

# STANDARD TWINNING PROJECT FICHE

## 1. Basic Information

- 1.1 Publication notice reference: EuropeAid/ 137-663/IH/ACT/HR
- 1.2 Programme: IPA 2012
- 1.3 Twinning Number: HR 12 IB SO 01
- 1.4 Title: Strengthening Policy and Capacities to Reduce Undeclared Work (CRO MOONLIGHTING)
- 1.5 Sector: Social Development/Social issues sector
- 1.6 Beneficiary country: Republic of Croatia

## 2. Objectives

### 2.1 Overall objective:

Development of an effective system of polices, measures and control mechanisms against undeclared work as well as strengthening of administrative capacities of relevant institutions in this sector in line with EU regulation and good practices in order to reduce the rate of undeclared work and increase labour contributions paid into the national budget.

### 2.2 Project purpose:

The rate of undeclared work in the Republic of Croatia reduced and social awareness of the problem of undeclared work and underground economy enhanced through informing the public about the overall implications of undeclared work for social security and its negative effects on principles of solidarity and fairness in application of social security rights.

### 2.3 Contribution to Accession Treaty/Relevant national documents:

#### **Accession Treaty**

Following the signature of the Accession Treaty on 9 December 2011 by 27 Member States and the Republic of Croatia and its ratification procedure in the Member States, Croatia joined the European Union (EU) on 1 July 2013. As a member country Croatia shares common concern related to undeclared work that affects all EU Member States. Therefore, in every Member State considerable effort is being invested in developing and testing policy measures that aim to tackle undeclared work and the Republic of Croatia is no exception.

After the accession to the EU, the Republic of Croatia continued with the adoption of new policy documents and economic programs, in order to ensure successful implementation of structural reforms, such as the labour market reform, in order to lower the barriers for economic growth and to achieve objectives in line with the “**Europe 2020**” Strategy.

**Strategic Plan of the Ministry of Labour and Pension System for the Period 2015-2017**

The Plan recognises the importance of suppression of undeclared work and states that: “Particular attention should be paid to the comprehensive and effective campaign against grey economy and undeclared work.” One of the special objectives is to identify and implement measures in order to reduce rates of undeclared work.

### **Annual Work Plan for the Ministry of Labour and Pension System for 2015**

Based on the Strategic Plan, the Annual Work Plan designs specific objectives set out by the Ministry of Labour and Pension System for 2015. Among nine specific objectives the undeclared work is seen as an important step to reduce the size of the grey economy. IPA 2012 Twinning project “Strengthening Policy and Capacities to Reduce Undeclared Work” is recognised as integral part of that plan.

### **National Reform Programme of the Republic of Croatia**

The National Reform Programme of the Republic of Croatia was adopted in April 2014, as part of the process of harmonization of economic policies with the objectives and provisions laid down in the European Union, within the process of the European Semester. Some of the main objectives of the labour market reform, defined in this document are mitigating the consequences of the economic crisis on the labour market and preserving jobs, increasing labour market flexibility and facilitating employment in atypical forms of work.

The institutional and administrative capacities of state institutions relevant in this field are presently not sufficient and adequate for both the prevention and suppression of undeclared work as an important part of the underground economy. In this connection, the Twinning project will contribute to strengthening of capacities of relevant institutions and raising public awareness.

## **3. Description**

### **3.1 Background and justification:**

In the 2007 Commission Communication, undeclared work is defined as "any paid activities that are lawful as regards their nature but not declared to public authorities, taking into account differences in the regulatory systems of the Member States". Undeclared work is influenced by a wide range of economic, social, institutional and cultural factors. It is held responsible for obstructing growth-oriented economic, budgetary and social policies, and in particular lowering quality of work, putting at risk the financial sustainability of social protection systems and undermining the competitive environment for businesses.

Generally three types of undeclared work can be defined. The first category is that of undeclared work in a formal enterprise, including so called "under-declared work" in form of "envelope wages" (where only a part of the salary is paid officially, while the rest is given directly to the employee in cash) and situations where the employee officially works part-time, but actually works full-time. Secondly, there exists undeclared own account or self-employed work, providing services either to a formal enterprise or other clients, such as households. A third type of undeclared work is providing goods and services to neighbors, family, friends or acquaintances, which can involve construction or repair works, cleaning, provision of childcare or care for the elderly, sometimes provided as a sort of mutual aid.

Undeclared work generally poses a threat to the functioning of the labour market and tends to distort growth-oriented economic, budgetary and social policies. It has negative impact not only on public finances but on individuals regarding social security cover as well. For development of adequate policy measures, it is important to have sufficient and comparable information not only about the

extent, but also about the structure of undeclared work. There have been several attempts to tackle the issue of undeclared work and the underground economy in the Republic of Croatia, but they proved to be unsuccessful. Although there were some positive results, there was tendency for creating new forms of undeclared activities.

Whatever method of measurement is used, the common finding is that the size of undeclared economy in the Republic of Croatia is larger than EU27 average. The Multiple Indicators Multiple Causes (MIMIC) measurement method of Schneider (2011) indicates that the size of the undeclared economy is greater in the Republic of Croatia than most EU Member States; it presents 30.4 % of GDP with the conclusion that there is a trend of downsizing but it is only 3,5 % from 1999 to 2007. Special Eurobarometer Report “Undeclared Work in the European Union” published in 2014 states that the Republic of Croatia is grouped among countries with the highest proportions of respondents reporting that they know anyone involved in carrying out undeclared work.

The growth of the informal economy is often seen as a reaction to imperfections in the formal labour market. In order to tackle the existing situation, as a first step it is important to improve detection of undeclared work by better coordination efforts and effective data sharing. Namely, it is believed that the lack of coordination between state institutions at both the strategic and operational level is the principal reason for ineffective measures against undeclared work. Seminars and workshops presenting good practices of EU countries would help to find the best solutions for improved inter-institutional communication.

Moreover, the new European Employment Guidelines highlight the importance of **transforming undeclared work into regular employment**. It is recognised that undeclared work has **strong** implications: for workers, for business, for consumers, for gender equality and for the sustainability of the social protection systems.

The new Labour Act came into force on 7 August 2014 as part of the reform efforts in the labour market. In accordance with the Recommendations of the European Council for the respective sector (Recommendation No. 3), as a part of the implementation plan, an interdepartmental committee for combating undeclared work was established. The main task of the committee is to co-ordinate the implementation of existing and adoption of new measures to combat undeclared work.

The main objectives to be achieved by the Labour Act are: safeguarding jobs, boosting employment and internal mobility, flexibility in business operations and reduction in costs of labour, enabling employers to restructure their businesses in a more effective and prompt manner, preventing unreported employment. Among the steps already taken to prevent undeclared work, the Labour Act allows full-time workers to take up an additional contingent work with a different employer, provided it does not exceed 8 hours a week or 180 hours a year, and that they have written consent from their primary employer. Allowing and legalising additional work is in the interests of both the employers and the workers and will reduce undeclared work. A special model of monitoring the implementation of the Labour Act was established in order to monitor the achievements and impact of the reform of labour legislation, based on the continued cooperation of the Government, social partners and stakeholders. Since these changes are new it would be helpful to make comparative analysis with other EU countries in order to apply the best practises in prevention and application of labour legislation.

