

# The Croatian government's financial aid for companies in Croatia during COVID-19 crisis

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University of Zagreb  
Faculty of Economics and Business – Zagreb  
Bachelor Degree in Business

**THE CROATIAN GOVERNMENT'S FINANCIAL AID  
FOR COMPANIES IN CROATIA DURING THE  
COVID-19 CRISIS**

UNDERGRADUATE THESIS

Marin Ćuk

Zagreb, September 2021

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UNDERGRADUATE THESIS

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Zagreb, September 2021

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## Summary

The pandemic of coronavirus is a crisis that hit the world like no other crisis before. A shock that came in when the Chinese city of Wuhan collapsed due to the uncontrollable spreading of a new, unknown disease was a trigger to the world that everything is about to change. Since the human race kept evolving in ways of technology usage, transportation means and spreading of information, the COVID-19 pandemic had easy access to every country in the world. Our planet has never been more connected to its ends as it is today, but that fact, in this situation, was a negative thing because we were all open for the virus to attack every single one of us. Naturally, the primal instinct in us acted in a way to save our lives through our health perseverance, which made our governments declare immediate lockdowns to minimize the potential spreading of the virus. In the short run, it is effective, but in the long run it puts the economy in a dangerous position because a lot of jobs become sufficient in these times and they are the first ones to be sacrificed. This economic crisis hit Croatia as well so there was a huge need for government interference in terms of financial support to companies in Croatia. In this undergraduate thesis, the financial aid by the Government of the Republic of Croatia will be thoroughly examined in terms of how it started, which industries were hit the most, how quickly did our government act on that behalf, how much money was invested and what would be the consequences of this crisis and of the help provided by the government.

Key words: financial aid, support, pandemic, crisis, Croatia, government, companies

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# **1. INTRODUCTION**

## **1.1. The subject and the purpose of thesis**

The subject of this undergraduate thesis is the overall overview of the financial support to companies in Croatia provided by the Government of the Republic of Croatia during the coronavirus crisis that began in beginning of 2020. This analysis will provide a clear image of what actually happened, when and where it all started, how the world reacted and what were the main actions that governments around the world did to prevent further damage, both in a aspects of financial crisis and overloading of the healthcare system and, of course, the deaths of more and more people. Also, we will examine the actions that the Croatian Government took in order to help our economy and to save as many privately-owned companies as possible because they are the ones who create and make the major part of our economy. The entire crisis caused by the coronavirus put the civilization in confusion and balancing between the health of the population on the national level but also preventing the global economic collapse. There is a certainty that in the beginning of the crisis brought some major difficulties upon both Croatian and world leaders. Many world policy leaders have had to strike a balance between people's health and countries' economies. This thesis will try to examine how the Croatian economy was during this crisis and what actions were taken in order to prevent dire consequences.

## **1.2. Sources and methods of collecting data**

For the purpose of writing this undergraduate thesis, the majority of the literature was gathered from online sources. Various scientific articles, case studies and news articles are the main source from which the insight and information are implemented in this paper, since it is a very specific and relevant topic so there are not many books published because the situation with the COVID-19 disease is not over yet and there are still many questions scientists need to answer, explore and examine. Also, personal observations and conclusions will be included in this thesis, since this is a topic that concerns all people and every single person can and should give their own reflection on how this crisis is being taken care of, where it is going and how it will affect all people.

## **1.3. Content and structure of the thesis**

This thesis is divided into 5 chapters. In the first chapter, we will introduce the entire topic of this thesis by explaining the beginning of the pandemic and try to analyse how it spread around

the globe so fast. The second chapter contains information of the first wave of COVID-19 disease, how the world reacted, what were the first steps in preventing the virus from spreading etc. In the third part, we will review the start of the new economic crisis, since this is the main subject of the thesis. For example, what industries were the first ones to fall, what actions did the world governments take first, how did our government help our economy to live through this horrible economic crisis. Also, this thesis will examine the pulse of Croatian economy, its advantages and disadvantages that may have helped or aggravated the crisis, how could Croatian economy look like afterwards, and what are the lessons that can be learned. The fourth part is about the consequences of this crisis, both current and future, and how this crisis affected Croatian society in different ways, financial, psychological and social. In the last part, we will conclude and provide final overview of this world-changing crisis that is yet to show its real consequences.



## **2. THE COVID-19 CRISIS**

### **2.1. The start of the pandemic**

At the end of 2019, the reports from China arrived in the global media that a new, unknown disease has spread in the Chinese city of Wuhan, with a population of around 10 million people, and that this disease is spreading extremely fast and easily. At that moment, the world had not yet understood the sheer force with which this virus is going to hit the world. When governments from all around the world saw that the virus was spreading in China, they all wanted to protect their nations by closing the borders for anything and anyone that was not necessary, while declaring lockdowns.<sup>1</sup>

On Dec. 31, the public authority in Wuhan, China, affirmed that health specialists were treating many strange, unfamiliar cases. Days after the fact, analysts in China recognized another infection that had contaminated many individuals in Asia. At that point, there was no proof that the infection was promptly spread by people. Authorities in China said they were observing it to keep the flare-up from forming into something more extreme. On Jan. 11, Chinese state media detailed the main known demise from a sickness brought about by the infection, which had tainted many individuals. The 61-year-elderly person who passed on was a standard client at the market in Wuhan. The report of his demise came not long before probably the greatest occasions, when a huge number of individuals traverse the country. The previously affirmed cases outside the territory of China happened in Japan, South Korea and Thailand, as per the WHO's first circumstance report.<sup>2</sup>

The previously affirmed case in the United States came the following day in Washington State, where a man in his 30s created manifestations subsequent to getting back from Wuhan. Then, the Chinese authorities closed down the city of Wuhan, a city of a population around 11 million people, because the disease was spreading really fast and there was no other way of solving the situation, at least in the short run, but to declare a complete lockdown in order to minimize the possible contamination of their people. People from all over the world watched and stood fast while observing the situation in China, which was actually quite unbelievable to see something like this happening in today's world. Streets empty, no cars, no traffic, no kids playing around in the streets...it was really an apocalyptic scene to witness, especially when people are now

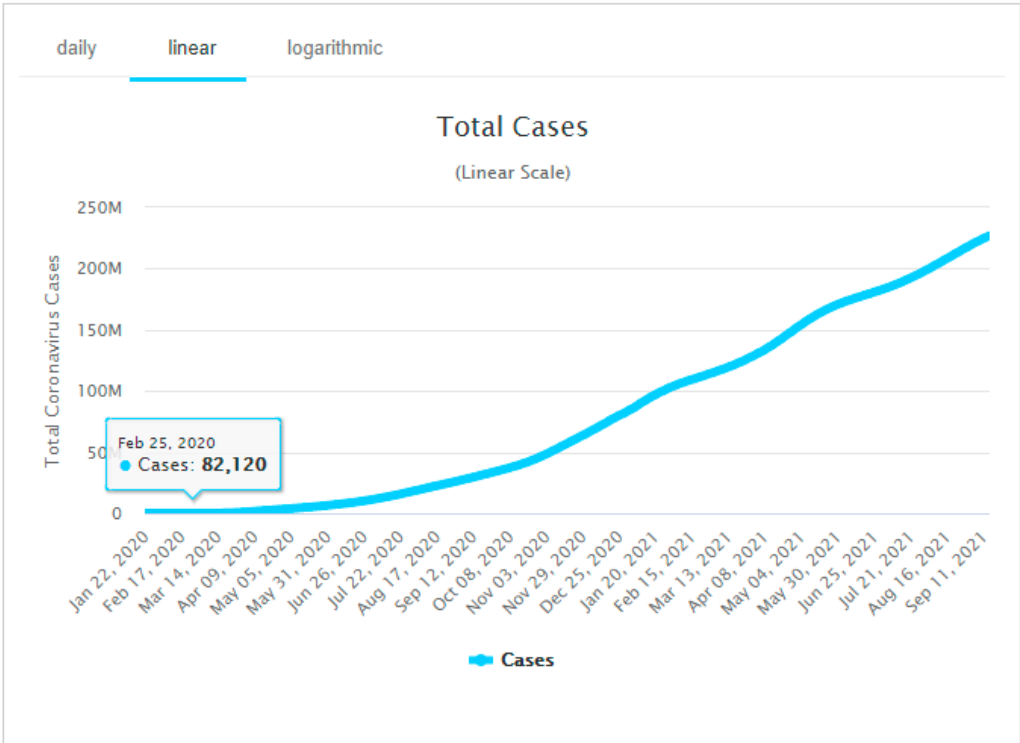
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<sup>1</sup> WHO, downloaded 25th of August 2021 from <https://www.who.int/emergencies/disease-outbreak-news/item/2020-DON229>

<sup>2</sup> Al Jazeera, downloaded 25th of August 2021 from <https://www.aljazeera.com/news/2020/1/11/china-reports-first-death-from-mysterious-outbreak-in-wuhan>

more interconnected than ever. It is enough to just look at the transportation in China, especially Wuhan. Namely, while today we are all so well connected, both technologically and physically, China was completely closed as if they got back to the middle ages when there were no cars, buses, trains etc. The chance of social connection had to be brought down to minimum in order to buy some time and see what this virus really is, how does it live, grow and survive and how to stop the already started pandemic. After thousands of new cases in China, a public health emergency of global concern was officially declared by the World Health Organization. Then, on the other side of the world, the Trump organization suspended passage into the United States by any outside nationals who had travelled out to China in the previous 14 days, barring the close relatives of American residents or perpetual inhabitants. By that day, 213 individuals had passed on and almost 9,800 had been tainted around the world.<sup>3</sup> As the coronavirus infection spread around the world, so did the number of infected people. The following figure shows the number of infected cases per month in the period from January 2020 to September 2021.

