Croatia

Dora Smolčić Jurdana
Prof. PhD
Milena Peršić
Prof. PhD
Daniela Soldić Frleta
PhD
Dubravka Vlašić
PhD

1. Introduction

The Republic of Croatia (hereafter Croatia) is situated in the South Eastern part of Europe and has a specific geographical position at the important Pan-European transport corridors as well on the Adriatic Sea. Its territory is located between north latitude 45º 10” N and east longitude 15º 30” E. It is a European and Mediterranean country, oriented to the Adriatic Sea. The surface area of Croatia is 88,073 km^2 (land area 56,594 km^2 and sea area 31,479 km^2) and the length of the coast is 6,278 km with 1,244 islands. Croatia has 21 counties, 123 towns, 428 municipalities, 6,762 settlements, 52,451 streets and 1,597,941 house numbers (CNTB 2016; GICro 2015; ICro, 2016; Tourism 2014).

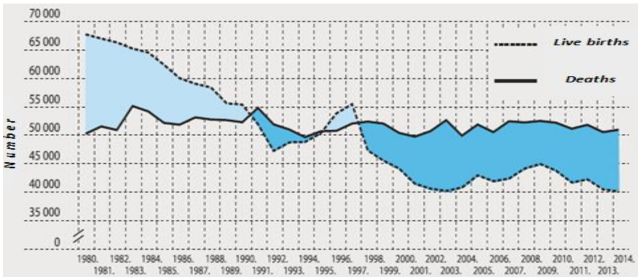
Croatia is an independent, sovereign and democratic country with 4.28 million inhabitants, and a population density of 74.9 per km^2. The official language is Croatian and the official script is Latin. The national currency is the kuna (HKN), divided into 100 lipa. The capital of Croatia is Zagreb, a political, administrative and economic centre, a city of culture and arts. Croatia is a multi-party parliamentary republic. In the ethnic structure Croats (89.6%) dominate, with (88.5%) predominantly Catholic religion (ICro, 2016). The human capital in Croatia is facing changes concerning a decreasing and ageing population (Figures 1 & 2), and stagnation of employment (CroDatabase, 2015).

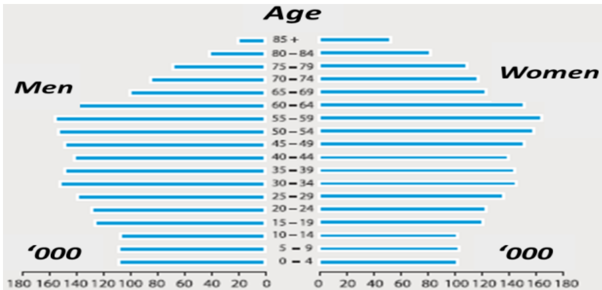
Table 1. Population in Croatia

		1961.	1971.	1981.	1991.	2001.	2011.
Population		4 159 696	4 426 221	4 601 469	4 784 265	4 437 460	4 284 889
Population density per km²		73,6	78,3	81,4	84,6	78,4	75,7
Average age of population	*Men*	30,53	32,44	33,80	35,37	37,5	39,9
	Women	33,26	35,48	37,14	38,71	41,0	43,4
Life expectancy:	*Men*	64,28	65,65	66,64	68,59	71,1	73,8
	Women	69,02	72,33	74,15	75,95	78,1	79,9
Number of households		1 167 586	1 289 325	1 423 862	1 544 250	1 477 377	1 519 038
Average number of persons per household		3,56	3,43	3,23	3,10	2,99	2,80
Share of illiterate persons, %		12,1	9,0	5,6	3,0	1,8	0,8
	Men	6,4	4,7	2,5	1,2	0,7	0,4
	Women	17,2	12,9	8,4	4,8	2,8	1,3

Source: CBS (2013: 11); CIF (2015: 7)

Figure 1. Natural Change in Population (1980-2014) Figure 1: Population by Sex and Age (2014)





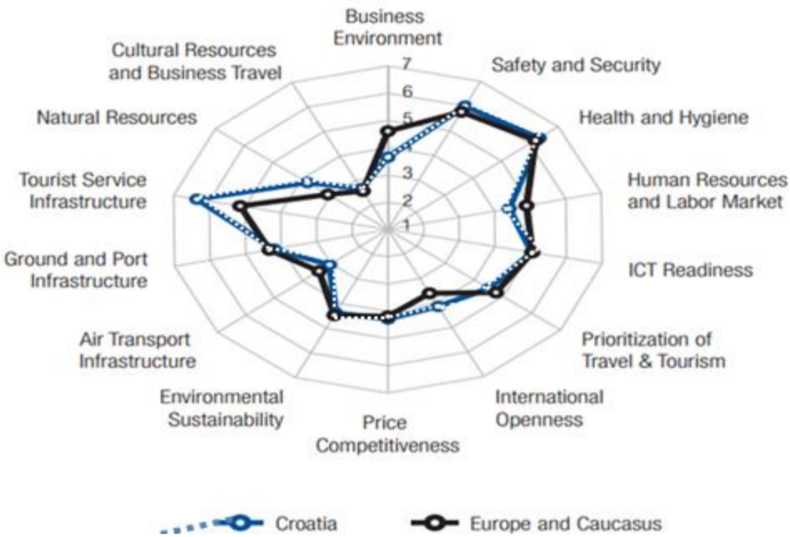
Source: CIF (2015: 5) Source: CBS (2013: 11); CIF (2015: 5)

Croatia became a member of the World Trade Organisation on 30th November 2000 (WTO, 2010), and joined the EU on 1st July 2013, after a decade-long application process (GRC, 2004).

2. Hospitality and Tourism Development

Tourism is Croatia's major industry that significantly contributes to the economic growth and the prosperity of its citizens. Tourism dominates in the Croatian service sector and accounts for up to 20% of Croatian GDP. Croatia is ranked among 20 tourism destinations with over 14 million tourists annually which directly contribute to the Croatian GDP and employment (Marušić, 2014). The direct contribution of Travel and Tourism (T&T) to GDP in 2015 was 10.1% and the total contribution (direct, indirect, and induced) was 29.7%, with the forecast that it will grow by 2.6% in 2016, as well as 4.4% by 2026. It was also noted that the direct contribution of T&T on employment was 9.8%, and the total contribution was 22.7% with the forecast of its growth by 1% in 2016, and 11.5% by 2026 (WTTC, 2016: 1).

Figure 2. TTCI of Croatia in Relation to Europe and Caucasus



Source: WEF 2015: 128

In 2015 the total tourism revenue was €7,961.2 mil, expenditures were €681.7 mil and net income was €7,279.5 mil. The balance of services is covered by the inflow of tourism with 92% (NBC, 2016, H2; CNB, 2016, H2). The position of Croatia measured through the Travel & Tourism Competitiveness Index (TTCI) is 4.30, which shows *"the set of factors and policies that enable the sustainable development of the Travel and Tourism sector, which in turn, contributes to the development and competitiveness of a country"* (WEF, 2015: 3, 5). In addition to Croatian positions within the European area (Figure 3) its positions on the global level will also be presented (the best ranked elements of Croatian TTCI indicators).

Table 2. Positions of Croatia on Travel and Tourism (T&T) Competitiveness (141 economies)

High ranked indicators	Croatia		
	Global Rank	Value	Note
Mobile network coverage	1.	100.0	ITU, 2013
Profit tax rate (paid by the business % of profit)	1.	0.0	WB, 2014
HIV prevalence (% of adults aged 15-49 years)	1.	<0.1	WB, 2011
Number of regional trade agreements in force	1.	46.0	WTO, 2014
Presence of major car rental companies	1.	7.0	Car websites, 2014
Oral and intangible cultural heritage	4.	14.0	UNESCO, 2014
T&T industry share of GDP (% of total GDP)	4.	12.1	WTTC, 2013
T&T industry share of employment (% of ∑ employees)	4.	13.3	WTTC, 2013
Business costs of terrorism	5.	6.5	WEF, 2013/14
Tourist service infrastructure	6.	6.4	TTCI, 2015
ATMs accepting Visa cards	6.	1,704.8	VISA, 2014
Natural tourism digital demand (no. of online searches index)	9.	78	CBR, 2014
Total tax rate (% of profits)	11.	18.8	WB, 2014
Hotel rooms (per 100 population)	13.	1.8	UNWTO, 2013

Quality of roads	17.	5.6	WEF, 2013 & 2014
Railroad density (km per 100 square kilometres)	18.	4.8	WB, 2012
Health and hygiene	18.	6.3	TTCI, 2015
International openness	19.	4.1	TTCI, 2015
Quality of natural environment	20.	5.8	WEF, 2013/14
Hospital beds (per 10.000 population)	22.	58.9	WB, 2012
International tourist arrivals (000,000)	23.	11.0	UNWTO, 2013
Mobile broadband subscriptions (per 100 population)	25.	65.3	ITU, 2013
Airport density (flight per million of urban population)	26.	3.2	IATA, 2014
Environmental treaty ratifications	28.	22.0	IUCN, 2014
Safety and security	28.	6.0	TTCI, 2015
Quality of ground transport network	29.	5.1	WEF, 2013/14
Homicide rate (cases per 100 000 population)	30.	1.2	UNODC, 2012
International tourism receipts (US$) (000,000)	30.	9,566	UNWTO, 2013
Business costs of crime and violence	32.	32.0	WEF, 2013/14
Natural resources	33.	3.8	TTCI, 2015
T & T competitiveness index	33.	4.3	TTCI, 2015
Number of World Heritage cultural sites	34.	6.0	UNESCO, 2014
Physician density (per 1,000 population)	35.	2.8	WHO, 2011
Broadband internet subscribers (per 100 population)	36.	21.5	ITU, 2013
Cultural resource and business travel	36.	2.7	TTCI, 2015
Comprehensiveness of annual T&T data (0-120)	37.	83	UNWTO, 2010-14
Secondary education enrolment rate	38.	98.4	UNESCO, UNICEF, 2012
ICT readiness	38.	5.0	TTCI, 2015
Quality of electricity supply	40.	5.7	WEF, 2013/2014
Number of international association meetings	41.	78.0	ICCA, 2011/13