The Ministry of Labour and Pension System of the Republic of Croatia is responsible for the labour market and employment policy and hence for the design of the strategy and the necessary amendments of the existing Labour Act. Additionally, the Ministry of Entrepreneurship and Crafts is responsible body for the legal framework against underground economy and it is authorised to amend the Act on Prohibition of and Prevention of Unregistered Activities adopted in May 2011 in

case the existing provisions proves to be inadequate. This project will contribute to the definition of a mix of different policies and measures to prevent and combat undeclared work and the grey economy, comprising both incentives and inspection approaches.

The experience of the labour inspectors in monitoring of the existing legal framework implementation will be an important contribution in defining the strategy against undeclared work and developing policy and measures to prevent and reduce the existing share of underground economy and unregistered work. Additionally, this project will result in recommendations for further alignment of the Croatian legal framework regulating undeclared work to the *acquis* and good practices in the EU, and will increase the inter-institutional cooperation and the monitoring capacity. It has been noticed that, in some cases, cooperation between different bodies at national level is not as structured or effective as necessary.

The Republic of Croatia is expected to take into consideration the EU guidelines on undeclared work and to design a strategy against undeclared work respecting both incentives and inspection approaches. Proposed measures should especially affect those industry sectors which, according to yearly reports of the Labour Inspectorate, have prevalent shadow economy such as construction and architecture, hotels and restaurants, trade, agriculture and household services (cleaning, babysitting, elderly care and tutoring).

This project should propose policy measures taking into consideration the following policy implications: simplification of the business environment, strengthening incentives to declare work, define sanctions so that they have a preventive effect and propose methods of improved measurement of undeclared work based on data available in the institutions involved in the social security sector, Croatian Tax Administration and Croatian Bureau of Statistics.

Special attention should be directed to “envelope wages”, since in some industry sectors it is quite often to legally pay only minimum wage and the rest of the income employee receives in cash undeclared to authorities. As a consequence there are individuals who are receiving unemployment benefits while working. It is also believed that unreported rental of office space and unregistered activities reduce tax and social contributions significantly.

Wider use of effective media campaign and awareness-raising initiatives is needed to change attitudes. Namely, there is significant number of employers without any knowledge of flexible categories of legitimate work (such as part time work, additional work, temporary agencies work). It is very important to introduce new categories of legitimate economic activities to enable people to make transition from undeclared work to legitimate work. The shadow economy is often considered to be a justified activity, especially in areas where there is little confidence in the state. The emphasis in media campaign should be on raising the awareness about undeclared work and to encourage the general public to report abuses of the law. The initiative must also address those operating in informal economy by highlighting the disadvantages and penalties. Because of limited resources it is important to identify the most effective medium to use in order to maximise benefits. It is crucial to learn from experience of others before implementing measures.

Strengthening of capacities of relevant institutions such as Ministry of Labour and Pension System (especially its Labour Inspectorate), Ministry of Entrepreneurship and Crafts, Ministry of Finance (Tax Administration), Ministry of Interior, Croatian Pension Insurance Institute, Croatian Health Insurance Institute, Croatian Bureau of Statistics and Croatian Employment Service, is a necessity to prevent and reduce the underground economy and undeclared work in the Republic of Croatia.

A reasonable decrease of undeclared work would surely represent a considerable contribution to the state budget and would increase the competitiveness of the legally operating economic subjects. The

results of this project will raise social awareness of the problem of undeclared work, through providing information to the public about the negative implications of underground work for social security and the consequences of undeclared work for solidarity and fairness, which will enhance the efficiency of the mix of measures for prevention and suppression of undeclared work and underground economy in the Republic of Croatia.

### 3.2 Linked activities:

#### **IPA 2012 “Strengthening Policy and Capacities to Reduce Undeclared Work (“Moonlighting”)**

This Twinning project is part of the overall project which consists of the Twinning and Supply components and which joint objective is development of an effective system of policies, measures and control mechanisms against undeclared work as well as strengthening of administrative capacities of relevant institutions in this sector in line with EU regulations and practices. Through the supply project vehicles and IT equipment for labour inspectors will be purchased. Supply project is independent from implementation of the Twinning component of the overall project.

#### **“Social Protection System Modernization Project”**

The objective of the project is to improve the efficiency and effectiveness of Croatia’s social protection system. Labour Inspectorate within the Ministry of Labour and Pension System will be included in support for addressing issues of error, fraud and corruption, through software updates for the management and information system (MIS) and provision of training and technical assistance to develop data matching and risk profiling tools to prevent and detect error, fraud and corruption. The implementation of the project is planned for the third quarter of 2015 until third quarter 2016. The project is funded through loan agreement between the Republic of Croatia and International Bank for Reconstruction and Development. Within the project certain equipment will be purchased for the Labour Inspectorate; however the Ministry of Labour and Pension System will take particular care to avoid any possible overlap between two projects.

#### **IPA 2007 “Health and Safety at Work”**

The Twinning project (HR/2007/IB/OT/01) was coordinated by the former Ministry of Economy, Labour and Entrepreneurship and was implemented by Austria and Slovakia as Twinning partners in the period from January 2011 to July 2012. It has already greatly improved the work efficiency of the Safety at Work Department in the Labour Inspectorate (currently within the Ministry of Labour and Pension System) and other beneficiaries. However, the efficiency and work equipment of the Labour Relations Department/Inspection has to be further strengthened, in order to meet all responsibilities of the Labour Inspectorate prescribed by Croatian laws, Governmental policy regarding prevention and suppression of the underground economy and undeclared work and EU legislation in this field.

#### **“Replacement of the Work book in the Republic of Croatia” and “Further Modernisation of the Social Security Administration in Croatia”**

Croatian Pension Insurance Institute was the main coordinator of implementation of the project “Replacement of the Work book in the Republic of Croatia”, based on the Croatian Government Strategy “Development of the e-Administration” with two implementation phases. The implementation of the first phase was financed within the framework of MATRAFLEX 2007 programme of the accession assistance supported by the Kingdom of Netherlands. The first phase was finished in 2008. The second phase was implemented from 2010 till the end of 2011. It was

financed by MATRA programme under the project "Further Modernisation of the Social Security Administration in Croatia". The social security network became operational on the day of the accession of the Republic of Croatia to the EU.

