

CROATIAN COMPETITION AGENCY

Competition Council

COMPETITION AGENCY STRATEGY STATEMENT 2006

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1. INTRODUCTION

This Strategy Statement outlines the main goals and priorities of the Competition Agency relating to the implementation of competition law and policy in 2006 and identifies the major activities of the Agency falling under its scope and responsibilities within the meaning of the Competition Act and State Aid Act.

The very nature and continuity of certain activities and projects of the Agency requires a long-term planning, beyond the current year of 2006. Therefore it is also necessary to take account of the financial as well as human resources of the Agency. It is even more important to identify the real 2006 priorities and activities in the area of competition and state aid in the context of the available budget and the current number of expert staff employed, especially in the light of the accession negotiation process between the Republic of Croatia and European Union which started in the area concerned. It must also be taken into account that the implementation of particular activities requires joint cooperation and interaction with other competent public authorities, which is to be carried out on the basis of coordinated mutual participation in the planning and completion schedules for certain tasks.

In the previous two years the work of the Agency has been particularly focused on the establishment of the legal framework in the area of competition (anti-trust and state aid), institutional building of the Agency, internal and external education of its employees, and which is of major importance, on the investigation of particular markets and business practices and proposals for bringing them into compliance with competition rules and free market principles. These activities are to be continued but also broadened and directed to new initiatives which must be timely prepared in the view to their accomplishment within the set time period (such as, for example, the initiative for the amendments to the Competition Act).

Prioritising work and planning seems to be even more important taking into account the limited budgetary resources and the lack of staff that is engaged in a rather wide scope of responsibilities of the Agency as laid down by the relevant legislative framework.

This Strategy Statement is also a step forward in the implementation of the transparency policy in the work of the Competition Council. It will enable the business community and other stakeholders to gain insight into the current and future activities of the Agency and its efforts to promote competition in the Republic of Croatia.

2. MISSION STATEMENT OF THE AGENCY

Competition in the economy encourages and promotes enterprise and efficiency and supports growth through the incentive to improve productivity, introduces technological improvements and innovation, which subsequently lessens production costs and leads to enhanced competitiveness in domestic and international markets. Business competition is essential in a free market economy, given that it ensures the efficient and effective operation of the most successful businesses and enables the undertaking to survive only if it serves its customers well through efficient pricing, innovation and greater product quality and variety. Benefits to consumers involve lower prices, choice among a greater range of goods and services produced or provided by a greater number of suppliers, at prices and of quality that satisfy their customers needs.

The objective of competition law is to hinder measures and practices in the market which place particular undertakings at a competitive disadvantage with other trading parties and as such consequently jeopardize free competition. This may be manifested not only at the level of undertakings but it also applies at the so called state-to-undertaking-level. Competition law and policy, especially the credible enforcement against anti-competitive behaviour, constitute the most significant factor of economic growth and do not develop automatically by a mere commitment of the state to market economy. It is indispensable to identify the relevant instruments and mechanisms used with the view to further strengthening of economic efficiency and competitiveness, which will at the same time protect the interests of undertakings and contribute to consumer welfare. Competition policy must be focused on reducing barriers to promote enterprise and liberalisation of markets which have been traditionally closed for competition, such as, for example, monopolistic telecommunications, energy or transport markets.

The environment in which the liberalisation process and opening of the markets will be carried out concurrently with the establishment of effective competition mechanisms falls pursuant to the Competition Act under the competence of the Competition Agency. Nevertheless, although its role here is crucial, the Agency is not the only authority in charge of the changes concerned.

This Strategy Statement identifies the major management and policy issues the Croatian Competition Agency expects to face in 2006, within its jurisdiction set by the law, available administrative capacities and financial resources, whereby strengthening of competition and enforcement of anti-trust and state aid rules under the principle of free market and enterprise in the Republic of Croatia remains its ultimate goal.