Figure 1 Cumulative confirmed COVID-19 cases



Source: <https://www.worldometers.info/coronavirus/?zarsrc=130>

<sup>3</sup> World Meters, downloaded 27th of August 2021 from <https://www.worldometers.info/coronavirus/>

The first death caused by the coronavirus in Europe was reported in France. An 80-year-old Chinese tourist died on February 14th at a hospital in Paris, in what was the first coronavirus death outside Asia, the authorities said.<sup>4</sup> It was the fourth death from the virus outside mainland China, where about 1,500 people had died, most of them in Hubei Province. After that, the virus kept coming to Europe and then the first enormous tragedy occurred; Italy. The virus was brought to Italy by tourists and many Italians who came home from other parts of the world, and, of course, a lot of them came from China and other Asian countries.<sup>5</sup> Italian government and their healthcare system was not prepared for what was coming and, as could be seen, the consequences were dire. The virus was first confirmed to have spread to Italy on 31 January 2020, when two Chinese tourists in Rome tested positive for the virus. One week later an Italian man repatriated back to Italy from the city of Wuhan, China, was hospitalised and confirmed as the third case in Italy. Clusters of cases were later detected in Lombardy and Veneto on 21 February, with the first deaths on 22 February. By the beginning of March, the virus had spread to all regions of Italy.

On 31 January, the Italian government suspended all flights to and from China and declared a state of emergency.<sup>6</sup> In February, eleven municipalities in northern Italy were identified as the centres of the two main Italian clusters and placed under quarantine. The majority of positive cases in other regions traced back to these two clusters. On 8 March 2020, Prime Minister Giuseppe Conte expanded the quarantine to all of Lombardy and 14 other northern provinces, and on the following day to all of Italy, placing more than 60 million people in lockdown.<sup>7</sup> On 11 March 2020, Conte prohibited nearly all commercial activity except for supermarkets and pharmacies. On 21 March, the Italian government closed all non-essential businesses and industries, and restricted movement of people.<sup>8</sup>

After that, people from all around the world could see the “ghost cities” in Italy since everything was locked down and the number of hospitalized people just kept rising, as well as the number of people who died due to coronavirus disease and the later consequences of being infected.

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<sup>4</sup> BBC, downloaded 25th of August 2021 from <https://www.bbc.com/news/world-europe-51514837>

<sup>5</sup> NY Times, downloaded 25th of August 2021 from <https://www.nytimes.com/2020/03/21/world/europe/italy-coronavirus-center-lessons.html>

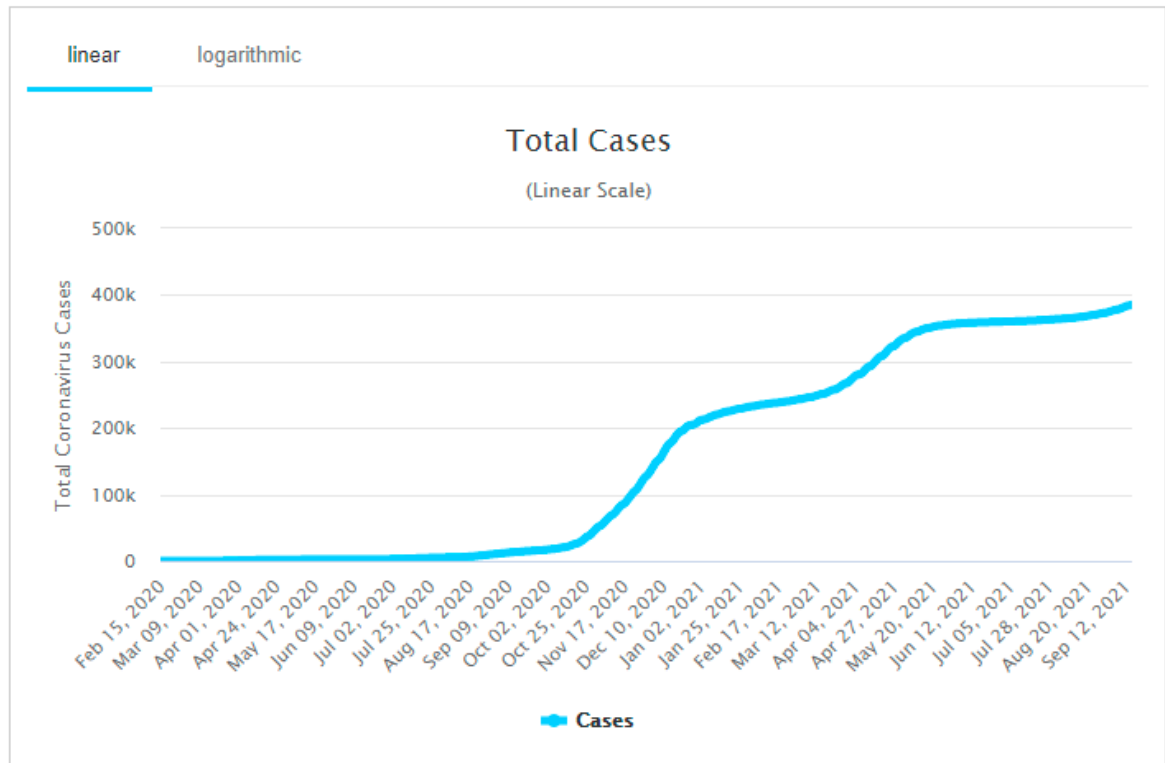
<sup>6</sup> Br J Oral Maxillofac Surg. 2020 Sep; 58(7): 744–745. Published online 2020 Jun 11

<sup>7</sup> BBC, downloaded 25th of August 2021 from <https://www.bbc.com/news/world-middle-east-51787238>

<sup>8</sup> Safi, Michael; Giuffrida, Angela; Farrer, Martin (22 March 2020). "Coronavirus: Italy bans any movement inside country as toll nears 5,500". March 2020. <https://www.theguardian.com/world/2020/mar/22/italian-pm-warns-of-worst-crisis-since-ww2-as-coronavirus-deaths-leap-by-almost-800>

The following figure shows a graph of the growth in the number of deaths from coronavirus infection.

Figure 2 Cumulative confirmed COVID-19 deaths



Source: <https://www.worldometers.info/coronavirus/country/croatia/>

Sure enough, the virus' arrival to Croatia was inevitable. First of all, Italy and Croatia are neighbouring countries and the fluctuation of people between these two countries is very high, so it was just a matter of time when the coronavirus will knock at Croatia's door. On 25 February, the first case in Croatia was confirmed. A 26-year-old man who had stayed in Milan, Italy to watch the Champions League game between Atalanta and Valencia from 19 to 21 February tested positive and was hospitalised at the University Hospital for Infectious Diseases "Dr. Fran Mihaljević" in Zagreb.<sup>9</sup> On 26 February, two new cases were confirmed: The twin brother of the first patient was admitted to the same hospital in Zagreb, while a man who had worked in Parma was hospitalised in Rijeka.<sup>10</sup> The same day Osijek Clinical Hospital Centre banned visits. On 9 March, the first case was confirmed in Istria, in the city of Pula. The man

<sup>9</sup> Večernji list, downloaded 27th of August 2021 from <https://www.vecernji.hr/vijesti/prvih-dvoje-zarazenih-u-osijeku-su-supruznici-a-oboje-su-hospitalizirani-1385803>

<sup>10</sup> Večernji list, downloaded 27th of August 2021 from <https://www.vecernji.hr/vijesti/nacionalni-stozer-uskoro-iznosi-nove-informacije-1397379>

is from Labin and had been working in Italy. Two new cases were reported on 10 March. Both individuals had spent time abroad recently, one in Austria, and the other one in Italy.<sup>11</sup> On 11 March, the sixteenth case was confirmed, a young man who had been to a fair in Munich. The same day, three more cases were reported. All three had travelled from Austria and Germany. The same day, a ferry from Ancona with 93 passengers sailed into the Port of Split. 57 of them were citizens of Croatia, nine of them were citizens of Italy, six of them were citizens of Bosnia and Herzegovina, three of them were citizens of Montenegro, and the rest were from various other countries. They were placed into quarantine in Hotel Zagreb in Duilovo, Split.

This is a brief summary of the start of the coronavirus pandemic in Croatia, regarding the number of cases, number of deaths, the most infected areas that were infected by the COVID-19 disease, as well as those areas that were still quite safe in the beginning, etc. Now, we are going to examine what impact it had in the beginning on Croatia as a whole. Since the whole situation with the coronavirus started to cause a global crisis, the economic impact was inevitable. The situation dictates as less human contact as possible, so it is only logical that a lot of businesses had to close down in order to contain the spreading of the virus as much as possible. On 14 March, the Government banned price increases and set the 30 January price as the highest possible for the following products for example flour, milk, milk powder, medication, medical products and bed covers for medical system etc. to avoid price increases amid panic buying.<sup>12</sup> Prime Minister Plenković informed President of the European Commission Ursula von der Leyen of the Government's decision a day later. State Inspectorate announced that price inspections would start on 17 March with the fines varying from 3,000 to 15,000 HRK. On 17 March, Prime Minister Plenković announced closing shopping centres, some shops, restaurants, cinemas, theatres, reading rooms, libraries, gyms, sports centres, fitness centres, recreation centres, dance schools, children's and other workshops, exhibitions, fairs, nightclubs and discos. The government proposed short-term economic measures, like postponement of tax payments and loans for struggling businesses for at least three months in response to the fallout from the COVID-19 pandemic.<sup>13</sup>

On 1 April, the government proposed a second set of economic measures. The net minimum wage was increased from 3,250 HRK to 4,000 HRK (725€), and the Government would pay

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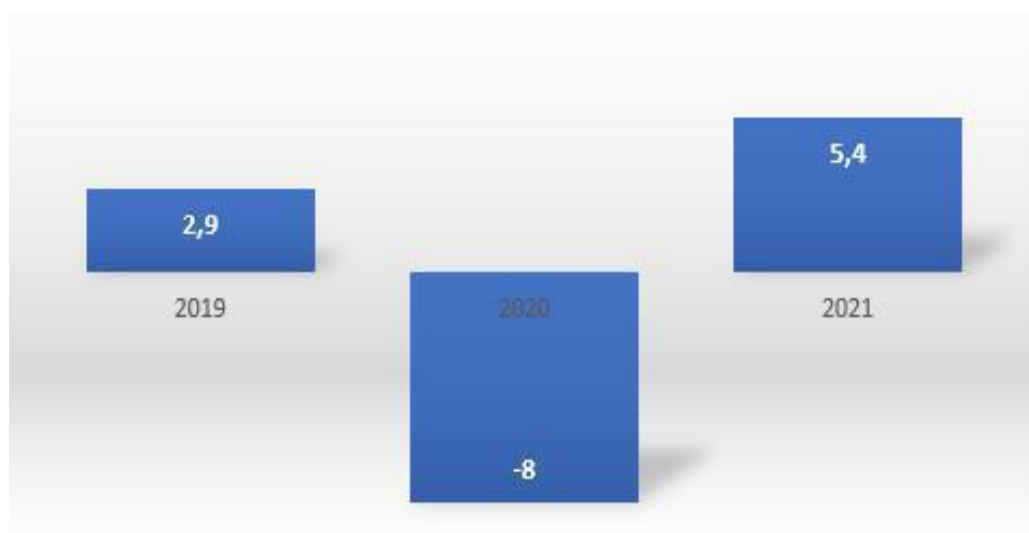
<sup>11</sup> N1, downloaded 27th of August 2021 from <http://hr.n1info.com/Vijesti/a489211/Koronavirus.html>

<sup>12</sup> FRA, Coronavirus COVID-19 outbreak in the EU Fundamental Rights Implications, 2020.

