

**THE ISLANDS ACT**  
**(Refined Text)**

I. FUNDAMENTAL PROVISIONS

*Special interest of the Republic of Croatia in the protection of islands*

Article 1

(1) Islands are viewed as Croatia's national wealth together with all of their fixed assets having special national, historic, economic and ecological importance and as such are of interest to the Republic of Croatia and enjoy its special protection.

(2) This Act is based upon the principles of the National Islands Development Programme (hereinafter: National Programme) and it provides for the management of island development at national, county and town / municipality levels.

(3) General regulations apply to relations under this Act regarding all issues that are not governed by this Act.

*Classification of Islands into Groups*

Article 2

(1) In view of the demographics and economic development, islands are divided into two groups.

(2) The first group includes undeveloped and insufficiently developed populated or periodically populated islands as follows: Unije, Susak, Srakane Vele, Srakane Male, Ilovik, Maun, Prvić (Kvarner Bay Islands), Goli, Sv. Grgur, Premuda, Silba, Olib, Škarda, Ist, Molat, Dugi otok, Zverinac, Sestrunj, Rivanj, Rava, Iž, Ošljak, Babac, Vrgada, Prvić (Šibenik Islands), Zlarin, Kaprije, Žirje, Veli and Mali Drvenik, Šćedro, Vis, Biševo, Sv. Andrija, Lastovo, Sušac, Vrnik, Mljet, Šipan, Lopud, Koločep, Lokrum, Kornati and islands of Žut and Sit group.

(3) The second group includes all populated islands that have not been included in the first group and also Pelješac Peninsula.

(4) Upon the proposal of the Ministry of Public Works, Reconstruction and Construction (hereinafter: the Ministry) and with the obtained opinion of the Ministry of Environmental Protection and Physical Planning, the Government may adopt a decision to classify the uninhabited islands into either the first or second group and to re-classify the developed areas of a particular island from the first into the second group. Upon the proposal of representative bodies of the state administration's coast-island departments and that of coast-island municipalities and towns along with previously obtained opinion of the Ministry, the Government may reclassify the undeveloped parts of a certain island from group two to group one.

(5) In the decision-making procedure relative to the Decision referred to in paragraph 4 of this article, the parameters from paragraph 1 of this article shall be recognised in accordance with the National Islands Development Programme.

## II. SUSTAINABLE DEVELOPMENT OF ISLANDS

### *Programming and planning of sustainable island development*

#### Article 3

- (1) Under this Act programmes of sustainable island and/or island group development are drawn up for islands and island groups comprising single regional and economic entities.
- (2) Sustainable island development programmes list and assess total natural and built resources of islands or island groups, paying special attention to unutilised farmland and buildings and determining the manner of their preservation i.e. overall and sustainable utilisation pursuant to the National Programme's principles and guidelines.
- (3) Investment proposals pertaining to island economy providing for natural and built resources to be used in line with the National Programme's principles and guidelines are attached to the programme of sustainable island development together with the documentation required for lease of unused farmland. Economic investment proposals shall contain provisions about the type, volume, location and production life of goods and/or provision of services including the description of technology to be used.
- (4) Programmes of sustainable island development and state programmes referred to in article 27 of this Act are particularly considered during the development of physical plans adopted for regions of coast-island counties, island and coast-island towns and municipalities.
- (5) Programme of sustainable island development represents a compulsory developmental programme of all coast-island counties, island and coast-island towns and municipalities.

#### Article 4

Content and methodology for the drawing of the programme of sustainable island development is prescribed by the Government of the Republic of Croatia upon recommendation of the Ministry and with previously obtained opinions of the Ministry of Environmental Protection and Physical Planning, Ministry of Finance, Ministry of Trades, Small and Medium-Sized Enterprises, Ministry of the Economy, Ministry of Culture, Ministry of Tourism, Ministry of Maritime Affairs, Transport and Communications and Croatian Water Board (Hrvatske vode), respectively.

### *Islands and Island Groups encompassed by the Programmes of Sustainable Island Development*

#### Article 5

1. Programmes of Sustainable Island Development are adopted for islands and island groups as follows:
  - (1) Istrian Islands (regions of Poreč, Vrsar, Rovinj, Brijuni, Pula and Medulin)
  - (2) Cres, Zračica, Mali Ćutin, Veli Ćutin
  - (3) Lošinj, Unije, Male Srakane, Vele Srakane, Susak, Ilovik, Sveti Petar, Vele Orjule, Trstenik, Palacoli
  - (4) Krk, Košljun, Prvić (Kvarner Bay Islands), Plavnik
  - (5) Rab, Goli, Sveti Grgur, Dolin
  - (6) Pag, Maun, Škrda, Veli Laganj, Dolfin
  - (7) Vir
  - (8) Premuda, Silba, Grujica, Olib, Planik, Molat, Ist, Škarda, Morovnik
  - (9) Dugi Otok, zverinac, Mali Tun, Veli Tun, Lavdara