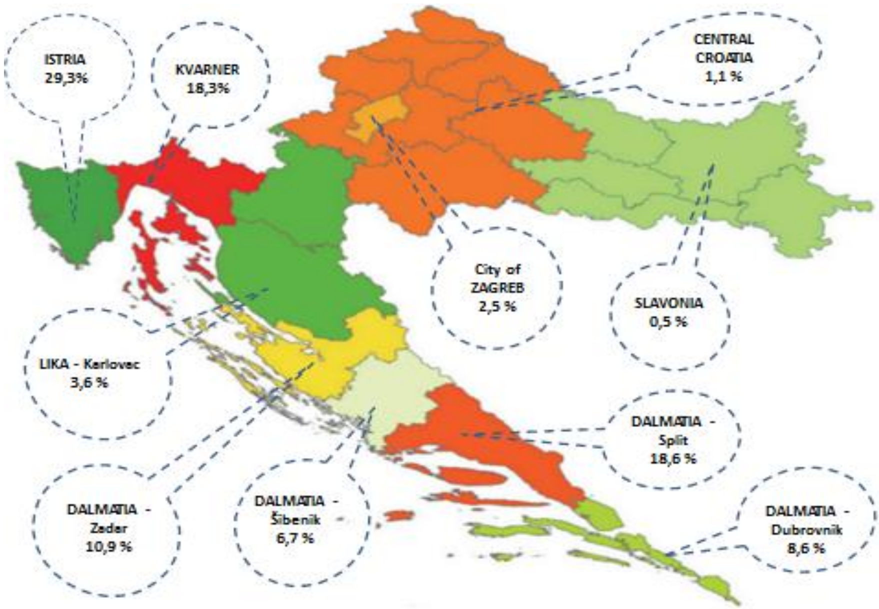
Cultural and entertainment tourism digital demand	41.	16.0	CBR, 2014
Environmental sustainability	42.	4.4	TTCI, 2015
Individuals using the internet	42.	66.7	ITU, 2013
Access to improved sanitation (% of total population)	42.	98.0	WHO, 2012
Access to improved drinking water (% of total population)	43.	99.0	WHO, 2012
Number of World Heritage natural sites	43.	1.0	UNESCO, 2014
Ground and port infrastructure	44.	4.2	TTCI, 2015
Effectiveness of marketing and branding to attract tourists	45.	5.0	WOF, 2013/14
Cost to start a business (% of econ. income – GNI per capita)	47.	3.5	WB, 2014
T&T industry GDP (US$) (000,000)	49.	6,128.0	TTCI, 2015
Hotel price index – first-class branded hotels (US$)	50.	130.4	STR, 2013/14
Aircraft departures (per 1,000 population)	50.	5.7	CAS, 2013
Quality of port infrastructure	51.	4.6	WEF, 2013/14
Stringency of environmental regulations	51.	4.5	WEF, 2013/14
ICT use for business-to-business transaction	53.	5.1	WEF, 2013/14
GDP per capita (US$) (000)	53.	20.2	IMF, 2013
Air transport infrastructure	53.	3.1	TTCI, 2015
Reliability of police services (enforce law and order)	55.	4.4	WEF, 2014
Other tax rates (% of commercial profit)	57.	1.6	WB, 2014
Female labour force participation	58.	0.8	ILO, 2012
Environmental regulation	59.	4.6	TTCI, 2015
Sustainability of travel and tourism industry development	59.	4.6	WEF, 2013/14

Sources: WEF (2015 and sources conducted by other institutions: 5, 34, 35, 37, 39, 41, 42, 44, 45, 46, 128, 129, 362, 363, 367, 368, 369, 380, 383, 385, 386, 389, 390, 394, 395, 396, 403, 410, 412, 414, 415, 417, 418, 419, 424, 425, 432, 435, 444, 456, 460, 462, 463, 464, 466, 468, 469, 472, 476, 478, 479, 481)

Croatia is one of the top tourist destinations recognisable through exceptional natural attractions such as the Plitvice Lakes, the spectacular Adriatic coastlines and gorgeous islands. The rich natural diversity in Croatia has substantial impact on the development of tourism and at the same time on overall economic growth. The most important are the natural attractions and the hospitality of local people. Eight areas in the country have been designated as national parks (Brijuni, Kornati, Krka, Mljet, Paklenica, Plitvice Lakes, Risnjak and Northern Velebit), whose unspoiled nature covers almost 8% of Croatia (ICro, 2016). The UNESCO World Heritage List contains: the Episcopal Complex of the Euphrasian Basilica in the Historic Centre of Poreč Istria (1997); the Historic City of Trogir – Dalmatia (1997); the Historical Complex of Split with the Palace of Diocletian – Dalmatia (1979); the Old City of Dubrovnik – Dalmatia (1979); Stari Grad Plain – island Hvar – Dalmatia (2008); the Cathedral of St James in Šibenik (2000); and Plitvice Lakes National Park (1979). To the above-mentioned, a long list of intangible heritage items as well as properties submitted on the tentative list should be added (UNESCO 2016; Tourism, 2015).

The tourism development level is not the same in different Croatian regions. The most developed tourist regions are located on the Adriatic coasts (Istria, Kvarner, Dalmatia…), as presented by the percentages of tourist overnights in Figure 4.

Figure 3. Structure of Tourist Overnights in Croatian Tourist Regions in 2015



Source: Prepared by the authors based on CTN (2015: 7)

Croatian tourism is oriented towards sustainable development e.g. the use of natural and cultural-historical potential (Strategy Report, 2010). “Lonely Planet” named Croatia *as the top pick destination for 2005* (Lonely Planet, 2005), while “National Geographic Adventure Magazine” named Croatia as the *Destination of the Year in 2006* (Bowermaster, 2006). It is possible to identify awards, international recognition and special tourism contributions through some examples, such as (http:// www.mint.hr):

- The *Croatian Tourism Board* was one of the winners of the “2006 ReBrand awards”;
- *Opatija*, a Croatian coastal city won a “Silver Flower of Europe” and *Skradinski Buk* a bronze medal in the “Europe in Bloom” competition in 2006, between 5800 entrants from 12 European countries;
- *Affrodite hotel* in Tućepi (Croatian coast) won in 2006 the “Marque of Excellence” award made by the British travel agency Thomas Cook, and Alga hotel was listed among the top ten hotels according to the criteria of the Saga Holidays group;
- Croatia takes part in the pilot project "European Destinations of Excellence" with the subtitle "Best Emerging Rural Destinations", according to a decision adopted by the European Commission's Tourism Advisory Committee. This project is aimed at promoting European tourism, i.e. the diversity and quality of the tourism offer of all member-countries, European regions and the awarded destinations. The project will also encourage other destinations to adopt models of sustainable tourism development;
- Rural destination *Sveti Martin na Muri* won in 2007 the title “European destination of excellence” in the category of new rural destinations in 2006, within the pilot project "European Destinations of Excellence" (EDEN), launched by the European Commission in 2006, with the intention of creating a network of European Destinations of Excellence;
- Eighteen EU member states and two membership candidate countries took part in the competition, and the Croatian town Đurđevac in 2008 won the European Destination of Excellence Award in the field "Tourism and Local Intangible Heritage";
- Readers of the British *Guardian* and *Observer* newspapers put Croatia in 2008 in third place among their most favourite European destinations. The top five were Switzerland, Sweden, Croatia, Austria and Italy;

- The Spanish edition of *Condé Nast Traveller* magazine in 2009 gave Croatian Adriatic islands an award for the most beautiful islands in the world, after their readers voted in about 15 categories, including best city hotel, best non-city hotel, best resort, best spa, best destination, most beautiful city, most beautiful island, and best air carrier (despite strong competition from the Greek islands, Corsica, Puerto Rico and Mauritius);
- Northern Velebit National Park received the European Destination of Excellence Award 2009;
- Zagreb was declared the most desirable new destination outside India at the TTF & OTM – Travel Tourism Fair & Outbound Travel Market, and won the Award for Excellence for the Most Promising New Destination;
- Russian travel portal declared Dubrovnik as the best Mediterranean vacation destination in 2011 and at the same time the best beach hotel in Croatia was awarded to the Dubrovnik Palace Hotel;
- World Federation of Travel Journalists & Writers (FIJET) awarded the Golden Apple (tourism Oscar) to Vukovar and Ilok for the research of the Vučedol culture and its promotion in Croatia and the world for 2011;
- Zagreb's Regent Esplanade Hotel won the World Luxury Hotel Award 2011 as the best luxury city hotel, and the Dubrovnik Palace and Le Meridien Lav Hotels in Split were voted Europe's best hotel resort and best casino resort by the World Travel Awards organisation;
- The office of the Croatian National Tourism Board in Prague was named the best foreign representative office among 25 foreign travel agencies and was declared as the best by the Czech newspaper *Travel Trade Gazette*;
- The Zagreb Tourist Board received the 2012 Chinese Tourists Welcoming Award for its marketing services at the China Outbound Travel & Tourism Market;
- The Swiss Tourism Award "The Green Croatian City" in the category of "natural paradise" is assigned to the town of Karlovac;
- Istria was listed in the top 10 destinations for 2012 and was once again placed in the list of top 10 tourist destinations for 2013, was awarded with five exceptionally important recognitions, the most significant being the ADAC award as the most desirable auto destination for German auto-tourists;

- ADAC's “Routenplanner” itinerary planning tool listed Croatia in 2013 as the third favourite destination for German campers (after Germany and Italy);
- The town of Rovinj was awarded by FIJET (the European Association of Professional Travel Writers and Journalists) in 2013 La Pomme d'Or, a prize for excellence in the tourism industry;
- The town of Opatija received the Golden Apple 2013 award which the World Federation of Travel Journalists & Writers (FIJET) gives for a contribution to the preservation, improvement and development of historical and cultural heritage in the function of tourism;
- The Zagreb Tourist Board won "The Best Tourism Publicity Award" 2013 for its presentation at the recent Korean Travel Fair held in Seoul;
- The Adriatic island of Lošinj won a prestigious award in 2013 from the international association of travel and tourism professionals “Skal International” for sustainable development in tourism;
- SITE, the world's leading association that promotes incentive business travel, has recommended Croatia as a top destination for such travel in 2014, because of its scenery, historical heritage and infrastructure;
- The Croatian Mountain Rescue Service (HGSS) was one of the 47 recipients of the European Citizen's Prize for 2015, awarded by the European Parliament.

The Croatian Sustainable Tourism Observatory (CROSTO) became in 2016 a member of the UNWTO International Network of Sustainable Tourism Observatories (INSTO). This Observatory is responsible for monitoring sustainable tourism in Adriatic Croatia in the way that has been emphasised in its Tourism Development Strategy 2020 (MMT, 2016).

2.1. Hospitality and Tourism as a Part of Overall Economic Development

The development of the Croatian economy was strongly influenced by the war of independence which resulted in secession from the Socialist Federative Republic of Yugoslavia and the transition from socialist self-management to capitalism (Hajdinjak, 2014).

Table 3. Indicators of the Croatian Economy 1990-2014

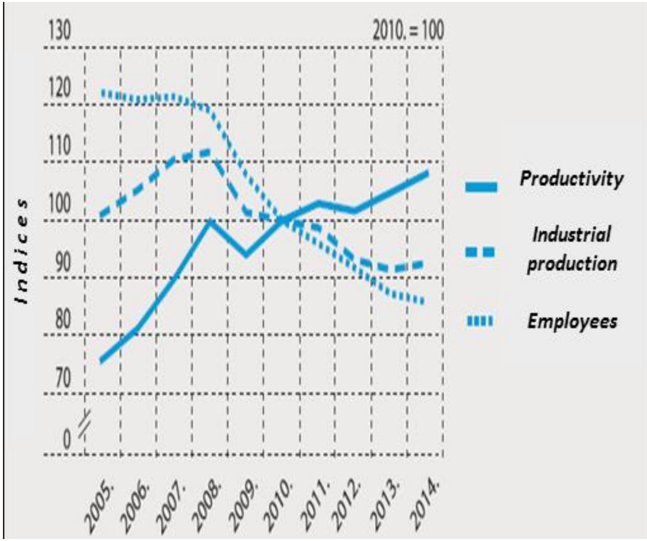
Indicators	1990	1995	2000	2005	2010	2014
Gross domestic product per capita (HRK)	61 557	24 780	39 921	8 675	13.772	13.874
Unemployment rate (%)	11,2	17,0	21,1	17,9	17,4	16,1
Consumer price index	*Na*	*Na*	105	103,7	101,1	99,80
Consumption (US$) expenditure per capita	265	338	329	734	1023	11067
Export per capita (US$)	142	102	145	369	488	6421
Import per capita (US$)	143	133	157	427	494	6137
Value added (US$)	285	308	331	795	1106	11692

