



Croatia Report

Zdravko Petak, William Bartlett,
Frank Bönker (Coordinator)

Sustainable Governance
Indicators 2016

Executive Summary

During the period under review, Croatia remained governed by a center-left coalition government that came to office in 2011. Led by Prime Minister Zoran Milanović from the Social Democratic Party (Socijaldemokratska partija Hrvatske, SDP), the government dashed many of the hopes and expectations that had been held by its supporters. The outcomes of the local elections in May and June 2013, as well as the presidential elections in January 2015, in which the popular incumbent Ivo Josipović was surprisingly beaten by Kolinda Grabar Kitarović, the candidate of the Croatian Democratic Union (Hrvatska demokratska zajednica, HDZ), the main opposition party, were clear indications of this declining popularity. Favored by the improving economic situation and the HDZ's turn to the right, however, the Milanović government managed to reverse the trend in the course of 2015. To the surprise of most observers, the HDZ failed to achieve a majority in the parliamentary elections held on 8 November 2015. Instead, a hung parliament emerged, with the new insurgent party Bridge of Independent Lists (or Most-NL) holding the balance of power with 19 out of 151 seats.

Croatia experienced sixth consecutive years of recession from 2009 to 2014. Only after Croatia was placed under the EU's excessive deficit procedure in January 2014 were some reforms eventually launched. However, the European Commission Alert Mechanism Report of November 2014 concluded that macroeconomic imbalances remain a serious concern, falling levels of investment are undermining economic recovery, export performance is weak, and Croatia is steadily losing its share of the global market. The European Commission's June 2015 country report repeated concerns that Croatia has an excessive imbalance that requires specific monitoring and decisive policy action. Croatia started to come out of economic recession in 2015, with GDP growth in the third quarter at 2.8% year-on-year. This was partly due to a strong stimulus from exports which increased by more than 10% in the third quarter of 2015.

In its last year in office, the Milanović government largely refrained from adopting any major reforms. Indeed, the government has been slow to endorse and implement the comprehensive Strategy of Education, Science and Technology, which was unveiled in September 2013 and drafted by more than 100 people, from education-ministry officials to student activists and teachers.

A second case-in-point is the government's failure to systematically reform public administration and state-owned companies. The Law on Public Administration that was eventually passed by parliament in mid-2015 after a long gestation period was short on measures and had no chance of being implemented in advance of upcoming elections.

As for the quality of democracy, developments have been mixed. While the presidential and parliamentary elections were free and fair, a number of controversial Supreme Court and Constitutional Court rulings in 2015 raised suspicions that the courts were repositioning themselves politically in view of the expected HDZ victory in the parliamentary elections. Moreover, the fight against corruption suffered a blow in 2015, when major verdicts, most notably the conviction of former prime Minister Sanader, were reversed for procedural reasons and prominent indicted political actors, including the mayor of Zagreb, were able to re-enter the political scene after having paid high bails.

Key Challenges

The parliamentary elections in November 2015 have changed the political situation in Croatia. Fed up with the polarization among the two leading parties, voters made the new Most-NL coalition the third strongest party right off the bat and the kingmaker between the right-wing Croatian Democratic Union (HDZ) and the Social Democratic Party (SDP). This has complicated the formation of a new government and is likely to undermine its future stability. On a more positive note, the new party might help defuse the strong ideological polarization that has plagued Croatian politics since independence by providing a much-needed reform impetus.

While Croatia finally came out of its six-year recession in 2015, economic challenges remain strong. Arguably the most prominent is the growth of external debt accumulated over the six-year period of recession. Immediately before the economic crisis began in 2007, Croatia's external debt had been around 77% of its GDP and reached an alarming 108% by November 2015. However, the emergence of a positive current account deficit, which has changed from a deficit of €18 million in 2011 to a surplus of €340 million in 2014 has slowed down the increase in external debt and, if maintained, will eventually bring this debt down. In addition, inflows of foreign direct investment have increased dramatically in 2014, with especially large increases from Slovenia. In order support this turnaround, the second challenge for economic policy will be to raise Croatia's export potential. Although export revenues increased in the first three quarters of 2015,

continuing the positive trend from 2014, exports are still only a relatively modest 46% of GDP.

One of the major leftovers from the Milanović government is the reform of public administration and state-owned enterprises. State-owned enterprises have not undergone any substantial reform. The wages in state-owned companies are still significantly higher (around 30%) than in private companies and their efficiency is much lower than that of private companies. As a result, their financing still relies strongly on various subsidies and government guarantees. Such a policy can be expected to lead to a further increase in public debt with no return in terms of corresponding growth enhancing effects. Another important aspect of the reform of public administration is the country's large and complex administrative system. Its streamlining could result in both savings and efficiency gains, and it might also help increase the capacity for absorbing EU funds. Croatia has made relatively little use of them so far, as can be seen by the fact that Croatia has been a net payer to the EU budget in the period from July 2013 to the end of 2015.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 3

Croatia experienced sixth consecutive years of recession from 2009 to 2014. Only after Croatia was placed under the EU's excessive deficit procedure in January 2014 were some reforms eventually launched. However, the European Commission Alert Mechanism Report of November 2014 concluded that macroeconomic imbalances remain a serious concern, falling levels of investment are undermining economic recovery, export performance is weak, and Croatia is steadily losing its share of the global market. The European Commission's June 2015 country report repeated the verdict that Croatia has an excessive imbalance that requires specific monitoring and decisive policy action. Croatia started to come out of economic recession in 2015, with GDP growth in the third quarter at 2.8% year-on-year. This was partly due to a strong stimulus from exports which increased by more than 10% in the third quarter of 2015.

However, what is disturbing and what certainly represents a fundamental challenge for Croatia is the growth of external debt accumulated over the six-year period of recession. Croatia's external debt increased from around 77% of its GDP in 2007 to 108% percent of GDP by November 2015. However, Croatia's current account balance has shifted from a deficit of €18 million in 2011 to a surplus of €40 million in 2014, which has slowed the increase in external debt and will eventually help reduce this debt should the current account balance remain positive. In addition, foreign direct investment inflows grew dramatically in 2014, showing particularly large increases from Slovenia. In order support this turnaround, Croatia must improve its export potential. Although export revenues increased in the first three quarters of 2015, exports remain at 46% of GDP.

In meeting these challenges, successive governments in Croatia have failed to implement an economic policy capable of providing a reliable economic environment or facilitating competitiveness and increasing the country's draw as an economic location. The recent European Commission country report identifies numerous failings in the institutional setup for economic governance. These include a rigid business environment which slows growth, and strict regulations and high administrative burdens which serve as obstacles to entrepreneurial activity. Competition is limited by the near monopoly regime in which some companies operate. Finally, the large share of public enterprises in the economy creates an uneven playing field for private businesses.