- (10) Iž, Rava
- (11) Ugljan, Ošljak, Sestrunj, Rivanj, Tri Sestrice (Mala, Sridnja and Vela)
- (12) Pašman, Babac, Vrgada
- (13) Murter and surrounding islands, Kornati, Žut-Sit island group
- (14) Prvić (Šibenik Islands), Tijat, Zmajan
- (15) Zlarin, Krapanj, Obonjan, Kaprije, Kakan, Žirje, Blitvenica
- (16) Islands of Primošten-Rogoznica region
- (17) Čiovo, Drvenik Veli, Drvenik Mali, Murvica
- (18) Šolta
- (19) Brač
- (20) Hvar, Šćedro, Pakleni otoci, Zečevo, Pokonji Dol
- (21) Vis, Biševo, Ravnik, Sveti Andrija, Jabuka, Brusnik, Palagruža, Pločica
- (22) Korčula, Badija, Vrnik
- (23) Pelješac peninsula, Sestrice (in Pelješac Channel), Tajan (in the Neretva Channel) and neighbouring islands
- (24) Lastovo, Prežba, Mrčara, Kopište, Lastovci (Donji Školji and Vrhovnjaci), Sušac
- (25) Mljet
- (26) Elafiti islands, Bobara, Mrkan, Molunat

2) For islands within an island group, programmes of sustainable island development are drawn for each island individually and as part of the group. Individual island programmes may be adopted separately based on the decision of a representative body of a local self-government unit.

*Drawing, adoption and implementation of sustainable island development programmes*

Article 6

(1) In co-operation with appropriate bodies of coast-island counties, island and coast-island towns and municipalities, the Ministry draws draft proposals for sustainable island development programmes.

(2) Funds required for the drawing of sustainable island development programmes are secured from the Budget and allocated by the Ministry.

Article 7

(1) Sustainable island development programmes are adopted by the Government of the Republic of Croatia upon recommendation of the Ministry and units of relevant local and regional governments accompanied with previously obtained opinions of the Ministry of Environmental Protection and Physical Planning, Ministry of Agriculture and Forestry, Ministry of Tourism, Ministry of Culture, Ministry of the Economy, Ministry of Trades, Small and Medium-Sized Enterprises, Ministry of Finance, Croatian Water Board (Hrvatske vode), and coast-island counties, respectively.

(2) Ministries and representative bodies of coast-island counties referred to in paragraph 1 above must provide their opinion within 30 days as of the date of the proposed sustainable island development programme referred to in paragraph 1 above. If the representative body fails to provide its opinion within the prescribed period it shall be deemed that it has no objections thereof.

## Article 8

(1) All activities associated with the implementation of sustainable island development programme shall be performed by state administration departments in charge of the economy related issues, while island and coast-island towns and municipalities may establish a separate department, or found their own legal entity or hire the services of another legal entity with proven expert capability record.

(2) Together with the Ministries referred to in article 4 of this Act, the Ministry promotes sustainable island development programmes, co-ordinates and supervises their implementation and co-ordinates the work of appropriate bodies of coast-island counties, island and coast-island towns and municipalities and legal entities performing the jobs vital to the implementation of the programme.

### III. TRAFFIC INTEGRATION OF ISLANDS

#### *The system of sea, air and road transport*

(1) Public passenger and passenger-goods transport in island-mainland and island-island traffic shall be organised, co-ordinated and improved as the sea and road traffic system.

(2) The sea traffic referred to in paragraph 1 of this article shall be organised and improved through the construction of new and upgrading of the existing island ports and docks for ferryboat, ship and high speed boat traffic, through the introduction of new ferryboat, boat and high speed boat routes interlinking islands with mainland and islands with islands, respectively, through the introduction of more frequent runs on certain routes and the introduction of night lines.

(3) The air traffic shall be developed and improved through the making of island airstrips, building of island airports and heliports so that each populated island has at least one heliport or landing strip.

(4) The road traffic referred to in paragraph 1 of this article shall be organised through the construction of bridges connecting certain islands with mainland and also with other islands, through the upgrading of island road networks and maintenance of the existing networks and also via the introduction of new bus routes linking islands with mainland and interlinking island towns / villages and settlements.

(5) Ferryboat, boat, high speed boat and bus island-mainland and island-island routes, including the distribution, volume, flow and deadlines associated with the construction of roads, bridges, tunnels, ports, docks, airstrips, airports and heliports together with the sources and manner of funding that provide for the development of island, maritime, air and road transportation systems along with the manner of co-operation between the public and private sectors within the island public transportation system shall be determined in the national programme of island-mainland and island-island traffic integration referred to in article 25 of this Act for each populated island.