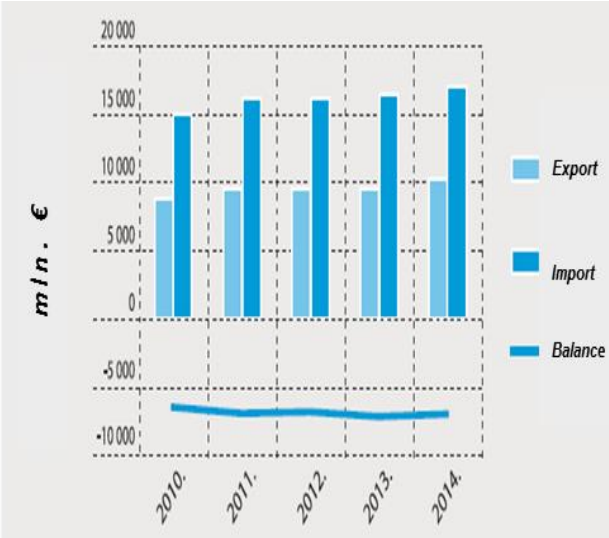
Sources: Prepared by the authors, based on the following sources: Croatia (1994); GRC (2004); Stat Inf (2006); GDP (2009); CPI 2010; Stat Inf (2011); Nat Strat (2013); PTDS (2013); Turčić and Turčić (2013); ExCro (2014); CroDatabase (2015); Stat Ljet (2015); GICro (2015); CIF (2015); CPI (2016); ICro (2016); WTTC (2003, 2015, 2016)

The same author states that one of the most important foreign policies for Croatia was opening up to and re-joining Europe, especially through the membership of the European Union. In this sense, the role of tourism was important in turning Croatia towards a service-dominated economy as opposed to the socialist orientation on large and mostly unprofitable industries (Poljanec-Borić, 2010). The Croatian economy is considered to be small, with a gross domestic product (GDP) of €4.7 billion, inflation of 4.7% and a public debt of 52.1% of GDP (EuCro, 2015). Due to relatively stable economic growth before the crisis the labour market had positive trends. Inflation in Croatia was moderate before 2008 due to the appreciation of the HRK/€ exchange rate, slow nominal wage increase, mild labour productivity growth and intense competition in the retail trade (CPI, 2016; Nat Strat, 2013). GDP per capita in Croatia is about €10,000, average monthly gross earnings about 8,000, and average monthly paid off net earnings about 5,500 kuna (SalCro, 2015; OG, 47/15).

EU accession has increased pressure on the government to reduce Croatia's relatively high public debt, which triggered the EU's excessive deficit procedure for fiscal consolidation, through raised additional revenues, stringent tax collection and by raising Value Added Tax. The government also sought to accelerate the privatisation of non-strategic assets, with mixed success (Index Mundi, 2014; CIF, 2015: 15). Productivity is usually achieved by employee reductions. Due to the significant drop in industrial production, imports were constantly higher than exports (export per capita is about 2.500 versus import per capita 4.000, with the coverage of import by export by 60.5%). These trends can be followed in Figures 5 & 6.

Figure 4. Production, Employees and Labour Figure 5. Balance of Foreign Trade (2010-2014) Productivity Indices in Industry (2005-2014)





Source: CIF (2015: 6) Source: CIF (2015: 6)

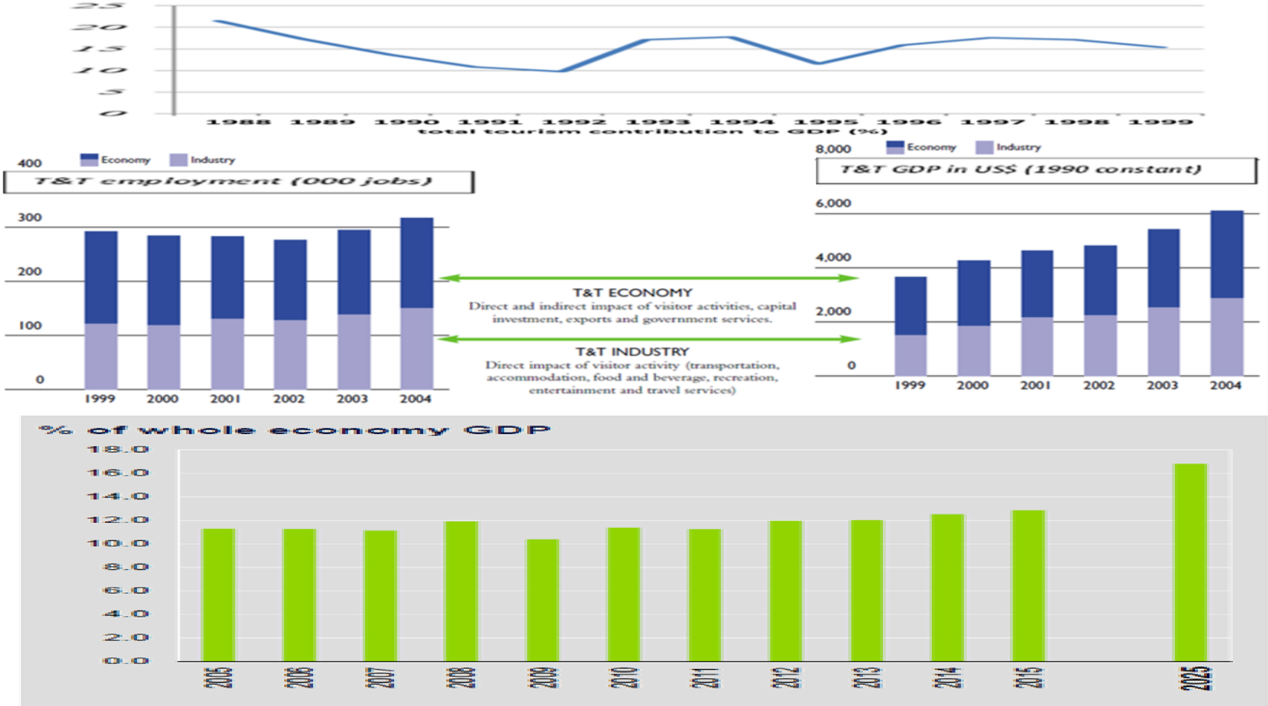
Banks play a dominant role in the Croatian financial system, and the banking sector has been adequately capitalised and remained stable during the crisis, although large- and middle-sized banks remained profitable. The majority of new loans were issued for working capital financing and refinancing the existing liabilities.

2.2. Economic approach of hospitality and tourism development

Croatia is recognised as a tourism-oriented country with more than 170 years of tradition in organised tourism (Tourism History, 2014). The World Travel and Tourism Council (WTTC) started collaborating with Croatia's Ministry of Tourism and the Croatian Bureau of Statistics and in 2002 published the first report on the impact of T&T on jobs and the economy, which presented the first Tourism Satellite Accounting research for Croatia. At the end of the 1990s, the largest proportion of Croatian GDP was accounted for by the service sector (59%) followed by industry (32%) and agriculture (9%), which was similar to most developed countries (LSMK, 2016).

Over past years, due to the cycles of recession in the global economy, there have been negative trends in all branches of the economy, except in tourism. In the 1980s (when tourism in the Republic of Croatia was extremely successful) there were about 80,000 employees in the hospitality industry and tourism. The Croatian economy is still to a large extent dependent on tourism which can be seen in the direct, indirect and induced contributions of tourism to GDP and employment. Tourism is also considered to be one of the most important economic sectors (1988 – 21%; 1992 – 10%; 1995 – 11%; and 1998 – 17%) (Hajdinjak, 2014). In the same period, the number of employees was relatively constant (39,000-43,000, Vuković, 2006). It has to be pointed out that the WTTC uses different methodology when it comes to tourism and travel contributions to GDP and employment. The impact and contribution of tourism to GDP and employment through the years (GDP, 2014; CNB, 2016; WBDI, 2016) can be seen in Figure 7.

Figure 6. Total Tourism Contribution as a Percentage of GDP



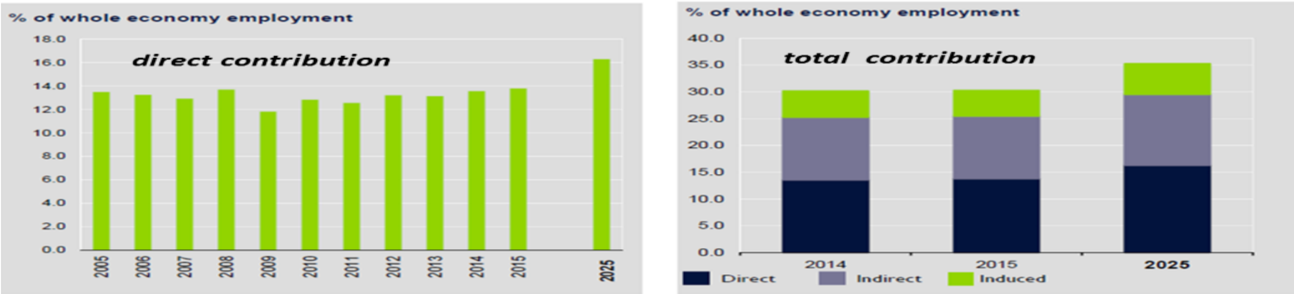
Source: WTTC (2003: 21), Hajdinjak (2014: 35), WTTC (2015: 3)

The first T&T (2003) tourism Satellite accounting research for Croatia presented the importance of tourism as it contributed to Croatia's total GDP with more than 22% (GDP, 2009). The Croatian T&T economy contributed 8.7% directly and 19.9% (directly and indirectly) to GDP in 2000 (WTTC, 2003). In this context it should be noted that comparison is not possible due to the different methodology used. According to the WTTC (2015), the direct contribution of T&T to GDP in the following years (from 2005 until 2009) steadily grew. This growth was briefly stopped in 2009 due to the economic crisis. Nevertheless, from 2010 the contribution of T&T to Croatian GDP started increasing again. T&T's direct contribution to GDP in 2015 was 10.1% and its total contribution (direct, indirect, and induced) was 29.7% of total GDP in Croatia, with the forecast of growth by 2.6% in 2016, as well as 4.4% by 2026. It was also noted that the direct contribution of T&T on employment was 9.8% and the total contribution was 22.7% and this is expected to rise by 1% in 2016, and to be 11.5% of total employment in 2026 (WTTC, 2016: 1).

The total contribution of T&T to GDP (including wider effects from investment, the supply chain and induced income impact) in 2014 was 28.3% and is expected to grow and to reach 36.2% of GDP by 2025 (WTTC, 2015). The quality of loans worsened. In Croatia, FDI investors were largely driven by strategic investments during the process of privatisation and were not attracted by low labour costs. Croatia mainly represents brownfield investments with more than half invested in financial intermediation, wholesale and commission trade and real estate business. The Croatian position in the global world has to be improved through the creation of a better investment climate and structural reforms. T&T investment in 2015 was 6.8 billion HRK or 10.8% of total investment, and should grow by 2.3% over the next ten years, to be 11.2% of total investment by 2026 (WTTC, 2016: 1).

