

PILLARS OF DEVELOPMENT

There have been no dramatic changes in the sectors considered as pillars of development over the last year, either positive or negative. There have been some minor improvements in each of the three segments, as reported in the next three chapters, but the FIC assessment remains the same as last year: the improvements are smaller than they could have been and definitely smaller than necessary to attract more investment.

In **infrastructure**, an important reason for slow progress is definitely the economic crisis. Improvement of infrastructure requires a lot of money which in the crisis is becoming increasingly scarce. The noted improvements in the past year are: the continuation of the works on the highway component of Corridor 10, the passage of a comprehensive plan for road and railway transport improvement, worth 4 billion euros in the period until 2015, and the equalization of toll payments for domestic and foreign users of highways. Some important issues still remain unresolved, such as the public-private funding of infrastructure projects. The first such attempt, the Horgoš-Požega highway, was aborted and no new major PPP projects are in sight.

In **real estate and construction** a major breakthrough was initiated in the Summer of 2009 with the passage of several important pieces of legislation in the Parliament. However, as past experience has shown, we can talk about a real breakthrough only if the necessary by-laws and other pieces of legislation are passed expediently, and if the laws are observed and implemented fully by the relevant authorities. Among the most important laws passed recently are: the Law on Planning and Construction, the Law on Cadastre and State Survey, the Law on Social Housing. The most important possible impact of the Laws is the possibility to purchase land, the fact that the properties registered in the Cadastre should have an evaluation of the market value, a significant shortening of the time necessary to acquire construction permits.

But this sector also has a rather long list of remaining issues which lead to no less than ten FIC recommendations. Some of the noted remaining issues are: after so many years of trying there is still no Restitution Law; in some segments the Government ordinance determines prices rather than the market; lack of clearly defined penalty policy; the lack of transparency in the permits acquisition process, real estate leasing is still in its infancy.

Human Capital as a pillar of development also witnessed some improvements and a host of unresolved, i.e. remaining issues. Among the positive developments we note the passage of several laws, such as the Law on Foreigners, the Law on Professional Rehabilitation and Employment of Persons with Disabilities, the Law on Employment and Insurance in Case of Unemployment, as well as an important amendment to the Labour Law (article 116) allowing employers to send employees on paid leave in case of decrease of the volume of work.

Other than regulatory work, over the past year there have been some positive initiatives such as: employment of 10,000 apprentices, the adoption of the National Youth Strategy, implementation of the Bologna Process in higher education, and the efforts to promote a safe and healthy work environment.

Among the remaining issues we note the need to further fine-tune the General Collective Agreement which does not address some important issues in a balanced way. Also, we would like to add that in our view the Labour Law is still problematic and we repeat the same suggestions that we gave last year on how to improve the Labour Law. Development of human capital and the labour market deserve more attention because they are important for two reasons: first, human capital, more than any other component, determines the growth and development of an economy in contemporary circumstances. Second, the quality of human capital and the conditions of the labour market are an important element of attracting foreign investment which, in turn, also contribute to the quality and quantity of growth and development.