*Fares in island public sea and road passenger traffic*

Article 10

(1) Fares for the public passenger sea transport and public road transport on routes linking islands with mainland and with other islands, and fares for the public island road passenger transport shall not exceed fares established for routes covering the same distance in county road transport of the domicile coast-island county.

(2) Upon the presentation of appropriate pass, the pupils, students, retired persons and senior citizens over the age of 65 with a place of residence on the island, and health workers performing regular and emergency patient transport are entitled to a free ride in the public sea transport on island-mainland and island-island routes and also in the public island road transport.

(3) Fairs for public ferryboat passenger and cargo vehicles' transport may be determined so that they do not exceed fuel, vehicle and road toll costs which would have been imposed had the ferryboat route been the road route and they shall be determined in line with the Republic of Croatia's Annual Island Programme referred to in article 28 of this Act.

(4) Grants given to sea and road carriers mentioned in paragraph 1, articles 2 and 3 of this Act are secured from the Budget.

(5) Physical and legal entities having domicile or registered offices on the bridged-over island or island connected with the bridged-over island by ship or ferryboat are exempt from paying the bridge toll when crossing the bridge in own vehicle of any category.

(6) Minister of Public Works, Reconstruction and Construction (hereinafter: the Minister) with the consent of Finance Minister and Minister of Maritime Affairs, Transport and Communications adopts regulation pertaining to the manner and type of passes required for free ride referred to in paragraph 2 of this article, then to the exemption from paying the bridge-toll referred to in paragraph 5 of this article and to the utilisation of subsidies allocated to carriers as referred to in paragraph 4 of this article.

*Permit for maintenance of national routes in island public passenger high-speed boat transportation*

Article 11

(1) Public passenger high speed boat transportation linking the coast with populated islands and linking islands with other islands, may be done only on the basis of a permit issued by the Government of the Republic of Croatia upon recommendation of the Ministry of Maritime Affairs, Transport and Communications.

(2) High-speed boat transportation mentioned in paragraph 1 above is transportation by boats that travel at speed of minimum 20 knots.

(3) Permit for the maintenance of routes mentioned in paragraph 1 is issued for the period of five years based on public tendering invited by the Ministry of Maritime Affairs, Transport and Communications.

(4) If more tenderers offering the same conditions apply for the permit to maintain the routes mentioned in paragraph 1 above, advantage shall be given to applicants as follows:

- maritime carrier governed by special law;
- maritime carrier having domicile in a coast-island county;
- maritime carrier with registered offices in a coast-island county except for maritime carriers governed by special law.

(5) Terms and conditions, permit issuing procedure and permit expiry are prescribed by the Government of the Republic of Croatia.

(6) In order to initiate the high speed boat transportation mentioned in paragraph 1 above and island road transportation mentioned in article 9, paragraph 4 of this Act, the Ministry may allot certain portion of funds secured from the Budget for island development for the purpose of acquiring the appropriate ships and buses and may, on the basis of public tendering, lease them to maritime carriers from coast-island counties, or to private carriers participating in public transportation who reside or have registered offices on the island.

#### **IV. HUNTING AND NON-PROFESSIONAL FISHING**

##### *Prohibition of the introduction of game not naturally living on an island, concessions and lease of hunting grounds*

##### Article 12

(1) All game not naturally living on an island must not be brought or bred on the island.

(2) By way of exception from paragraph 1 above, any game not naturally living on the island may be brought on the island hunting grounds pursuant to, as follows: sustainable island development programme, hunting and economic reasons, Island game breeding programme and Game protection programme with permits issued by the Ministry, the Ministry of Agriculture and Forestry and the Ministry of Environmental Protection and Physical Planning with previous opinions issued by the state administration department in charge of relevant county's economic activities.

(3) Minister of Agriculture and Forestry along with the state administration departments in charge of economic matters must make sure that the protection of agricultural activities on islands is effected in the appropriate matter and in line with programmes referred to in paragraph 2 above.

(4) Upon request of a user of island land that has become home to a fenced or open hunting ground, the Ministry of Agriculture and Forestry shall conduct the appropriate procedure for the removal and/or reduction of the number of game for which it has been established that it inflicts damage or hinders the growth of agriculture and tourism as determined by the sustainable island development programme if and when other measures set forth in the Hunting Act (Official Bulletin nos. 10/94, 22/94 and 44/98) fail or the application of such measures proves to be economically unjustifiable.

(5) Concession to hunting rights and hunting ground lease rights on islands may be given to private and legal persons; in the event of the same offered conditions advantage is given to a private or legal person performing agricultural activity on the island as described in article 15 of this Act.

(6) Private or physical person who raises game whose natural habitat is not the island is under the obligation to bring its hunting ground activities in line with the conditions provided in

paragraph 2 above within one year as of the date of coming into force of this Act or otherwise all found game shall be removed at this person's cost.