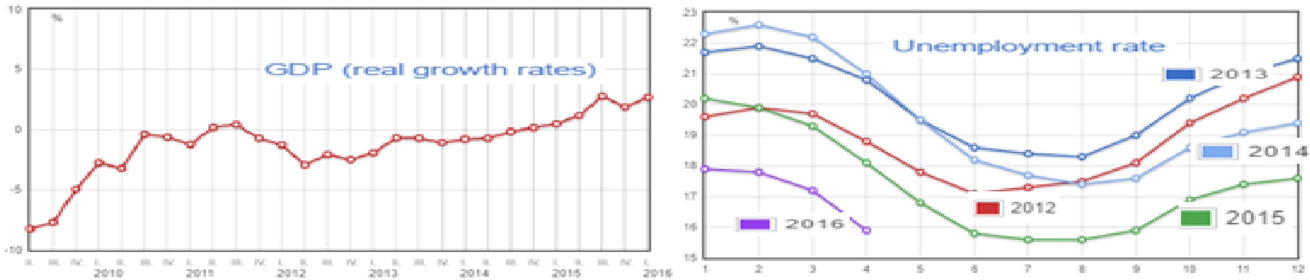
No less significant is the contribution of T&T to employment in Croatia according to the WTTC methodology (Figure 8). T&T generated directly 139,500 jobs (13.6% of total employment in 2014) and by 2025 will directly account for 173,000 jobs (showing an increase of 1.8% over the next ten years). The *total contribution* of T&T to employment was 310,500 jobs (30.2% of total employment in 2014) (GDP, 2014) and according to the forecasts it will support 374,000 jobs (35.3% of total employment in 2025), which is an increase of 1.6% (WTTC, 2015). In recent years, a positive trend of actual GDP growth, as well as the decline of unemployment, was recorded.

Figure 7. Tourism Contribution to the General Economy Employment in Percentages



Source: WTTC (2015: 1) Source: WTTC (2015: 4)

Figure 8. Tourism Contribution to the General Economy Employment in Percentages



Source: Source: CBS (2016: 1), CTU (2016: 7)

2.3. The history of tourism development in Croatia

The recognisable tourism history in Croatia is connected with Opatija (a tourist destination located on the Northern Adriatic Coast), when "Villa Angiolina" (1844) was opened for tourism purposes (Tourism History, 2014). However, tourism also existed in prior periods (such as pilgrimages or trips to spas for health reasons), not recognisable as the organised forms, although some inns, hotels and spas (e.g. Daruvarske Toplice, Stubičke Toplice and Varaždinske Toplice) were built particularly for that purpose. In Opatija, the famous hotel "Kvarner" (1884), the first luxury hotel on the Adriatic Sea (Čorak, 2006) was built, as well as hotels in Zagreb, Zadar, Crikvenica and Dubrovnik.

This fact motivated the population to go on organised trips, firstly to the Adriatic Coast (mostly to the Kvarner coast – 1892) which became famous as the health tourism centre. At that time, some kinds of guide books (Poreč & Pula – Istrian peninsula, 1845) were published and also the first tourist boards (Krk in 1866; Hvar in 1868) were founded. In the period between the two World Wars, tourism in Croatia recorded one million tourist arrivals (1930) and during that period compulsory tourist taxes were introduced, exchange offices were opened, tourist reviews were issued, and domestic and international air routes were established (LZMK, 2016). After the Second World War, infrastructure was restored and nationalised, national and nature parks began to be founded, and different kinds of festivals began to be organised (Dubrovnik, Split Pula, Opatija…).

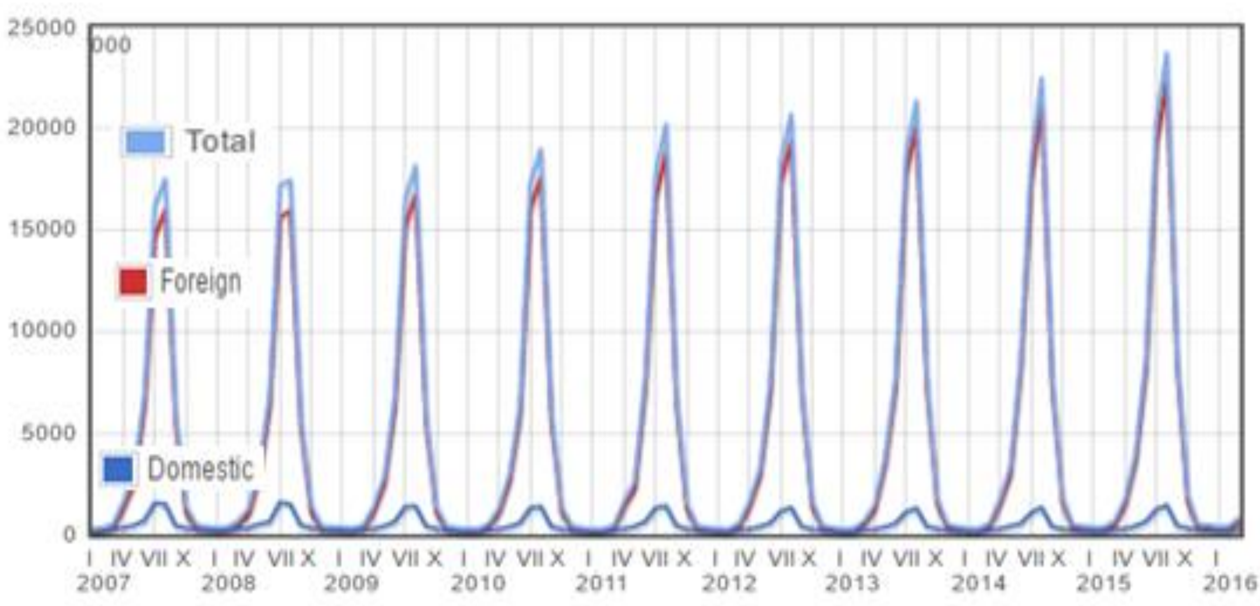
In the next 25 years Croatia became an increasingly important player in the Mediterranean sun and beach market (WTTC, 2003) with tourism being a source of foreign currency and a strategically important sector. Tourism wisely turned the country towards the West, as compared to heavy industrialisation which was designed under the impact of the socialist bloc (Poljanec-Borić, 2014). During the 1960s, numerous hotels, marinas, campsites and tourist villages were built, mainly on the Adriatic Sea, and fewer inland. The first three locations in Croatia: Diocletian's Palace in Split, Dubrovnik Old City, and the Plitvice Lakes National Park were registered on the UNESCO World Heritage List (1979) (LZMK, 2016).

By the 1980s, Croatia was an established holiday destination, representing serious competition for the Mediterranean countries (Spain, Italy, France, and Greece). During the mid-1980s, the growth in demand for Croatia's tourism product nonetheless started to slow down because of the Croatian Republic's inability to adapt to changing shifts in the marketplace, through adjusting their products and services to meet the increasingly sophisticated and quality-conscious European tourists. In the second half of the 1980s, the number of tourist arrivals continued to increase steadily, eventually exceeding 10 million arrivals in 1987 (WTTC, 2003).

Croatia in the 1990s was entering the period of the break-up of Yugoslavia which significantly slowed down the modernisation process of Croatian tourism. The Croatian War of Independence interrupted the growth of tourism and the number of tourist arrivals dramatically fell in that period (1995 – 2.5 million). In the post-war period, the number of tourists began to rise again, but after the transformation and privatisation process of tourist companies, the ownership structure changed and Croatian tourism lost its competitiveness and market share and in 2000 fell by almost three times in comparison to the period before the War (Vuković, 2006). Significant change in the course of the renovation of tourism facilities and tourism destinations and growth in the tourist market was recorded in 2000. Up to 2011 the achieved growth was mostly based on price growth resulting from investments involved with increasing the quality of hotels and campsites and the uncontrolled growth of private accommodation.

However, tourism started to recover and in 2012 more than 10 million arrivals as well as 60 million tourist nights were recorded (LZMK, 2016). Croatian tourism still dominates with "the sun and the sea" orientation and "the high level of seasonality" (Figure 10). The seasonality of tourism traffic in Croatia has always been considered to be extremely high and its reduction has been and still is one of the main strategic aims of Croatian tourism. Four months (June to September) account for as much as 85% of total overnight volume and 74% of arrivals. The peak summer season – just the two months of July and August – generates more than 61% of total overnights and 50% of total arrivals (CBS, 2016). Croatian tourism is still characterised as insufficient in the differentiation of products and services, with a lack of innovative and high quality products for visitors, growth based on the expansion of the private accommodation sector, the lack of a high quality hotel offer combined with insufficient investments, poor connectivity by air and sea, a static system of national marketing, just a small number of branded, globally recognisable tourism destinations, inadequate tourist infrastructure in destinations, and the long-standing orientation of the local population towards seasonal trade. In order to solve these problems, a Strategy of Tourism Development with the emphasis on rising the quality of services and market share was introduced (CMT, 2013).

Figure 9. Seasonality Seen Through Overnights in the Commercial Accommodation Facilities in Croatia



Source: CBS (2016: 20)

3. Hospitality and Tourism Demand

During the transition period, tourism trends and tourism demand in Croatia changed. As presented in the following table, the number of tourist arrivals and nights decreased in the period from 1985 to 1995, but after that period the numbers have been increasing. From 1980 to the present, the proportion of foreign tourists is greater than domestic visitors, and the traditional visitors are from Germany, Slovenia, Austria, Italy, the Czech Republic and Slovakia (LZMK, 2016). In recent years, the number of tourists from Poland, the United Kingdom, the Netherlands and Russia has increased. Concerning the structure of total tourist arrivals, the share of foreign tourist arrivals in 1985 was 82.3%, and in 2015 – 88.4%, in relation to the domestic tourist, which in 1985 participated with 17.7% while the share in 2015 was only 11.6% (CBS, 2015a/b; CBS 2016). After the Croatian War of Independence, arrivals and overnights constantly increase, although it should be noted that overnights grow somewhat slower than arrivals. Domestic tourism continues to decrease in the total structure of arrivals and overnights in Croatia, as shown in Table 4.

Table 4: Tourist Arrivals and Overnights in Croatia (1985-2015) in ‘000

	Tourist arrivals			Tourist nights		
Year	**Total**	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
1985	10.125	1.790	8.335	67.665	8.790	58.875
1990	8.497	1.448	7.049	52.523	6.747	45.776
1995	2.610	1.125	1.485	13.151	4.388	8.763
2000	7.137	1.305	5.832	39.183	5.138	34.045
2005	9.995	1.528	8.467	51.521	5.434	45.987
2010	10.604	1.493	9.111	56.416	5.424	50.992
2015	14.343	1.660	12.683	71.605	5.742	65.863

Source: Croatian Bureau of Statistics (2015a, 2016: – including nautical ports in the period from 1995 to 2009.

TOMAS research, a longitudinal survey on various characteristics of tourists in Croatia has been conducted since 1987 by the Institute for Tourism. TOMAS presents the results of Croatian tourist attitudes and expenditures, and the research goals are directed towards the identification of tourists' profiles as a basis for segmenting the tourist market, the main advantages and disadvantages, the level of expenditures, and tracking the tourism demand trends. Before the analysis of tourist consumption obtained from TOMAS Summer studies, it should be noted that the results of surveys conducted in 1987 and 1989 applied only to foreign tourists, and did not include tourists from former Yugoslav Republics (Slovenia, Serbia, Bosnia and Herzegovina, Macedonia and Crna Gora). Table 5 gives an overview of trends in average tourist consumption obtained only from the TOMAS Summer surveys conducted from 1997 to 2014.

