



# Croatia Report

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## Sustainable Governance Indicators 2018

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## Executive Summary

Having won the parliamentary election in September 2016, the center-right HDZ (Croatian Democratic Union) held power throughout the observed period, with Andrej Plenković as Croatia's new prime minister. HDZ first formed a center-right coalition government with the centrist party MOST (Bridge), which mustered a very solid majority in the Sabor (Croatian parliament). The two parties fell out with each other in May 2017, when a crisis hit Agrokor, Croatia's biggest company, and when MOST insisted that Finance Minister Zdravko Marić be removed from office (as he had been employed in Agrokor before joining the government). A new coalition was thus formed in June 2017, when representatives of the center-left HNS (Croatian Peoples Party) entered the Plenković government, securing it a paper-thin parliamentary majority. This led to a split in HNS; some of its members of parliament, like former foreign minister Vesna Pusić, left the party and founded a new, liberal party Glas.

Despite initial fears, the economic fallout of the Agrokor crisis has remained limited. The Croatian economy kept growing by about 3% of real GDP in 2017. The strong growth contributed to a further decline in the unemployment rate and helped to bring down the fiscal deficit. However, the Agrokor crisis had a negative effect on the government's willingness and ability to adopt much-needed policy and institutional reforms. After a comprehensive tax reform in late 2016, which had been prepared by Minister of Finance Marić already under the previous government, the government largely failed to carry out other reforms. The pending reform of school curricula has regained momentum only since autumn 2017. As it stands, pilot projects for the implementation of the reform in 3%-5% of schools won't begin before fall 2018. The only step taken so far has been to make computer science, which has so far been an elective subject, a compulsory course in the 5th and 6th grade of elementary schools. Little progress was also made with the reforms of public administration initiated under the previous governments.

In political terms, the Agrokor crisis has once again demonstrated the co-mingling of economic and political interests in Croatia. Despite various announcements, the two

Plenković governments have done little to improve the quality of democracy. They have left the large differences in the number of voters per constituency, a

fundamental lack of the electoral system in Croatia, untouched, have failed to adopt the promised new media strategy and have continued to exert substantial influence on the media. Attempts at a further reform of the judiciary by Ante Šprlje, the MOST nominated minister of justice in the first Plenković government, were abandoned after his dismissal and the change in the governing coalition in May 2017. In the period of review, a number of acquittals of prominent accused have demonstrated the Croatian court's lack of effectiveness and independence. While the main anti-corruption office, the USKOK (Ured za Suzbijanje Korupcije i Organiziranog Kriminala, Croatian State Prosecutor's Office for the Suppression of Organized Crime and Corruption), and the parliament's commission for the conflict of interests have been quite active in opening and investigating cases, the courts have often failed to sanction corruption, be it because of outside pressure or simply a lack of competence.

## Key Challenges

For a number of years, Croatia has failed to find a proper way of coping with the fundamental challenges that have a crucial effect on the country's socioeconomic development. Due to the lack of adequate answers that had characterized almost all of Croatia's successive governments since the beginning of the EU accession negotiations in 2005, the country is significantly lagging behind most of the Central and Eastern European EU member states. This has created a strong feeling of hopelessness, manifesting in the markedly high emigration rates attaining alarming proportions in some parts of the country (e.g., in Slavonia).

The first set of policy challenges the Plenković government will have to face includes sustaining the fiscal discipline and the initial successes in the reduction of budget deficit and public debt. However, targeted public expenditure reduction policies, very important for any lasting sustainability of the fiscal achievements, are not even in sight. Indeed, the government decided to substantially increase the funds allocated for some public expenditure items such as disbursements for Homeland War veterans. The next question within fiscal issues is related to new fiscal sources that could contribute substantially to the sustainability of the public finance. This particularly refers to increasing the efficiency of drawing assistance from EU funds— something that places Croatia far behind the comparable countries – and to a much more successful sale of the government property. The latter one is of particular importance, given the fact that the government gave up the introduction of the property tax.

The second set of policy challenges has to do with Croatia's unfavorable business environment. High administrative expenses and quasi taxation, the huge number and the slowing issuing of permits required for running business, inefficient judicial system with lengthy legal proceedings and a huge backlog of unsolved cases and the still inadequate condition of land register are important reasons for the rather low competitiveness of Croatian enterprises. The steps undertaken in this area in late 2016 and in 2017 were more than insufficient; most of the announced steps were never implemented or implemented only partially.

The third set of challenges concerns the labor market and pension policy. Although the unemployment rate continued to drop, numerous structural weaknesses have remained. The key challenges here concern the development of the measures required for a mid-term increase of the activity rate of Croatia's working-age population, which is still among the lowest in the EU. An additional problem here is the fact that the country's working-age population has been decreasing because of a negative population growth and a very high population drain due to economic emigration. Also, the system still offers the possibility of early retirement, the percentage of disability pensions is very high and so is the share of privileged pensions (more than 20%), with the war veterans' pensions accounting for most of the latter ones.