### 3.3 Results:

#### **Result 1: Comprehensive targeted Strategy against undeclared work involving a policy mix based on incentive and inspection approach developed**

Indicators of achievement:

- Analysis of undeclared work in Croatia with special emphasis on sectors with consistently large number of undeclared work conducted and analysis report with recommendations for improvement prepared
- New atypical forms of employment detected and assessment of their compliance with the existing regulatory framework prepared
- Preventive activities focused on identifying causes of undeclared work defined
- Comprehensive targeted Strategy against undeclared work involving a policy mix based on both incentive and inspection approach including Action Plan for implementation of the Strategy developed

#### **Result 2: Legal framework for prevention and suppression of undeclared work improved**

Indicators of achievement:

- Analysis of the existing legal framework in the field of labour relations conducted and analysis report prepared
- Analysis of the most often violated legal provisions in the area of undeclared work conducted and analysis report prepared
- Recommendations on possible legislative amendments including legislative/institutional activities for effective reduction of undeclared work and measures that will encourage smooth transition from undeclared work to legitimate work and Action Plan for implementation of recommendations prepared

#### **Result 3: Cooperation among institutions responsible for prevention and suppression of undeclared work enhanced**

Indicators of achievement:

- Analysis of the existing cooperation among institutions responsible for prevention and suppression of undeclared work conducted and analysis report with recommendations for enhanced cooperation prepared
- Process of notifying on possible violations within the competence of other institutions improved and accelerated (e.g. through appointing coordinators in relevant institutions)

#### **Result 4: Public awareness regarding overall implications of undeclared work and tax morality increased**

Indicators of achievement:

- Awareness raising and communication Strategy and Action Plan to promote benefits of declared work and negative effects of undeclared work prepared
- Public awareness raising campaign prepared and implemented, including:
  - At least 1 TV and 1 radio spot developed and broadcasted
  - At least 1 TV feature (short documentary film) developed and broadcasted
  - At least 2 media publications prepared and published

- At least 5000 flyers or brochures prepared and disseminated to target groups through at least 2 awareness raising events
- The website for anonymous reporting of undeclared work developed and functional
- At least 2 meetings/round tables with representatives of local administration, non-governmental organizations and other stakeholders organized and conducted
- Workshop for at least 10 representatives of the media organized and conducted
- Survey implemented at the beginning and at the end of the project

## **Result 5: Administrative capacities, work methodology and control mechanisms of the Labour Inspectorate and other involved institutions improved**

Indicators of achievement:

- Analysis of the existing procedures for analytical activities of the Labour Inspectorate conducted and analysis report prepared
- New methodology for assessment of working efficiency in the area of undeclared work based on the best EU practices prepared
- Concept solution for establishing risk assessment system in planning and implementation of labour inspection plans developed
- Methodological capacities (e.g. data collection, methods of analysis) and control mechanisms of the Labour Inspectorate and other involved institutions improved
- Training needs analysis (TNA) conducted and TNA report with training programme and materials prepared
- Administrative capacities of all relevant institutions in accordance with their specific needs strengthened through:
  - Trainings/workshops for at least 60 participants conducted; training evaluation report prepared
  - 1 study visit in an EU Member State for at least 12 participants conducted; study visit report prepared

### 3.4 Activities:

**The activities listed below represent the minimum activities to be implemented in the course of the Twinning project. Member State(s) may propose additional activities in line with the methodology elaborated in its proposal.**

Activities linked to Result 1

Activity 1.1: Conducting analysis<sup>1</sup> of undeclared work in Croatia with special emphasis on sectors with consistently large number of undeclared work and preparing analysis report with recommendations for improvement

Activity 1.2: Detecting new atypical forms of employment and preparing assessment of their compliance with the existing regulatory framework

Activity 1.3: Defining preventive activities focused on identifying causes of undeclared work

Activity 1.4: Developing comprehensive targeted Strategy against undeclared work involving a

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<sup>1</sup> Including clarification of concepts and methodologies, gathering of relevant data to measure undeclared work and tracking progress in reducing it.



policy mix based on both incentive and inspection approach including Action Plan for implementation of the Strategy

#### Activities linked to Result 2

Activity 2.1: Conducting analysis of the existing legal framework in the field of labour relations, including instruments for supervision of implementation of regulations governing the relations between employers and employees and preparing analysis report

Activity 2.2: Conducting analysis of the most often violated legal provisions in the area of undeclared work and preparing analysis report

Activity 2.3: Preparing recommendations on possible legislative amendments including legislative/institutional activities for effective reduction of undeclared work and measures that will encourage smooth transition from undeclared work to legitimate work (e.g. introducing vouchers for seasonal jobs, introducing flexible categories of legitimate work such as different types of employment contracts) and Action Plan for implementation of recommendations

#### Activities linked to Result 3

Activity 3.1: Conducting analysis of the existing cooperation among institutions responsible for prevention and suppression of undeclared work and preparing analysis report with recommendations for enhanced cooperation

Activity 3.2: Improving and accelerating process of notifying on possible violations within the competence of other institutions (e.g. through appointing coordinators in relevant institutions)

#### Activities linked to Result 4

Activity 4.1: Preparing awareness raising and communication Strategy and Action Plan to promote benefits of declared work and negative effects of undeclared work

Activity 4.2: Preparing and implementing public awareness raising campaign (dissemination of information on the economic and social impacts of unregistered work and raising tax morality) which will include:

- Developing and broadcasting at least 1 TV and 1 radio spot<sup>2</sup> (short commercials with the purpose of dissemination of information on the economic and social impacts of unregistered work, and raising the tax morality of Croatian citizens)
- Developing and broadcasting at least 1 TV feature<sup>3</sup> (short documentary film, up to 20 minutes, about undeclared work and expected impact of the project activities)
- Preparing and publishing at least 2 media publications
- Preparing and disseminating at least 5000 flyers or brochures<sup>4</sup> to target groups through at least 2 awareness raising events

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<sup>2</sup> Developing and broadcasting of TV and radio spot is envisaged to be financed through private sector input specified in the point 5. Budget of the Twinning fiche.

<sup>3</sup> Developing of TV feature is envisaged to be financed through private sector input specified in the point 5. Budget of the Twinning fiche. As opposed to TV and radio spot, TV feature will be more comprehensive and detailed, and also targeted to more specific audience. Broadcasting is envisaged through the Internet and will be used for promotion of combating of undeclared work in various public campaigns organized by institutions involved in project implementation and other stakeholders.

- Developing of the website<sup>5</sup> for anonymous reporting of undeclared work
- Organizing and conducting at least 2 meetings/round tables with representatives of local administration, non-governmental organizations and other stakeholders
- Organizing and conducting workshop for at least 10 representatives of the media in order to change the attitude regarding taxes, especially targeted at encouraging greater tax ethics of the public

Activity 4.3: Implementing survey at the beginning and at the end of the project in order to measure social awareness of the problem of undeclared work and underground economy.

Activities linked to Result 5

Activity 5.1: Conducting analysis of the existing procedures for analytical activities of the Labour Inspectorate and preparing analysis report

Activity 5.2: Preparing new methodology for assessment of working efficiency in the area of undeclared work based on the EU best practices

Activity 5.3: Developing concept solution for establishing risk assessment system in planning and implementation of labour inspection plans

Activity 5.4: Improving methodological capacities (e.g. data collection, methods of analysis, monitoring) and control mechanisms of the Labour Inspectorate and other involved institutions

Activity 5.5: Conducting training needs analysis (TNA) and preparing TNA report with training programme and materials

Activity 5.6: Strengthening administrative capacities of all relevant institutions in accordance with their separate specific needs defined in the Memorandum of Understanding through:

- Conducting at least 4 trainings (minimum 10 participants) and at least 2 workshops (minimum 10 participants); preparing training evaluation report
- Conducting 1 study visit in an EU Member State for at least 12 participants; preparing study visit report

Minimum two visibility events will be organized in the course of the implementation of the project; Kick-off meeting at the start of the implementation and the Final meeting at the end of the implementation of the project activities. The project website will be also developed.