Table 5. Average Daily Consumption in Croatia (1997-2014 in €)

	1997	2001	2004	2007	2010	2014
Accommodation	12,27	15,46	17,64	23,01	28,62	36,22
Food and beverages	12,18	14,77	20,52	21,02	19,93	12,18
Other	5,24	4,35	10,75	11,44	9,45	17,96
TOTAL in €	**29,69**	**34,58**	**48,91**	**55,47**	**58,00**	**66,36**

Sources: TOMAS (2009: 7-13) (2015: 9-22)

A significant increase can be noted regarding the average daily consumption in the period 1997-2014 due to the fact that daily tourist consumption has increased from €29.69 (1997) to €66 (2014). This could be the result of the improvement of the quality of tourism products. The largest share in the structure of tourist consumption relates to the accommodation which rose from 41% (1997) of total average daily consumption to 55% (2014), following the intensive advertising which has certainly led to an increasing interest in Croatia over the past decade. The following table refers to the main research results of TOMAS "Summer 2014", based on a survey in which questionnaires and personal interviews were used on a sample of 4763 respondents in 86 Croatian tourist destinations (TOMAS, 2014). In order to see what has changed over the years in terms of tourists' profile, their attitudes and expenditure in Croatian destinations, the TOMAS "Summer 2014" main research results were compared with the results of previous TOMAS research and presented in Table 6 (TOMAS, 2009 and TOMAS, 2015).

Table 6. Tourists' Attitude Characteristics – Main Results and Trends

Indicator	TOMAS research "Summer 2014"	Comparison with previous research
Socio-demo-graphic Profile	Tourists are on average 41 years old. Every second tourist is between 30 and 49 years old. 36% of tourists have a university degree. One quarter of guests are coming from households with a monthly income of €3,000 or more. Travel parties – families (48.5%), followed by those coming with their partner only (33%) and friends or acquaintances (14%), and guests coming alone (4.5%).	When it comes to tourists' age, the share of those between 30 and 49 years is relatively stable throughout the study period (from 1989 to 2014), ranging from 52% to 56%. The share of family arrivals is relatively stable as well (around 48%). There has been an increase in the share of tourists with a university degree.
Motivation, loyalty and sources of information	A primary motivation for coming to Croatia during summer is rest and relaxation at the seaside (75%) followed by pleasure and fun (43%). Three main motives attract tourists: new experiences (with 30%), gastronomy (26%) and visiting natural attractions (20%). Croatia has a high share of loyal tourists – those who visited Croatia three or more times (69%); for 18% their summer vacation in 2014 has been the first visit to Croatia. Tourists' previous visits (35%), the internet (30%), the recommendations of friends and relatives (27%) and media (20%) are the most important sources of information.	Regarding tourists' motivation, rest and relaxation remained the primary motivation throughout the study period (from 1989 to 2014) ranging from 62% to 91%. As far as secondary motivations are concerned, from 1994 there has been a significant increase in terms of fun as motivation (from 18% in 1994 to 43% in 2014), and a new experience (from 11% in 1994 to 30% in 2014). In addition, there is an increase in the gastronomy motivation (from 19% in 2004 to 26% in 2014).
Travel character-ristics	Tourists are mostly coming by car (79%) followed by aeroplane (11%) and bus (7%). Accommodation is booked mainly directly with the	Tourists are mostly coming by car to Croatia (63% in 1989 and 79% in 2014). There has been a decrease of air arrivals, from 21% in 1989 to 4%

	accommodation establishment by 72% of guests.	in 1994, and an increase of air arrivals to 11% in 2014.
Stay in a destination	Tourists realise on average 8.7 overnights in a destination. The dominant summer activity is swimming/bathing followed by visits to café-bars, cake shops and restaurants, going on nature walks, as well as shopping and sightseeing.	The trend of increasing the share of short visits on average (4 to 7 overnights) is continuous as well as the trend of decreasing the share of tourists who stay 15 or more nights in a destination.
Attitudes	Guests are mostly satisfied with the beauty of the nature and scenery, the friendliness of staff in the accommodation establishment, the suitability for a family holiday and personal safety. Tourists are also satisfied with the value for money of the accommodation service in general and gastronomy. The guests are least satisfied with elements concerning the quality of the destination tourism product – beaches, shopping opportunities, cultural events, entertainment opportunities, local transport and the suitability of destinations for people with special needs.	The share of first-time visitors varies during the period from 1994 to 2014. It decreased from 21% in 1994 to 14% in 2004, but then increased to 18% in 2014. The share of tourists using the internet increased from 2% in 2001 to 30% in 2014. On average, guests' satisfaction with the tourism product increases. However, elements of the tourism destination product remain ranked last on the satisfaction scale (parking possibility, facilities for children, health tourism …)
Tourism consumption	Average daily expenditure during the summer months is estimated at 66 Euros per person. Of the 66 Euros, 55% is spent on accommodation, 18% on food and beverages outside the accommodation, and 27% for all other services.	There has been an increase of the share of tourists with €3,000 or more monthly household income.

Source: TOMAS (2009: 11-15) & (2015: 12-14).

The development of cruises (Dubrovnik and Split), the opening of marinas and the extension of their capacities bring to Croatia an increasing number of tourists with greater purchasing power every year. The structure of tourists has also changed (in terms of country of origin), due to the possibilities of low-budget airlines and cheaper accommodation capacity (LZMK, 2016).

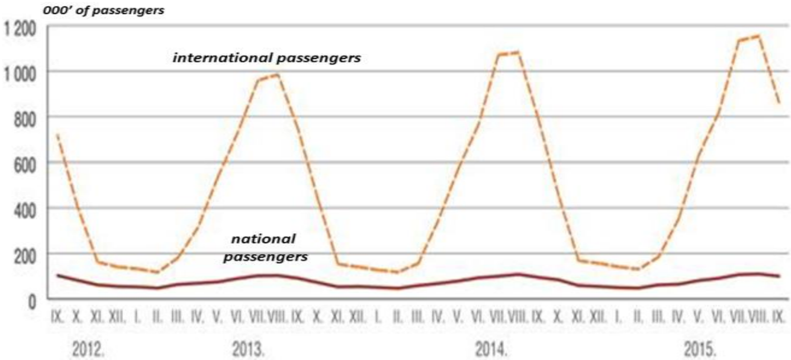
4. Hospitality and Tourism Supply

The tourism supply is the possibility of the destination to offer different kinds of assets, services and goods, to be enjoyed or purchased by visitors. Tourism supply is a complex phenomenon because of the nature of the product and the process of delivery. It primarily includes accommodation and transport, as well as catering, natural resources, entertainment, and other facilities and services such as shops, banks, travel agents, tour operators, culture, NGOs, etc. (Goeldner, Ritchie, McIntosh, 2000: 362-392; Houston, 2013: 35).

4.1. Transport and supporting tourism services

The state of transport infrastructure in the past twenty years has improved significantly which is evident from the established network of highways. Tourists mostly come to Croatia by road (car 79%, bus 7%). Participation of air transport is 11% and other transportations are minor (3% – sea transport, railway and other). Destinations are responsible for the organisation of local traffic, particularly when it comes to public transport, cycle paths, pedestrian zones and parking possibilities. The situation in other modes of transport is much less favourable because of very small investment and due to the poor conditions of the network and low-speed driving. For a considerable part of the coast and the islands the situation with ferry and boat transport is unsatisfactory, partly due to the lack of island ports and partly due to insufficient ferry frequency and speed, especially between the islands (CMT, 2013). For the purposes of yachting, Croatia has a water surface of 3,322,650 m^2, 72 well-equipped marinas and 40 other nautical ports, with 17,221 berths and 195,115 vessels (stationed and in transit) available (CIF, 2015).

Figure 10. Passengers in Airports, by Types of Transport in Croatia



Source: CBS (2015b: 1)

The first Croatian air carrier – Zagreb Airlines – was registered in 1989 and changed its name to Croatia Airlines in 1990. The number of carried passengers in 1991 (140,000) significantly increased by 2015 (1,800,000). Today, Croatia has seven international airports of which five are in the coastal area (Pula, Rijeka, Zadar, Split, and Dubrovnik), and two are in the northern part of Croatia (Zagreb and Osijek), providing relatively good access to almost all tourist destinations. Apart from international airports, Croatia has also three smaller airfields, only for small commercial aeroplanes.

The situation in air transport is somewhat better than rail transport. However, there is a problem of insufficient commercial interest of airlines to establish permanent or temporary lines particularly in Rijeka and Osijek airport (seasonal fluctuations) (CMT, 2013). The total traffic of passengers in airports on commercial operations gradually grows, due to the increase in scheduled national and international traffic, but also due to the support of local communities in the revival of air traffic in the pre- and post-season period. Regular airlines and other air arrangements provide the possibility of better utilisation of different tourism potential.

4.2. Accommodation and supporting tourism services

Accommodation is considered to be the main hospitality and tourism service. In terms of accommodation capacities, Croatia has a wide range of different accommodation facilities whose quality has been increasing over the years. The largest available accommodation capacity in Croatia was in 1988. The number of beds decreased from 1990 until 2000 after which they started increasing (Table 7).

Table 7. Number of Rooms and Beds by Type of Tourist Accommodation (1990-2014 in '000)

Year	Rooms*			Beds**				
	Total	collective	private	Total	collective	private	% Collective	% private
1990.	323	218	105	862	589	273	68%	32%
1995.	250	197	53	649	523	126	81%	19%
2000.	283	170	113	759	479	280	63%	37%
2005.	313	175	138	909	499	410	55%	45%
2010.	316	171	145	910	470	440	52%	48%
2014.	336	185	151	1 002	515	487	51%	49%

Source: CBS (2015a: 4-7)

In 2015, Croatia had 348,208 rooms, apartments and camping sites, with a total of 942,830 permanent beds in *holiday and other short-stay accommodation* (56.1%), *camping sites and camping grounds* (26.0%), *hotels and similar accommodation* (17.5%) and 0.4% in *other kinds of accommodation* available to tourists (CBS, 2016). The relationship of the existing structure of accommodation capacities and tourist arrivals is presented in Table 8.

Table 8. Tourist Arrivals According to Accommodation Facilities ('000)

	TOURIST ARRIVALS		INDEX	STRUCTURE (in %)	
	2013	2014	2014/13	2013	2014
Hotels and Apartment hotels	4,835	5,043	104.3	38.9	38.4
Tourist resorts	413	420	101.7	3.3	3.2
Tourist apartments	200	217	108.5	1.6	1.7
Camps	2,445	2,433	99.5	19.7	18.5
Private rooms	3,167	3,535	111.6	25.5	26.9
Spas	31	34	109.7	0.2	0.3
Vacation facilities	33	19	57.6	0.3	0.1
Hostels	233	285	122.3	1.9	2.2
Other	1,041	1,111	106.7	8.4	8.5
Uncategorized accommodation	35	31	88.6	0.3	0.2
TOTAL	12,433	13,128	105.6	100.0	100.0

Source: CMT (2015: 14)

The structure of accommodation is mainly based on private accommodation capacity, and there is a lack of rooms in hotels. The need for the greater participation of hotels with 4* and 5* stars is based on the recognition that these hotels achieved the highest level of occupancy (4* hotels – 43.8%; 5* hotels – 39.9%). In the period from 2001 to 2011, the occupancy of all hotel categories (with the exception of 5* hotels) was reduced. The largest decline in occupancy was recorded in 4* hotels where, along with a growth in capacity of almost 16 times, occupancy decreased from 50.7% (2001) to 43.8% (2011). These low occupancy rates could be explained by the seasonality of tourism demand in Croatia that has not changed in the last two decades (CMT, 2013).