<sup>13</sup> Večernji list, downloaded 27th of August 2021 from <https://www.vecernji.hr/vijesti/vlada-uskoro-donosi-niz-mjera-za-podrsku-gospodarstvu-1386498>

benefits contributions on the minimum wage of up to 1,460 HRK (192€). Companies that were out of work or were seriously hampered by the pandemic were partially or entirely exempt from tax payments on profit and income, and from contributions.<sup>14</sup> On 9 April, World Bank predicted a 6.2% decrease in Croatian GDP and 9% increase in unemployment rate. On 14 April, the International Monetary Fund predicted an even worse scenario, a large decrease of 9% in GDP by the end of 2020. However, the former predicted a 6.2% increase in GDP in 2021, while the latter predicted a 4.6% increase. On 19 April, the Institute of Economics stated that Croatian public debt would increase to 90% of GDP in the "most favourable" case, but only if the crisis ended in the next three months. On 6 May, the European Commission predicted a 9.1% decrease in Croatian GDP by the end of the year and then 7.5% increase a year after. On 7 July, they predicted an even worse scenario – 10.8% decrease – while their prediction about next year's recovery did not change.<sup>15</sup>

Figure 3 GDP status report in Croatia in the time of the burst of coronavirus



Source: [https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/croatia/economic-forecast-croatia\\_en](https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/croatia/economic-forecast-croatia_en)

As it can be seen, Croatia was quite hit by the coronavirus since it had the most dramatic economic consequences, but luckily, the country managed to recover, at least in part of it, and get back on track; this is mostly due to the adjustment of business conducting to the “new

<sup>14</sup> Index, downloaded 28th of August 2021 <https://www.index.hr/vijesti/clanak/nove-mjere-vlade-otpisi-i-odgode-poreza-za-tvrtke-naknade-za-radnike-4000-kuna/2171163.aspx>

<sup>15</sup> World Bank, downloaded 26th of August 2021 from <https://www.worldbank.org/en/news/opinion/2021/06/14/opportunities-for-croatia-have-never-been-clearer-and-more-vibrant>

normal” state caused by the pandemic. We will get into more detail about Croatia’s economy after the burst of the COVID-19 pandemic later on.

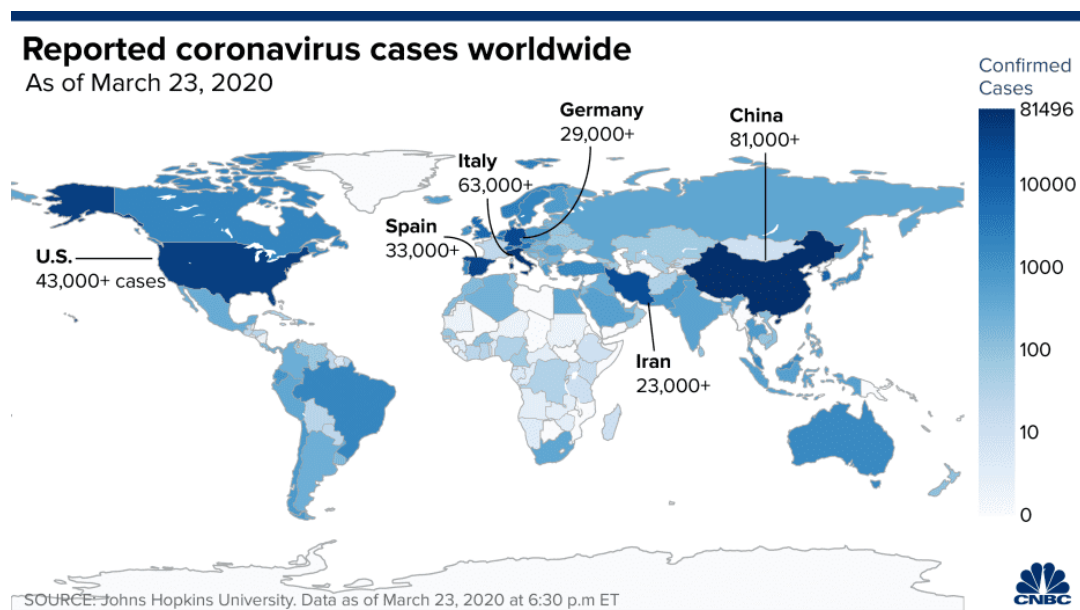
## **2.2. The world’s reaction to the coronavirus**

As it was mentioned earlier, the coronavirus pandemic became a crisis that shook the entire world and it has and it will have some dire consequences, both health and economic consequences, as well as social. Since the Spanish flu, which happened a 100 years before the COVID-19, the world has not seen anything like this. Even though the Spanish flu was devastating, back then the world was not nearly connected as it is today so the spreading of the disease around the world was not as possible as it is today with this new virus. Because this is the first time the world is faced with such an apocalyptic situation, measures were needed to be taken right away by all governments around the world, with no delay so that our health and economies could go on being damaged as little as possible. The media played a big role in this situation, constant reports and articles helped to inform people from all around the world what was going on, how fast and in what countries is the virus spreading, what are the new laws, regulations and restrictions imposed by the governments, what is the best way to protect ourselves from getting infected, what the doctors and epidemiologists say etc. Even though the media helped in their own way, the consequential panic was inevitable; people were rushing down to stores to buy huge amounts of toilet paper, flour, tissues, bread, milk, water, frozen meat, light bulbs etc., which caused even easier spreading of the virus. The panic was everywhere, so measures needed to be taken right away.

According to CGTN (China Global Television Network), the experts were clearly rattled, but authorities were not exactly speedy in their response to the existential threat. Half a world away from China, many European governments had their minds on other things: besides the usual distractions of electoral cycles and regional diplomacy, they faced the ever-controversial subject of climate change and the looming economic uncertainty around the Brexit negotiations. In the U.S., president Donald Trump was busy facing down impeachment. But soon, any other topic would be pushed off the front pages and homepages. In Europe, the news was about to go viral. As the numbers rose, governments in the West started to impose border closures. By 1 April 2020, according to Pew Research Center analysis, around 93 percent of the planet's population lived in countries with travel restrictions, with 39 percent behind borders completely

closed to non-citizens and non-residents. Some countries, such as Ecuador, even closed the doors on their own citizens and residents who happened to be abroad.<sup>16</sup> The WHO counselled against border closures, instead advising quarantine and screening – including for those leaving the country. In an interview with CGTN Europe, the organization's Margaret Harris explained: "If you have an ongoing infection, big outbreaks, you have to look at exit screening. You have to do your best to ensure that people infected don't leave your country."<sup>17</sup>

Figure 4 Worldwide coronavirus cases detected



<https://www.cnbc.com/2020/03/24/global-coronavirus-cases-cross-400000-doubling-in-a-week-as-pandemic-accelerates.html>

It can be seen here that, even though there was a potential global threat, it was not easy for everyone to declare lockdowns and to shut down a great part of a certain country or an economy. A very hard and risky decision was thrown to world leaders, bearing in mind that these decisions will be brought with “one eye closed” because the magnitude of the potential global pandemic is not anywhere near clear yet. Decisions had to be made in order to find a certain point between protecting human lives from possible infection and, consequently, overcrowding domestic health systems, and keeping a country’s economy alive and to keep your people, now desperate and scared, employed and maintain the living standard as much as possible.

<sup>16</sup> News EU, downloaded 26th of August 2021 from <https://newseu.cgtn.com/news/2020-04-29/Pandemic-Playbook-1-Recognize-problem-PSKidWQ7Cg/index.html>

<sup>17</sup> News EU, downloaded 26th of August 2021 from <https://newseu.cgtn.com/news/2020-04-05/WHO-Q-A-Screening-not-closing-borders-is-the-way-to-stop-COVID-19-PopmF2Ov5u/index.html>



For example, Croatia had, in opinion of many Croats, a really difficult situation regarding bringing some key decisions. Namely, the problem is that the Croatian economy is heavily structured out of the service sector, mostly being coffee bars, restaurants, nightclubs etc., and our most lucrative industry is tourism, especially during summer season because of the many beauties the Adriatic Sea and Croatian islands can offer to both domestic and foreign tourists. So, when a country heavily depends on tourism, it can be a dangerous factor in these kinds of situations because this industry is not “necessary” for people to live their lives, unlike food and beverage production, transportation, technology, pharmaceuticals, education etc., so it is only natural that these kinds of industries will be in a lot of danger because they are “luxurious goods and services”, not necessary.

The case with Croatia was that the country found itself on a very important and risky crossroad; either protect human lives from possible, but likely infection and the healthcare system from collapsing, or preserve the country’s economy as much as possible. Of course, the difficult part was that, most likely, a lot of people would lose their jobs since so many of them work in the service sector and that sector was the first to fall after the COVID-19 pandemic hit the world with its fast spreading and almost uncontrollable course of moving. What caused even more problems is the fact that, in the beginning of this “new normal” and the first lockdowns, there was a huge number of people, not just in Croatia, but in the whole world, who did not quite believe everything the media were saying about the newly found coronavirus and thought it was some kind of conspiracy theory, while the other side was over frightened and panicking uncontrollably fearing that the entire world was going to die. This social and psychological aspect of looking at this situation has created even more difficulties for the world governments to act in one way or another.