### 3.5 Means/ Input from the MS Partner Administration:

MS Project Leader may participate in the project also as the short-term expert (STE) and in this case the MS Project Leader should satisfy requirements stipulated in the fiche for both the Project Leader and the relevant STE profile.

#### 3.5.1 Profile and tasks of the Project Leader

Profile of the Project Leader

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<sup>4</sup> Printing of the flyers/brochures is envisaged to be financed through private sector input specified in the point 5. Budget of the Twinning fiche.

<sup>5</sup> Developing of the websites is envisaged to be financed through private sector input specified in the point 5. Budget of the Twinning fiche.

#### Requirements:

- University level education or equivalent professional experience of 10 years in the area of labour relations and/or labour policy development<sup>6</sup>
- Minimum 5 years of experience in the area of prevention and suppression of undeclared work
- Working level of English language
- Computer literacy
- High ranking official
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5
- Experience in project management

#### Asset:

- Experience in at least 1 project in the area of labour relations

#### Tasks of the Project Leader:

- Overall coordination and co-managing of the implementation of the project in cooperation with the BC Project Leader
- Coordination of MS experts' work and availability
- Ensuring sound implementation of the envisaged activities
- Participation in Steering Committee meetings
- Project reporting
- Ensuring backstopping and financial management of the project in the MS
- Organization of study visit
- Networking with stakeholders of the project in the BC and in MS
- Assuring compatibility with EU requirements
- Supervising the project implementation and evaluating BC needs and priorities, the quality of short term experts and of BC partner institution, project risks, progress against the project budget, benchmarks and outputs, and taking any necessary remedial action

### 3.5.2 Profile and tasks of the RTA

#### Profile of the Resident Twinning Adviser

#### Requirements:

- University level education or equivalent professional experience of 10 years in the area of labour relations and/or labour policy development<sup>7</sup>
- Minimum 4 years of experience in the area of prevention and suppression of undeclared work
- Working level of English language
- Computer literacy
- Proven contractual relation to public administration or mandated body, as defined under Twinning manual 5.4.5
- Experience in project management

#### Asset:

- Experience in developing measures for prevention and suppression of undeclared work

#### Tasks of the Resident Twinning Adviser:

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<sup>6</sup> The formulation "labour policy development" refers to drafting laws or regulations or national policies and strategies.

<sup>7</sup> The formulation "labour policy development" refers to drafting laws or regulations or national policies and strategies.

- Day to day management of the project in the BC
- Support and coordination of all activities in the BC
- Networking with stakeholders of the project in the BC and in MS
- Advising on related EU policies and best practices, legislation and regulations
- Executing administrative tasks (e.g. assisting in reporting)
- Ensuring the continuity of the project implementation and the quality management of inputs of the short-term experts
- Coordination and assistance to the short-term experts
- Monitoring project implementation and proposing corrective measures, if required
- Organization of visibility events (kick-off and final events)
- Organization of PIU and Steering Committee meetings
- Participation in Steering Committee meetings

The duration of RTA secondment is 18 months.

### 3.5.3 Profile and tasks of the short-term experts

**For each of the proposed experts in the submitted proposal the Member State(s) is kindly requested to indicate the expert's profile.**

Profile of the Short-term expert 1 (STE 1)

Requirements:

- University level education or equivalent professional experience of 8 years in the area of labour relations and/or inspections
- Minimum 3 years of experience in the area of prevention and suppression of undeclared work
- Working level of English language
- Computer literacy
- Proven contractual relation to public administration or mandated body, as defined under Twinning manual 5.4.5

Assets:

- Experience in developing measures for prevention and suppression of undeclared work
- Experience in conducting statistical analysis
- Experience in preparation of analytical studies
- Experience in analysing and improving of the work methodology in the area of labour inspection
- Experience in conducting trainings

Tasks of the Short-term expert 1:

- Conducting analysis of undeclared work in Croatia and preparing corresponding report
- Detecting new atypical forms of employment and preparing corresponding report
- Defining preventive activities focused on identifying causes of undeclared work
- Developing comprehensive targeted Strategy against undeclared work, including Action Plan
- Conducting analysis of the existing legal framework in the field of labour relations and preparing analysis report
- Conducting analysis of the most often violated legal provisions in the area of undeclared work and preparing analysis report
- Preparing recommendations on possible legislative amendments

- Conducting analysis of the existing cooperation among relevant institutions and preparing corresponding report
- Improving and accelerating process of notifying on possible violations within the competence of other institutions
- Participating in preparation and implementation of activities related to raising of public awareness, strengthening of administrative capacities of the involved institution as well as other relevant activities (as required during the project implementation) in cooperation with other short-term experts

#### Profile of the Short-term expert 2 (STE 2)

##### Requirements:

- University level education or equivalent professional experience of 8 years in the area of labour relations and/or inspections
- Minimum 3 years of experience in practical application of procedures in the area of labour inspection
- Working level of English language
- Computer literacy
- Proven contractual relation to public administration or mandated body, as defined under Twinning manual 5.4.5

##### Assets:

- Experience in developing measures for prevention and suppression of undeclared work
- Experience in conducting trainings

##### Tasks of the Short-term expert 2:

- Conducting analysis of the existing procedures of the Labour Inspectorate and preparing analysis report
- Preparing new methodology for assessment of working efficiency in the area of undeclared work
- Developing concept solution for establishing risk assessment system in planning and implementation of labour inspection plans
- Improving methodological capacities (e.g. data collection, methods of analysis) and control mechanisms of the Labour Inspectorate and other involved institutions
- Participating in preparation and implementation of activities related to raising public awareness, strengthening of administrative capacities of the involved institution as well as other relevant activities (as determined during the project implementation) in cooperation with other short-term experts

#### Profile of the Short-term expert 3 (STE 3)

##### Requirements:

- University level education or equivalent professional experience of 8 years in public relations
- Minimum 3 years of experience in public relations
- Working level of English language
- Computer literacy
- Proven contractual relation to public administration or mandated body, as defined under Twinning manual 5.4.5

Assets:

- Experience in organizing awareness raising activities for prevention and suppression of undeclared work
- Experience in developing website
- Experience in developing promotional materials

Tasks of the Short-term expert 3:

- Preparing awareness raising and communication Strategy and Action Plan
- Preparing and implementing activities related to raising public awareness and conducting public campaign
- Participating in capacity building and other relevant activities (as determined during the project implementation) in cooperation with other short-term experts

**Note:**

The pool of experts should include:

- At least one short-term expert who in addition to the respective profile requirements has experience in preparation of analytical studies;
- At least one short-term expert who in addition to the respective profile requirements has experience in analysing and improving of the work methodology in the area of labour inspection.

#### **4. Institutional Framework**

**Ministry of Labour and Pension System** is the main beneficiary of the project. The Ministry of Labour and Pension System is responsible for employment policy, regulation of labour relations, labour market, active employment policies and social partnership. The Ministry of Labour and Pension System is responsible for the labour market and employment policy while the Ministry of Entrepreneurship and Crafts is responsible for the legal framework against underground economy in line with the Act on Prohibition of and Prevention of Unregistered Activities (OG 61/2011). Within the Ministry, the Labour and Safety at Work Directorate is responsible for legislative regulation of labour relations, while in the Directorate for Coordination of EU Programmes and Projects in the Field of Labour and Social Security, Project Implementation Unit is situated.