Citation:

ECFIN (2014) "Macroeconomic Imbalances: Croatia 2014," European Economy Occasional Papers 179, March, Brussels: Directorate General for Economic and Financial Affairs

European Commission (2014) Alert Mechanism Report, Brussels

ECFIN (2015) "Macroeconomic Imbalances Country Report: Croatia 2015," European Economy Occasional Papers 218, June, Brussels: Directorate General for Economic and Financial Affairs

Labor Markets

Labor Market
Policy
Score: 4

After steadily increasing from 2009 to 2014, the unemployment rate fell from a peak of 18.3% in the second quarter of 2014 to 16.2% in October 2015. While falling unemployment numbers can in large part be attributed to the economic recovery, an expanded and more effective active labor market policy has also helped reduce unemployment. Since 2010, the country has seen more than a fourfold increase in the number of participants in related programs. However, various institutional and policy shortcomings continue to affect labor market performance. The severance payment regime hinders labor mobility and discourages the use of open-ended contracts. The multi-layered social benefits system and generous early retirement options create disincentives to work. The wage-setting regime is not conducive to aligning wage dynamics to macroeconomic conditions. In particular, little has been done to facilitate job creation. From a comparative perspective, it is the low rate of job creation rather than a high rate of job destruction that underlies the weak labor market performance in Croatia.

Taxes

Tax Policy
Score: 4

In Croatia, the share of tax revenues in GDP is low compared to other EU countries. This is partly due to a high degree of tax evasion and an inefficient tax administration. While Croatia has a progressive personal-income tax, the redistributive effects of the tax system are limited by the fact that the tax system relies strongly on VAT and social-insurance contributions, which each

account for about a third of all tax revenues. In contrast, the personal-income tax generates only 9% of total tax revenues, as does the corporation tax. Property tax, which generates only 1% of total tax revenue, is a very underdeveloped form of taxation in Croatia. The amount of tax reliefs, exemptions and incentives in the Croatian profit tax system has been growing year after year. The main aim is to engage in international tax competition to attract foreign investment by reducing the effective rate of profit tax set at 20%. However, allowing tax reliefs reduces the tax revenue available to finance public expenditure, and also increases the administrative costs of tax collection. The various reliefs and exemptions are moreover distortionary and reduce the efficiency of the tax system as a whole.

During its first years in office, the Milanović government tried to shift the tax burden from social-insurance contributions to consumption taxes. No substantial changes in the tax system were made in 2013 and 2014. Because of opposition by the Croatian People's Party (HNS), a major coalition partner, the government has not expanded the property tax. The government reduced the income tax in 2015, with the view of increasing disposable income and thus boosting the personal consumption of the middle class. However, this move has drastically deprived local governments of revenues, which has led to an increase in prices for communal services in several local governments.

Budgets

Budgetary Policy
Score: 5

Croatia joined the European Union in July 2013, and almost immediately, in January 2014, was placed under the EU's excessive deficit procedure. In April 2015, Croatia published its 2015 National Reform Program and its 2015 Convergence Program, as required under the terms of the EU "new economic-governance" system. The latter program outlined a budgetary strategy for correcting the excessive deficit, and for moving the economy to a path of sustainable economic growth. The projected aim was to reduce the deficit to 3.9% of GDP by 2016 and 2.7% of GDP in 2017, effectively delaying the adjustment that was required by the European Council recommendations of January 2014 by one year. The European Commission evaluated those programs, and the European Council issued a set of new recommendations in July 2015. The recommendations heavily criticized the convergence program for basing the forecasts on overly optimistic projections of economic growth in the forthcoming years, and for not providing enough detail about the fiscal-consolidation measures that would be taken to reduce the budget deficit. Overall, the Commission's assessment was that additional efforts would be needed in order to correct the excessive deficit by 2016. The European Council identified a risk that Croatia will fail to comply with the provisions of the Stability and Growth Pact, and that further structural measures will be

needed. The Council has recommended Croatia introduce a property tax, improve VAT compliance, tackle the fiscal risks in health care, and control government expenditures more effectively.

Citation:

Government of Croatia (2015) Convergence Programme of the Republic of Croatia for the Period 2015-2018, Zagreb, April 2015

Government of Croatia (2015) National Reform Programme 2015, April

European Council (2015) Council Recommendation of 14 July 2015 on the 2015 National Reform Programme of Croatia and delivering a Council opinion on the 2015 Convergence Programme of Croatia, Official Journal of the European Union, 2015/C 272/15, 18.8.2015

Research and Innovation

R&I Policy
Score: 3

Croatia does not have a mature innovation system, and has fallen further behind in the field of research and innovation (R&I) policy. The country lacks a coherent and integrated policy framework, companies have low technological capacity to support innovation, and technology-transfer mechanisms are inadequate. While budget outlays for R&D reach about the same proportion of GDP as the EU-28, the results in terms of overall expenditure on R&D are far weaker in Croatia. In 2014, overall spending on R&D was 0.79% of GDP in Croatia, compared to 2.03% in the EU-28. This suggests that the business sector is over-reliant on the government to fund R&D. The Milanović government has done little to use the newly available EU structural funds for modernizing and developing the innovation system. However, the government has played a role in the development of a relatively comprehensive Strategy for Education, Science and Technology. Drafted by more than 100 people, including R&I specialists, the 180-page document was unveiled in September 2013. However, the government has been slow to endorse the strategy and to commence implementation.

Global Financial System

Stabilizing
Global Financial
Markets
Score: 4

Croatia has a relatively stable banking system, with more than 90% of banks under foreign ownership. In recent years, the banking sector has increased its exposure to the government by providing finance to support the budget deficit, while lending to households and corporations has stagnated. The increased exposure to the government sector makes the banks more vulnerable to risks arising from this sector, especially since the profits derived from lending to the government are likely to fall as interest rates decline. The Croatian National Bank shares responsibility for overall financial system stability with the Ministry of Finance and the Croatian Financial Services Supervisory Agency (HANFA). However, the tools that HANFA has at its disposal do not seem to

be particularly efficient. Due to rising foreign debt that has reached almost 100% of GDP, international rating agencies relegated Croatia to the “junk” category in 2013. The main risks to financial stability stem from the deteriorating economic situation, deleveraging by parent banks and the rising number of non-performing loans. While Croatia is rather vulnerable to developments on the global financial markets, its governments have not played a major role in global attempts at reforming the international financial architecture. Nor have they cracked down on money laundering. Croatia is part of the “Balkan route,” a major trade corridor where trade-based money laundering takes place, and where certain private and state-owned companies have been linked to money laundering activities. The Anti-Money-Laundering Office is understaffed, and there is a relatively low rate of convictions for money-laundering offenses.

Since joining the EU, the Croatian financial system has taken full advantage of the free capital mobility that EU membership has made possible. In 2013, Croatian investors sent €1.5 billion to the Netherlands and immediately returned it to Croatia in the form of “foreign investment.” This kind of “round tripping” investment involves Croatian entities establishing themselves in the Netherlands (a tax haven used by multinationals to avoid withholding tax) and routing their funds through the Netherlands entity in order to take advantage of attractive conditions for foreign investment in Croatia. While not illegal, the number of organizations using this tax-avoidance strategy has increased massively in 2014, and the Croatian authorities seem unable or unwilling to control it through effective regulation.