Table 9. Average Level of Occupancy (2010 in %)

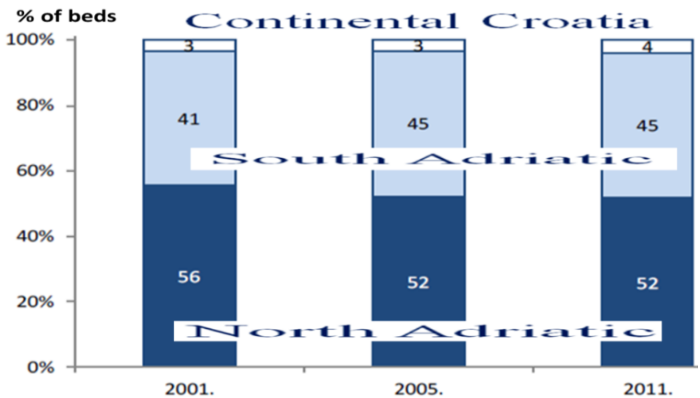
		Hotels				Camps	Private accom.	Other
Year	Total	5*	4*	3*	2*			
1989.	45,8	46,4	52,1	44,8	35,7	35,5	11,1	24,7

2001.	37,0	37,8	50,7	42,1	31,5	16,7	9,2	21,1
2005.	39,8	41	44,3	43,3	32,1	17,4	10,4	21,8
2011.	39,0	39,9	43,8	38,5	29,5	18,8	13,9	21,2

Source: CMT (2013: 23-29)

The majority of tourist arrivals and overnight stays are registered during the summer months along the Adriatic coast – the North and South Adriatic.

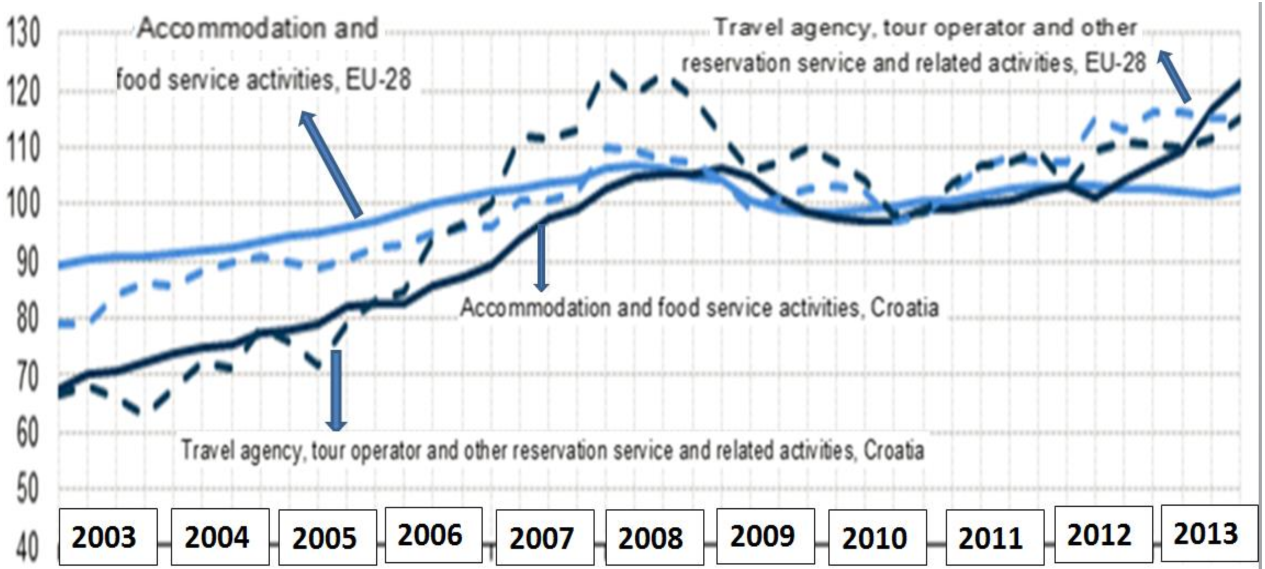
Figure 11. Regional Structure of Accommodation (Permanent Bed Spaces)



Source: CMT (2013: 17)

The North Adriatic has the largest share in accommodation capacity (52%), the South Adriatic has 45% of the Croatian accommodation capacity, while continental Croatia had an equal share of the capacity and overnights in 2011 (CMT, 2013). This situation was pretty much the same before and during the transition period due to the fact that the main motivation, and therefore the Croatian main tourism product, has been and still is “the sun and the sea”.

Figure 12. Index of Turnover, Seasonally Adjusted Data, EU-28 and Croatia, 2003-2013 (2010=100)



Source: Eurostat (2014: 3)

The relationship between accommodation capacity and accompanying services in Croatia, in comparison to the EU-28 countries is presented in Figure 13. The main disadvantages of the Croatian accommodation capacity as well as related services can be recognised in the inadequate structure, lack of management strategy, and unclear and disincentive regulation. Croatia is also lacking recognisable congress centres, health/medical/wellness capacities and golf courses for competing on the global tourism market. There is also a lack of theme/adventure parks, networked walks and bike routes, attractive cultural activities and museums directed towards repositioning tourism destinations. A higher level of standardisation is the presumption of market recognition, based on quality labelling towards encouraging and rewarding high level quality services.

4.3. Tourism packages – travel agencies

In 2015 there were 1,053 Croatian travel agencies (with 4,770 employees, of which 2,930 were full-time) arranging trips and travels for domestic and foreign tourists (CBS, 2015c). Domestic agencies are involved in 17.8% of the total number of tourist arrivals, as well as 22.5% of total overnights in Croatia (Trezner, 2015). In 2015 Croatian travel agencies arranged travel in Croatia for 1,995,452 foreign tourists (accounting for 13,297,670 overnights). Out of the total structure of overnights, the proportion of 74.5% belongs to foreign tourists in Croatia, who travelled through the mediation of the Croatian travel agencies; most of them were tourists from Germany, the UK, Italy, the Czech Republic, Austria, Poland and Slovenia. Foreign tourists that come through travel agencies, stay in Croatia on average for 7 days, while domestic tourists stay abroad on average for 4 days (CBS, 2015c). An increasing number of local agencies is specialised in tourism packages, e.g. health tourism, cruises, cycling, cultural tours, linkage of the coast and the hinterland, and so on (Tourist agencies, 2016).

5. Tourism Products

The structure of tourism products in Croatia in the past decade has changed only to a small extent and can be divided into *dominant products* and products with a *strong development perspective* on the national, as well as on the regional level. The details are presented in Table 10.

Table 10. Tourists' Attitude Characteristics – the Main Results and Trends

Product	THE DOMINANT PRODUCT	Region
Sun and sea	"Sun and sea" is still the dominant Croatian tourist product. Despite many initiatives and emphasis on reducing the seasonality of Croatian tourism and the development of other tourist products, the share of "sun and sea" in the total tourist product has for many years remained at 75-80% of the share in tourism income.	Adriatic Sea Coast
Nautical tourism (yachting/ cruising)	Croatia is today one of the more desirable nautical destinations in the world (due to its geographical position, indented coastlines, pleasant climate and favourable winds). This is indicated by steadily growing business results in nautical tourism. Cruise tourism in the last decade is marked by increased mega cruise arrivals, but also a growing demand for cruising on small domestic cruisers.	Adriatic Sea Coast
Business tourism	Business guests make up a stable 10% to 15% of all hotel guests. Individual and group business guests are a relatively stable source of demand in Croatia, despite the fact that this type of tourism is very sensitive to economic trends.	Zagreb, Istria, Kvarner, Dalmatia
Cultural tourism	In the past 10 years, much has been done to develop this product group. Particularly, relevant products of cultural tourism in Croatia include: (i) urban tourism, (ii) heritage tourism, (iii) tourism events, (iv) creative tourism, and (v) religious tourism, with high potential for future development.	All Croatian regions
PRODUCTS WITH A STRONG DEVELOPMENT PERSPECTIVE		
Health Tourism	Wellness and medical tourism, as a sub-system of the health tourism offer, represents great and unused potential due to the closeness of Croatia to large markets: natural beauty, and a favourable climate, the security of the country, long traditions, competitive prices and a generally good reputation of health services in health spa/resorts, special hospitals and hotels.	Central Croatia, Zagreb
Cycling	Croatia is relatively well-linked with local and regional cycling routes, some of which are part of the international bike routes. However, this product has still not been appropriately valued or commercialised (with some exceptions e.g. Tour Croatia).	Istria, Kvarner Dalmatia, Central Croatia
	Although gastronomy and oenology is a developed tourism product in some regions, a systematic approach to the development of food and wine	Istria, then in Dalmatia

Gastronomy and oenology	tourism is still insufficiently evaluated even though for many years they have been an integral part of tourist promotion.	and Slavonia
Rural and mountain tourism	The Croatian rural tourism offer is still developing very slowly, because of underdeveloped domestic demand and a non-encouraging investing environment (with the exception of some regions e.g. Istria). As far as mountain tourism is concerned, the existing mountain resorts have not so far made a great breakthrough towards year-round business.	Istria, Kvarner, Slavonia, Central Croatia, Dalmatia
Golf tourism	Croatia currently does not exist on the tourist golf map despite the fact that Croatia is today, and will be in the future, one of the most important market segments of Mediterranean tourist demand, especially in periods outside the main tourist season. Plans exist, but there is no implementation, yet.	Istria, Dalmatia, Kvarner
Outdoor activities	This is a rapidly growing group of products (diving, kayaking and canoeing, rafting, adventure sports, hunting, fishing, winter sports and sports training). Although Croatia is rapidly developing a wide range of different programs, including niche (e.g., caving, paragliding), and adventure/sports programs, Croatia still insufficiently uses its comparative advantages for the development of these products	Dalmatia, Central Croatia, Slavonia
Ecotourism	Despite the availability, attractiveness and conservation of its natural resources, eco-tourism in Croatia is still undeveloped. Of special concern is the fact that eco-tourism has been neglected even in the majority of protected natural sites.	Central Croatia
Thematic tourism	Thematic tourism follows the "3E principles" (Entertainment, Excitement and Education) and includes contents and services which combine these three elements. Croatia has enormous potential because of its cultural heritage and natural beauty which can be combined in a countless number of ways to tempt tourists seeking unique experiences.	Zagreb
Religious tourism	Croatia has many shrines that could be better valorised for tourism purposes (e.g. sanctuaries Maria Bistrica, Ludbreg, Trsat …)	Cen. Croatia, Kvarner

Source: Prepared by authors following CMT (2013), Strategy report (2010), Hajdinjak (2014).