*Charge free non-professional fishing permit*

Article 13

(1) Private person with a place of residence on the island holding a permit for non-professional fishing shall be granted a special document entitling him/her to engage in non-professional fishing without the obligation of paying any fees (hereinafter: special pass).

(2) Special pass is issued by the branch office of the Ministry of Agriculture and Forestry.

(3) Special pass is issued to a holder for the current calendar year upon the presentation of non-professional fishing permit and ID card.

**V. ECONOMIC GROWTH OF ISLANDS AND GOVERNMENT INCENTIVES**

*Promotion of activities that make island growth sustainable*

Article 14

Activities determined by the National Programme and sustainable island and island group development programmes providing for viable island growth are supported by the government and include, as follows: ecological agricultural production on the existing and new plantations either on open or protected areas (olive growing, wine growing, Mediterranean fruit growing, growing and processing of medicinal herbs, vegetable farming); extensive and semi-extensive sheep and goat breeding; bee-farming; production and processing of agricultural produce with the label of origin i.e. label of geographic origin "Croatian island produce" (production of sheep and goat cheese, production of honey and other apiarian products, production of table grapes; production of vintage and other quality wines; preservation of olives and production of olive-oil of virgin and extra virgin quality; drying, preservation and processing of fruit, vegetables, mushrooms and pot herbs; production of pharmaceutical and cosmetic semi-products and products); shell farming; catching of oily fish and catching of white-flesh fish in the areas of outer fishing seas; spawning, breeding and processing of fish and other marine organisms; fish trade; diving; farming, selective and controlled exploitation, processing and preservation of corals and sponges; stone-carving; stone-dressing; sea salt production; sail making; production of fishing tools; pottery; making of unique island souvenirs and other small trade activities; viable tourism in new and existing reconstructed and remodelled facilities; eco-tourism and other selective forms of tourist offer; small shipbuilding; production of boat accessories and ship overhaul; production from the area of activities that involve scientific and technological research including the use of high technologies (especially those of sustainable energetics; information technology; environment friendly manufacture of the final phase of processing and manufacture of finished industrial products; utilisation of renewable power sources; construction; home and foreign trade; maritime, road and air island transportation; workshops for artists; workshops for the restoration of cultural heritage; activities of private, humanitarian and similar non-governmental welfare and health institutions.

## *Croatian Island Product*

### Article 15

Under article 16 of this Act island producers of certain island agricultural products and produce, manufacturers of unique island souvenirs and small entrepreneurs producing other island products may market their products stressing geographical origin and using the label 'Croatian island product'.

### Article 16

(1) To protect the agricultural products and produce bearing the authenticity label i.e. the label 'Croatian island product' confirming their geographical origin, the procedure of their production and processing shall be determined and areas defined.

(2) Production and processing procedure associated with agricultural products and produce bearing authenticity label including the definition of areas mentioned in paragraph 1 above shall be established and prescribed by Head of the State Intellectual Property Office upon recommendation of the Ministry of Agriculture and Forestry; the State Intellectual Property Office conducts the procedure for the obtainment of user rights.

(3) Upon the proposal of the Ministry of Trades, Small and Medium-Sized Enterprises, Head of the State Intellectual Property Office establishes and prescribes characteristics which qualify unique island souvenirs and other products made in small businesses to carry the label 'Croatian island product'; the State Intellectual Property Office conducts the procedure for the obtainment of user rights.

## *Island Commission*

### Article 17

(1) The Island Commission (hereinafter: the Commission) is founded by the coast-island county to monitor the intended commercial use of agricultural land and buildings, to monitor the implementation of sustainable development programmes and to give opinion on loan applications of island investors referred to in article 18 below.

(2) The Minister adopts regulations on the composition and tasks of the Commission with the consent of the Minister of Agriculture and Forestry, Minister of Justice, Public Administration and Local Government, Minister of Trades, Small and Medium-Sized Enterprises, Minister of the Economy and Minister of Tourism.



## *Granting soft loans to island investors*

### Article 18

(1) The Budget allocates funds that with the mediation of the Croatian Bank for Reconstruction and Development (hereinafter: HBOR) and on the basis of special Bank's programmes are exclusively used for granting loans to private and legal persons starting or expanding business on the island as defined in article 14 of this Act and which are in line with the sustainable development programmes.

(2) Loans granted for the start or expansion of businesses mentioned in paragraph 1 above are given under terms and conditions more favourable than the ones present on the market.

(3) By way of exception from paragraph 1 above, a portion of funds allocated from the Budget for island development is granted by the Ministry based on annual programme adopted by the Minister pursuant to Annual Island Programme referred to in article 28 below.