**Labour Inspectorate**, as an integral part of the Ministry of Labour and Pension System, operates on the basis of the Labour Inspectorate Act (OG 19/2014), which regulates organization and management of the Labour Inspectorate, conditions for performing inspection supervision of the implementation of regulations within the competence of the Labour Inspectorate and duties and authorities of labour inspectors. Based on this Act, labour inspectors supervise implementation of laws and other regulations that prescribe the relationship between employers and employees (workers), as well as the work of foreigners. However, labour inspectors do not supervise implementation of regulations between workers and employers when other inspectors, such as administrative inspectors, school inspectors and the Civil Aviation Agency inspectors are in charge. Labour Inspectorate has 119 employees in total.

After entry into force of the new Decree on the Organisational Structure of the Ministry of Labour and Pension System on 24 February 2014 (OG 25/2014), several changes have occurred in the organisation of the Labour Inspectorate. The Labour Inspectorate apart from Headquarters has five regional offices. One of the sectors in the Labour Inspectorate is the Sector for Surveillance in the

Area of Labour Relations which has two services: Service for Surveillance of Labour Relations and newly established Service for Surveillance of Employment. This new service will surely contribute to the more efficient prevention and suppression of undeclared work and underground economy as well as the objectives of this project. The main task of this Service is to control illegal employment throughout the entire territory of Croatia regardless of jurisdiction of services from regional offices and their branch offices.

The mission of the Labour Inspectorate is to identify people involved in undeclared work and employment and to enforce measures seeking to prevent the use of labour without the following conditions being met: having a valid employment relationship or legal contractual relationship, observance of statutory obligation to report employment to the Croatian Pension Insurance Institute and Croatian Health Insurance Institute, and in case of foreign country nationals, a temporary residence permit for the purpose of employment or work.

**Ministry of Entrepreneurship and Crafts** conducts administrative and other tasks related to small and medium size enterprises, trades and cooperatives. This Ministry will also benefit from recommendations for possible changes and amendments of the legal framework regulating the field of undeclared employment prepared through the Twinning project. It is particularly interested in creating policies which aim at transforming informal work into formal forms of employment. Another important goal of the Ministry is to create a good legislative framework for those enterprises and to take into account their specific characteristics in order to prevent unregistered economic activities.

**Ministry of Finance – Tax Administration** is responsible for the control and surveillance of payments of pension and health contributions for legally employed persons. Therefore, the Tax Administration is very interested in the increase of these payments that is one of the main goal of this project. It is also interested to detect if there is a significant tax evasion in some sectors of economy. Implementation of this project should help to find more efficient and cheaper measures to tackle undeclared work and unregistered economy.

**Ministry of Interior** is responsible for enforcement of the Act on Foreigners (OG 130/2011 and 74/2013), that regulates the stay and work of foreigners in the Republic of Croatia. The Act is aligned with all the regulations and directives of the EU in this field. The involvement of the Ministry of Interior should be focused on assistance in removal of the existing obstacles and finding the adequate legal framework in the area of suppression of undeclared work of foreign citizens. Working on suppression of undeclared work of foreign citizens is performed by police officers of border police in cooperation with Labour Inspectors on both regional and local level.

**Croatian Pension Insurance Institute** (CPII) is one of the institutions directly involved and responsible for suppression of undeclared work and employment in the Republic of Croatia. The employer is obliged to register the new worker with the CPII before the beginning of work according to the Act on Pension Insurance (OG 157/2013, 151/2014 i 33/2015). The CPII makes considerable efforts to establish satisfactory and effective connection with broad number of institutions (Ministry of Interior, Health Insurance Institute, Croatian Employment Service etc.). The CPII has at its disposal sophisticated and accurate data basis of active employers and employees, having in mind that good cooperation with other relevant institutions has an important role in decreasing the rate of undeclared work and employment.

**Croatian Health Insurance Institute** (CHII) determines the rights to obligatory health insurance (registration in obligatory health insurance system, cancellation of registration, changes in obligatory health insurance, determining of the status of insured person/policy holder, issuing health cards...). Moreover, the CHII registers, analyses and exchange data (which do not contents personal

characteristics) of insured persons with state and public administration bodies. Also, the CHII exchanges information on the registration of workers with labour inspectors on a regular basis. However, this exchange should be improved and made more effective by means of IT equipment and an enhanced information exchange system should be an important benefit for the CHII.

**Croatian Employment Service:** based on the Act on Employment Mediation during the Unemployment Period (OG No. 80/2008, 121/2010, 25/2012, 118/2012, 12/2013 and 153/2013) the Croatian Employment Service ceases to keep the records on an unemployed person if this person is working without a certificate, contract or decision on work. The proof that the person is performing such a type of work is the note of the Labour Inspectorate or the minutes on the inspection surveillance that show that the person has been detected working without the certificate, contract or decision on work. The unemployed person will be erased from the records from the day of the inspection surveillance performed. If the person is receiving an unemployment benefit, the entitlement ceases with that date of inspection. The person erased from the unemployment records can be recorded again as unemployed person after 6 months from the date of record keeping cessation. Consequently, the Croatian Employment Service cooperates with the Labour Inspectorate and is one of the important stakeholders of this project, since increase of the effectiveness of the inspection surveillances is connected to the reduction of the number of bogus unemployed persons and the number of the unemployment benefit users.

During the project implementation other stakeholders may be involved in the project such as the Economic and Social Council of the Croatian Government, Chamber of Economy, Chamber of Trades and Craft, Employers Association, trade unions, non-governmental organizations, etc. The Ministry of Labour and Pension System will be responsible for coordination of all the project stakeholders. An inter-institutional working group (composed of representatives of the stakeholders) will be established with the coordination purposes and the Ministry of Labour and Pension System will be in charge of the working group activities.

The change of institutional framework is not planned as a result of this project; however, the project is targeted at legislative improvements in relation to activities of all the institutions involved in the area of prevention and suppression of undeclared work.

The beneficiary institution will dedicate all necessary human and financial resources in order to guarantee an effective implementation of the respective project. In particular, the beneficiary institution will insure the availability of the following provisions:

- Adequately equipped office space for the RTA and the RTA assistant for the entire duration of their secondment (in particular a desk, a telephone line, PC with e-mail account and internet access, possibility to use fax & copy services).
- Adequate conditions for the STEs to perform their work while on mission to the BC.
- Training and conference venues as well as presentation and interpretation equipment.
- Costs for travel by BC participants from their capitals to a MS or between MS (study visits).
- Its active involvement in preparation of the PIU and Steering Committee meetings and participation of its members on the same.
- The availability of the BC human resources (BC experts) during the implementation of the activities.

## 5. Budget



Strengthening Policy and Capacities to Reduce Undeclared Work (CRO MOONLIGHTING)	IPA Community Contribution	National Co-financing	<b>TOTAL</b>
Twinning Contract	95% <b>950.000,00 EUR</b>	5% <b>50.000,00 EUR</b>	<b>1.000.000,00 EUR</b>

*The total amounts of the IPA Community Contribution and National Co-financing stipulated in the above table represent the total maximum amounts and therefore, they may be reduced at the level of the Twinning contract, while the relevant ratio (percentages) should be maintained as fixed.*

*The co-financing requirement foreseen under IPA will be considered fulfilled according to the provision of the relevant Financing Agreement.*

Interpretation costs will be reimbursed from the budget only for the purpose of workshops and seminars, up to 7% of the Contract amount can be used for translation and interpretation purposes.