II. Social Policies

Education

Education Policy
Score: 6

Access to education is open and widespread, with almost 60% of each given cohort enrolled in tertiary education. However, upper-secondary education is selective, offering an academic university-prep track for the brightest students, and a system of underfunded vocational schools for the rest. Over three-quarters of upper-secondary-pupils attend such vocational schools in Croatia, compared to just over one-half of pupils in the EU as a whole. As in other former Yugoslavian countries, vocational education is very weak, and there is a high degree of mismatch between what is taught and the demands of employers. Thus, vocational education is not an assured route to a job. Overall access to education in Croatia lags behind the EU average. The expected length of education in Croatia is lower than the average in the EU by more

than one year; similarly, only 70% of 18-year olds are still in education, compared to 80% in the EU as a whole. The quality of tertiary education varies significantly across institutions and even between departments within universities. Universities do not function as unified institutions with common policies, resources and objectives, and the academic culture is poorly developed. The share of the population aged 30-34 years who have successfully completed university education in Croatia is about eight percentage points below the EU as a whole.

The Milanović government has been involved in the development of a relatively comprehensive Strategy of Education, Science and Technology. Drafted by more than 100 people, from education-ministry officials to student activists and teachers, the 180-page document was unveiled in September 2013. However, the government has been slow to endorse the strategy and to commence implementation. Instead, it mandated a new expert team with providing a proposal for a new curriculum.

Social Inclusion

Social Inclusion
Policy
Score: 4

Poverty and social exclusion are major problems in Croatia. Whereas the income quintile share ratio (S80/S20) and the Gini coefficient broadly match the EU-27 average, 29.3% of the Croatian population is at risk of poverty or social exclusion, a figure five percentage points higher than the EU-27 average. In addition, a substantially greater proportion of the population (13.9%) lives in conditions of severe material deprivation (compared to 8.9% in the EU-27). Almost one-quarter of people over the age of 65 live in a dwelling with a leaking roof, damp walls, floors or foundations or rot in windows frames or floor space. About 42% of the population lives in overcrowded accommodation compared to just 8% in the EU-27. The problems of social exclusion and poverty have been exacerbated primarily by the under-performing labor market, and a significant portion of the active population is trapped in long-term unemployment. Labor-market policy and policies dealing with social exclusion are weakly institutionalized, often prone to changes, lacking in strategic objectives and focus, and are almost never evaluated on the basis of efficiency. Social transfers have low replacement rates and are not structured in such a way that they can have any significant impact on social exclusion. Education still constitutes the best route out of social exclusion. However, vulnerable segments of the population are transferred into the vocational stream of secondary education, which mostly does not allow access to higher education. An additional problem is that regional-development policy has failed to address the geographic distribution of poverty and exclusion, and as a consequence regional disparities have deepened since Croatia became an independent country. This problem of

regional inequality and poverty is especially severe in the war-affected areas of Eastern Slavonia, which still have not recovered economically from the effects of the war in the 1990s.

Citation:

Bicanic, I. and Pribicevic, V. (2013) "A NUTS2 view of regional inequality in Croatia," in: W. Bartlett, S. Malekovic and V. Monastiriotis (eds.), *Decentralization and Local Development in South East Europe*, Basingstoke: Palgrave Macmillan, pp. 231-251

For severe material deprivation Eurostat [ile_sip8]

For overcrowded housing [tessi170]; for poor housing conditions [tessi292]

Health

Health Policy
Score: 5

In Croatia, health care services are mainly publicly provided on the basis of a system of social health insurance paid through employer and employee contributions. The contribution of public money in funding health care is approximately 85%, leaving only 15% to market and private consumption schemes. The system is broadly inclusive. Primary care is widely available while specialized care is provided in regional hospitals and national clinical centers which divide work on the basis of the complexity of procedures. There are 568 hospital beds per hundred thousand of the population (the EU average is 526 beds per hundred thousand), and around 300 practicing physicians per hundred thousand of the population, the same as in the EU. The government spent 6.8% of GDP on health care in 2013, which is slightly below the EU-27 average of 7.2%, and there is little room for reducing expenditure. However, access to care is adversely affected by the regional variation in the range of care provided, and there is evidence of significant health inequalities between low and high income groups. Self-reported health status is worse among low-income groups than in the EU as a whole. Resources are not always used efficiently, and suppliers' interests often lead to duplication of resources or syphoning of funds. The low employment rate and the aging population has produced a persistent financial deficit within the system, which is covered from the central government's budget. Due to resource constraints, patients are expected to make co-payments for an increasing range of services. The government adopted a National Health Care Strategy 2012 – 2020 in September 2012, which provided a list of detailed proposals for gradual improvement of the health care system, while ruling out any radical reforms. In the period under review, the focus rested on the separation of the Croatian Health Insurance Fund from the central-government budget and a reduction in the number of hospitals and hospital beds.

Citation:

Mastilica, M. (2012) "Health reforms in Croatia from the user perspective," in: W. Bartlett, J. Bozikov and B. Rechel (eds.) *Health Reforms in South-East Europe*, Basingstoke: Palgrave Macmillan, pp. 31-48.

M.Vehovec(2014) O zdravstvu iz ekonomske perspektive (On Health from the Economic Perspective), Zagreb: Ekonomski institut.

Radin, D. (2013) "The effect of EU Membership on the Health Care Systems of Member Countries in Central and Eastern Europe," *Politička misao: Croatian Political Science Review*, 50 (5): 141-154.

Eurostat data on hospital beds

Eurostat data on practicing physicians [tps00044] on hospital beds [tps00046] and on health finance (gov_10a_exp)

Families

Family Policy
Score: 5

The employment rate among women is 10 percentage points lower than the employment rate among men, and lower than in almost all other EU countries. In 2014, the female employment rate was 50% compared to 59.6% in the EU-27. Moreover, the female employment rate in Croatia was lower than it had been in 2009 by 3.7 percentage points. Maternity pay is relatively generous, while child-care facilities and extended-day programs at school are limited. Only 11% of children aged under three years receive any formal child care per week compared to 28% in the EU-27. From the age three up to the minimum school age, only 47% of children receive any formal child care, compared to 82% in the EU-27. Child-care coverage is especially poor in areas with low employment, which reflects the inability of local government to pay for services. Women with children face challenges within the labor market. Discrimination by employers in some segments of the private sector against younger women is widespread, because it is assumed that the women will eventually require maternity leave. This practice is technically forbidden by anti-discrimination legislation, but is weakly enforced due to weak unions and poor enforcement by government agencies. The new Family Law adopted in June 2014 did not address these issues, focusing instead on expanding the legal rights of young people and on clarifying child-custody issues.

Pensions

Pension Policy
Score: 4

Like some other East-Central European countries, Croatia introduced a three-pillar pension system with a mandatory second pillar in the late 1990s. The average effective replacement rate for pensions is around 40%, partially due to the fact that many pensioners retire early. As a result, pensioner poverty is rather high in Croatia. The rules for calculating benefits are generally equitable. However, war veterans enjoy strong privileges, and inequalities between cohorts have been introduced through irregular supplements that have reflected the electoral cycle. As a consequence of the aging of the population, the low general employment rate and the decline in the effective retirement age, the system is neither fiscally sustainable nor intergenerationally fair. The public pension fund has shown a persistent deficit, which represents a significant risk to the stability of the system.