### Article 19

(1) To the purpose defined in article 18, paragraph 1 above, HBOR also provides funds in the manner set forth in article 3 of the Croatian Bank for Reconstruction and Development Act (Official Gazette, nos. 33/92, 76/93 and 108/95).

(2) The Annual Island Programme of the Republic of Croatia (hereinafter: Annual Island Programme) presents HBOR funds earmarked for purposes defined in article 18 of this Act for the following year including information about loan terms and conditions referred to in article 20 below.

### Article 20

(1) Special HBOR programme mentioned in article 18 above defines the highest interest rate, the longest repayment period and the grace period and all other terms and conditions under which loans are granted for purposes mentioned in article 18 above.

(2) Loan granting conditions from paragraph 1 above shall not be more favourable than the conditions offered by HBOR for loans pertaining to similar investments in areas under special government care governed by the Act on areas under special government care (Official Gazette, nos. 44/96, 57/96 and 124/97).

(3) Special HBOR programme mentioned in article 18 above shall determine the most favourable loan terms and conditions for islands belonging to group one as described in article 2, paragraph 2 in relation to islands belonging to group two as described in article 2, paragraph 3 of this Act.

#### Article 21

Commercial banks shall be defined by HBOR and these shall grant loans for purposes described in article 18 above based on applications made by private and legal persons and based on previous opinion of the Commission as referred to in article 17 of this Act. If a commercial bank rejects to grant a loan it must notify HBOR and supply the explanation thereof.

#### Article 22

(1) A commercial bank from article 21 above makes a loan contract with customer. The loan contract specifies the terms and conditions pertaining to loan use and loan repayment and it contains customer's statement allowing lien upon property and rights arising out of the investment for which loan has been granted.

(2) The Croatian Guarantee Agency extends loan repayment guarantees to private and legal persons defined in article 21 above when the insurance instruments referred to in paragraph 1 above are not sufficient for loan insurance and when the customer has no other insurance instruments at his disposal.

#### Article 23

HBOR must keep special records pertaining to the use of loan funds granted for purposes defined in article 18, paragraph 1 of this Act.

#### *Compensation for existing and new jobs*

#### Article 24

(1) Employers residing or having registered offices on the island and who perform their business activities on the island are eligible for special compensation per employee who resides on the island.

(2) Employers from paragraph 1 above having registered offices on islands classified under group one as defined in article 2, paragraph 2 of this Act are entitled to higher compensation than employers engaged in the same business activity on the island classified under group two as per article 2, paragraph 3 of this Act.

(3) Special funds specified in paragraph 1 above are presented in the Annual Island Programme.

(4) Conditions, criteria, exercising of rights and compensation amount are prescribed by the Government of the Republic of Croatia upon recommendation of the Croatian Employment Agency and the Ministry and previous opinion given by the Ministry of Finance.

#### IV. STATE ISLAND DEVELOPMENT PROGRAMMES

##### *Proposal, adoption and implementation of state island development programmes*

##### Article 25

(1) Having been presented with the opinion of the Island Council, the Government of the Republic of Croatia adopts the state island development programmes (hereinafter: state programmes) as follows:

- State programme of island-mainland, island-island and intra island traffic integration upon the recommendation of the Ministry of Maritime Affairs, Transport and Communications, Ministry of Environmental Protection and Physical Planning, Ministry of Finance, Ministry of Health, Ministry of Tourism and the Ministry;
- State programme for the modernisation of island country lanes, forest paths and fire emergency exits and for the protection of island woodlands and agricultural areas against fire upon recommendation of the Ministry, Ministry of Finance, Croatian Forests, Ministry of Environmental Protection and Physical Planning, Ministry of the Interior and Ministry of Agriculture and Forestry;
- State programme of water supply, drainage and purification of waste waters, and for the construction and maintenance of facilities for the protection against harmful impact of waters upon the recommendation of Croatian Water Board (Hrvatske vode), Ministry of Finance, Ministry of Environmental Protection and Physical Planning;
- State programme for island solid waste management upon the recommendation of the Ministry of Environmental Protection and Physical Planning and Ministry of Finance;
- State programme of island power supply within the framework of National power supply programme CROTOK upon recommendation of the Croatian Power Supply Company (HEP), INA (Oil company), Ministry of the Economy and Ministry of Finance;
- State programme of island telecommunications upon recommendation of Hrvatske telekomunikacije d.d. and Ministry of Finance;
- State programme for the development of island postal services upon recommendation of Croatian Postal Services and Ministry of Finance;
- State programme of health protection and development of telemedicine on islands upon recommendation of the Ministry of Health, Ministry of Science and Technology, Ministry of Finance and Croatian Telecommunications;
- State programme of kindergarten education, elementary and high school education on islands upon recommendation of the Ministry of Education and Sports, Ministry of Finance and Croatian Telecommunications;
- State programme of higher education and scientific research on islands upon recommendation of the Ministry of Science and Technology, Ministry of Finance, the Ministry and Croatian Telecommunications;
- State programme of cultural development and studying, protection and preservation of island cultural heritage upon recommendation of the Ministry of Culture and Ministry of Finance;
- State programme for the protection of nature and environment upon recommendation of the Ministry of Environmental Protection and Physical Planning and Ministry of Finance;
- State social welfare programme on islands upon recommendation of the Ministry of Labour and Social Welfare and Ministry of Finance;
- State programme of ownership and property records (cadastre and land registry books) on islands.