3. STRATEGIC GOALS AND PRIORITIES OF THE AGENCY IN 2006

3.1. ANTI-TRUST

Since its establishment in 1997, and especially since 2003 when it broadened its scope of activities to state aid control, the Agency have used its experience and practice in the preparation and enhancement of the relevant legislative framework, continuously proposing new solutions in handling competition issues in Croatia. In its work the Agency permanently uses the best practice of the EU Member States, especially of the ones that have been traditionally designed as market economies, and incorporates it, subject to the current Croatian legislative regime, into a Croatian competition system. The objective of the Agency is to establish a modern competition regime offering solutions which would make it comparable with the relevant legal protection standards in the EU.

In the accession negotiations of the Republic of Croatia to the European Union relating to competition, one of the prerequisites for the membership is the fulfilment of particular requirements in respect of the legal framework based on market economy and competition, harmonized with the EC acquis, but which can also be assessed through its application in the everyday practice by the competent competition authorities. It is therefore the task of the Agency to participate in all forms of cooperation with the professionals from other relevant Croatian authorities (such as sectoral regulators, Croatian National Bank etc.), which perform the activities relating to competition issues falling under their scope of jurisdiction in particular sectors. Thus, the Agency proposes the form and method of cooperation which it finds appropriate with the view to strengthening of the implementation of competition law in the Republic of Croatia and fulfilling the above mentioned criteria for the EU membership.

A comprehensive competition regime in Croatia requires highly educated and trained staff and adequate resources for the Agency. At the same time, it is also necessary to have an appropriate judicial system which can efficiently, within its scope, deal with the cases relating to the application of competition rules.

3.1.1. Enhancing of the Anti-trust Regime

The rationale for enhancing of the anti-trust regime together with the description of the proposals for the respective changes is summarised in Box 1.

Box 1: Judicial enhancement

The court protection system applicable against the decisions of the Agency generally constitutes an essential part of an effective competition system. Based on the experience and practice of the Agency, and on the comparative review of the experience gained by the EU Member States in the area concerned, in the forthcoming period the Agency will put significant effort into this matter, particularly by proposing and establishing of an adequate judicial model as a key to obtaining a qualitative shift in the implementation of the competition system in practice. The legislative framework which regulates the scope of the Agency and defines the proceedings carried out before the Agency consists of the Competition Act (Official Gazette No 122/03) and the relevant secondary legislation¹, and the State Aid Act (Official Gazette No 140/05) and the respective secondary legislation². The proceedings before the Agency relating to anti-trust and state aid issues are carried out in compliance with the general administrative procedure principles. Against the decisions of the Agency no appeal is allowed, but the injured party may file an administrative dispute before the Administrative Court of the Republic of Croatia. Namely, based on its decision on violation of the provisions of the Competition Act, the Agency files a request for the initiation of misdemeanour proceedings against the undertaking and responsible person in the undertaking at a misdemeanour court. Whereas the current legal system enables one court to decide on the legality of the decisions of the Agency but without the competency for imposing sanctions (Administrative Court of the Republic of Croatia), another court (misdemeanour court) imposes sanctions based on the decisions of the Agency (Higher Misdemeanour Court is the review court ruling upon the appeals against the decisions of misdemeanour courts in the second instance). The above stated drawbacks do not ensure full effectiveness in the implementation of competition rules.

In most EU Member States only one court decides on the legality of the decisions taken by the authorities similar to the Competition Agency, also including the decisions on the level of fines imposed by such authorities.

In compliance with the relevant EU practice and solutions accepted by the European Commission, the Agency will support the introduction of the "whistle blower" immunity (leniency) programme for cartels.