In addition to the above-mentioned, provisions with the total amount of 50.500,00 EUR should be included in the budget for the following purposes related to implementation of the Activity 4.2:

- Developing and broadcasting of TV and radio spot – 16.400,00 EUR
- Developing TV feature – 26.100,00 EUR
- Printing of 5000 flyers or brochures – 3.600,00 EUR
- Developing the website for anonymous reporting of undeclared work – 4.400,00 EUR

## **6. Implementation Arrangements**

### **6.1 Implementing Agency responsible for tendering, contracting and accounting:**

Central Finance and Contracting Agency (CFCA)

Ulica grada Vukovara 284

10000 Zagreb, Croatia

Ms Nataša Mikuš Žigman, Director

Phone: +385 1 6042 400

Fax: +385 1 6042 598

E-mail: [procurement@safu.hr](mailto:procurement@safu.hr)

Twinning Administrative Office

Central Finance and Contracting Agency

Ulica grada Vukovara 284

10000 Zagreb, Croatia

Ms Nirvana Sokolovski, Twinning NCP

Phone: +385 1 6042 400

Fax: +385 1 6042 598

E-mail: [twinning@safu.hr](mailto:twinning@safu.hr)

### **6.2 Main counterpart in the BC:**

Deputy Senior Programme Officer

Ms Štefica Belčić

Ministry of Labour and Pension System  
Petračićeva 4  
10 000 Zagreb, Croatia  
Phone: +385 1 3696 453  
Fax: +385 1 3696 468  
E-mail: [stefica.belcic@mrms.hr](mailto:stefica.belcic@mrms.hr)

BC Project Leader  
Ms Inga Žic, Head of Sector for Labour and Social Partnership  
Ministry of Labour and Pension System  
Ulica grada Vukovara 78  
10 000 Zagreb, Croatia

RTA Counterpart  
Mr Vatroslav Subotić, Legal Adviser in Labour Law Department  
Ministry of Labour and Pension System  
Ulica grada Vukovara 78  
10 000 Zagreb, Croatia

### 6.3 Contracts

It is envisaged that the Project will be implemented through one Twinning contract, with the maximum amount of 1.000.000,00 EUR.

## 7. Implementation Schedule (indicative)

- 7.1 Launching of the call for proposals: 4Q 2015<sup>8</sup>
- 7.2 Start of project activities: 3Q 2016
- 7.3 Project completion: 1Q 2018
- 7.4 Duration of the execution period (number of months): 21 months; the execution period will end 3 months after the implementation period of the Action (work plan) which will take 18 months.

## 8. Sustainability

New comprehensive Strategy against undeclared work including Action plan for its implementation will be developed and incorporated in the national labour relations system. It is expected that legal framework for prevention and suppression of undeclared work will be improved through recommendations on legislative framework and new measures that will encourage smooth transition from undeclared work to legitimate work and assessment of compliance of new atypical forms of employment with the existing regulatory framework.

Sustainability of the project will further be supported by activities that will enhance cooperation among institutions responsible for prevention and suppression of undeclared employment. Within

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<sup>8</sup> Member States submitting proposals for Twinning projects implemented in Croatia, as well as the beneficiary institutions, will be requested to finalise drafting of the contracts in maximum four months regardless of the period of the year during which the drafting will take place.

the project, awareness raising campaign will be conducted leading to increased public awareness on the topic of undeclared work in the Republic of Croatia.

Moreover, work methodology of Labour Inspectorate will be strengthened leading to future improved and more effective work in the area of labour inspection. This, together with other project results will lead to constant reduction of rate of undeclared work and contribute to development of effective system of policies and measures for suppression of undeclared work on national level.

## **9. Crosscutting issues**

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. The project does not involve activities with an environmental impact.

## **10. Conditionality and sequencing**

The conclusion of the contract resulting from this call for proposals is subject to the fulfilment of the following condition:

Memorandum of Understanding stipulating the activities each involved institution will be responsible for, obligations that arise from participation in this project, as well the benefits from the project signed by all institutions listed under Heading 4 of this Twinning Fiche.

## **ANNEXES TO PROJECT FICHE**

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
4. List of relevant laws and regulations

## Annex 1: Logical framework matrix in standard format

<b>Strengthening Policy and Capacities to Reduce Undeclared Work (CRO MOONLIGHTING)</b>		<b>Programme name and number:</b> IPA 2012	
<b>Ministry of Labour and Pension System</b>		<b>Contracting period expires:</b> 3 years following the date of conclusion of the Financing Agreement	<b>Disbursement period expires:</b> 3 years following the expiration of the contracting deadline
		<b>Total budget:</b>  1.000.000,00 EUR	<b>IPA financing:</b> 950.000,00 EUR (95%)  <b>National co-financing:</b> 50.000,00 EUR (5%) <sup>9</sup>
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
Development of an effective system of polices, measures and control mechanisms against undeclared work as well as strengthening of administrative capacities of relevant institutions in this sector in line with EU regulation and good practices in order to reduce the rate of undeclared work and increase labour contributions paid into the national budget.	Reduction of the rate of undeclared work of minimum 2 percent 2 years after the end of implementation of the project	Ministry of Labour and Pension System reports (Labour Inspectorate) reports E-register of the Labour Inspectorate (the reduction rate measured on the sample of 5000 inspections) Relevant national reports National Labour Statistic Relevant EC reports	

<sup>9</sup> The total amounts of the IPA Community Contribution and National Co-financing stipulated in the above table represent the total maximum amounts and therefore, they may be reduced at the level of the Twinning contract, while the relevant ratio (percentages) should be maintained as fixed. The co-financing requirement foreseen under IPA will be considered fulfilled according to the provision of the relevant Financing Agreement.