(2) State programmes mentioned in paragraph 1 above must provide information on programme implementors, on the implementation dynamics pursuant to the Budget possibilities, on coast-island county, municipality and town budgets and on financial possibilities of other programme implementors.

#### Article 26

(1) Annual amount of funds allocated for the implementation of the State programme for island solid waste management, State programme of island-mainland, island-island and intra island traffic integration and the State programme for the modernisation of island country lanes, forest paths and fire emergency exits and for the protection of island woodlands and agricultural areas against fire is secured from budgets of coast-island counties, municipalities and towns based on the decision adopted by a representative body of a local government unit and also from the Budget via portions earmarked for each individual Ministry and state administration department participating in programme implementation that are, then, stated as separate entry as funds allotted to islands pursuant to the Annual Island Programme.

(2) Annual amount of funds allocated for the drawing and implementation of the State programme of water supply, drainage and purification of waste waters, and for the construction and maintenance of facilities for the protection against harmful impact of waters; State programme of island power supply within the framework of National power supply programme CROK; State programme of island telecommunications; and the State programme for the development of island postal services is secured by legal entities in charge for the implementation of these programmes and also from budgets of coast-island counties, municipalities and towns based on the decision adopted by a representative body of a local government unit and also from the Budget via portions earmarked for each individual Ministry and state administration department participating in programme implementation that are, then, stated as separate entry as funds allotted to islands pursuant to the Annual Island Programme.

(3) Annual amount of funds allocated for the drawing and implementation of the State programme of health protection and development of telemedicine on islands, State programme of kindergarten education, primary and high school education on islands, State programme of higher education and scientific research, State programme of cultural development and studying, protection and preservation of island cultural heritage, State social welfare programme on islands and State programme of ownership and property records (cadastre and land registry books) on islands is secured from budgets of coast-island counties, municipalities and towns based on the decision adopted by a representative body of a local government unit and also from the Budget via portions earmarked for each individual Ministry and state administration department participating in programme implementation that are, then, stated as separate entry as funds allotted to islands pursuant to the Annual Island Programme.

#### Article 27

Making and implementation of state programmes is co-ordinated by the Ministry.

## *Annual Island Programme*

### Article 28

(1) Upon recommendation of the Ministry the Government of the Republic of Croatia adopts the Annual Island Programme for the following year not later than October 30. Until the adoption of the Annual Island Programme island projects shall be implemented on the basis of current budget plans of each individual programme implementor based on the existing documentation, requirements and co-operation of all programme implementors.

(2) The Annual Island Programme encompasses activities and tasks to be performed in the following year by the Ministry, HBOR and state programme implementors as per article 25 of this Act, including developmental policy measures pursuant to this Act and also including recommendations concerning the required Budget funds and all other information required under provisions of this Act.

(3) When considering proposed funds to be allocated from the Budget for the funding of state programmes mentioned in article 26, paragraph 1 of this Act, the Government of the Republic of Croatia shall take into account the volume and structure of respective budgets of coast-island counties and island and coast-island towns and municipalities and shall also take the number and level of development of their islands into consideration.

(4) The making of the Annual Island Programme involves the obligatory participation of sponsors and implementors of state programmes defined in article 25 of this Act.

## **VII. OTHER STATE INCENTIVES**

### *Lease of island buildings and flats owned by the state*

### Article 29

(1) Upon request of a representative body of island's local and regional self-government the Government of the Republic of Croatia may commit management of residential buildings, flats and offices owned by the Republic of Croatia as on date of coming into force of this Act, to a local government unit which uses them for own purposes or for the promotion of entrepreneurship on an island pursuant to special legislation.

(2) Based on the decision adopted by a representative body of a local and regional government residential buildings and flats on islands mentioned in paragraph 1 above may be leased as follows: to civil servants employed in local government departments (bodies); to bodies of judicial authorities; armed forces and other government bodies; active-duty officers; employees working in public service departments; health workers and other persons of interest to the unit of local government who are employed or accept employment on the island and reside on the island and who do not own a house or a flat on the island.