¹ Regulation on the definition of relevant market (Official Gazette No 51/2004);
Regulation on notification and assessment of concentrations (Official Gazette No 51/2004);
Regulation on block exemption granted to certain categories of vertical agreements (Official Gazette No 51/2004);
Regulation on agreements of minor importance (Official Gazette No 51/2004);
Regulation on block exemption granted to agreements on distribution and servicing of motor vehicles (Official Gazette No 105/2004);
Regulation on block exemption granted to certain categories of horizontal agreements (Official Gazette No 158/2004);
Regulation on block exemption granted to certain categories of technology transfer agreements (Official Gazette No 2/2005);
Regulation on block exemption granted to insurance agreements (Official Gazette No 54/2005).
² Regulation on state aid (Official Gazette No 121/2003) and Ordinance on the form and content of the notification and the method of data collection and keeping the state aid register (Official Gazette No 11/2005).

In 2006 the Agency will pursue the activities commenced in the previous periods and particularly focus on:

- Investigation of liberal professions market (pharmacists, doctors, dentists) where the rules or association statutory provisions limit entry or lead to market foreclosure, and where traditional instruments of competition law do not prove satisfactory in handling market insufficiencies and unfair market behaviour of the market players. To that end, as early as in 2004, the Agency drew up a market analyses covering the provision of taxi services which has been communicated to the local authorities with the view to its future deregulation;
- Sectoral monitoring especially in respect of the provision of telecommunications services, taking into account rapid technology changes in the traditional telecommunications market of increasing competition and historically determined technical limitations of access and operation in particular market segments;
- Further cooperation and interaction with other relevant competition authorities and sector- specific regulators, particularly by putting formal arrangements (joint working groups) in place for liaising with the regulators concerned, with the purpose to promote competition in such markets. The Agency has already signed such an agreement on cooperation with the Croatian National Bank and proposed a similar one to be concluded with the Croatian Telecommunications Agency. It is planned that an agreement will be proposed also to the Croatian Energy Regulation Agency, Croatian Financial Services Supervision Agency and Council for Postal Services;
- Further alignment of the legislation in the area of competition with the EC acquis (block exemption in respect of transport agreements) and participation in the accession negotiations between the Republic of Croatia and the EU, particularly covering Chapter 8. Competition;
- Competition advocacy work - *ex officio* provision of policy advice and issuing of expert opinions on the compliance of laws and other regulations with the provisions of the Competition Act, in the event it should establish incompatibility. This activity of the Agency highlights the best practice of the Member States regulating particular sectors and proposes legislative measures to promote competition in the sectors concerned. In addition, the Agency will continue to issue expert opinions upon the request of the business community describing and providing interpretation of the relevant legal mechanisms and instruments set by the Competition Act, although this is not the practice of other similar authorities in the EU and in spite of the additional "burden" on the normal operations of the Agency;
- The cooperation initiative with the Ministry of Justice aimed at the necessary modifications of the existing Competition Act and the Courts Act, in order to remove the above mentioned deficiencies of the current court protection system and empower the Agency to impose sanctions as regulated by law. The Agency will propose adequate solutions to this problem taking into account the practice and judicial mechanisms applicable in the comparable EU Member States. It is the view of the Agency, in accordance with its scope of jurisdiction, that the

most appropriate review court would be the commercial court. The amendments to the Competition Act would thereby ensure that only one court rules on the legality of the decisions, and at the same time decides on the level of fines imposed by the Agency. The changes in question should also provide for new investigative mechanisms, such as the "whistle-blower" immunity (leniency) programme for cartels, i.e. the total or partial reduction of fines applied to undertakings which inform the Agency and demonstrate evidence of the existence of a hardcore cartel. This instance has proved to be vital in the investigation and combat of cartels even by the European Commission which acknowledges that no cartel case would have been successfully solved without the cooperation of the undertakings concerned with the antitrust authorities.

3.1.2. Enforcement of the Anti-trust Rules

In 2004 and 2005 the work of the Agency was prevalently concentrated on drawing up of the proposals for bylaws provided by the Competition Act³ which are adopted by the Government of the Republic of Croatia upon the proposal of the Competition Council. All relevant regulations have been fully harmonized with the EC acquis. The transitional periods provided for the undertakings so as to bring into compliance their business operations with the provisions of the regulations in question have expired, which means that in 2006 they become fully applicable.