In the first half of March, 2020, The Croatian Government closed down a great part of its economy for a while, just to stop the virus from initially spreading until someone figures out how the virus behaves and is there any permanent, real danger. Consequently, a lot of people who worked in the service sector lost their jobs and there came the even bigger fear of economic collapse than from getting infected.<sup>18</sup>

"According to the OECD the Croatian economy was hit hard by the pandemic. The European Commission Autumn Economic Forecast estimated a recession of around 9.6% GDP in 2020

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<sup>18</sup> Korona Virus.hr, downloaded 28th of August 2021 from <https://www.koronavirus.hr/vladine-mjere/101>

(vs. 2.9% in 2019), driven mainly by fall in the tourism sector, domestic consumption and difficulties in exports. According to the Ministry of Finance, an optimistic growth of 5% of GDP is forecasted in 2021, driven by the increase in domestic demand, with Croatia strongly relying on EU funds in a future plan for post-pandemic economic recovery."<sup>19</sup>

After four quarters of GDP decline, the second quarter of this year is the first in which GDP has been growing since the beginning of the COVID-19 crisis, in which in 2020 our GDP fell by -8%. The largest contribution to the annual GDP growth in the second quarter of 2021 comes from the growth of personal consumption, which was higher by 18.4%, and exports of goods and services, which increased by 40.9% due to a larger recovery in tourism. For such an economic recovery and high growth of personal consumption, the Government has contributed to the policy of preserving jobs in the past period, which we managed to keep the labor market stable, as well as continuing to implement tax reform, which allowed further growth in average wages. With such trends in economic activity in the second quarter, Croatia has faster economic growth than the EU average, which is 13.2%. If we look at the first half of 2021 compared to the first half of 2020, Croatia records GDP growth of 7.7%.<sup>20</sup>

The Croatian Employment Institute counted around 150 000 unemployed persons in December 2020, which represents a 21.3% increase in the number of registered unemployed compared to December 2019. As a consequence of economic slowdown and expansive fiscal measures aimed at mitigating the impact of the pandemic, the Ministry of Finance estimated the budget deficit to be at 8% of GDP in 2020, following a rather balanced budget in the previous year. According to the same forecast published in autumn 2020, the Ministry expected the budget deficit to decrease to 2.9% of GDP in 2021. The public debt was projected to reach 87.3% of GDP in 2020, and decrease by two percentage points in 2021. The effects of the destructive earthquake that occurred in December 2020 and subsequent government spending for supporting the affected areas are still to be taken into account in possible adjustments of the given projections.

The HRK-EUR exchange rate, which plummeted at the onset of the crisis (from 0.1343 to 0.1311 between February and April), has regained some value but has not yet reached its pre-crisis level (as of October it is at 0.132, although fluctuations have been observed). The

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<sup>20</sup> <https://vlada.gov.hr/vijesti/plenkovic-rast-bdp-a-od-16-1-potvrda-da-se-hrvatsko-gospodarstvo-brzo-oporavlja/32809>

government confirmed that the envisaged date of entering the euro area remains 1 January 2023. The Zagreb Stock Exchange's main indicator, CROBEX, lost over 27% of its value in the first month of the crisis. It has, however, regained some of its lost value and its stabilisation in July has been followed by slow growth. On 27 January 2021 the index was worth around 87% of its 2020 value."<sup>21</sup>

### **3. THE NEW ECONOMIC CRISIS**

At the time of the pandemic, there was a moment of great uncertainty at the global level due to strong media pressure, which was aimed at questioning the general health of the entire population. In the midst of a pandemic, many national governments around the world have opted for a very restrictive approach in the context of economic activity. What initially became questionable were bilateral and multilateral trade relations, which due to the most restrictive measure, the closure of economies, became an extremely important factor due to the potential unavailability of resources, but also other economic aspects that remained marked and whose volume decreased significantly due to such measures.

In 2020, the positive momentum that began in 2015, after six years of recession (2009-2014), came to a halt. Namely, the average growth rate of real GDP in the period 2015-2019. it amounted to 2.9%, primarily driven by the growth of personal consumption, so that in 2019 Croatia finally achieved a level of real GDP above that in 2008. In 2020, the Croatian economy entered with expectations of a slight slowdown compared to the growth rate in 2019. However, due to the spread of the Covid-19 epidemic and accompanying measures to combat it, it became clear during the first quarter that most world economies will, including Croatia, to experience a decline in 2020. It remains uncertain how much that decline will amount to. (HUP, 2020.).

#### **3.1. The first industries to fall**

The pandemic has affected the economies of almost all countries. What is specific is the fact that those economies that are structurally dependent on sectors that have been deprived due to the restrictive measures of all governments have been significantly more affected and sunk. Croatia has encountered the largest historical decline in GDP, but in the end, contrary to all

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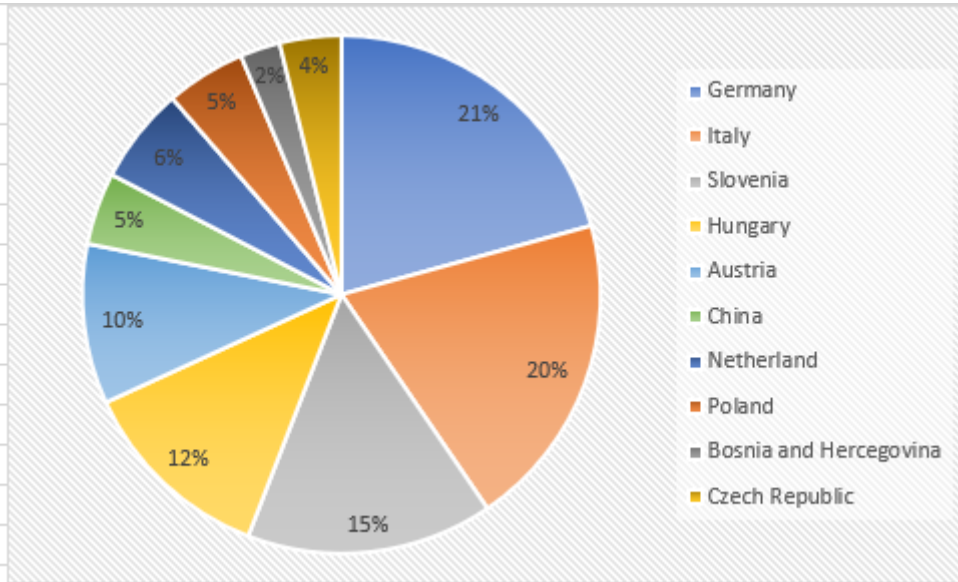
<sup>21</sup> OECD, THE COVID-19 CRISIS IN CROATIA, 31 January 2021

expectations of economic experts, it has experienced a roughly equal decline compared to all other members of the Eurozone. Among them, Croatia stood out negatively with almost the highest decline in GDP, but this decline was significantly smaller compared to previous expectations and estimates of decline in the first and second quarters of 2020.<sup>22</sup>

Among the most important foreign trade partners within the Eurozone, Croatia has Germany, Italy, Slovenia and Austria as its key partners in foreign trade. This data is crucial for monitoring, comparing and analysing economic trends during the pandemic and the correlation between the movements of these economies and their final contribution to the shorter and weaker contraction of the Croatian economy.

It is of a high importance to mention that the most struck industries were from the service sector, since it only comes naturally to people that these industries, in times like this, are not life-giving and necessary for surviving such times. For example, cafe bars, nightclubs, restaurants, barber shops, closed playgrounds, wellness centres...all of this is a part of the economy people found the least needed to survive on a global level, but then again, a lot of people in Croatia work in this sector and it is only logical that many jobs were in danger because of their nature.

Figure 5 Croatia major import countries of origin, 2020. (mil. HRK)

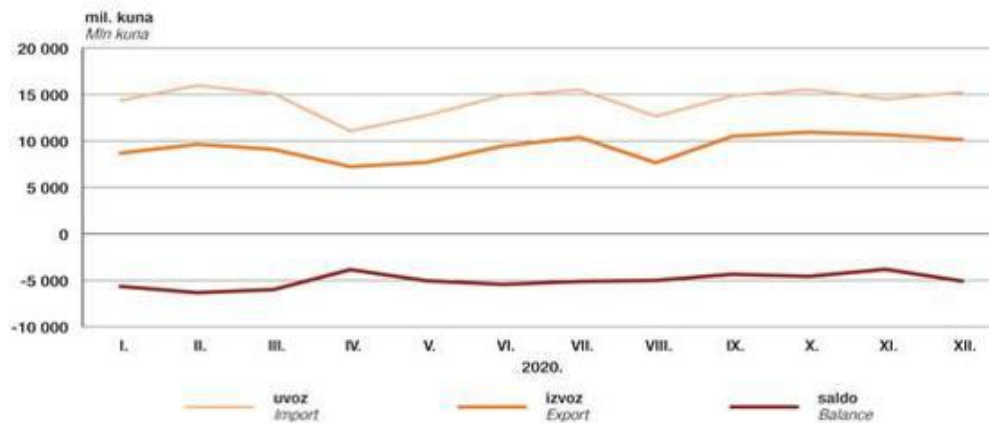


Source: Made by the author according to the data available at [https://www.dzs.hr/Hrv/Covid-19/robna\\_razmjena\\_1\\_21.html](https://www.dzs.hr/Hrv/Covid-19/robna_razmjena_1_21.html)

<sup>22</sup> Croatian National Bank, Macroeconomic Developments and Outlook, Nmber 9, December 2020

An important role was also played by the economic movement of the largest foreign trade partners of the Republic of Croatia, whose economic trends, more precisely the decline, were below average in relation to the entire Eurozone, which reduced the effects of the Croatian economy's contraction.

