kukavica)
Yachting tourism	<ul style="list-style-type: none"> • Marina Lošinj 	<ul style="list-style-type: none"> • Marina Prevlaka 	
Congress centres	<ul style="list-style-type: none"> • Pula (Muzil) 		
Modification of industrial areas and facilities	North Adriatic	South Adriatic	Continental Croatia
Hotels/resorts	<ul style="list-style-type: none"> • Umag - former cement factory, including its quarry • Novigrad - quarry Antenal (megamarina and tourist village) • Pula - Hidrobaza (project Brijuni Rivijera) 	<ul style="list-style-type: none"> • Šibenik (metal factory) • Omiš (Dugi Rat) • Vela Luka (fish factory) 	<ul style="list-style-type: none"> • Zagreb (Velesajam)

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	North Adriatic	South Adriatic	Continental Croatia
Yachting tourism	<ul style="list-style-type: none"> • Rijeka - a number of disused factories (tobacco factory Rikard Benčić, paper factory 'Hartera', empty port storage units in Rijeka, etc.) • Novigrad - Antenal • Rijeka (mega -yachts) 	<ul style="list-style-type: none"> • Trogir (Brodotrogir) 	
Theme parks	<ul style="list-style-type: none"> • Park Voz Peškera (Krk) - adrenaline park 		
Congress centres	<ul style="list-style-type: none"> • Rijeka/Opatija 		<ul style="list-style-type: none"> • Zagreb (Velesajam fair)
Reconstruction of "tired" tourist property			
Hotels/resorts	<ul style="list-style-type: none"> • Crikvenica (TN Kačjak) • Hotel accommodation and villas in Brijuni National Park 	<ul style="list-style-type: none"> • Orebić (TN Perna, TN Bili dvori, Komodor – hotels and bungalows) • Korčula (HTP Korčula, especially TN Bon Repos) • Kupari • Živogošće (hotels Živogošće) • Plat (hotels Plat) • Baška Voda (tourist complex Baško Polje) • Podgora (HTP Podgora) 	<ul style="list-style-type: none"> • Kumrovec (Scientific and study centre Dobrava) • Croatian Olympic Centre Bjelolasica
Camps	<ul style="list-style-type: none"> • Pula (Pomer) • Medulin (Kažela) • Fažana (Pineta) • Mali Lošinj (Čikat) • Selce (Uvala Slana) 	<ul style="list-style-type: none"> • Baško Polje • Seget • Privlaka (Dalmacija, ex Maritime) 	

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Health tourism	<ul style="list-style-type: none"> • Opatija (water therapy) • Crikvenica (Thalassotherapy - special hospital for medical rehabilitation) • Veli Lošinj (special hospital) 	<ul style="list-style-type: none"> • Vela Luka - improving content and quality of balneo therapy centre 	<ul style="list-style-type: none"> • Hrvatsko zagorje region (continuing activity to form a recognizable health cluster) • Varaždin, Daruvar, Lipik, Bizovac i Topusko (revitalisation, content events, market repositioning of spa)
Yachting tourism - marinas	<ul style="list-style-type: none"> • Pula • Novi Vinodolski 	<ul style="list-style-type: none"> • Split (mega yacht marina) • Orebić • Vela Luka 	
Theme parks			<ul style="list-style-type: none"> • Samobor (Šmidhen)
Eco-tourism	<ul style="list-style-type: none"> • Campsite Korana, Plitvice • Campsite Čikat (Lošinj) • Campsite Baldarin, Punta Križa (Cres) • Campsite Puntica (Funtana near Poreča) • campsite Finida (south of Umaga) 	<ul style="list-style-type: none"> • Orebić (campsite Perna) • Baška Voda (tourist complex Baško Polje) 	<ul style="list-style-type: none"> • Croatian Olympic Centre Bjelolasica (mountain eko resort)

Greenfield projects on State-owned and private property

A list of greenfield projects with the highest potential based on tourist macro-regions in Croatia and investment areas can be found in the following table.

Greenfield projects	North Adriatic	South Adriatic	Continental Croatia
Hotels/resorts	<ul style="list-style-type: none"> • Rovinj (Škaraba) 	<ul style="list-style-type: none"> • Pašman • Posedarje • Tustica (golf resort) • Prevlaka 	

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<p>Campsites</p>	<ul style="list-style-type: none"> • Vrhovine • Lokve (Lake Lokvarsko) • Čabar • Kuterevo • Cres 	<ul style="list-style-type: none"> • Zabiokovlje • Dubrovnik (Konavle) • Lastovo • Vis 	<ul style="list-style-type: none"> • Zagreb • Osijek • Varaždin • Danube area in Croatia • Slavonski Brod • Large fish ponds (Končanica, etc.)
<p>Golf</p>	<ul style="list-style-type: none"> • North Istria Cluster: Fratarska Forest, Brtonigla; Vrnjak, Grožnjan; Praščarija, Novigrad • Middle Istria Cluster: Stancija Špin, Tar-Vabriga; Stancija Grande, Vrsar; Kloštar, Vrsar; San Marco, Rovinj; San Polo-Kolone, Bale • South Istria Cluster: Lobarika, Marčana; Muzil, Pula; Marlera, Ližnjan • Kvarner Cluster: Brseč-Mošćenička Draga area; Dobrinj - Čižići area, Krk; Omišalj area, Otok Krk 	<ul style="list-style-type: none"> • Dalmatia - Zadar Cluster: Područja Tustica-Sukošan; Baštijunski Hill - Lake Vransko; Posedarje Area • Dalmatia - Šibenik/Split Cluster: Sinj Field area; Skradina area; area behind the mountain of Biokovo • Dalmatia - Dubrovnik Cluster: Čilipi-Miočići area; Srđ-Zvekovica area 	<ul style="list-style-type: none"> • Middle Croatia Cluster: Golf & country club Zagreb, Blato; Golf Club Dolina Kardinala, Krašić; Golf centre Novi Dvori, Zaprešić; Spa & Sport Resort St. Martin; Draškovec Spa & Golf Resort, Prelog • Slavonia Cluster: Osijek area; Danube area Vukovar - Ilok