On the other hand, relating to enforcement against anti-competitive behaviour and the Agency's operational functions, in 2005 several exceptionally important decisions were adopted in which prevention and distortion of competition have been established through conclusion of prohibited agreements, abuse of a dominant position in particular markets etc.

Namely, in the case initiated by the request of the undertaking Magnat, Osijek, the agreement concerning the sales of gear shift mechanical blocks in the territory of the Republic of Croatia entered into between the undertaking P.Z. Auto and the undertaking Kolnoa, on 1 December 2003, has been assessed as prohibited and consequently void.⁴ In addition, in its assessment of the agreement entered into between seventeen undertakings engaged in humanitarian demining, upon the request of the Croatian Mine Action Centre, the Agency declared the agreement concerned null and void⁵. Furthermore, the agreement containing the arrangements for sales promotion of press, tobacco products and other consumer goods entered into between the undertakings Tisak and Distri-Press was also declared prohibited⁶.

³ In 2004 and 2005 the Government of the Republic of Croatia, upon the proposal of the Agency, adopted eight regulations in the area of anti-trust, whereas the Competition Council adopted two guidelines on concentrations between undertakings and a number of interpretations of particular provisions under the Competition Act.

⁴ The analysis carried out by the Agency proved the anti-competitive effects of the agreement in question, resulting from a direct obligation imposed on the distributors not to sell the substitute products of particular competing suppliers if they wish to achieve financial benefits. The decision No UP 030-02/2004-01/38 of 4 October 2005 was published in Official Gazette No 138/05.

⁵ The decision No UP 030-02/2004-01/95 of 4 October 2005 was published in the Official Gazette No 119/05.

⁶ The Competition Council established that the object of the agreement in question was the prevention, restriction or distortion of competition based on an explicit agreement concluded between the competitors in the market, which fixes trading conditions and controls and shares

In respect of the assessment of concentrations between undertakings the Agency declared the concentration between the undertakings Agrokor and PIK Vrbovec conditionally compatible⁷, whereas the concentration between the undertakings Agrokor and Belje has been assessed compatible within the meaning of the relevant EU competition criteria relating to the concept of the rescue merger (failing firm defence), given that the merger would not lead to a deterioration of the competitive structure of the market⁸.

The Agency will continue to work on credible enforcement of the Competition Act particularly relating to the investigation of anti-competitive practices of the undertakings, such as conclusion of prohibited agreements, especially cartel agreements, but also other practices which have as their object or effect the prevention, restriction or distortion of competition.

The Agency will also undertake measures aimed at prevention of abuse of a dominant position of undertakings which have as their objective or purpose the improper exploitation of customers or exclusion of competitors, which may be used by a dominant firm in order to maintain or increase its position in the market. Consumer benefit from competition through downward pressure on prices as suppliers compete for customers whereas the firms compete to better meet consumer needs by increasing the range and quality of products available, providing satisfaction as the key to consumer loyalty. By contrast, monopolies almost always have negative consequences for consumers, given that they, as a rule, impose different administrative or technological barriers to entry to potential markets and also inhibit development and innovation and consumer choice.

markets. The decision No UP 030-02/2004-01/70 of 15 December was published in Official Gazette No 3/06.

⁷ The decision No UP 030-02/2004-02/90 of 28 December 2005 was published in Official Gazette No 9/06.

⁸ The decision No UP 030-02/2004-02/91 of 28 December 2005 was published in Official Gazette No 9/06.