The government has begun addressing these problems. The Pension Insurance Act of January 2014, intended to stimulate employees to work as long as possible, raised the statutory retirement age from 65 to 67 and the early retirement age from 60 to 62. Under the new rules, early retirement cannot be taken without penalty until 41 years of service have been completed, and eligibility begins only at 60 years of age. Moreover, an amendment to the Act on Social Welfare has allowed the continuation of pension payments even if a retiree takes on a part-time job. Pensions under certain “special schemes” that are above a certain threshold have been temporarily cut by 10% and indexed to GDP growth. New rules covering disability pensions have been introduced, and the occupational-rehabilitation system has been changed. Disability-pension beneficiaries must now undergo a compulsory medical assessment every three years, and are subject to random control assessments. While improving the fiscal sustainability of the pension systems, these reforms have done little to address the issue of pensioner poverty and intergenerational fairness. In the period under review, no further measures have been adopted.

Integration

Integration Policy
Score: 3

Immigration is largely limited to ethnic Croats from neighboring countries, who are de facto integrated and have citizenship and equal access to labor market, social system and education. Other groups of migrants are very small and there is no policy directed at integrating them. The treatment of returnees from among the 200,000 Croat citizens of Serbian ethnicity expelled from the country in 1995 represents a significant gap in migration policy. Nearly 21,500 minority returnees still have outstanding housing, reconstruction and civil-status issues to resolve, with most returnee families needing legal counseling to help them gain access to their basic rights. Many refugees have not been able to return to Croatia, as they were stripped of their rights to socially owned housing after the war.

In autumn 2015, Croatia faced a large influx of refugees from Syria, Afghanistan, Iraq and other Asian countries. More than 350,000 refugees passed through Croatia by early November, with only a few of them seeking asylum in Croatia. This wave of refugees and migrants built up after Hungary had stretched barbed wire along its border with Serbia, thus redirecting the movement of people to Croatia. No incidents of racist behavior directed at the refugees was recorded. This might be explained in part by the living memory of more than 700,000 refugees who found shelter in Croatia during the war in Croatia and Bosnia-Herzegovina in 1991-1992. Hungary’s attempts to close its borders have created fears in Croatia that – as a country still outside the Schengen system – it could be selected by the EU as a processing “hotspot”

for incoming refugees. Such developments could become a source of substantial instability in Croatia and other countries in the region.

Safe Living

Safe Living
Conditions
Score: 9

In Croatia, crime represents no significant threat to public safety and security. The police are generally effective in maintaining public order and combating crime. The police and prosecutors office collaborate effectively with international organizations and countries in the southeast European region, the European Union and internationally. Intelligence services cooperate with their counterparts within NATO and the European Union, and act within an integrated security system. Croatia does not face significant terrorist threats. Organized crime affects the country mostly through transnational and regional crime networks involved in drugs and human and arms trafficking.

Global Inequalities

Global Social
Policy
Score: 4

The Croatian government takes part in the activities of international organizations to which the country belongs; these are mostly in the field of international security and involve armed-forces personnel in various roles. The government does not have a well-developed international-development policy and is little more than a passive participant in most other joint international activities. Trade policy is mostly focused on regional and EU relations, with the government lacking an independent policy beyond this context. For trade issues related to international development, the government follows the policy of the European Union and other international organizations.

Since joining the EU, Croatia's international assistance policy has improved. The National Strategy for Development Cooperation 2015-2020 has been adopted, and the country aims to increase its development aid to 0.33% of GDP by 2030. This includes funds for the European Development Fund, which distributes aid at the EU level.

III. Environmental Policies

Environment

Environmental
Policy
Score: 5

Environmental policy in Croatia has been strongly shaped by Croatia's accession to the European Union. According to the National Strategic Reference Framework, which guides the use of EU Structural and Cohesion

Fund money, Croatia is to spend almost €10 billion on waste management, water management and air protection – the three most important environmental issues in the EU accession negotiations – by 2023. However, implementation of the envisaged measures progressed slowly under the Milanović government. Croatia has started to establish regional waste-management centers at the county level, but failed to meet its commitment in the accession negotiations to reduce its very large share of biodegradable waste (some two-thirds of the total waste transported to landfills) substantially.

During the period under review, major attempts have been undertaken to limit building development in order to maintain the quality of the environment. On the one hand, the legalization of illegal buildings has been accelerated. Some 40% of more than 820,000 requests for legalization had been resolved by October 2015. On the other, the number of construction permits issued has been substantially reduced. However, the announced merging of land registry and cadastre has not been carried out.

Global Environmental Protection

Global
Environmental
Policy
Score: 6

Croatia strongly adheres to international environmental standards. During the accession negotiations with the European Union, Croatia incorporated these standards in its national law almost completely. The country has also supported the goals of the Kyoto Protocol and played a major role in the United Nations' decision to make 2011 the International Year of Forests. In the period under review, however, Croatia did not launch any major global initiatives.

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 9

Candidacy procedures are largely fair and do not suffer from major procedural restrictions. However, participation in parliamentary elections is easier for registered parties than for independent lists. Whereas the latter must collect a certain number of signatures, political parties must do so only for the presidential elections, as well as in local elections for prefects and mayors. A legal amendment which would have introduced uniform requirements was repealed by the Constitutional Court in a controversial decision shortly before the parliamentary elections. One peculiarity of Croatian electoral law is that candidate lists can be headed by people who are not actually candidates. In February 2015, the Croatian parliament adopted an amended law on the election of members of parliament that introduced preferential voting at parliamentary elections. The new regulations were applied in the November 2015 parliamentary elections.

OSCE/ODIHR 2016: Election Assessment Mission Final Report Republic of Croatia: Parliamentary Elections 8 November 2015, p. 8f.

Warsaw.Croatia:<http://www.osce.org/odihr/elections/croatia/223631?download=true>

Media Access
Score: 5

Amendments to the election law in February 2015 changed the legal framework for media coverage of parliamentary elections. The amendments removed the obligation of private broadcasters to cover the campaign and left it up to public broadcasters' discretion to provide candidates proportional rather than equal time in news and analysis. Moreover, debates among candidates were restricted to only one per broadcast media. After the public broadcaster HRT decided to involve only five parties (a decision made based on public opinion polls) for a scheduled debate, the State Electoral Committee judged this decision to be arbitrary and the debate was cancelled. The new rules ended the "clogging" of the media space through numerous insignificant candidates. At the same time, small parties complained of discrimination.

Citation:

OSCE/ODIHR 2016: Election Assessment Mission Final Report Republic of Croatia: Parliamentary Elections 8 November 2015, p. 13-14

Warsaw.Croatia:<http://www.osce.org/odihr/elections/croatia/223631?download=true>

Voting and
Registrations
Rights
Score: 8

All citizens of voting age are entitled to participate in elections, and legislation on this issue is strongly inclusive. For example, prisoners are eligible to vote, and persons without legal capacity were allowed to participate for the first time in the April 2013 European Parliament elections. Before these 2013 elections, the highly outdated voting register was thoroughly cleaned. However, a controversial 2015 amendment to the Law on the Register of Voters limited the automatic registration of voters to those with a valid ID. A provision enabling Croatian citizens without permanent residence in Croatia to take part in national elections if they register in advance remains controversial.

Citation:

OSCE/ODIHR 2016: Election Assessment Mission Final Report Republic of Croatia: Parliamentary Elections 8 November 2015, p. 7-8.