<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
The rate of undeclared work in the Republic of Croatia reduced and social awareness of the problem of undeclared work and underground economy enhanced through informing the public about the overall implications of undeclared work for social security and its negative effects on principles of solidarity and fairness in application of social security rights.	<p>Comprehensive targeted strategy involving a policy mix based on incentive and inspection approach developed.</p> <p>Suggestions and recommendations for amendments of the legal/institutional framework prepared</p> <p>Administrative/institutional capacities of the beneficiary institutions strengthened</p> <p>Awareness campaign performed</p> <p>Number of registered undeclared workers in the Labour Inspectorate decreased by at least 3%</p> <p>Increased annual number of labour inspection surveillances by at least 3% in average per inspector</p> <p>Enhanced public awareness on negative aspects of undeclared work detected through the survey implemented at the beginning and at the end of the project</p>	<p>Ministry of Labour and Pension System reports</p> <p>Annual report of the Labour Inspectorate</p> <p>E-register of the Labour Inspectorate for the current year</p> <p>Statistics of employment, unregistered work and unemployment</p> <p>Amount of unemployment benefits paid by the Croatian Employment Service</p> <p>Independent evaluation reports</p> <p>Register of employees in the public sector in the Republic of Croatia</p> <p>Twinning project implementation and evaluation reports</p> <p>Documentation produced under the Twinning project (reports, recommendations, minutes of the meetings etc.)</p> <p>Legislative amendments related to undeclared work</p> <p>Strategy against undeclared work and its Action Plan</p> <p>Communication Strategy and its Action Plan</p> <p>Promotional materials (flyers/brochures) and media publications</p> <p>TV spot and TV feature</p> <p>Radio spot</p> <p>Website</p> <p>List of participants on trainings and training evaluation report</p> <p>List of participants on study visit and study visit report</p>	<p>Commitment of all relevant institutions to support the Project</p> <p>Successful cooperation with all the involved institutions established</p> <p>All the involved institutions appointed staff and replacements to work on implementation of the project</p> <p>National co-financing ensured</p> <p>Memorandum of Understanding (MOU) among all involved institutions signed</p>
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
Result 1: Comprehensive targeted Strategy against undeclared work involving a policy mix based on incentive and inspection	<ul style="list-style-type: none"> <li>Analysis of undeclared work in Croatia with special emphasis on sectors with consistently large</li> </ul>	<p>Ministry of Labour and Pension System reports</p> <p>Annual report of the Labour Inspectorate</p>	<p>Commitment of all the relevant institutions to support the project</p>

<p>approach developed</p> <p>Result 2: Legal framework for prevention and suppression of undeclared work improved</p> <p>Result 3: Cooperation among institutions responsible for prevention and suppression of undeclared work enhanced</p>	<p>number of undeclared work conducted and analysis report with recommendations for improvement prepared</p> <ul style="list-style-type: none"> <li>• New atypical forms of employment detected and assessment of their compliance with the existing regulatory framework prepared</li> <li>• Preventive activities focused on identifying causes of undeclared work defined</li> <li>• Comprehensive targeted Strategy against undeclared work involving a policy mix based on both incentive and inspection approach including Action Plan for implementation of the Strategy developed</li> <li>• Analysis of the existing legal framework in the field of labour relations conducted and analysis report prepared</li> <li>• Analysis of the most often violated legal provisions in the area of undeclared work conducted and analysis report prepared</li> <li>• Recommendations on possible legislative amendments including legislative/institutional activities for effective reduction of undeclared work and measures that will encourage smooth transition from undeclared work to legitimate work and Action Plan for implementation of recommendations prepared</li> <li>• Analysis of the existing cooperation among institutions responsible for prevention and suppression of undeclared work conducted and</li> </ul>	<p>E-register of the Labour Inspectorate for the current year</p> <p>Statistics of employment, unregistered work and unemployment</p> <p>Amount of unemployment benefits paid by the Croatian Employment Service</p> <p>Independent evaluation reports</p> <p>Register of employees in the public sector in the Republic of Croatia</p> <p>Twinning project implementation and evaluation reports</p> <p>Documentation produced under the Twinning project (reports, recommendations, minutes of the meetings etc.)</p> <p>Legislative amendments related to undeclared work</p> <p>Strategy against undeclared work and its Action Plan</p> <p>Communication Strategy and its Action Plan</p> <p>Promotional materials (flyers/brochures) and media publications</p> <p>TV spot and TV feature</p> <p>Radio spot</p> <p>Website</p> <p>List of participants on trainings and training evaluation report</p> <p>List of participants on study visit and study visit report</p>	<p>Successful cooperation with other involved institutions established</p> <p>National co-financing ensured</p> <p>Commitment of all the relevant institutions to project</p>
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<p>Result 4: Public awareness regarding overall implications of undeclared work and tax morality increased</p>	<p>analysis report with recommendations for enhanced cooperation prepared</p> <ul style="list-style-type: none"> <li>• Process of notifying on possible violations within the competence of other institutions improved and accelerated (e.g. through appointing coordinators in relevant institutions)</li> <li>• Awareness raising and communication Strategy and Action Plan to promote benefits of declared work and negative effects of undeclared work prepared</li> <li>• Public awareness raising campaign prepared and implemented, including: <ul style="list-style-type: none"> <li>○ At least 1 TV and 1 radio spot developed and broadcasted</li> <li>○ At least 1 TV feature (short documentary film) developed and broadcasted</li> <li>○ At least 2 media publications prepared and published</li> <li>○ At least 5000 flyers or brochures prepared and disseminated to target groups through at least 2 awareness raising events</li> <li>○ The website for anonymous reporting of undeclared work developed and functional</li> <li>○ At least 2 meetings/round tables with representatives of local administration, non-governmental organizations and other stakeholders organized and conducted</li> <li>○ Workshop for at least 10 representatives of the media organized and conducted</li> </ul> </li> </ul>		
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<p>Result 5: Administrative capacities, work methodology and control mechanisms of the Labour Inspectorate and other involved institutions improved</p>	<ul style="list-style-type: none"> <li>• Survey implemented at the beginning and at the end of the project</li> <li>• Analysis of the existing procedures for analytical activities of the Labour Inspectorate conducted and analysis report prepared</li> <li>• New methodology for assessment of working efficiency in the area of undeclared work based on the best EU practices prepared</li> <li>• Concept solution for establishing risk assessment system in planning and implementation of labour inspection plans developed</li> <li>• Methodological capacities (e.g. data collection, methods of analysis) and control mechanisms of the Labour Inspectorate and other involved institutions improved</li> <li>• Training needs analysis (TNA) conducted and TNA report with training programme and materials prepared</li> <li>• Administrative capacities of all relevant institutions in accordance with their specific needs strengthened through: <ul style="list-style-type: none"> <li>○ Trainings/workshops for at least 60 participants conducted; training evaluation report prepared</li> <li>○ 1 study visit in an EU Member State for at least 12 participants conducted; study visit report prepared</li> </ul> </li> </ul>		
<b>Activities</b>	<b>Means</b>	<b>Specification of costs</b>	<b>Assumptions</b>