Box 2:**An example of abuse of a dominant position**

In the case of the undertaking Ponikve d.o.o. Krk⁹ the Agency decided that the undertaking in question, followed by the initiative of the Croatian Consumers' Association, undoubtedly abuses a dominant position by imposing unfair prices in the relevant market of households' water supply, sewage and waste water purification on the island of Krk. Here are the key quotes of the Agency's decision: "Ponikve d.o.o. discriminates the consumers by directly imposing unfair water prices, encouraging the consumers who annually spend greater amounts of water to pay lower prices. Such water supply tariffs created on the basis of consumers' categories (32 categories have been established according to the annual water use) discourage the users to spend water rationally or proportionally to their actual needs. The consumers actually benefit from the uncontrolled or excessive water consumption, by paying lower water charges. Not only does this categorisation place particular consumers at a disadvantage towards other consumers, but also applies dissimilar conditions to consumers within the same group." Ponikve d.o.o. has been ordered, within a set period of three months, to establish a new price list which would set the price for its services by a free choice of a tariff model by consumers. The new tariffs must not impose unfair prices, but should ensure the effective households' water supply, sewage and waste water purification and at the same time aim at the protection of the water resources of the Republic of Croatia. The comparative analyses carried out by the expert team of the Competition Agency relating to the water markets in Croatia and in the EU, unquestionably showed that in spite of the scarceness of water and its special significance as a renewable resource, it is possible to establish a water price system which would not impose unfair prices to the consumers. By the entry into force of the Stabilization and Association Agreement on 1 February 2005, the Republic of Croatia undertook the commitment to implement the provisions set in the framework for Community action in the field of water policy under Directive 2000/60/EC of the European Parliament and of the Council. Within the meaning of the Directive concerned, common principles are needed in order to improve the protection of waters in terms of quantity and quality, promote sustainable water use, establish a framework for water protection and management, promote sustainable water use based on a long-term protection of available water resources, encourage water savings and apply the principle of recovery of the costs of water services. In other words, water prices must be designed to reward conservation and discourage excessive water use, which was not the case here.

The provision of an effective and timely and efficient service of the Agency in the previous period (in 2004, 74 % registered files and cases were solved) is planned to be continued, especially by prioritising of its actions towards the cases which were initiated back in 2004 or earlier, and that still have not been closed due to exceptionally complex investigations, legal and economic expertise analyses¹⁰.

⁹ The decision No UP 030-02/2004-01/66 of 20 October 2005 was published in Official Gazette No 132/05.

¹⁰ The reference is made to three unsolved cases in the area of tobacco industry and distribution of videograms.

3.1.3. International Linkages

Through the implementation of the EU technical assistance projects, the Agency as their beneficiary, will establish even closer cooperation with the European Commission – Competition Directorate General.

The Agency will continue to participate in international cooperation and maintain ongoing relationships with other competition authorities of the EU Member States (Slovenia, Hungary), candidate countries (Romania) and countries in the region (Bosnia and Herzegovina). The Agency will strengthen and institutionalize cooperation by signing a memorandum of cooperation or any other forms of maintaining international links, such as organization and attendance of meetings, conferences and seminars and exchange of experience and best practice.

The Agency will actively participate in international competition forums, such as the South East Europe Competition Authorities Network (SSEECAN) and other EU and OECD competition policy forums and the International Competition Network (ICN).

3.2. STATE AID

In the area of state aid the Agency will especially be dedicated to credible and effective enforcement of the State Aid Act which entered into force on 6 December 2005 and significantly broadened the powers and responsibilities of the Agency in the area concerned. At the same time, the Agency will in interaction with aid providers, further encourage effective allocation of state aid as a prerequisite for the application of a modernized state aid control regime under the principle "*less but better*" targeted state aid¹¹.

The above mentioned approach is meant to restore an adequate balance between the positive and inherent negative effects of state aid, which on one hand, may distort competition, whereas on the other hand, generate sustainable economic growth and employment which is of a special interest for the Republic of Croatia in the period of accession to the common EU market.