Warsaw.<http://www.osce.org/odihr/elections/croatia/223631?download=true>

Party Financing
Score: 5

With the adoption of the Law on Political Parties and Campaign Funding in February 2011, the regulation of political finance has become more transparent and effective. The new law has made it obligatory to disclose party revenues and expenditures, introduced limits on private donations, donations from the business sector and campaign spending and established a ban on foreign donations. However, the reliability of the reports submitted is questionable – there is an excessive reliance on public funds to finance parties and campaigns and insufficient public control of party and campaign budgets. The key problem in implementing effective bans on inappropriate campaign funding is the weakness in enforcing the law. In-kind services and various forms of indirect money transfers from the business sector allow legal restrictions to be circumvented, and make it difficult to obtain a clear picture of party finances. The monitoring capacity of the State Electoral Committee is weak, as it can open its own investigations only after having received official financial reports from political parties or individual candidates. In a big step forward, the State Auditing Office has also begun to carry out systematic audits of the campaign budgets of political parties and individual candidates. However, it can neither conduct random audits nor react to external complaints.

Popular Decision-
Making
Score: 6

While the law provides for some forms of popular decision-making, there is no strong tradition of organizing and holding referenda in Croatia. The Sabor, the Croatian parliament, can call a national referendum if it is proposed by at least 10% of the electorate. In the past, the Sabor has refused to do so even in cases of high-profile initiatives by war veterans (2000) and trade unions (2010). Local referenda have also been rare; only a few have ever taken place. However, the wave of referendum democracy that was ushered in by the success of the referendum on the constitutional definition of marriage in early December 2013 has continued. In June 2015, a group of 15 trade unions and

NGOs started to collect signatures for “a referendum on referendums.” The initiative aims to make it easier to carry out popular initiatives by reducing the number of signatures required to place an issue on parliament’s agenda from about 380,000 to 200,000 and by allowing signatures to be collected at all public places and not in government offices exclusively.

Access to Information

Media Freedom
Score: 5

Media freedom in Croatia is limited. Political influence on the media is still fairly strong, especially at the local and regional levels, as is the influence of private media owners. Media freedom has also suffered from the poor working conditions afforded to journalists, who are not protected by collective agreements.

Media Pluralism
Score: 5

Media pluralism in Croatia is limited. The TV market is dominated by the public TV station Croatian Radiotelevision (Hrvatska radiotelevizija, HRT) and two private broadcasters, Nova TV and RTL. Two companies and a single distribution network dominate the market for print media. Ivica Todorić, whose Agrokor group owns the distribution network, also controls most of the marketing agencies and thus most of Croatia’s advertising budgets. Given the hands-on approach of many private media owners, these oligopolistic ownership structures have infringed upon the freedom of the media. One of the dominant print-sector companies, Europa Press Holding (EPH) replaced on of its best-known liberal columnists, Boris, and replaced it with several far-right journalists in 2015. The financial problems of the independent daily Novi list have raised concerns about its future. The Milanović government has done nothing to improve media market regulation. Legal provisions aimed at limiting cross-ownership have not been enforced.

Access to
Government
Information
Score: 7

The Right of Access to Information Act has been in place since 2003 and the legislative framework is relatively well established, particularly thanks to later amendments to the act. However, access to information continues to lack transparency, and some public institutions even fail to submit the required regular reports on the enforcement of the act. These reports are coordinated by the Personal Data Protection Agency (AZOP). AZOP still lacks some of the mechanisms required for the implementation of requests made to public-authority bodies. Moreover, AZOP is not authorized to represent the public interest in the most important cases dealing with classified information. In October 2013, however, a long-standing demand by NGOs was met, and the first commissioner for the right of access to information was elected by parliament. The commissioner’s monitoring activities increased and become more visible in 2015. They have nonetheless been constrained by the lack of sufficient funding available for the commissioner’s office.

Civil Rights and Political Liberties

Civil Rights
Score: 5

Civil rights are formally protected by the constitution and other laws. The Ombudsman and specialized ombudspersons play an important role in the protection of human rights. However, the Ombudsman's recommendations are not always followed up carefully. The Kosor government's judicial-reform strategy (2011 – 2015) sought to increase the effectiveness of the judicial system. Nevertheless, the need to reduce the backlog of civil, commercial and enforcement cases is still pressing. Domestic war-crimes prosecutions remain a weak point within the judicial system, as it moves slowly and displays an institutional bias in favor of ethnic-Croat suspects. The rights of tenants of Serbian ethnicity who were expelled from the country in 1995 remain an open issue, as the implementation of housing programs for returning refugees continues at a slow pace.

Political Liberties
Score: 7

In Croatia, political liberties are largely respected. There are laws that guarantee the freedom of assembly and the freedom of association. However, the Law on Public Assembly is more restrictive than in France or the United States, containing an obligation to outline the purpose of an assembly, and limiting spaces available for public assemblies. While the constitution guarantees freedom of expression, the criminalization of defamation, insult and shaming remains at odds with international standards.

Citation:

Gardašević, Đorđe, 2011: Pravo na javno okupljanje u hrvatskom i komparativnom pravu, Zbornik radova Pravnog fakulteta u Splitu, 48 (3): 487-519.

Non-discrimination
Score: 5

Although discrimination has been prohibited by several different legislative acts for some time, the new Anti-discrimination Act (ADA), which entered into force in 2009, was an important step. The new act prohibits discrimination in 10 specific areas of social life and distinguishes 17 different forms of discrimination. It has enabled new forms of judicial redress for cases of discrimination. The Ombudsman institutions have a large role in combating discrimination, and the Office of the Public Ombudsman serves as a central anti-discrimination body under the ADA. However, although discrimination is prohibited by the law, the legislation has not been fully implemented, and certain vulnerable groups still experience widespread discrimination. In particular, the Roma encounter discrimination in almost all areas of life, especially in education and employment. In addition, although Croatia has a good legal framework governing minority rights, Croatian citizens of Serbian ethnicity continue to experience discrimination.

Rule of Law

Legal Certainty
Score: 5

The Croatian legal system puts heavy emphasis on the rule of law. In practice, however, legal certainty is often limited. As regulation is sometimes inconsistent and administrative bodies frequently lack the necessary legal expertise, executive ordinances do not always comply with the original legal mandate. As a result, citizens often lack confidence in administrative procedures, and frequently perceive the acts of administrative bodies to be arbitrary.