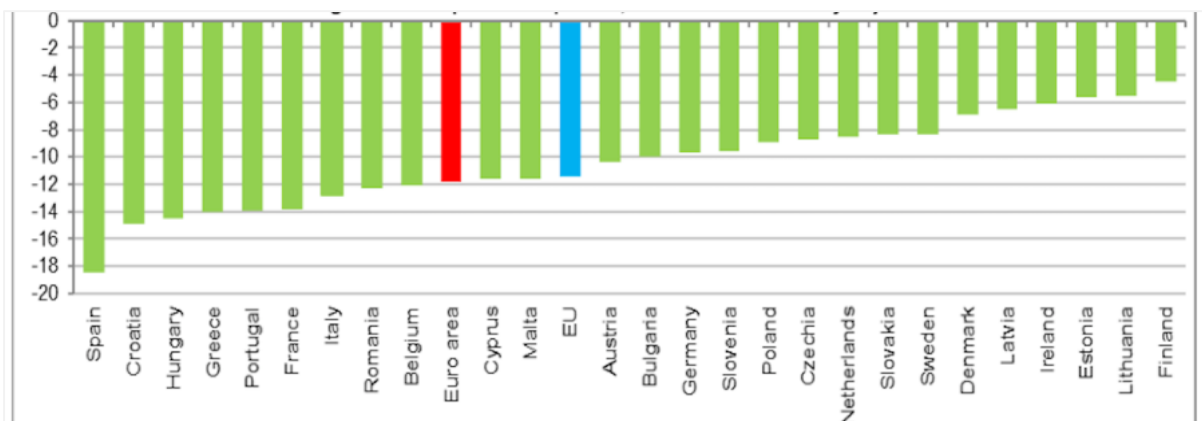
Figure 6 Foreign trade in goods from January 2020 to December 2020



Source: [https://www.dzs.hr/Hrv\\_Eng/publication/2020/04-02-01\\_11\\_2020.htm](https://www.dzs.hr/Hrv_Eng/publication/2020/04-02-01_11_2020.htm)

Fortunately, it was not all that bad for Croatia's economic state, especially when talking about international trade. Namely, since Croatia has a great geographical position in Europe (it is in the centre of almost all-important international trade directions), also because of the Eurozone and the necessity to keep the Eurozone as stable as possible, the restrictions regarding COVID-19 crisis did not hit Croatia as it hit some other countries. The international trade continued to live on and this also made some safe foundations for Croatia's tourist season during summer.

Figure 7 GDP growth rates in the second quarter of 2020



Source: <https://intellinews.com/croatia-had-second-deepest-gdp-contraction-across-the-eu-in-2q20-191446/>

Consumer and industry confidence in the euro area following a very sharp decline during quarantine has led to an equally rapid recovery with significantly lower levels of expectations. What is important to emphasize is that real exports of goods fell relatively little compared to expectations, which was mostly influenced by the rise in oil prices of just over 10%. What is very important is that at the very moment of the pandemic, i.e. in the first quarter of 2020, there was a growth of exports compared to last year on an annual basis. In the service sector, on the other hand, there was a large decline, which indicates a large and atypical division in the economy, which caused large deviations from the usual economic activities in which it is typical that trends in service and merchandise exports behave relatively similarly. It is here that the great gap in the movements between the goods market and the services market has occurred. This is a true indicator that the services market and its exports have fallen by almost 70%.<sup>23</sup>

With its measures, the Government of the Republic of Croatia tried to mitigate the economic consequences caused by an extremely restrictive approach to resolving the spread of the COVID-19 pandemic with the fundamental goal of protecting human lives and health in general. In this sense, it was extremely important at the time to learn absolutely everything that is possible and desirable in accordance with epidemiological measures to prevent the spread of the virus, and at the same time to ensure the smooth functioning of the economy. It is these two needs that have required quality balancing precisely because the lack of one is essentially a reduction of the other. This can be concluded from the basic assumption that everyday human functioning cannot function as in normal conditions if there is a measure of prohibition or restriction of movement, prohibition of work in shops and the like.

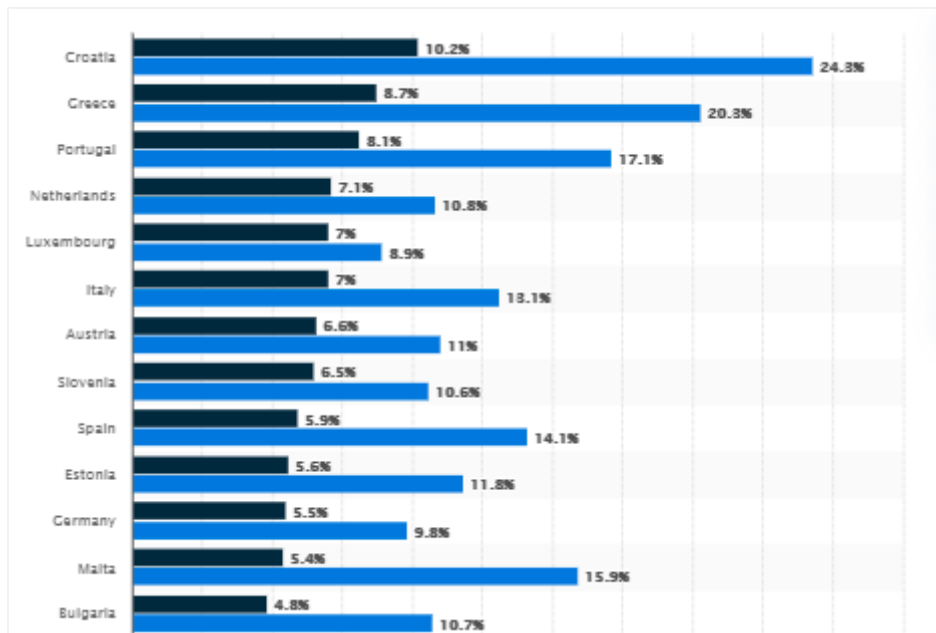
What is extremely important to emphasize is that the huge exposure, weakness and fragility of the Croatian economy lay in the fact that tourism and tourist consumption as the most important industry bring directly or indirectly 16-18% of GDP per year.<sup>24</sup> For this very reason, it was a fundamental blockade of the Croatian economy. The expected economic closure represented the strongest impact on consumption as a major component and component of GDP. Much of the compensation for this problem has just been neutralized and at least approximately reduced damage with the help of the domestic manufacturing industry, and also in the service part through the development of information technology. Unfortunately, their overall contribution to the economy is not strong enough to significantly mitigate and slow the decline in GDP.

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<sup>23</sup> ECB Europa, downloaded 28th of August 2021 from <https://www.ecb.europa.eu/press/blog/date/2021/html/ecb.blog210401~6407b23d87.en.html>

<sup>24</sup> European Commission, Croatia's Tourism Industry: Beyond the Sun and Sea, ECONOMIC BRIEF 036, 2020.

Figure 8 International comparison of the share of tourism in total GDP



Source: <https://www.statista.com/statistics/1228395/travel-and-tourism-share-of-gdp-in-the-eu-by-country/>

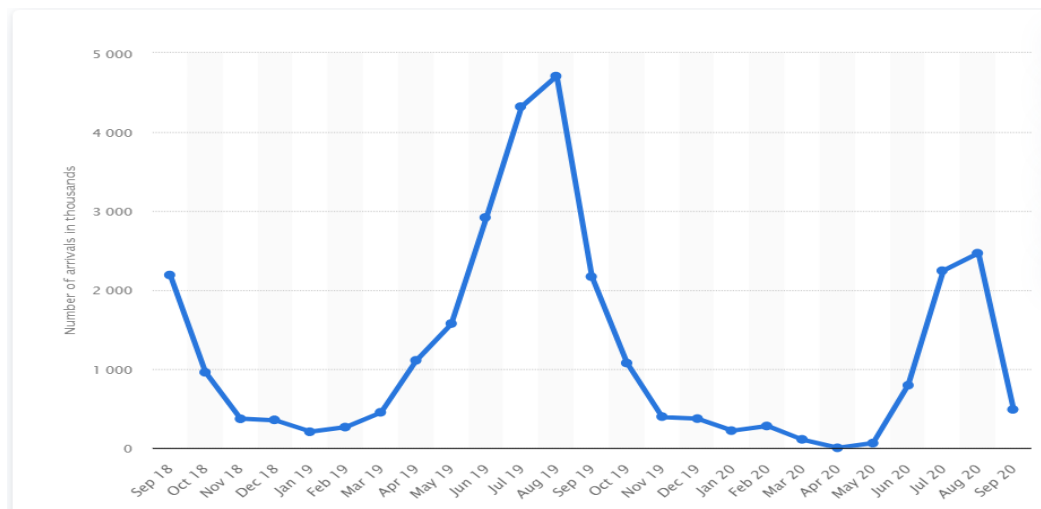
Direct gross value added of tourism is the sum of the part of gross value added in the economy generated by tourism activities or other activities in the economy that serve visitors directly in response to domestic tourism consumption.<sup>25</sup> The direct gross value added of tourism amounted to 31.7 billion HRK and accounted for 10.9% of total gross value added.

Direct gross domestic product of tourism in 2016 - the sum of gross value added achieved by all activities as a result of domestic tourist consumption and net taxes (taxes less subsidies) - amounted to 40.04 billion HRK and its share in total gross domestic product (GDP) was 11.4%.

Tourism as a key industry is the sector most affected because it is most sensitive to epidemiological measures of all kinds. He also showed much better performance than expected at the end of 2020. What was crucial for the contribution to tourism were the lists of countries and their status as desirable or less desirable countries of the country for a tourist visit or trip. It is these epidemiological safety lists that have played an important role in achieving the number of overnight stays.

<sup>25</sup> UNWTO, downloaded 28th of August 2021 from <https://www.unwto.org/glossary-tourism-terms>

Figure 9 Number of monthly arrivals in tourist accommodation in Croatia from 2018 to 2020



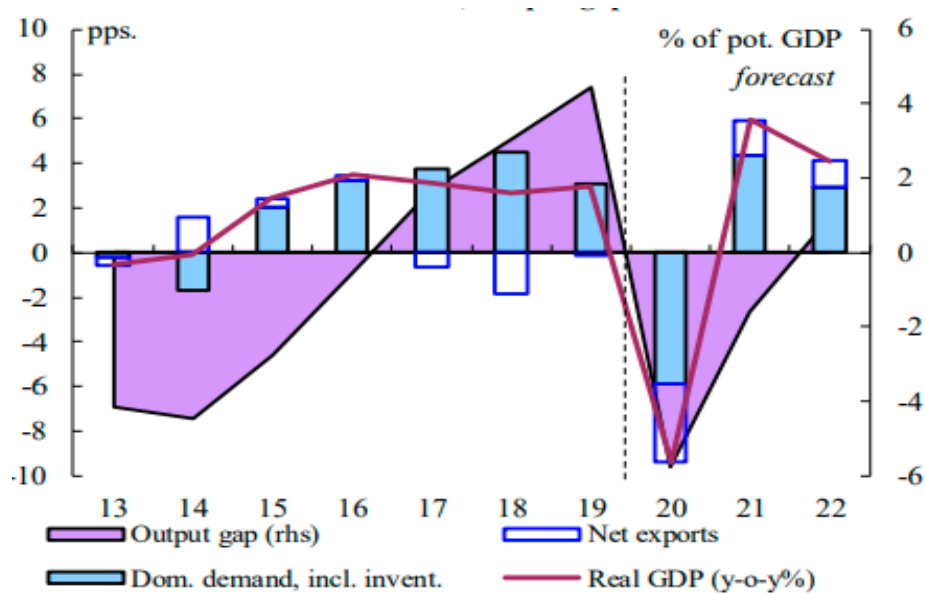
Source: <https://www.statista.com/statistics/1130778/number-of-monthly-arrivals-short-stay-accommodation-in-croatia/>

### 3.2. Government measures

Intervention measures adopted by the governments of the region managed to alleviate the first shock of the crisis and somewhat calm the uncertainty in the economy, but the key and crucial decision for the survival of purchasing power and citizens' standards was a quality balance between measures to protect against the epidemic and ensure economic activity. At the time of the pandemic, the basic parameter for monitoring and analysing economic activities, gross domestic product (GDP) was enormous and current decline, which generally created very negative economic expectations, which included great pessimism and uncertainty about the future period needed for economic recovery.