In 2006 the Agency will actively pursue its enforcement, regulatory and advocacy functions and especially take account of:

- Harmonization of the existing state aid with the relevant state aid rules and EC acquis;
- Cooperation with the Croatian Central Bureau of Statistics on the activities relating to the calculation of GDP for statistical regions and drawing up of the regional aid map of the Republic of Croatia, given that the favoured "region A" status expires by virtue of the Stabilization and Association Agreement (SAA) in March 2006;

¹¹ European Council in Lisbon 2000.

- Facilitating cooperation between the Agency and aid providers, especially through efficient and effective implementation of the notification, authorization and monitoring of the state aid granted;
- Promotion of the state aid policy which is tailor-made and redirected towards horizontal and regional development objectives;
- Education and training of the expert staff of the Agency and aid providers at all government levels, regional and local, with the view to better preparation of aid proposals, especially relating to qualitative economic surveys and duly justification of particular aid proposals;
- Interaction with the Ministry of Finance on drawing up of a new Regulation on State Aid;
- Establishment of a comprehensive and up-to-date state aid inventory and introduction of the appropriate electronic data base.

Taking into account the ongoing process of sectoral consolidation and the implementation of the commitments undertaken by the Republic of Croatia under the SAA, the Agency sets as its priority the activities relating to particular sectors and industries where the necessity for business operators to adjust their operational practices to market conditions is especially highlighted.

Box 3: Sectoral goals

The sectors which need urgent but challenging operational reforms are the iron and steel sector and shipbuilding. The relevant restructuring plans for the companies concerned which will guarantee the restoration of their long-term viability are in the pipeline. The Commission for drafting of the National Restructuring Plan in steel and iron industry and Commission for drafting of the National Restructuring Plan in Shipbuilding have been set up and the preparations to work out integral solutions to the issues in question have started. Taking into account the economic significance and the number of workers directly employed in the sectors concerned as well as the indirectly involved entities, here we deal with a complex task of major importance which is consequently also linked with the accession negotiation process in the area of competition.

The so called "fiscal aid package"¹² is undergoing harmonization which is expected to be finished during the current year. The legislation in question covers fiscal support which constitutes a part of the adjustment of the existing aid schemes to the criteria stipulated under the SAA. Given that the instruments of fiscal aid are generally applied throughout the EU Member States, this is the opportunity for Croatia to regulate the legislation in question so as to encourage investments, but observing the established aid intensities and for the purposes provided by the relevant rules governing the award of state aid.

Within its scope of activities, the Agency will in interaction with other competent authorities take necessary measures to establish prerequisites required for finding timely and successful solutions to the listed priorities.

¹² Free Zones Act, Investment Promotion Act, Profit Tax Act, Act on Areas of Special State Concern and Act on Hilly and Mountainous Areas.

The implementation of the above mentioned goals will ensure the fulfilment of the relevant commitments under the SAA and successful EU accession negotiations. Consequently, the mentioned activities will redefine the role and policy of the state in the economy, with the view to achieving balance between the principle of free enterprise and the possibility of making the intervention of the state acceptable in accordance with the permissible rules set within the legal framework and in compliance with normal market economy conditions. In other words, where the state assumes the role of an undertaking, similarly as in the case of a private investor, its policy must be governed by the principle of a conscientious investor and creditor, who, subject to the relevant state aid rules, eliminates the existing market irregularities.

4. COMPETITION ADVOCACY

Activities that promote competition through non-enforcement mechanisms have always been one of the important aspects of the Agency's work. In 2006 the Agency will maintain the strategy to champion competition and raise awareness and understanding of the benefits of competition between undertakings, government and other public authorities, judiciary, unions, consumers, and the general public regarding the importance and role of competition law and policy in further development of the market economy in our country and its role in raising competitiveness of the Croatian undertakings. The Agency organizes and participates in conferences and seminars on competition issues where it takes advantage of the opportunity to inform the business community on competition rules and the principles of free enterprise. The role of the Croatian Chamber of Commerce must be also mentioned here in respect of its contribution to public understanding of competition policy in the form of seminars and workshops covering the enforcement issues in this area at a regional and local level. To that end, the communications strategy has been prepared with the view to even better dissemination of information to all stake holders and the general public.