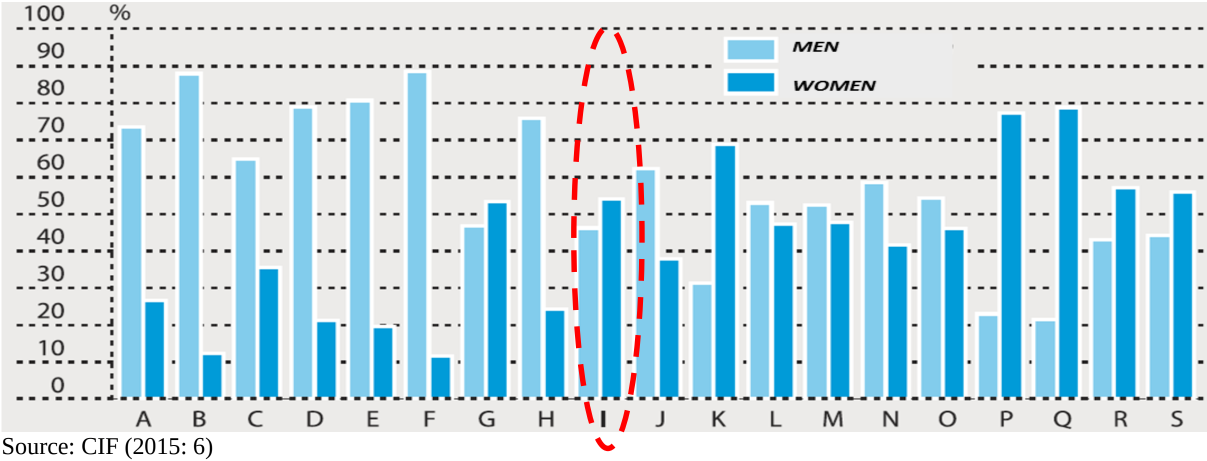
Croatia should still work on the development of different tourist products which would meet today's dynamic tourist market and be oriented towards sustainable development. Although Croatian tourism has changed in orientation towards sustainable practices and the increase in the quality of the offer, quantity still seems to be the prevailing policy goal, which is mostly connected to coastal regions which have strong natural advantages in pursuing summer-oriented *"sun, sea and beach tourism"* with less attention on the available potential of the central part of Croatia. Pre- and post-seasons can be characterised by the lack of a tourism offer, even though necessary natural and cultural resources could enable either a longer or a year-round season.

6. Human Capital

Human capital is the key factor of hospitality and tourism success. The possibilities of working in the accommodation and F&B sector are offered in 15,000 enterprises, 2,000 accommodation sectors (on average 20 working places), 13,000 F&B enterprises (mostly micro in size that on average offer 4 working places) and about 40,000 families that are engaged in short-term holiday rentals of private accommodation services (Marušić, 2014, CIF, 2015), and also offer the possibility for short-term and seasonal employment. The hospitality and tourism industry (I) – "accommodation and food services" – has more women than men employed, and the average salary of this industry is lower by 14% (My Job, 2016) than the average net (5,533 kn) and gross (7,953 kn) salaries in Croatia (OG 47/15).

The average structure of employed people in tourism is 64% in accommodation and 36% in the F&B sector, and 80% of them are between 25 and 55 years old. Most of them have a secondary school education (54%), a large number of them are highly skilled, skilled or semi-skilled workers (34%), but only 12% have a university or college degree in the sector (Marušić, 2014). There is a growing need for a high level of quality workers (with specific knowledge, skills and competences), and yet the number of unemployed is increasing at the same time. High seasonal demand in Croatian tourism and hospitality creates a need for a massive seasonal workforce, which is often less skilled, underpaid and poorly motivated. The demand for seasonal workers is concentrated on the coast and requires large migration during the summer months (from the north to the south). Unfavourable working conditions attract low-skilled workers and those with little experience in tourism and hospitality. It is also difficult to obtain correct official statistics because of the significant share of unregistered workers.

Figure 13. Ratio of Persons Employed in Legal Entities (2014)



Source: CIF (2015: 6)

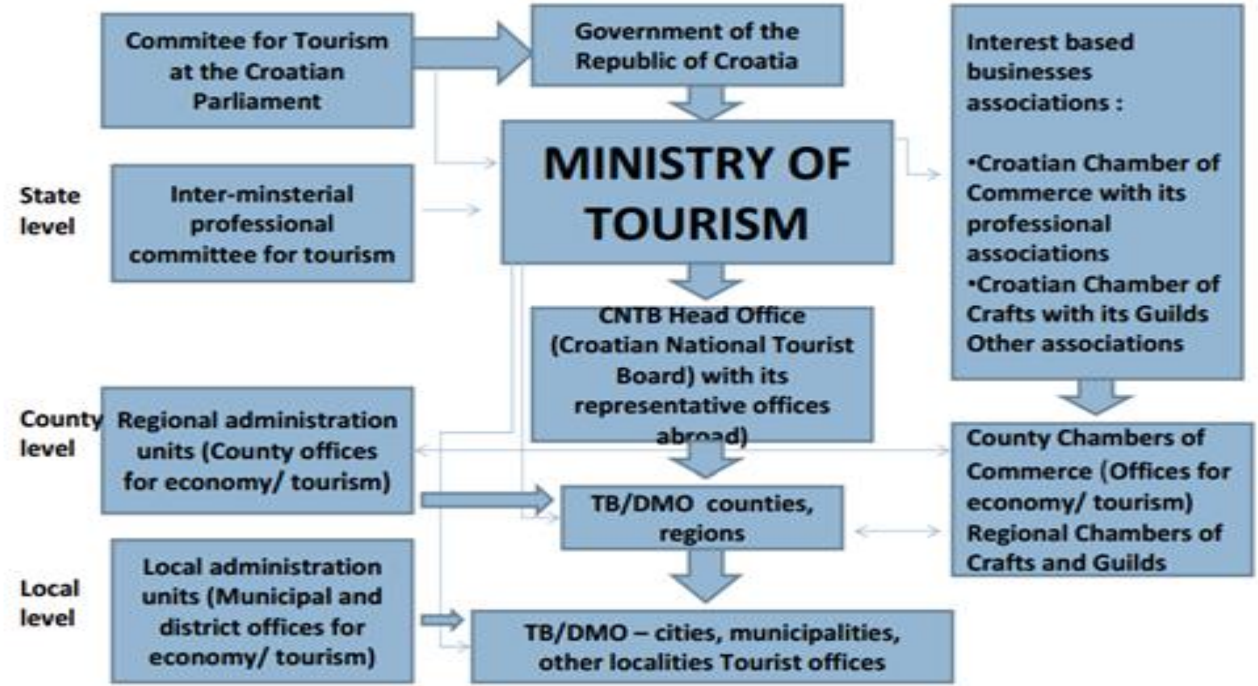
LEGEND: (A) Agriculture, forestry and fishing; (B) Mining and quarrying; (C) Manufacturing; (D) Electricity, gas, steam and air conditioning supply; (E) Water supply, sewerage, waste management and remediation activities; (F) Construction; (G) Wholesale and retail trade, repair of motor vehicles and motorcycles; (H) Transportation and storage; **(I) Accommodation and food service;** (J) Information and communication; (K) Financial and insurance activities; (L) Real estate activities; (M) Professional, scientific and technical activities; (N) Administrative and support service activities; (O) Public administration and defence, compulsory social security; (P) Education; (Q) Human health and social work activities; (R) Arts, entertainment and recreation; (S) Other service activities.

7. Tourist Information System, Policy, Marketing and Management

At the national level, the tourist information system, policy, marketing and management are the main responsibility of the "*Croatian National Tourist Board*" (CNTB) in coordination with the Ministry of Tourism and other subjects on the regional and local level. The CNTB is the national tourist organisation, founded with a view to promoting and creating the identity, and to enhance the reputation of, Croatian tourism in accordance with the tasks of the Ministry of Tourism and the Croatian Government. The mission of the CNTB is planning and implementing activities, following the Croatian tourism development strategy (CMT, 2013), and cooperating with other organisations at state, county and local levels (TBCT, OG 152/08). In Croatia there are 10 regional tourist boards (at county level), as well as 291 local tourist boards (at municipality, city, town or village level). An integral part of this system, coordinated by the CNTB is also the activities of 260 TICs, located in the tourist destinations of Croatia (CNTB, 2016). A particular emphasis of the CNTB is national tourism promotion which consists of undertaking different promotional activities of common interest to all connected organisations in tourism in the country and abroad, as presented in Figure 15.

The most significant tasks of the CNTB are presenting Croatian tourism on the global market, conducting operational and strategic market research, designing, organising, conducting and implementing the promotion of Croatia's tourist product as well as analysis and appraisal of the purposefulness and efficacy of implemented promotional activities (CNTB, 2016). The CNTB coordinates the tourist information system together with the regional and local Tourist Boards, as well as with other tourism subjects in order to improve and promote tourism in Croatia and the activities of the national tourist boards in foreign countries and coordinates specialised international regional tourist organisations (CNTB, 2016). The management bodies (Assembly, Tourist Board, supervisory Committee, and President), involved within the CNTB Head Office have a permanent seat in Zagreb. The duties of the President of the Croatian Tourist Board are undertaken by the Minister for Tourism. Activities are based upon an Annual Work Programme and the Financial Plan, passed by the Assembly.

Figure 14. The Organisational Structure of the Croatian National Tourist Information System



Source: CMT (2013: 2)

The CNTB is responsible for creating and promoting the identity and reputation of Croatian tourism, its promotion at national and international levels, as well as for increasing the level of quality of the entire tourism offering in Croatia. The Law of Tourism Boards and the Promotion of Croatian Tourism define the organisational structure and tasks of tourist boards at regional (county level) and local levels (TBCT, OG 152/08). Tourist boards at regional and local levels should coordinate their activities vertically (through the system) and horizontally with the local businesses, local governments and public sector institutions. TIC activities are fully integrated in the system, which coordinates the CNTB. Within its activities, technological development, changes to the tourism market and the pressure from ever growing competition should be taken into account, and involved in processes of vertical and horizontal integrations. At the horizontal level, they support smaller market players, helping them to take their place in market niches.

The CNTB revenue sources are tourist taxes, membership fees, allocations from the state budget, and other specific sources, defined for performing professional and expert activities (CNTB, 2016). The CNTB as the umbrella tourism organisation, plays an important role in the development and advancement of tourism destination offerings in upgrading the overall conditions for the development of tourism in destinations, designing a recognisable and appealing tourism ambiance in harmonising general and particular interests, and promoting public awareness of the economic, cultural and social importance of tourism and the significance of environmental protection (CNTB, 2016).

8. Tourism Impacts

Tourism has various impacts on economic, social, ecological and cultural development. These positive and negative impacts affect resources, conditions and tourism products. Contemporary tourism development at national and destination levels should be planned according to the principles of sustainability, considering environmental, social, cultural and economic aspects of development (Elliott, 2013). Practice confirms that projects which have big economic success in the short term can be "devastating" for sustainable development in the long-term (Ballantyne, Packer and Falk, 2011). The main positive impact of tourism is its ability to generate substantial economic benefits to communities, but only if it respects the resources on which its development is based (natural resources, cultural and historical heritage, traditions, local customs…). The economic benefits generated from tourism for every country are numerous, since tourism stimulates new employment, encourages entrepreneurship, and helps to increase the competitiveness and economic power of local inhabitants at the destination level (Singh, Timothy and Dowling, 2003).

The impact of tourism on the Croatian economy is significant, due to its total contribution to Croatian GDP (28.3%) and employment (30.2%), but it also means the dependence of the national economy on tourism (WTTC, 2015). The development of tourism and the increasing number of arrivals over the years have encouraged new private and foreign investments in Croatia as well as the enhanced development of less developed regions (coastal and inland parts, rural areas, and islands) (Buneta, Miličević and Pejić, 2014). Tourism has been regarded as one of the most effective orientations for revitalising less developed regions and overcoming economic crises. Tourism also provides social diversity with enriched cultural harmony. In the transition period, tourism played an important role in the Croatian social establishment and its worldwide recognition, because tourism in general encourages social tolerance and respect for different cultures (Mowforth and Munt, 2016).