Figure 10 Real and nominal GDP contraction at the time of pandemic in Republic of Croatia



Source: [https://ec.europa.eu/economy\\_finance/forecasts/2020/autumn/ecfin\\_forecast\\_autumn\\_2020\\_hr\\_en.pdf](https://ec.europa.eu/economy_finance/forecasts/2020/autumn/ecfin_forecast_autumn_2020_hr_en.pdf)

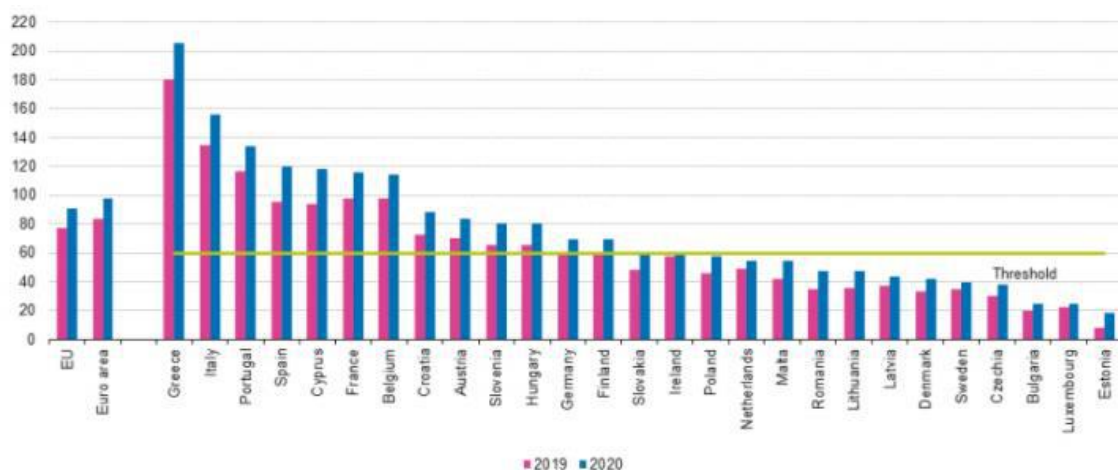
With its decisions, the Government of the Republic of Croatia tried to mitigate the economic consequences caused by an extremely restrictive approach to resolving the spread of the COVID-19 pandemic with the fundamental goal of protecting human lives and health in general. In this sense, it was extremely important at the time to learn absolutely everything that is possible and desirable in accordance with epidemiological restrictions to prevent the spread of the virus, and at the same time to ensure the smooth functioning of the economy. It is these two needs that have required quality balancing precisely because the lack of one is essentially a reduction of the other. This can be concluded from the basic assumption that everyday human functioning cannot function as in normal conditions if there is a decision of prohibition or restriction of movement, prohibition of work in shops and.

From the aspect of financing, the Government of the Republic of Croatia has created financial frameworks and levels of financing with a focus on the domestic capital market and domestic institutional investors. The pandemic and its consequent effects have caused a complete shock globally. Globalization, integration and multilateral trade, which gradually developed until then and offered numerous benefits to countries through the establishment of trade relations, experienced at a given moment.

What many economic analysts were extremely concerned about was the huge contraction of the Croatian economy, whose degree of contraction exceeded even 2008 levels. The greatest fear was caused by the comparison with this year, but also by the time period after it during which Croatia was recovering from the crisis. Black predictions said that this crisis could be much worse than in 2008. What gave a certain amount of optimism is the fact that the Republic of Croatia was not a member of the European Union in 2008, which in the case of the crown crisis played a major role and ultimately had great significance in the time needed for recovery. In this sense, the Croatian National Bank had a strong correlation with the European Central Bank, which opened up numerous opportunities for mitigating the economic consequences of the crisis.

The main reason for the panic regarding the economic situation was the impact of tourism in the overall structure of the Croatian economy. At the time of the pandemic and the consequent epidemiological restrictions, even today, Croatia had an extremely high percentage of tourism in the total economic segment. In this context, a huge problem was the fact that the contraction of the economy was quite rapid, and on the other hand, there was no possibility of rapid and quality transformation of the economic structure. Therefore, many initial analyses were very different because it was extremely difficult to estimate how much tourism as the strongest and most unstable industry would meet the then annual expectations.<sup>26</sup>

Figure 11 Comparison of public debt in 2020 and 2019



Source: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:General\\_government\\_debt,\\_2019\\_and\\_2020\\_\(%C2%B9\)\\_\(General\\_government\\_consolidated\\_gross\\_debt,\\_%25\\_of\\_GDP\).png](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:General_government_debt,_2019_and_2020_(%C2%B9)_(General_government_consolidated_gross_debt,_%25_of_GDP).png)

<sup>26</sup> V. Roška, A. Buneta, M. Papić: The effect of the COVID-19 pandemic on the Croatian economy Zbornik Veleučilišta u Rijeci, Vol. 9 (2021), No. 1, pp. 59-78

The public debt of the Republic of Croatia increased in the pandemic year after a long-term reduction to 89.1%<sup>27</sup>, which had a great impact on the stability of public finances and turning to newspapers to the sources and methods of refinancing public debt. One part of the total borrowing was organized at the level of the entire European Union for all member states. Various mechanisms of the European Central Bank were used, with the basic assumption and thinking that the amount of public debt at a given time should not be a problem. In this regard, the focus had to be on fiscal monetary measures aimed at enabling medical epidemiological services to ensure unhindered health security, which would in turn result in increased economic activity and a return to normal economic flows. In this context, the level of debt of the Republic of Croatia and from the perspective of investors and the wider financial public was not overly important, but their priority in the analysis was the approach of national governments and those measures that will enable the economy in this period generate additional values. to initial levels in pre-pandemic times.

### **3.3. Which sectors were supported the most?**

Immediately at the beginning of the pandemic, the Croatian Employment Service issued instructions for providing support for the preservation of jobs in activities affected by the coronavirus. A necessary precondition for acquiring the right to support was the fact that the company operates in a sector affected by the pandemic. Another criterion for obtaining aid was a decline in income. In addition, the government has introduced a third criterion, in line with health needs, and that is employee vaccinations.

The financial instrument "COVID-19 working capital loan"<sup>28</sup> is intended for small entities holdings affected by the coronavirus pandemic, and it is fully funded by the European Regional Development Fund. Under this Financial Instrument, HAMAG-BICRO is supporting micro, small and medium-sized small businesses to directly approve working capital loans.

The main goal of the Financial Instrument is to provide additional liquidity to micro, small and medium-sized small entities with a reduction in interest rates and a reduction in the level of

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<sup>27</sup> Total Croatia News, downloaded 29th of August 2021 <https://www.total-croatia-news.com/politics/51831-croatia-s-general-government-debt-up-to-89-1-of-gdp-in-2020>

<sup>28</sup> Hamag Bicro, downloaded 29th of August 2021 from <https://hamagbicro.hr/wp-content/uploads/2020/04/FI-COVID19.pdf>

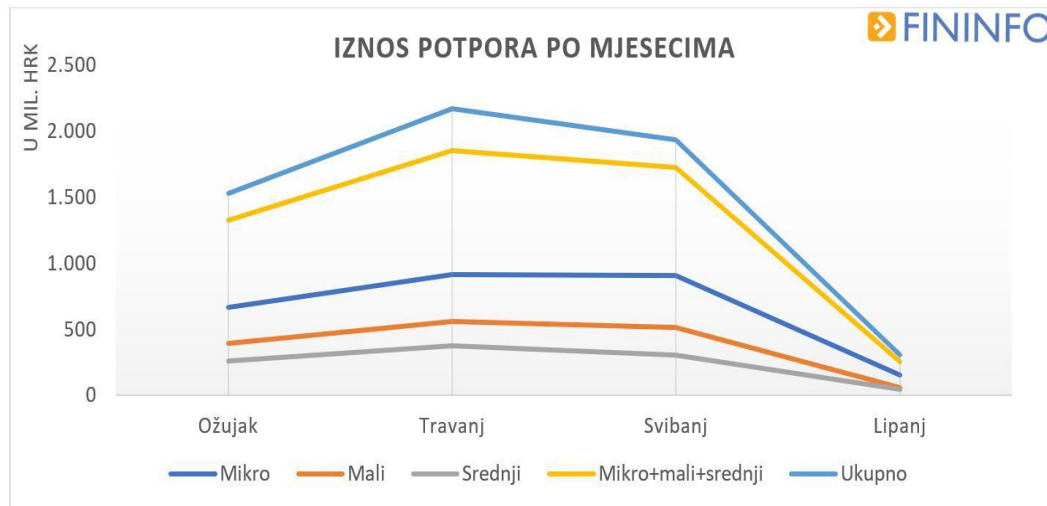
collateral required. Program is aimed at micro, small and medium enterprises that have been active for at least 3 months in 201 year, which are closed by the decision of the Civil Protection Headquarters of the Republic of Croatia of 27 November 2020 but also companies which achieved a drop-in revenue of 60% and more in compared to 2019.

At the time of loan application, eligible final beneficiaries must meet the following criteria: they must have the status of a “small business entity” and meet the following criteria: be micro, small or medium enterprises and micro small business entities with natural and legal persons annually employ less than 10 workers, according to the financial statements for the previous year generate annual operating income in the amount equivalent to 2,000,000.00 EUR or have total assets if they are taxpayers of profit tax or have fixed assets if they are taxpayers of income tax in the amount of equivalent to 2,000,000.00 EUR 2 ii) small business entity - natural and legal persons who employ on average less than 50 workers.