(3) Based on the decision from paragraph 2 above and pursuant to the Lease Act (Official Gazette nos. 91/96, 48/98 and 66/98) lease contracts are made by a person authorised by the representative body of the local government unit and a person from paragraph 2 above. The rent is determined in accordance with the Decree on conditions and parameters for the establishment of protected rental fee (Official Gazette no. 40/97).

#### *Water consumption privileges*

##### Article 30

(1) Households whose members reside on the island and who get their water supplies via water tankers or road vehicles pay up to 20 ml monthly or 150 ml total annual water consumption per household at rates equal to the average price of delivered water in domicile coast-island county.

(2) Island household water supply delivered by water tankers or road vehicles is done in line with article 4 of the Public Utilities Act (nos. 36/95, 128/99, 57/00, 129/00 and 59/01).

(3) Funds required for settling the price difference between the price stated in paragraph 1 above and actual prices of water supply transported in water tankers and road vehicles shall be furnished from the Budget.

(4) Regulation on the procedure and implementation of provisions set forth in paragraphs 1, 2 and 3 above is adopted by the Minister.

#### *Compensation for oil and gas exploitation*

##### Article 31

(1) Compensation for oil and gas exploitation in the region of coast-island or island towns and municipalities amounts to 3% of the total income generated from the sale of oil and gas. Compensation from paragraph 1 of this article is defined as revenue of the Republic of Croatia and is granted to the municipality or town on whose territory this exploitation takes place and is used for fostering the activities defined in article 14 above, for the protection and preservation of the environment and for the implementation of state programmes defined in article 25 of this Act.

#### *Organisation of a joint island body i.e. legal entity in charge of public utility services*

##### Article 32

(1) On an island with two or more towns i.e. municipalities with a developed and inseparable system of utilities infrastructure on their territory, including the coast-island county encompassing this island within the framework of its local government, and island and coast-island towns and municipalities provide for the joint performance of public utility services such as waste collection, removal and disposal, water supply, drainage and purification of waste waters and joint organisation of passenger transport by public transportation services on the island.

(2) Apart from the activities defined in paragraph 1 of this article and based on the decisions made by representative bodies of towns or municipalities, the coast-island counties within the scope of their local government activities, island and coast-island towns and municipalities may organise joint performance of other activities of their interest that is perceived as communal according to the Public Utilities Act (Official Gazette, nos. 36/95, 70/97, 128/88, 57/00, 129/00 and 59/01).

(3) Construction and maintenance jobs associated with public utility infrastructure required for the activities described in paragraph 1 of this act and also for the construction of major facilities estimated by the island towns and municipalities to be the ones that secure conditions for viable island growth are financed from sources established in article 45, paragraph 1, item 1 of the Act on funding of units of local government and administration (Official Gazette, nos. 117/93, 69/97, 33/00, 73/00, 127/00, 59/01 and 107/01), from sources allocated through separate regulation and from respective budgets of coast-island counties and coast-island units of local government.

(4) Pursuant to the State programme for the modernisation of island country lanes, forest paths and fire emergency exits and for the protection of island woodlands and agricultural areas against fire defined in article 25 above, coast-island county, coast-island towns and municipalities, government administrative bodies and legal entity in charge of forest management must create conditions required for the organisation of volunteer fire brigades in the coast-island county, island and coast-island towns and municipalities.

## VIII. ISLAND COUNCIL

### Article 33

(1) The Island Council is established within the Ministry in order to co-ordinate the implementation of the National Programme.

(2) The Island Council is made up of:

1. Minister for Public Works, Reconstruction and Construction – chairman of the Island Council;
2. Three representatives from the Croatian Parliament (*Sabor*);
3. One representative, each, from the Ministry of Finance, Ministry of Maritime Affairs, Transport and Communications, Ministry of Agriculture and Forestry, Ministry of Environmental Protection and Physical Planning, Ministry of Trades, Small and Medium-Sized Enterprises, Ministry of the Economy and Ministry of Tourism appointed by the Government of the Republic of Croatia upon the recommendation of individual Ministries;
4. Three island representatives elected by the assembly of coast-island county, except for the assembly of Lika-Senj County which elects only one representative.

(3) The Island Council adopts Rules of Procedure governing its structure, manner of work and decision-making processes.

(4) Administrative and professional (technical) duties of the Island Council are performed by the Ministry.

### Article 34

(1) The Island Council gives opinions and recommendations concerning the state programmes and reviews and gives opinion on the proposed Annual Island Programme.

(2) The Island Council assesses reports about the implementation and execution of state programmes and reports about the implementation of Annual Island Programme and gives reports to the Government of the Republic of Croatia thereof.

## **IX. REPORTING TO THE CROATIAN PARLIAMENT ABOUT THE EFFECTS OF ACT IMPLEMENTATION**

### Article 35

At least once a year the Government of the Republic of Croatia reports to the Croatian Parliament about the effects of the implementation of this Act.