The ecological impacts of tourism have to be considered through the careful and responsible planning of tourism development, the efficient use of natural, cultural and historical resources and the protection of biological diversity. Over the years, tourism has raised public awareness of the importance of environmental protection and the protection of resources in general (Newsome, Moore and Dowling, 2013). Problems of carrying capacity could be connected with the fact that more than 80% of tourist traffic is registered in coastal parts of the country and on the islands (Adriatic coast) during the summer months. Many Mediterranean destinations decrease prices in order to attract tourists (Alegre and Cladera, 2012),

This can lead to an increase in the number of tourists, but not necessarily in increasing the revenue (Alegre and Pou, 2008) with the negative environmental and social impacts (Greiner, 2010). In that context, Croatia implements a sustainable concept of tourism development (controlled growth and development through the maximum preservation and rational exploitation of resources) directed towards long-term economic and social growth and stability. For this reason, the Strategy of Tourism Development was issued with special emphasis on the preservation of cultural and environmental surroundings (CMT, 2013).

9. Hospitality and Tourism Education

Education for the tourism and hospitality industry in Croatia consists of secondary and tertiary school levels, as well as vocational and university levels of study. In defining the qualifications, the Croatian (CroQF) and European (EQF) qualification frameworks should be followed and the actual needs of the tourism and hospitality business should be taken into account. Tourism and hospitality programs are offered from the high school level to the doctorate. At the secondary school level, there are 5,500 or 11% of pupils enrolled each year (out of 49,800), 17 vocational schools specialised for tourism and hospitality education and 74 schools offering tourism and hospitality programs (Marušić, 2014). In creating the new curriculum contents, new trends in the tourism market, as well as the customer needs and the framework of the CroQF (2011) should be taken into account.

Table 11. Educational Institutions for the Tourism and Hospitality Industry in Accordance with the CroQF (Croatian Qualification Framework) and the EQF (European Qualification Framework)

EQF	**Cro QF**	**Qualifications oriented to the tourism and hospitality industry**	**Tourism and hospitality industry**	
			Title, Qualification	**No. of institutions**
8	8.2	Doctoral diploma	PhD (Doctoral Degree in Economics)	**3**
	8.1.	Postgraduate research master of science diploma (only until the Bologna process)	MSc (Master of Science in Economy)	**-**
7	7	Post-master specialist university studies Master’s diploma (graduate university studies) Professional Master’s diploma (specialist graduate professional studies)	Univ. spec. oec. (University Specialist of Economy)	**3**
			Mag. oec. (Master of Economics)	**7**
			Prof. spec. oec. (Professional Master Specialist of Economics)	**3**

6	6	Bachelor's diploma (undergraduate university studies)//Professional Bachelor's diploma (undergraduate professional studies)	Univ. bacc. oec. (University Bachelor of Economics)	**5**
			Bacc. oec. (Bachelor of Economics)	**12**
5	5	Professional higher education diploma (short cycle)//VET (Vocational Education and Training) certificate	Lifelong Learning Programs – post secondary development and training certificate	
4	4.2	Upper secondary – four years VET (Vocational Education and Training) certificate	Technician in tourism and hospitality industry; Salesman/saleswomen in tourism and hospitality industry	
	4.1	Upper secondary – three years VET (Vocational Education and Training) certificate	Waiter/Cook/Pastry	
3	3	Two-/one-year upper secondary VET (Vocational Education and Training) certificate	Assistant waiter/Assistant cook/Assistant Pastry	
2	2	Vocational training certificate	Lifelong learning programs – low level of development and training certificate	
1	1	Primary education certificate (eight years)	Certificate for attending voluntary/optional programs	

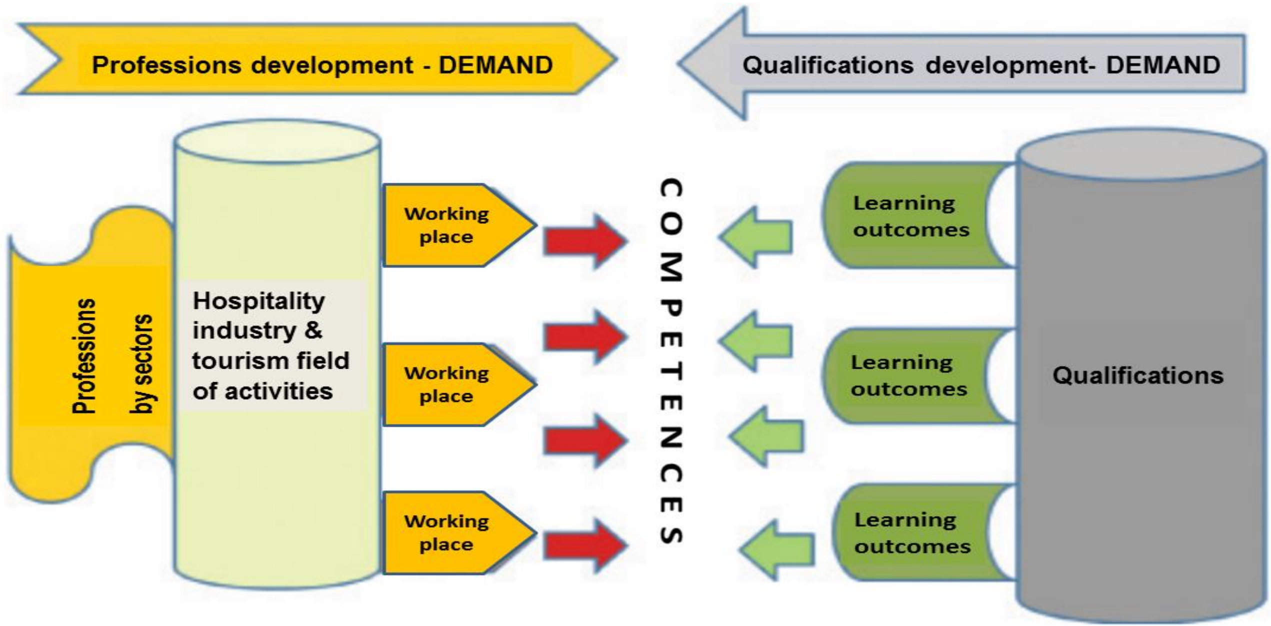
Source: Prepared by CEDEFOP (2015): 27; Integrated list of academic titles, degrees and their abbreviations, OG 50/15; Report (2014); EQF NCP (2015); DSZ 1990-2016; www.mzos,hr, http; public.mzos.hr/;.

9.1. Curriculum development

The Ministry of Science, Education and Sports established the Croatian Qualifications Framework Act (CQFAct, 2013), based on EQF learning outcomes defined in terms of knowledge, skills, responsibility and autonomy. It is a single, comprehensive eight-level framework, which incorporates credit systems (CroQF, 2014). It includes all forms of qualifications and levels with subsystems of formal education and training (general education, VET and higher education) and presents the basis for validating all types of formal and non-formal learning outcomes. The CroQF is seen as an important tool in reforming national education and training in the tourism and hospitality industry because of a well-founded quality assurance system. The CroQF has entered an early operational stage by the National Council for Development of Human Potential (NCDHR) and the National Coordination Group (NCH) in the process of establishing "Sectoral councils" (Sectoral councils, 2016). *Sectoral councils* are advisory and professional bodies that ensure the development of human potential in line with labour market needs within respective sectors. They are the backbone of the CroQF, oriented to make recommendations of qualifications and professions (occupations) in the 25 fields of different profit and non-profit sectors (Sectoral councils, 2016). The field of *"Tourism and hospitality*" is positioned as a separate Sectoral council, in10th place with the clearly defined task, which follows the harmonisation process (Figure 16)

The report analyses the existing and required competences covered by the tourism and hospitality sector and gives recommendations to the NCDHR on admission policies and quotas, and on financing qualifications from public sources, by qualification and by county. The task of this Sectoral council includes also giving recommendations to the ministry responsible for education and science about changes in qualification standards based on the changes detected in occupational standards as well as to the ministry responsible for labour about changes in the National Classification of Occupations (NCO), following the recommendations given by the National Council and the CQFAct (2013, Article 12). An important problem lies in the fact that interdisciplinary sectoral councils are not provided and that modern tourism actually requires that kind of knowledge. This can be solved through cooperation between related sectoral councils (Peršić and Vlašić, 2016). This kind of education is especially significant for Lifelong Learning (LLL) programs, which in practice, are not sufficiently represented in the tourism and hospitality industry. Due to the fact that only 2% of employees are involved in LLL and on-the-job training programs, significant improvements should be made. The gap between education and employers can be surpassed through modernisation of the education system which can be achieved through: introducing new curricula, setting up national network centres of excellence for tourism and hospitality education, increasing the involvement of employers in articulating training needs and participating in the education process.

Figure 15. The Path of Harmonisation of Professions/Occupations in the Tourism and Hospitality Sector



Source: Prepared by authors using CroQF (2011), Buić (2012), COFAct (2013), CroQF report (2014)

9.2. FH impact on changes in the education process

Since 2010, La Fondation pour la Formation Hôtelière (FH), established in 1973 in Geneva, Switzerland (http://www.lafondation.org/), has made a significant contribution in the field of education and training for students and teachers at FTHM – the Faculty of Tourism and Hospitality Management, University of Rijeka (http://www.fthm.uniri.hr/), as well as for the practitioners employed in the tourism and hospitality industry in the Primorsko-Goranska County (http://www.kvarner.hr/ turizam). The seminars, workshops and training courses (e.g. Case Studies for Management Education and Training; Hotel Benchmarking; Revenue Management; Curriculum Design; Hotel Operations, Food Tourism; and Tactics and Strategy (HOTS) – see http://simulations.russellpartnership. tech/HOTS/et al.) have all been financed by FH and, recently, co-financed by the Russell Partnership to enable them to work with the HOTS simulation and STR (Smith Travel Research, USA; STR, 2016).

The seminars are organised by FH in cooperation with university professors, recognised experts and globally known companies, with the appropriate specific support in terms of seminar refreshments. FHTM is especially grateful to Nestlé, a leading nutrition, health and wellness company (http://www.nestle.com/csv), which provided the seminar refreshments for several years.

All of these efforts have contributed to increasing the knowledge, skills and competences of students and end-users in the practice. The emphasis in the seminars is on passing on knowledge of new methods, tools and techniques oriented towards developing the educational process and using relevant databases and other sources, supported by IT and specific software relevant for decision-making. This kind of collaboration has led to great changes and advances in educational and training programmes, especially in the new approach in the field of lifelong learning. FH and Nestlé have also contributed greatly to the quality of teaching/learning practice through substantial donations of specialised literature, grants for journal subscriptions, as well as financial support for using databases of specific journals and books. All these valued contributions have helped to develop local education, training and research.

The assistance in purchasing computers with specific software should not be forgotten. Furthermore, the opportunity to participate in the fully sponsored FH Conference is very important because it opens up possibilities for exchanging information and international experiences including new opportunities for cooperation amongst partner-institutions. Exchange of knowledge, ideas and research is invaluable in the context of the variety and quality of both presented and published papers both at the FH conference and at EuroCHRIE (who have generously sponsored numerous FH partners to attend their conferences over the last 10 years); it also enables improvements in the educational process and curricular development. This book project is a good example of cooperation amongst the FH partner institutions, and, hopefully, FH partners will continue to cooperate successfully through the joint publishing of books, handbooks, teaching materials, journals, and new joint research projects.

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http://business.croatia.hr/hr-HR/Hrvatska-turisticka-zajednica/TZ-Uredi/Turistickazajednica?Y1xOYW1lLGRcQVNDLGlcMjgsbHRcMjg%3d.
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