According to the financial statements for the previous year, they generate annual operating income in the amount of the equivalent of up to EUR 10,000,000.00 or have total assets if they are corporate taxpayers or have fixed assets if they are income taxpayers in the amount of the equivalent of EUR 10,000,000.00 iii) medium-sized small business entity - natural and legal persons whose average number of employees, total annual turnover or the sum of the balance sheet or fixed assets is higher than the above, and is in accordance with the Law on Encouraging the Development of Small Business. b) make a profit, and are registered as: i) a company or craft ii) a natural person engaged in self-employed activities iii) an institution, cooperative or other similar entity engaged in economic activity for the purpose of making a profit 2) have more than 50% private 3) do not have a giro account continuously blocked for more than 45 days in the last 6 months, 4) are not a company in difficulty as defined by the state aid rules, which includes that: a) no proposal for opening pre-bankruptcy or bankruptcy proceedings has been submitted; b) no decision has been made for them to initiate compulsory liquidation proceedings or a decision to annul or revoke the decision granting them a work permit 5) they have at least one full-time employee 6) they duly settle existing debts, i.e. they must not be late or fulfil the obligation to pay any other loan / leasing / loan 7) no previously approved COVID-19 working capital loan At the time of investment of loan funds, eligible beneficiaries must have a registered place of business and perform activities in the Republic of Croatia, and

economic activity for which the loan it must be located in the Republic of Croatia and the company must be registered for it.<sup>29</sup>

Figure 12 Amount of monthly support to entrepreneurs in the Republic of Croatia



Source: <https://novac.jutarnji.hr/novac/rasprave-i-rjesenja/najveci-pad-bdp-a-u-posljednjih-20-godina-uz-vise-od-50-000-novo-nezaposlenih-do-kraja-listopada-2020-15036111>

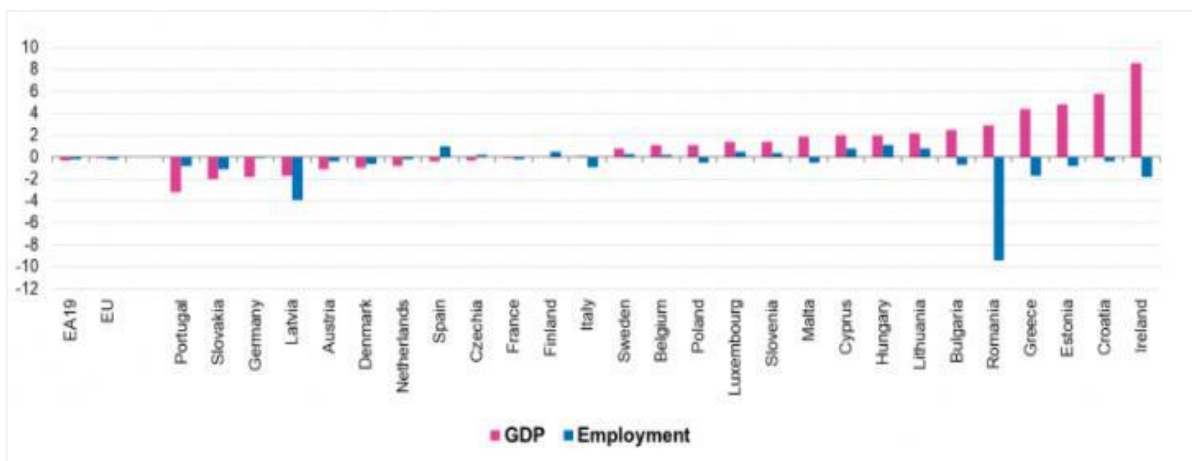
### 3.4. A view on Croatian economy after the Covid-19 crisis

According to data from the Central Bureau of Statistics on the first estimates of GDP trends in the second quarter of this year, GDP growth is a historically record 16.1% higher than in the same quarter last year. It is very important to analyse this figure and the background of this growth in some detail. The largest contribution to this growth stems from the growth of personal consumption, which increased by over 18.4%, and exports of goods and services, which increased by over 40%. In addition, government spending remained stable and grew by about 4%, and investment and exports of goods and services by over 30%. Thus, the growth achieved in 2021 is significantly higher than the expected growth rates of total GDP. The expected growth in the second quarter of 2021 was about 12% growth, while it reached 16.1%. On the production side, all factors including retail, manufacturing, construction and tourism have been remarkably successful. This growth can also be understood and analysed from the perspective of a record decline in GDP of approximately 14% and a large contraction in the same period

<sup>29</sup> Tim4Pin, Hamag Bicro loans, downloaded 29th of August 2021 from <https://tim4pin.hr/10988-2/>

last year, which further justifies such levels of growth this year. Compared to other EU member states, it is achieving outstanding results in the recovery from the Covid-19 crisis alongside Spain, France, Hungary and Italy, and is a leading country in progress among the countries of Southeast Europe. A very important fact is the fact that the GDP growth rate remained almost the same and unchanged in the first and second quarters, which is a positive factor in the observation.<sup>30</sup>

Figure 13 Real GDP movement in the 2nd quarter of 2021 on the European level



Source: [https://ec.europa.eu/eurostat/statistics-](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:GDP_and_employment_growth_rates,_%25_change_over_the_previous_quarter,_based_on_seasonally_adjusted_data,_2021Q1.png)

[explained/index.php?title=File:GDP\\_and\\_employment\\_growth\\_rates,\\_%25\\_change\\_over\\_the\\_previous\\_quarter,\\_based\\_on\\_seasonally\\_adjusted\\_data,\\_2021Q1.png](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:GDP_and_employment_growth_rates,_%25_change_over_the_previous_quarter,_based_on_seasonally_adjusted_data,_2021Q1.png)

<sup>30</sup> Državni zavod za statistiku, accessible at: <https://www.dzs.hr/>

## **4. THE OVERALL EFFECTS OF THE PANEDMIC ON THE ECONOMY AND SOCIETY**

### **4.1. Societal changes in Croatia and the world**

The global pandemic of the coronavirus disease is definitely something the world has not experienced until this time. Of course, there were pandemic catastrophes even before, but nothing like this, simply because it caught up to the whole planet in a very short period of time, when the world didn't even know what was going on. Everything that can be seen nowadays, everything that can be heard, from A to Z, is somehow connected to COVID-19 pandemics and it is something that people cannot avoid, at least for now. Naturally, when something like this strikes and unites the entire world ("uniting" in this sense doesn't necessarily mean something positive), the consequences are dire and they apply to almost all aspects of life. This paper generally referred to economic threats, consequences and help by governments, but it is of high importance to cover the societal impact and changes in the Republic of Croatia and the whole world as well, mostly because it is an aspect that cannot be overlooked when writing and talking about the coronavirus pandemic, but also because the societal changes heavily influence the global economy, businesses, laws of supply and demand, new trends, new industries, new ways of conducting business and, last, but not least, the whole new philosophy of business and economy. There are so many changes in everyday life, in perception of so many things and, through this paper, a better and more thorough look at these changes will be examined.

First of all, when the global media first started to talk about some "new, unknown virus" that was spreading throughout China, people from Europe and other continents were not so worried since most of them consider China a bit cut out of the rest of the world in that sense, but as the media coverage about this new and fast-spreading virus progressed, people from around the world started to ask questions and become more and more interested and engaged in what was going on, what is the situation in China, is it even real or is it just the media trying to cover up some bigger, more important political scandals and secrets on the global level, how is the Chinese government taking care of it and, finally, is there any real and potential threat that this new disease covers up the neighbouring countries and, eventually, the whole planet. Those questions and the posing interest of the worldwide nations were justified since no one has ever encountered something like this, but the truth is that not even the world leaders (as far as we know) did not know what exactly was happening and how to contain it and control it. It was only natural that people were afraid and felt like there was some sort of new war before their

doorstep which could burst out at any moment, but the enemy was invisible and there was no certain way of how to defend ourselves. Even though the world today is called “the global village” and we are more connected than ever, there are so many things that people just cannot know for certain and that particular unfamiliar situation got people panicking and raging around as if the world is about to collapse in front of this new virus. No matter how unbelievable and unreal it may have seemed, people just had to get used to it, at least for now, and live with it as normally as possible because there was no option of running away from it, since everyone was in some kind of danger and no one could predict how the thing will turn out in a month, six months, a year or ten years. To put it in a nutshell, by that time, it began the time that the world today calls “the new normal”.

When the COVID-19 pandemic burst out and covered most of the world, people had to simply accept it and adjust as much as they could, so some everyday life changes were inevitable. When there is a virus that is spreading from one person to another through air, the face masks became a standard necessity for everyone to protect themselves as much as possible from getting infected, while, at the same time, protecting others if maybe that particular person was infected without knowing it yet. Masks and social distancing were obligatory in most part of the world most people really did respect the imposed safety measures because they were afraid for themselves, but also for their families and friends, especially those who lived with elderly people, such as their grandparents and great-grandparents (because the first known facts were stating that this virus causes more damage to older people than it is the case with the younger and middle-aged part of population).

Since the world governments imposed many new laws and regulations which tried to stop people from bigger socializing's, people had to find some other ways of socializing and connecting with each other. That way came the magnified usage of internet and online hang-outs. Of course, the internet usage was already massive even before the COVID-19 crisis burst, but when people had to close themselves up in their homes, there was no other way to connect to people except through online services. From that moment on, there was a huge rise in creating new online content by news reporters, bloggers, influencers, travel bloggers (the ones that somehow managed to move around the globe), podcasters etc. When something like this occurred, the world simply had to switch to living through online services, if there was any chance of it. For example, of course that truck drivers, doctors, police officers, firefighters etc., but a whole lot of other people had to transfer their businesses and professions to an online way of living and conducting business.