Judicial Review
Score: 5

Croatia has among Europe's highest level of judges and court personnel per capita. The independence and quality of the judiciary were a major issue in the negotiations over EU accession. Reforms in early 2013 changed the process by which justices of the highest regular courts (Supreme Court, High Commercial Court, High Misdemeanor Court and High Administrative Courts) were appointed, with a view to increasing judicial independence. Justices are now selected by an independent council (the State Judicial Council, or SJC) consisting of their judicial peers (nominated and elected in a process in which judges of all courts participate), two representatives of legal academia (elected within legal academia by their peers) and two members of the Sabor (elected by a parliamentary majority). The SJC has a mandate to elect judges on the basis of prescribed professional criteria and through a transparent procedure. Judges are appointed for life, and their appointment can be revoked only in extraordinary circumstances by the SJC. Despite these reforms, however, the system of administrative courts still shows significant signs of inefficiency. Because of the traditional formalistic understanding of their responsibilities, administrative courts tend to limit their decisions to a simple declaration of formal illegality of administrative acts while, at the same time, avoiding decisions that would resolve a dispute. Consequently, citizens are often referred back for a new decision to the same administrative bodies that violated their rights in the first place, without any guarantees that the new decision will correct the original mistakes. As a result, administrative procedures frequently take an unreasonable length of time. The Milanović government carried out a reform of the judiciary in 2014 and 2015 that succeeded in substantially reducing the number of courts and in overhauling misdemeanor law. However, the judiciary's structural problems have persisted. Courts still have to deal with too many cases, incomparably more than the European average. The procedures for out-of-court settlement are not sufficiently developed and the costs of litigation are so low that they stimulate a stalling of judicial proceedings. A number of controversial Supreme Court and Constitutional Court rulings in 2015 raised suspicions that the courts were repositioning themselves politically in view of the expected HDZ victory in the parliamentary elections.

Appointment of
Justices
Score: 8

Constitutional Court Justices are appointed by the Sabor on the basis of a qualified majority (two-thirds of all members of the Sabor). The eligibility criteria are prescribed by the constitutional law on the Constitutional Court. The criteria are rather general and represent a minimum that candidates need to fulfill in order to apply. Candidates are interviewed by the parliamentary committee tasked with proposing the list of candidates to the plenary session. There is a notable lack of consistency in this interview process, as the committee does not employ professional selection criteria. Constitutional Court justices are appointed to the court for a period of eight years. Their mandate can be revoked by the Sabor only in extraordinary circumstances related to their involvement in criminal acts.

Corruption
Prevention
Score: 5

Corruption is one of the key issues facing the Croatian political system, and ranked high on the agenda of the accession negotiations with the European Union. Upon coming to office in 2009, Prime Minister Kosor made the fight against corruption one of her priorities and succeeded in improving the legal framework and its enforcement. The implementation of anti-corruption measures was gradually reinforced in 2013 and 2014. However, the fight against corruption lost ground in 2015, when major verdicts, most notably the conviction of former Prime Minister Sanader, were annulled for procedural reasons and prominent indicted political actors, including the mayor of Zagreb, were able to re-enter the political scene after having paid considerable bailout sums.

Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 7

The introduction of strategic-management tools has just begun in Croatia's public administration. At the central-government level, strategic planning over the last decade has been dominated by the goal of EU accession. Since joining the EU in 2013, strategic planning capacity has increased substantially, in part due to the learning process that took place during the accession period, but also thanks to Croatia's inclusion in the EU strategic planning exercise organized within the framework of the European Semester. The most recent examples of improved strategic planning can be found in the National Reform Program which sets out the structural reform measures undertaken by the government to comply with the recommendations of the European Council, and the convergence program of April 2015 which aims to align Croatia's economic policies with the jointly defined goals and provisions of the EU in the field of microeconomic policy.

Scholarly Advice
Score: 4

The 2009 Societal Consultation Codex, which serves as guidelines for the policymaking process, mentions the consultation of academic experts. In practice, however, the involvement of academic experts in the policymaking process remains rare. Moreover, it is largely limited to the early phases of policy formulation, and does not extend to the final drafting of legislation, let alone the monitoring of implementation.

Interministerial Coordination

GO Expertise
Score: 3

In Croatia, the Prime Minister's Office lacked until 2014 a central policy unit able to evaluate and coordinate the activities of the line ministries. At the beginning of 2014, a unit for public policy coordination and support to the prime minister was established in the Prime Minister Office. The unit has jurisdiction for coordination and monitoring public policies performed by line

ministries. However, the capacity of the staff to provide reliable applied policy analysis is limited.

Citation:

Z. Petak (2015) Evidence-Based Policy Making and the Implementation of Regulatory Impact Assessment in Croatia. *Management and Business Administration: Central Europe*, Vol. 23, no. 2, pp. 147-162.

GO Gatekeeping
Score: 5

The Prime Minister's Office (PMO) has the political authority to return policy proposals it receives from ministries. However, its gatekeeping role is limited by its weak sectoral-policy expertise. Under the Milanović government, the PMO has played only a subordinate role in interministerial coordination.

Line Ministries
Score: 4

Line ministries consult with the government's Legislation Office, but this consultation is mostly formal, focusing on technical and drafting issues. Ministries normally enjoy huge leeway in transforming government priorities into legislation, and there is no stable and transparent arbitration scheme that would give the Prime Minister's Office a formal role in settling interministerial differences.

Cabinet
Committees
Score: 6

The rules of procedure of the Croatian government provide for different kinds of cabinet committees and assign a major role in policy coordination to them. The prime minister and the vice prime ministers form the core cabinet (Uzi cabinet vlade). In addition, there are various permanent and non-permanent cabinet committees that focus on particular issues. As there is little ex ante coordination among ministries, controversies are often pushed upwards, with cabinet committees playing an important role in resolving conflicts. However, the quality of coordination suffers from the fact that cabinet committees are absorbed by these disputes and other matters of detail.

Ministerial
Bureaucracy
Score: 4

The direct coordination of policy proposals by ministries is limited. There is no stable and transparent scheme for settling interministerial differences within the bureaucracy. The ministries in charge of drafting proposals rarely set up working groups that include peers from other ministries or government bodies. Deadlines for comments by other ministries are often too abbreviated, capacities for comments are sometimes inadequate, and comments made by other ministries are often not taken seriously.

Informal
Coordination
Score: 4

Informal coordination in the form of meetings between the coalition partners featured prominently under the Milanović government. Meetings were mostly held between Social Democratic Party (Socijaldemokratska partija Hrvatske, SDP) and Croatian People's Party – Liberal Democrats (Hrvatska narodna stranka – liberalni demokrati, HNS) leaders, with the other coalition partners – the Istrian Democratic Assembly (Istarski demokratski sabor, IDS) and the Croatian Party of Pensioners (Hrvatska stranka umirovljenika, HSU) – playing a minor role. A strong reliance on these informal-coordination mechanisms helped maintain the tradition of keeping strategic decisions and policy coordination largely within the political parties' ambit, preventing the

development of more formal and transparent mechanisms of policy coordination or a strengthening of the public administration's role.

Evidence-based Instruments

RIA Application
Score: 6

The EU accession process has accelerated the development of RIA in Croatia. In July 2011, the Kosor government adopted an RIA bill and reestablished the Government Office for Coordination of the Regulatory Impact Assessment System that had been abolished in July 2009 as a reaction to populist critique. In accordance with the RIA Action Plan for 2013 – 2015, the office became a department of the government's Legislation Office, and RIA implementation coordinators were appointed in all ministries. Since 2012, all government bodies have been obliged to prepare annual regulatory plans specifying which of their planned regulations should undergo an RIA. However, this obligation is often disregarded. In 2014, 98 out of 143 legislative proposals were not subject to RIA, in the first half of 2015 41 out of 75. Neglecting the efforts of ministries and agencies that are using RIA, RIA results are not featuring prominently in cabinet sessions.