## **X. MONITORING**

### Article 36

(1) Appropriate Ministries are in charge of administrative monitoring concerning the application of this Act and all regulations passed on the basis thereof.

(2) Inspection of the implementation of this Act and regulations passed on the basis thereof, including individual documents, conditions and manner of work of the monitored legal and private persons is conducted by inspection bodies of the government administration each within its particular scope of work pursuant to special regulation.

(3) The Ministry of Public Works, Reconstruction and Construction monitors implementation of the National Programme and this Act.

## **XI. PENALTY CLAUSE**

### Article 37

(1) Fine in the amount of KN. 50,000.00 to 500,000.00 shall be imposed on HBOR or commercial bank granting loan contrary to the provision of article 20, paragraph 1 of this Act.

(2) Fine in the amount of KN. 10,000.00 to 50,000.00 shall be imposed on a responsible person from HBOR and/or commercial bank if they approve loan contrary to the provision of article 20, paragraph 1 of this Act.

### Article 38

(1) Fine in the amount of KN. 3,000.00 to 15,000.00 shall be imposed on a private person who does not reside on the island and who falsifies or submits false details about their residence on the island with the intention to obtain loan for charge free non-professional fishing.

(2) Fine in the amount of KN. 100,000.00 shall be imposed on a private and/or legal person who contrary to the provisions of article 13 above brings and tries to breed game which does not naturally live on the island.



## **XII. INTERIM AND FINAL PROVISIONS**

### **Article 39**

Upon the recommendation of the Ministry and with previously obtained opinions of the Ministry of Environmental Protection and Physical Planning, Ministry of Finance, Ministry of Trades, Small and Medium-Sized Enterprises, Ministry of the Economy, Ministry of Culture, Ministry of Tourism, Ministry of Maritime Affairs, Transport and Communications and Croatian Water Board (Hrvatske vode) respectively, the Government of the Republic of Croatia adopts regulation mentioned in article 4 above within 90 days from coming into force of the Amendment Act on the Islands Act (Official Gazette, no. 32/02).

### **Article 40**

Upon the recommendation of the Ministry and with previously obtained opinions of the Ministry of Environmental Protection and Physical Planning, Ministry of Agriculture and Forestry, Ministry of Tourism, Ministry of Culture, Ministry of the Economy, Ministry of Trades, Small and Medium-Sized Enterprises, Ministry of Finance and Croatian Water Board (Hrvatske vode) respectively, and those of the coast-island counties, the Government of the Republic of Croatia adopts programmes mentioned in article 7 above within two years from coming into force of the Amendment Act on the Islands Act (Official Gazette, no. 32/02).

### **Article 41**

If the area of certain settlements of coast-island towns and municipalities stretches both on the mainland and on the island, the rights and measures from articles 13, 18, 19, 20, 21, 22, 23, 24, 26, 29, 30 and 31 of this Act, with the exception of Pelješac peninsula do not apply to users coming from those settlements.

### **Article 42**

Regulation from article 10 of this Act is passed by the Minister with the consent of the Minister of Finance and the Minister of Maritime Affairs, Transport and Communications within 90 days from coming into force of the Amendment Act on the Islands Act (Official Gazette, no. 32/02).

### **Article 43**

Head of the State Intellectual Property Office shall pass regulation from article 15 of this Act within three months from coming into force of the Amendment Act on the Islands Act (Official Gazette, no. 32/02).

### **Article 44**

Regulation from article 17 of the Act is passed by the Minister with the consent of the Minister of Agriculture and Forestry, Minister of Justice, Public Administration and Local Government, Minister of Trades, Small and Medium-Sized Enterprises, Minister of the Economy and Minister of Tourism within three months from coming into force of the Amendment Act on the Islands Act (Official Gazette, no. 32/02).

#### Article 45

Upon the recommendation of the Croatian Employment Agency and the Ministry with previous opinion obtained from the Ministry of Finance, the Government of the Republic of Croatia adopts regulation from article 24 of this Act within six months from coming into force of the Amendment Act on the Islands Act (Official Gazette, no. 32/02).

#### Article 46

Programmes from article 25 of this Act shall be adopted by the Government of the Republic of Croatia within two years from coming into force of the Amendment Act on the Islands Act (Official Gazette, no. 32/02).

#### Article 47

Regulation referred to in article 30 of this Act shall be adopted by the Minister with previously obtained opinion of the Ministry of Finance and Croatian Water Board (Hrvatske vode) within three months from coming into force of the Amendment Act on the Islands Act (Official Gazette, no. 32/02).

#### Article 48

The Island Council referred to in article 33 of this Act shall be established within 90 days from coming into force of the Amendment Act on the Islands Act (Official Gazette, no. 32/02).

**CROATIAN PARLIAMENT**  
**THE SPEAKER**  
**Mr. Zlatko Tomčić**