This whole situation led to many industries, business and professions realize that they could conduct their tasks and businesses this way and, for many of them, it saved a lot of money and this is definitely something that made the whole world realize there are other ways of living and working, so, naturally, there has been more than a slight shift in many business philosophies and a part of that will definitely stay here way after this whole crisis is finished. For example, during the first wave of the pandemic, it was a time around Easter, the greatest Christian holiday, and, traditionally, the Pope holds masses and Easter ceremonies on St. Peter's square in Vatican in front of tens of thousands of people, but in 2020, Pope Francis was holding masses and ceremonies almost all by himself, while many TV cameras were filming him and transmitting it live to the whole world. Also, because Italy faced the absolute worst COVID-19 scenario during the first wave- there were tens of thousands dead, even more infected, the hospital were overcrowded, healthcare system was on the verge of collapsing, so people needed some kind of comfort in those horrible times, so, many of the greatest Italian classical musicians started making concerts on the streets of Rome and other Italian cities so that people would see and hear at least something soothing and comforting, and that was also streamed on various television programs and social networks. This shows just to what extent people are really social beings because they had to find any possible option to socialize and to be connected to other people.<sup>31</sup>

This is the first time ever that the entire education system transferred to an online system, instead of live, contact classes and exams. This was a great shock for everyone, especially the younger population among students and pupils, such as elementary school pupils. All children are used to socializing with their friends and classmates in their schools and faculties, so, naturally, they were hit the most with it because they don't want to be cut off of their friends and their playtimes, which is extremely important for their personal and social growth, society adjustment, learning and finding out more about themselves. The teachers also had quite some problems adjusting to this new system of teaching and learning, especially the older part of teachers and professors, since they were not used to the latest technology and they had no other option but to adjust as well as possible, but it was really exhausting and there was constantly this impression that this new system was somehow unnatural and that both the teachers and the students were, in a way, suffering from that. This was especially reflecting on little children in elementary schools because they had a harder time understanding the gravity of the situation

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<sup>31</sup> App News, downloaded 23th of August 2021 from <https://apnews.com/article/europe-coronavirus-pandemic-pope-francis-easter-vatican-city-d08ee98ca2bf04669d313f2da327faa6>

and what they should and should not do. Also, the children in elementary schools tend to befriend everyone in their classes, both in school and outside school, so the separation from their friends really wasn't that clear for them because they would socialize with each other either way.

One more educational level that will be regarded in this paper is, of course, the university level of education. Students in Croatia experienced something like this for the first time, but, truth be told, they had a bit easier way to accept this situation because they are used to have everything regarding their studies on their laptops and computers and they definitely had a better understanding of the gravity of the situation and their acceptance of it was more likely than it was the case with high school students and elementary school students, but not that anyone actually liked the “new normal” situation, it was just a matter of somehow accepting it. First of all, not all faculties are the same and not all faculties and studies require the same approach and circumstances. Of course, it was harder for medicine, dental medicine and pharmaceuticals students to fully learn their studies since their professions require physical presence, while some other faculties and studies do not, but it was really hard for everyone. Furthermore, there was the problem with passing knowledge from professors to their students; since they were all on cameras, it was really hard to keep track of who is paying attention and who is not, it was hard to demonstrate something for both professors and students since they were all limited by their screens. Also, the “trickiest” parts were midterms and exams, because of the obvious reasons. There is an obligation for all students to respect and follow the rules of the “Academic integrity”, and it is something it must be respected and followed, but, naturally, it was easier to disobey these rules and obligations when a student cannot be physically monitored by a professor, so, logically, it posed a bit of a problem, but not the problem a huge infection among students would pose if something like this came to be in one of the faculties, so it was a risk that had to be taken and accepted for the wellbeing of all people.

Figure 14 Digital studying during the pandemic time



Source: [https://www.business-standard.com/article/education/education-in-the-time-of-covid-19-how-institutions-and-students-are-coping-120043001575\\_1.html](https://www.business-standard.com/article/education/education-in-the-time-of-covid-19-how-institutions-and-students-are-coping-120043001575_1.html)

Even though there were mostly negative sides of this whole new situation in every aspect of life caused by the COVID-19 pandemics, the same goes for education and higher education, it was not all negative, horrible and devastating. Regarding education, if people had to think about just one positive thing that this COVID-19 crisis has brought, it would probably be the higher level of creativity that both professors and students had to reach in order for their education to be as good and fulfilling as possible. For example, in this situation and state of the world, professors had to implement some new measures and strategies to keep their students “entertained” and up to date. It is only natural to act like this because online classes are definitely not as fun and interactive as the live classes are, so there must have been some kind of way to keep the level of education quality as high as possible. For example, a great majority of students from the Republic of Croatia have experienced a great deal of fun and entertaining, but educative online quizzes, group tasks and group projects, seminars and papers on interesting academic and real-life topics, even homework's that included watching some interesting and educative movies, videos, reading likewise articles etc. If it weren't for the coronavirus pandemics crisis, a lot of students would probably still be waiting for some new, fun and exciting teaching strategies that would definitely make their student years and faculty studies a lot easier, a lot more fun and memorable. All in all, this whole new state of mind and reality caused so many bad, negative, devastating things that make the lives of a lot people very hard, but it is only fair to say that there were some positive sides of the COVID-19 crisis as well, if nothing else, at least people had to find as many ways as possible to try and implement as much creativity as possible in their jobs, professions, businesses and industries, out of which some will definitely stay long after this crisis is over.

#### **4.2. How can this crisis have a positive influence on Croatian society and economy?**

As the old adage goes, "the sun will rise again after the rain." This is something that happens every time. But how can Croatian society and the economy benefit from the global crisis? Well, it did make some changes that would most likely take years to implement, such as using technology to solve bureaucracy issues, papers, documents, and so on, or doing things online, which is a great tool for saving money and time (when used properly). The public opinion is now more critical of what is going on around them, and society as a whole is now more evaluating what their leaders are doing, thinking that never before has their life depended more on them. And that is a good thing; the society that is becoming more involved in what is going

on around them, gathering around similar ideas and making things easier is the society that grows. Croatians began to value their summer visitors more after witnessing the devastation caused by not having a summer season for only one year. But it is also clear that we need a new tourism strategy and that tourism cannot be the primary source of income, which is now a problem for the economy as a whole. This crisis may also serve as a catalyst for the government to make changes to make technology investments more accessible, as we have seen that without technology and the internet, the world would literally collapse. It has also created some new opportunities for us to take advantage of, such as digital nomading, which is now possible for foreigners. It is a concept in which a person who works in a foreign country lives and most importantly, spends in Croatia without encountering any bureaucratic issues. It is regulated, but it is not yet at full speed.

This crisis is also an excellent opportunity to enact some legislation regarding working from home and managing the costs that employees incur when doing so, as well as their rights. It is also unavoidable to acknowledge that some workplaces will be obsolete in the future, and that the government should consider making changes to the educational system as well as institutions that are large generators of unnecessary workforce.

We must recognize that Croatia is not the world's economic leader, nor is it a key component in the majority of social aspects of life. Unfortunately, we are always following trends that originate in the West or the East. It is sometimes beneficial to follow the path that others have already taken, but it would be great to see some new approaches to the challenges. We were fortunate to have a very open and liberal approach to this pandemic, which helped us stay sane and economically strong. We must use that mindset for other things, such as a more proactive approach to start-ups, providing investors with more benefits when entering our country, and redistributing the pressure on the economy when another crisis arises.

Even though the coronavirus crisis brought so many negative things into the lives of all people, there is much that we, as a society, can learn and improve from this situation. First of all, people should remember the old saying that goes: "You cannot know what you have until you lose it", which is actually a great reference to the COVID-19 crisis, since there were so many aspects of life that people just didn't cherish enough until it was gone. For example, it is a well-known fact that Croats love to sit at coffee bars and drink coffee for hours with their friends and family, and that important and "life fulfilling" tradition was taken away from people, so many of them became quite grateful when all those coffee bars reopened. Of course, it's not about just a cup of

coffee, it's about socializing and spending time with your loved ones which means a great deal to everyone, so people cherished these moments of socializing more than ever, especially the younger part of the population. Also, since this crisis is caused by a very infectious virus, people must remember the aspect of health. First of all, since people got locked down inside their homes, the first natural act was to regulate their life in a direction that would best preserve the health of the older part of the population, especially people's grandparents and great-grandparents. Second thing is the perseverance of some other potential threats of various diseases, meaning that people got more aware of other health issues that are lurking around all the time, so the logical conclusion was that the whole well-being of a man's body would also help in a fight against the COVID-19 virus. The health issue was even more noticed by the people working in healthcare system or by the people whose family member worked in that system, mostly because they could witness with their own eyes how devastated the medical workers can get if the system gets overcrowded and we, as a society, cannot live without doctors and nurses, who turned out to be the heroes of this time with their great sacrifices and help for all people.

## 5. CONCLUSION

There is the economic aspect of life and the lessons we can all learn and implement in our economic systems in order for it to become better, more efficient and less expensive to sustain. Also, people saw how fragile some industries can be. The tourism and service sector are quite elastic that they can bring a lot of money and potential to a country, but also, they can cause a lot of people losing their income because they mainly focused their resources in such sectors that can be brought down so easily. Also, regarding production, people learned that it is important for a country to produce its own food and other basic products because, as could be seen in the coronavirus outbreak, the traffic of trucks and other means of transportation that transfer goods like food, beverages etc., can be stopped immediately if necessary, so, many nations depended on imported goods and services which they needed in their everyday life to live and to keep the level of life quality at the same level. This is one of the main reasons why the Croatian government was involved so much in rescuing the Croatian economy by giving great financial support and COVID loans. The Government has set financial frameworks and levels of financing with a focus on the local capital market and domestic institutional investors in terms of financing. The Croatian Employment Service gave instructions to provide support for the preservation of jobs as soon as the pandemic began. The fact that the company operates in a pandemic-affected sector was a crucial precondition for obtaining the right for help. The financial instrument "COVID-19 working capital loan" is intended for small entities, and it is fully funded by the European Regional Development Fund. Under this Financial Instrument, HAMAG-BICRO is supporting micro, small and medium-sized small businesses to directly approve working capital loans. These actions affected the Croatian economy quite a bit; According to data from the Central Bureau of Statistics on the first estimates of GDP trends in the second quarter of this year, GDP growth is a historically record 16.1% higher than in the same quarter last year. The largest contribution to this growth stems from the growth of personal consumption, which increased by over 18.4%, and exports of goods and services, which increased by over 40%. In addition, government spending remained stable and grew by about 4%, and investment and exports of goods and services by over 30%. Thus, the growth achieved in 2021 is higher than the expected growth rates of total GDP. When all is summed up, the actions by the Government and the EU were crucial in keeping the economy stable, but, nonetheless, this can be a good lesson for the future to steer this economy in the right and safe direction to prevent these dangerous situations to threaten the people's lives ever again.

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