5. FURTHER DEVELOPMENTS OF THE AGENCY

All strategic goals of the Competition Agency, both relating to monitoring and investigation of business practices of the undertakings on the market and in the public sector, and award of state aid, taking into account its greater powers in particular sectors which are undergoing or in which liberalization and deregulation processes started, are underpinned by the additional financial and technical resources and reinforcement of its administrative capacity. Achieving the Agency's strategic goals and priorities requires policy development and implementation strategies which will strengthen the effectiveness of the Agency and enable its permanent institutional growth in the future in compliance with the standards applicable in the comparable EU Member States.

Enhancing the Agency's internal capacity requires the increase in its budget for 2006, which has been by some 1% lower than the budget for 2005, excluding the resources from the PHARE programme. Although the administrative and institutional capacity development of the Agency critically depend on the availability of resources, it will continue to finance additional training, postgraduate studies and participation in seminars and training courses at home and abroad (pursuant to the Staff Training Programme of the Agency for 2006, an amount of 100,000 HRK or some 1 % of the budget has been allocated to further education and training of the staff). A part of the above resources will cover the bar examination fees of the staff, whereas the funds received from the CARDS projects will be spend on the organization of in-house seminars.

It has become common practice in the EU, and consequently also in the Republic of Croatia, that in the assessment of the cases falling under the jurisdiction of the Agency, even greater attention is directed to economic analysis, which makes the economic approach to particular competition issues as important as the legal one. The considered decisions often involve very complex and detailed economic surveys which require an adequate number of skilled expert staff and organizational efficiency in the preparation of cases handled before the Agency, also involving investigation of restricted markets and reduced competition.

The proper performance of the activities falling under the competence of the Agency requires highly skilled staff which must be permanently educated and trained. Appropriate courses and training are almost only available within the Agency and at some universities. The knowledge in the area concerned may be gained by handling cases, visiting internal seminars held by foreign experts or attending training courses abroad, and within the cooperation with the European Commission. It is absolutely necessary to employ incentives and other effective performance measures that encourage staff retention. The Agency will seek to continue to attract and retain the highly skilled expert staff that has been specifically trained in the area of competition (anti-trust and state aid). Within the meaning of the planned public administration reform, the Agency will encourage merit-based promotion systems and allow flexibility and incentives for its staff. This new incentives regime which would make staff stay on the job for a particularly set period of time, should minimise staff turnover, motivate professional individuals to work for the Agency, promote teamwork and foster an environment where the staff feel encouraged and empowered to contribute to the effective operation of the Agency, including, for example, suggesting improvements and innovations in the way the Agency operates.

These days when new information technologies have become an indispensable part of modern business management and communications, the Agency also requires constant technological development and investment. Maintaining up-to-date IT systems is critical to the Agency's performance and it involves the establishment of an adequate electronic data base which will increase the availability and transparency of the Agency's practice. It will enable access to the data in respect of both solved and pending cases and increase credibility of the work that has been completed, and provide a direct insight into any phase of the investigation procedure carried out by the Agency.

The on-going computerization project in the area of state aid will contribute to a credible and transparent state aid system which is one of the conditions that must be fulfilled under the Stabilization and Association Agreement. In addition, given that the experience of a number of competition authorities worldwide proves that effective investigation and combat of cartels as one of the most serious anti-competitive practices which are notoriously difficult to detect and prosecute successfully, makes adequate IT equipment absolutely necessary. The Agency is therefore planning to set up a project for the purchase of the relevant IT equipment and provision of special forensic education and training necessary in the forensic investigation procedure relating to particular cases falling under the competence of the Agency. Financial support for the project in question is considered to be sought within the PHARE programme.

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