<p>The activities listed below represent the minimum activities to be implemented in the course of the Twinning project. Member State(s) may propose additional activities in line with the methodology elaborated in its proposal.</p> <p>Activity 1.1: Conducting analysis of undeclared work in Croatia with special emphasis on sectors with consistently large number of undeclared work and preparing analysis report with recommendations for improvement</p> <p>Activity 1.2: Detecting new atypical forms of employment and preparing assessment of their compliance with the existing regulatory framework</p> <p>Activity 1.3: Defining preventive activities focused on identifying causes of undeclared work</p> <p>Activity 1.4: Developing comprehensive targeted Strategy against undeclared work involving a policy mix based on both incentive and inspection approach including Action Plan for implementation of the Strategy</p> <p>Activity 2.1: Conducting analysis of the existing legal framework in the field of labour relations, including instruments for supervision of implementation of regulations governing the relations between employers and employees and preparing analysis report</p> <p>Activity 2.2: Conducting analysis of the most often violated legal provisions in the area of undeclared work and preparing analysis report</p> <p>Activity 2.3: Preparing recommendations on possible legislative amendments including legislative/institutional activities for effective reduction of undeclared work and measures</p>	<p>Analysis  Consultations, discussions, meetings  Preparation of documentation  Trainings, workshops  Survey  Public awareness raising campaign  Private sector subcontracting  Study visit</p>	<p>Twinning Contract:  1.000.000,00 EUR</p>	<p>In line with assumptions for results.</p>
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<p>that will encourage smooth transition from undeclared work to legitimate work (e.g. introducing vouchers for seasonal jobs, introducing flexible categories of legitimate work such as different types of employment contracts) and Action Plan for implementation of recommendations</p> <p>Activity 3.1: Conducting analysis of the existing cooperation among institutions responsible for prevention and suppression of undeclared work and preparing analysis report with recommendations for enhanced cooperation</p> <p>Activity 3.2: Improving and accelerating process of notifying on possible violations within the competence of other institutions (e.g. through appointing coordinators in relevant institutions)</p> <p>Activity 4.1: Preparing awareness raising and communication Strategy and Action Plan to promote benefits of declared work and negative effects of undeclared work</p> <p>Activity 4.2: Preparing and implementing public awareness raising campaign (dissemination of information on the economic and social impacts of unregistered work and raising tax morality) which will include:</p> <ul style="list-style-type: none"> <li>○ Developing and broadcasting at least 1 TV and 1 radio spot (short commercials with the purpose of dissemination of information on the economic and social impacts of unregistered work, and raising the tax morality of Croatian citizens)</li> <li>○ Developing and broadcasting at least 1 TV feature (short documentary film, up to 20 minutes, about undeclared</li> </ul>			
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<p>work and expected impact of the project activities)</p> <ul style="list-style-type: none"> <li>○ Preparing and publishing at least 2 media publications</li> <li>○ Preparing and disseminating at least 5000 flyers or brochures to target groups through at least 2 awareness raising events</li> <li>○ Developing of the website for anonymous reporting of undeclared work</li> <li>○ Organizing and conducting at least 2 meetings/round tables with representatives of local administration, non-governmental organizations and other stakeholders</li> <li>○ Organizing and conducting workshop for at least 10 representatives of the media in order to change the attitude regarding taxes, especially targeted at encouraging greater tax ethics of the public</li> </ul> <p>Activity 4.3: Implementing survey at the beginning and at the end of the project in order to measure social awareness of the problem of undeclared work and underground economy.</p> <p>Activity 5.1: Conducting analysis of the existing procedures for analytical activities of the Labour Inspectorate and preparing analysis report</p> <p>Activity 5.2: Preparing new methodology for assessment of working efficiency in the area of undeclared work based on the EU best practices</p> <p>Activity 5.3: Developing concept solution for establishing risk assessment system in planning and implementation of labour inspection plans</p> <p>Activity 5.4: Improving methodological</p>			
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<p>capacities (e.g. data collection, methods of analysis, monitoring) and control mechanisms of the Labour Inspectorate and other involved institutions</p> <p>Activity 5.5: Conducting training needs analysis (TNA) and preparing TNA report with training programme and materials</p> <p>Activity 5.6: Strengthening administrative capacities of all relevant institutions in accordance with their separate specific needs defined in the Memorandum of Understanding through:</p> <ul style="list-style-type: none"> <li>○ Conducting at least 4 trainings (minimum 10 participants) and at least 2 workshops (minimum 10 participants); preparing training evaluation report</li> <li>○ Conducting 1 study visit in an EU Member State for at least 12 participants; preparing study visit report</li> </ul>			
			<p><b>Preconditions:</b></p> <p>The conclusion of the contract resulting from this call for proposals is subject to the fulfilment of the following condition:</p> <p>Memorandum of Understanding stipulating the activities each involved institution will be responsible for, obligations that arise from participation in this project, as well the benefits from the project signed by all institutions listed under Heading 4 of this Twinning Fiche.</p>

**Annex 2. Detailed implementation chart**

Strengthening Policy and Capacities to Reduce Undeclared Work (CRO MOONLIGHTING)	2015		2016												2017												2018							
	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A				
Twinning	T	T	T	T	C	C	C	C	C	A/I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	R	R	R

- T – Call for proposals and evaluation
- C – Contracting
- A/I – Arrival of the RTA/ Start of the implementation of activities
- I – Implementation of activities
- R – Report

**Annex 3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)**

Strengthening Policy and Capacities to Reduce Undeclared Work (CRO MOONLIGHTING)	Cumulative contracting schedule by quarters in EUR (provisional)			
	2016			
	I	II	III	IV
Twinning			1.000.000,00	
<b>TOTAL (EUR):</b>			<b>1.000.000,00</b>	

Strengthening Policy and Capacities to Reduce Undeclared Work (CRO MOONLIGHTING)	2016				2017				2018	
	I	II	III	IV	I	II	III	IV	I	II
Twinning			650.406,50			249.593,50				100.000,00
<b>TOTAL (EUR):</b>			<b>650.406,50</b>			<b>900.000,00</b>				<b>1.000.000,00</b>

#### **Annex 4. List of relevant laws and regulations**

1. Strategic Plan of the Ministry of Labour and Pension System for the Period 2015-2017
2. Annual Work Plan for Ministry of Labour and Pension System for 2015
3. EUROPE 2020, A Strategy for Smart, Sustainable and Inclusive Growth
4. National Reform Programme for Croatia, 2014
5. Decree on the Organisational Structure of the Ministry of Labour and Pension System (Official Gazette 25/14)
6. Croatian Government Decision on the establishment of government committee to combat the undeclared work in Croatia (20.08.2014)
7. Croatian Labour Act (Official Gazette 93/2014)
8. Croatian Act on the Prohibition and Prevention of Unregistered activities, (Official Gazette 61/11)
9. Act on the Labour Inspectorate (Official Gazette 19/2014)
10. Communication from the Commission to the Council, European Parliament, European Economic and Social Committee, Stepping up the fight against undeclared work, COM (2007) 628 final
11. Measures to tackle undeclared work in the EU 2008, European Foundation for the Improvement of Living and Working Conditions
12. Act on Foreigners, (Official Gazette 130/11 and 74/2013),
13. Part of the Act on Pension Insurance (Official Gazette 157/2013, 151/2014 and 33/2015),
14. Part of the Act on Obligatory Health Insurance (Official Gazette 80/2013 and 137/2013)
15. Part of the Act on Minimum Wage (Official Gazette 39/2013)
16. Part of the Act on Employment Mediation during the Unemployment Period (Official Gazette 80/2008, 121/2010, 25/2012, 118/2012, 12/2013 and 153/2013)
17. Council Directive 2003/88/EC of 4 November 2003
18. Council Directive 97/81/EC of 15 December 1997
19. Council Directive 1999/70/EC of 28 June 1999
20. Council Directive 98/59/EC of 20 July 1998
21. Council Directive 2001/23/EC of 12 March 2001
22. Council Directive 94/45/EC of 22 September 1994
23. Council Directive 2001/86/EC of 8 October 2001
24. Council Directive 2003/72/EC of 22 July 2003
25. Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005
26. Council Directive 96/34/EC of 3 June 1996
27. Directive 2002/73/EC of the European Parliament and of the Council of 23 September 2002
28. Council Directive 94/33/EC of 22 June 1994
29. Directive 2006/54/EC of the European Parliament and of the Council and Directive 2008/104/EC