Citation:

Z. Petak (2015) Evidence-Based Policy Making and the Implementation of Regulatory Impact Assessment in Croatia. *Management and Business Administration: Central Europe*, Vol. 23, no. 2, pp. 147-162.

Quality of RIA
Process
Score: 4

In 2011 and 2012, the government's Legislation Office created a new legislative framework for RIA. It also developed the administrative capacities for implementing RIA procedures and established stable partnerships with representatives of the business community (Croatian Chamber of Commerce, Croatian Employers Association, Croatian Chamber of Crafts, Croatian Banking Association), some civil-society organizations (Croatian Law Center, Croatian Youth Network, Forum for Quality Foster Care, Croatian Business Council for Sustainable Development) and unions (Trade Union of Textile, Footwear, Leather and Rubber Industry). However, one weakness of the RIA process in Croatia is the low level of inclusion of the public in the process and the difficulty of exerting real influence on regulatory plans. The RIA Act stipulates that the proposed regulatory plan be posted on the official website for not less than 15 days. In practice, the attitudes of regulators (ministries, agencies) toward the openness of the policymaking process have varied considerably. Some ministries opened the entire RIA process to the public, asking stakeholders for feedback to their bill drafts. Other ministries ignore the importance of getting feedback from the public, thereby undermining the effectiveness of the whole RIA project.

Citation:

Z. Petak (2015) Evidence-Based Policy Making and the Implementation of Regulatory Impact Assessment in Croatia. *Management and Business Administration: Central Europe*, Vol. 23, no. 2, pp. 147-162.

Sustainability
Check
Score: 4

Croatia adopted a sustainability strategy in 2009. However, neither this strategy, the RIA Strategy or the RIA Action Plan for 2013 – 2015 provide for comprehensive sustainability checks. RIA is supposed to consider a broad range of impacts, including fiscal, economic, social and environmental, but the actual quality of assessments is low. There is no systematic differentiation between the short, medium and long term. RIA implementation has featured a rather selective bias that depends on regulators' attitudes regarding an open policymaking process. Some ministries opened the entire RIA process up to the public, requesting feedback on draft bills from stakeholders. Unfortunately, there are still ministries and agencies that do not sufficiently value public feedback, which undermines the purpose of RIA. A poor communication strategy regarding RIA application has also generated further problems. The Croatian government promotes RIA as a tool relatively rarely, thereby de facto neglecting the efforts of ministries and agencies that implement RIA tools.

Societal Consultation

Negotiating
Public Support
Score: 4

Consultation of societal actors in Croatia has been governed by the 2009 Societal Consultation Codex. In practice, consultation has been limited, and the economic crisis has caused a general trend of weakening with regard to the mechanism of social dialogue as an instrument for policymaking. Under the Milanović government, the tripartite dialogue between representatives of the government, employers and trade unions in the Economic and Social Council has been marked by a lack of trust and respect.

Policy Communication

Coherent
Communication
Score: 4

The Prime Minister's Office is responsible for policy coordination and the communication of policy to the general public through the Public Relations Service. Under the Milanović government, contradictory statements by different ministries have increased, and the government has done little to streamline its communication policy.

Implementation

Government
Efficiency
Score: 5

The Milanović government failed to set clear and measurable goals and was ineffective in reaching most of the policy goals formulated in its own strategies, programs and multi-year frameworks. It did not carry out the systematic reform of public administration and state-owned companies that it had promised for 2015.

Ministerial
Compliance
Score: 5

Prime Minister Milanović has been much less effective in ensuring ministerial compliance than his predecessor. He has failed to bring his ministers into line and some of them have been able to follow their own agenda. As a result, the government's activities have sometimes been incoherent or even contradictory.

Monitoring
Ministries
Score: 4

The Secretariat General of the Government is just one of the central-government organizations involved in monitoring the activities of line ministries. Its restrictive remit constitutes a major capacity gap. More important has been the Ministry of Finance, as the 2010 Fiscal Responsibility Act has given it far-reaching powers to monitor the activities of any organization drawing funds from the central budget.

Monitoring
Agencies,
Bureaucracies
Score: 4

Croatia has about 75 executive agencies, six of which are regulatory agencies. The tasks of these agencies are determined by law. The two most important monitoring instruments are certain reporting requirements and the representation of ministers or senior civil servants on the agencies' management boards. Reports are not based on redefined performance indicators, but are more a loose and often self-congratulatory review of agencies' activities in the past year. They are seldom discussed after publication. As a result, the agencies enjoy a relatively large amount of discretion and face primarily political constraints. The proliferation of agencies has been a source of waste and inefficiency. The Milanović government has started an evaluation of agencies with the aim of establishing new monitoring and coordination mechanisms.

Task Funding
Score: 4

In Croatia, the division of competencies between central and subnational governments has been relatively stable. By far the most important revenue source of subnational governments is the personal-income tax, which contributes about 90% of all tax revenues and slightly more than half of total revenues. The remaining taxes account for only around 6% of total revenue, the most important being the property tax (approximately 3,3% of total revenue). The second most important source of revenue is the various types of administrative fees (user charges being the most significant among them, as they collectively make up approximately 17% of total subnational revenues). Grants from the central government (often administered via counties) and various assistance funds from abroad rank third. Finally, about 8% of subnational governments' revenues derive from the various types of property they own (business premises, apartments). The reduction of the personal income tax in 2015 has drastically deprived local governments of significant revenue. Strong regional and local differences have long hindered subnational governments from being properly financed. Many municipalities and towns, most of them in rural areas, are poor and therefore face severe difficulties in providing public services.

Constitutional
Discretion
Score: 4

In Croatia, the autonomy of local and regional self-government units is substantially limited. In violation of the European Charter on Local Self-Government, local units are usually not allowed to regulate and expand their autonomous scope of activities on their own. In the case of activities devolved to local self-government units by the central government, a central-government body issues instructions to county prefects and mayors. The Ministry of Administration can dissolve the representative bodies of local or regional self-government units if they violate the constitution or laws. The Milanović government established an Advisory Council for Decentralization headed by Deputy Prime Minister Neven Mimica in February 2012, but eventually failed to clarify the relations between the different tiers of government.

National
Standards
Score: 2

There are no national standards for public services in Croatia. Modern systems for the improvement of service quality such as ISO, EFQM or similar public-management standards are not implemented in the Croatian public sector. Moreover, the productivity, efficiency and quality of local self-government units are not systematically measured, and local-government budgets are currently monitored only on the basis of the economic purposes of local-government spending, rather than on its outcomes. There is not even a catalogue of services that local and regional self-government units (municipalities, towns, counties) should provide to the local community. The absence of clear national standards is particularly visible in the field of social policy. Here, the implementation of central-government regulation has differed strongly among municipalities. Some have even ignored legal requirements such as the provision in the Act on Social Welfare that municipalities should use 5% of their budgets for housing allowances for socially marginalized groups.