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<p>Health tourism</p>	<ul style="list-style-type: none"> • Opatija (water therapy, new accommodation) • Crikvenica (Thalassotherapy - special hospital for medical treatment, new accommodation) • Pag – healing mud centre 	<ul style="list-style-type: none"> • Nin - balneo therapy centre • Biograd n/m – health and tourism centre • Trpanj - balneo therapy hotel 	<ul style="list-style-type: none"> • Naftalan (Ivanić Grad) • Draškovec (Prelog county) • Stubičke toplice Spa • St. Martin on Muri • Varaždinske toplice Spa – rehabilitation centre • Daruvarske toplice Spa (new spa hotels) • St. Ivan Zelina • Sisak – thermal healing complex • Babina Greda
<p>Yachting tourism - marinas</p>	<ul style="list-style-type: none"> • Dragonera – Porto Maricchio • Opatija 	<ul style="list-style-type: none"> • Ston (eco marina) • Vis • Prevlaka • Greater Dubrovnik (mega yachts) 	

Greenfield projects	North Adriatic	South Adriatic	Continental Croatia
<p>Theme parks</p>	<ul style="list-style-type: none"> • Adventure parks • Technology park Nikola Tesla (Gospić - Smiljan) • Theme parks • Datule Park (Barbariga) prehistoric reptiles 	<ul style="list-style-type: none"> • Entertainment and educational parks and/or technology park • Ruđer Bošković/Marin Getaldić • Šibenik – entertainment and educational park Faust Vrančić • Theme parks • Prokljan – water park • Split/Dugopolje – 101 Dalmatian • Zadarsko area 	<ul style="list-style-type: none"> • 'Water fun' parks • Varaždinske Toplice Spa, Sveti Ivan Zelina, Topusko, Lipik, Osijek • Entertainment and educational parks • Krapina – Homo Sapiens park • Vukovar – Vučedol culture park, life from 3000 BC • Vinkovci – theme park, 9 thousand years of life in this area • North West Croatia – theme park, Cartoon

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	<p>Winnetouland – Karla character professor Maya theme Baltazara</p> <ul style="list-style-type: none"> • Area behind Biokovo mountain – theme park, Ivan Raos • Theme park „Sinjska Alka“ 	<ul style="list-style-type: none"> • Theme s • Slavonski Brod (alternative Ogulin) - park inspired by writer Ivane Brlić Mažuranić • St. Ivan Zelina – medieval theme park • Koprivnica – medieval theme park • Picokijada - Đurđevac • Bjelovarsko-bilogorska County – park inspired by writer Mate Lovrak 	
Eco-tourism	<ul style="list-style-type: none"> • Mountain eco resort Platak • North Velebit (Krasno-Kuterevo-Kosinj) • Lokve (Lokvarsko Lake) • Čabar area 	<ul style="list-style-type: none"> • Biograd (Vransko Lake) • Obrovac (Velebit/Zrmanja) • Šibenika and Primošten area • Baćinska Lakes 	
Congress centres	<ul style="list-style-type: none"> • Split • Dubrovnik 	<ul style="list-style-type: none"> • Rakovica – Saborsko • Papuk – Voćin • Zrinska mountain – Banovina • Baranja – Kopački rit 	
Cycling routes	<ul style="list-style-type: none"> • Connecting larger cities with their surroundings (Opatija – Rijeka – Crikvenica, Pula - Rovinj) • main islands (Krk, Cres, Lošinj, Rab) • Gorski kotar (Delnice – Lokve – Fužine – Mrkopalj area) • NP Plitvice Lakes area 	<ul style="list-style-type: none"> • Connecting larger cities with their surroundings (Nin – Zadar – Biograd, Vodice – Šibenik – Primošten, Trogir – Split – Omiš, Makarska riviera, Dubrovnik – Konavle) • main islands (Pag, Brač, Hvar, Korčula) and Pelješac peninsula • Dalmatinsko zaleđe area (Ravni kotari – Vransko 	<ul style="list-style-type: none"> • Connecting larger cities with their surroundings (Zagreb, Osijek, Varaždin, Karlovac, Sisak, Slavonski Brod, Vukovar, Koprivnica etc.) • areas next to large rivers (Danube, Drava, Sava, Karlovac area) • thermal areas (thermal cluster, Daruvar – Lipik) and main wine areas

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	Lake, NP Krka area - Drniš – Knin, area between Sinj – Imotski)	(Međimursko, Zapadna Slavonija, Danube area in Croatia, Požega – Đakovo)
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Other projects

An important part of tourism investment activity until 2020 refers to medium and large development and investment projects that will move forward the private sector, i.e. projects that will be developed on private land.

Considering the fact that there are many such projects, and that in most cases they normally complement the destination offer, detailed analysis of their importance and potential locations is not necessary nor possible. In accordance with this they are not part of this analysis in the Tourism Development Strategy of the Republic of Croatia until 2020.

On the other hand, since changes in legislation have already started in the investment and legislative deregulation areas, as well as in physical planning, it is clear that the Tourism Development Strategy of the Republic of Croatia until 2020 has created key prerequisites for the development of such projects and an increased level of investment activity.