Adaptability

Domestic
Adaptability
Score: 6

Croatia's accession to the European Union and NATO has been accompanied by substantial changes in domestic-government structures, ranging from the reintroduction of RIA to the passage of the Societal Consultation Codex and the strengthening of capacities for policy coordination. The reshuffling of competencies following accession, for example with the shift in responsibility for EU coordination to the Ministry of Foreign Affairs and the integration of the former Central Office for Development Strategy and Coordination of EU Funds (CODEF) into the Ministry of Regional Development and EU, has not always gone smoothly. The ability of the Croatian administration to absorb the newly available EU funds has remained limited. The government's long-awaited Strategy for Public Administration was passed only in June 2015 and addressed these concerns only partially.

International
Coordination
Score: 5

Croatia has supported major global reform initiatives, especially in environmental affairs. However, the Milanović government did not pay particular attention to improving the country's capacity to engage in global affairs or to assessing the global repercussions of national policies. Unlike her predecessor, the new president Kolinda Grabar Kitarović was not very active in improving cooperation with the other successor states of the former Yugoslavia.

Organizational Reform

Self-monitoring
Score: 4

There is no regular self-monitoring of the institutional arrangements of Croatian governments. Public organizations are supposed to prepare annual reports, but often fail to do so, and do not use these reports to examine deficiencies.

Institutional
Reform
Score: 6

In the period under review, no major institutional reforms were undertaken. In mid-2015, parliament eventually passed the government's long-awaited Strategy for Public Administration. However, this strategy failed to specify the measures needed for achieving the many goals set out in the document.

II. Executive Accountability

Citizens' Participatory Competence

Policy
Knowledge
Score: 4

Citizens' policy knowledge in Croatia is limited. Most citizens show only minimal political interest. Moreover, the media situation makes it difficult to obtain detailed information on specific government policies.

Legislative Actors' Resources

Parliamentary
Resources
Score: 6

Members of the Croatian parliament or Sabor have limited resources. Parliamentary committees are supported by some parliamentary staff. The Sabor has an Information and Documentation Department that keeps track of the Sabor's legislative activity and responds to queries for information from MPs and parliamentary staff about bills in progress and transcripts of plenary sessions. There is also a parliamentary library with various collections in the fields of law, politics, history, economics and sociology. However, the support staff for individual MPs is relatively small, as the budget of the Sabor allows for a secretary for every parliamentary group and one additional advisor for every 15 group members. Moreover, the Sabor does not have an office for

Obtaining Documents Score: 7	policy analysis, and the staff of the Sabor is characterized by formal-legalistic thinking.
Summoning Ministers Score: 6 Summoning Experts Score: 10	According to Article 115 of the Standing Order of the Croatian Parliament or Sabor, any working bodies of the Sabor may “seek a report and data from ministers of state or officials who administer the operations of other state administrative bodies,” and ministers are obliged “to report on issues and affairs within the authority of the ministries or other state administrative bodies, to submit a report on the execution and implementation of laws and other regulations and the tasks entrusted to them, to submit data at their disposal, or data they are obliged to collect and record within the scope of their duties, as well as records and other documents necessary to the work of parliament or its working body, to respond to posed questions.” However, these rights are seldom used de facto. The most commonly used supervisory mechanism are oral or written questions to the government.
	Parliamentary committees can summon ministers for hearings, but rarely do so.
	Croatia is one of the rare countries where experts can be named as outside members of parliamentary committees, and this has become a regular practice. The Committee for International Relations, the Committee for European Integration and the Committee for Internal Affairs and National Security are the only exceptions to this rule. Some civil-society actors, such as Citizens Organize to Oversee Voting (Građani organizirano nadgledaju glasanje, GONG), insist that committees’ use of experts be fully open through the use of a transparent summoning process.
Task Area Congruence Score: 8	In the 2011-2015 term, parliament had 28 general committees and two special committees – one targeting corruption, the other in charge of overseeing security services. While some committees deal with internal parliamentary affairs such as the Credentials and Privileges Committee, the Interparliamentary Cooperation Committee and the Petitions and Appeals Committee, the task areas of the parliamentary committees largely match those of the 22 ministries.
Audit Office Score: 9	The Auditor General is elected by the parliament or Sabor for an eight-year mandate, and can be removed by the Sabor only if he or she is unable to conduct his or her work or is convicted for a criminal act. The Audit Office reports to the Sabor at the end of every fiscal year. It undertakes a broad range of audits and acts independently.
Ombuds Office Score: 6	The institution of the People’s Ombudsman was introduced with a special constitutional law in 1992, and the first ombudsman started his mandate in 1994. According to Article 2 of the Ombudsman’s Act, the Ombudsman is “a commissioner of the Croatian Parliament for the promotion and protection of human rights and freedoms laid down in the Constitution, laws and international legal acts on human rights and freedoms accepted by the

Republic of Croatia.” He or she is appointed by the Croatian parliament or Sabor for a term of eight years, and can be reappointed. In practice, most government institutions do not react promptly to the Ombudsman’s requests, with requests often left pending for considerable time.

Media

Media Reporting
Score: 5

As a result of the rise of media conglomerates and the dominance of foreign owners, the Croatian media sector is highly commercialized. Entertainment genres prevail in both the electronic and print media. Croatia lacks a great, serious daily newspaper comparable with Delo in Slovenia or Politika in Serbia. Nevertheless, the newspapers Jutarnji list and Vecernji list provide good coverage of Croatian political, economic and social affairs.

Parties and Interest Associations

Intra-party
Democracy
Score: 4

Croatian parties are characterized by a rigid structure. The degree of intra-party democracy is generally low, as participation of members is limited and selection procedures and debates are largely controlled by the party leadership. In the HDZ (Croatian Democratic Union), no internal elections take place. The SDP is somewhat more open, but does not tolerate the existence of open political factions. In the parliamentary elections in November 2015, a new party, Most-NL, emerged as a successful insurgent party, which may fuel criticisms of the two major parties and their decision-making processes.

Association
Competence
(Business)
Score: 3

Trade unions have traditionally played a significant role in Croatia. Union membership rates are relatively high, and unions have been quite powerful in organizing protest against the government’s austerity measures. Like the Croatian Employers Association and most other economic interest associations, however, the unions have focused on opposing government proposals and have lacked the will – and the capacity – to develop their own proposals. The Chamber of Trades and Crafts, which has been particularly vocal in making proposals concerning vocational education, has played a more constructive role.

Association
Competence
(Others)
Score: 6

Many social-interest organizations in Croatia have the capacity to propose relevant policy proposals. For instance, experts from Citizens Organize to Oversee Voting (Građani organizirano nadgledaju glasanje, GONG), an association of various organizations for the protection and promotion of human rights originally formed in 1997, have taken part in the drafting of various laws on lobbying and elections. Green Action (Zelena Akcija) is another example of a social-interest organization with strong analytical capacity and the ability to promote its issues in the media.

Address | Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Straße 256
33311 Gütersloh
Germany
Phone +49 5241 81-0

Dr. Daniel Schraad-Tischler
Phone +49 5241 81-81240
daniel.schraad-tischler@bertelsmann-stiftung.de

Dr. Christian Kroll
Phone +49 5241 81-81471
christian.kroll@bertelsmann-stiftung.de

Dr. Christof Schiller
Phone +49 5241 81-81470
christof.schiller@bertelsmann-stiftung.de

Pia Paulini
Phone +49 5241 81-81468
pia.paulini@bertelsmann-stiftung.de

www.bertelsmann-stiftung.de
www.sgi-network.org