The fourth set of challenges concerns some fundamental public services. In the health care system, the continued huge losses of this money-losing system are periodically covered by special transfers from the state budget funds earmarked for covering the health care system losses. Croatia therefore faces major challenges in increasing the efficiency of this system, which is to include the consolidation of the health care public procurement system, mergers of hospitals and finding a more efficient hospital-management model. The continuation of education reform is also long overdue. The implementation of the fundamental reform of the school curricula that has been prepared since 2014 and was further delayed, should become a reform priority.

In order to address these policy challenges, public governance needs to be improved. The reliance on academic expertise, interministerial coordination as well as the quality of regulatory impact assessment should be increased and the often-announced reform of public administration should eventually be implemented. As it stands, Croatian public administration is both highly centralized and fragmented at the same time, often with a blurred division of competences between the central authority and local authorities.

# Policy Performance

## I. Economic Policies

### Economy

Economic Policy  
Score: 4

After six consecutive years of recession (2009–2014) the Croatian economy returned to growth in 2015. In 2017, real GDP kept growing, at a rate of approximately 3%. In the period under review, economic policy was largely preoccupied with the economic problems of Agrokor, a large food-and-retail chain whose 143 companies and almost 60,000 employees have made it the biggest private holding in Croatia and the western Balkans. In April 2017, parliament adopted the Law on the Procedure of Extraordinary Administration in Companies of Systemic Importance for the Republic of Croatia (the so-called “Lex Agrokor”) which handed over control from Ivica Todorić, Agrokor’s politically well-connected founder and main owner, to an “extraordinary trustee” in charge of drafting a settlement plan. Interpretations of this move have differed strongly. While the government has argued that it was necessary to prevent an uncontrolled collapse of Agrokor that could have triggered a chain reaction and put the Croatian economy back into recession, critics interpreted it as an attempt to deflect criticism from Minister of Finance Zdravko Marić, who had worked for Agrokor before joining government, and to take advantage of the situation in order to redistribute assets to connected individuals. In May 2017, the controversies over Agrokor led to the break-up of the governing coalition. While Prime Minister Plenković managed to find a new coalition partner for his HDZ, the new coalition has largely refrained from addressing the structural problems and the weak competitiveness of the Croatian economy. Save for the tax reform in late 2016, no major structural reforms were adopted in the period of review.

Citation:

European Commission (2018): Country report Croatia 2018 Including an In-Depth Review of the prevention and correction of macroeconomic imbalances. SWD(2018) 209 final, Brussels, 21 (<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-croatia-en.pdf>).

Srdoc, N. (2017): Croatia’s Agrokor Scandal: Kleptocracy Deepened or Turning Point for Balkan Region to Establish Rule of Law With U.S. Justice, in: Huffington Post, October 29, 2017

([https://www.huffingtonpost.com/entry/croatias-agrokor-scandal-kleptocracy-deepened-or\\_us\\_59f5be77e4b06acda25f4ac4](https://www.huffingtonpost.com/entry/croatias-agrokor-scandal-kleptocracy-deepened-or_us_59f5be77e4b06acda25f4ac4)).

## Labor Markets

Labor Market  
Policy  
Score: 4

After steadily increasing from 2009 to 2014, the unemployment rate fell from a peak of 17.5% in 2014 to 11.3% in 2017. However, much of this is driven not by job creation but by a shrinking domestic labor force that is associated with aging demographics and a strong emigration flow to other EU countries. While the employment rate has recorded a relatively strong increase since 2013, it is still one of the lowest in the EU and the OECD and remains below its 2008 level.

While the number of participants in active labor market programs has quadrupled since 2010, the adopted measures have not been very effective. Long-term unemployment has remained high, and only a small number of program participants have eventually found a job, mostly in the public sector. In the case of young people, the expansion of active labor market programs has led to the neglect of other ways of entering the labor market, such as internships and traineeships. Labor market performance has suffered from various other institutional and policy shortcomings. 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. 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 weak labor market performance in Croatia. A particularly troubling aspect of Croatia's labor market is the structure of labor demand. It is highest for waiters, cooks, shop assistants and drivers – not particularly encouraging for the young people with university qualifications, who therefore seek opportunities outside Croatia. The only profession requiring university qualifications for which there was a very high demand in the observed period were teachers.

## Taxes

Tax Policy  
Score: 5

Tax reform has been among the top priorities of the first Plenković government. Immediately after coming to office in November 2016, it presented a comprehensive reform package. Drawn up by Minister of Finance Zdravko Marić already under the previous government, it aimed at amending a total of 15 tax acts. The measures adopted that became effective already in 2017, included cuts in the corporate income tax from 20% to 18% (and 12%

for small and medium-sized enterprises), the adoption of two rates of personal income tax (36% and 24% instead of 12%, 25% and 40%) combined with an increase of non-taxable income from HRK 2,600 to HRK 3,800, as well as adjustments to VAT and excises. The reforms have made the Croatian tax system more transparent and competitive. At the same time, the personal income tax has become less progressive. This has further limited the redistributive effects of the tax system, which relies strongly on VAT and social insurance contributions. The postponement of the introduction of a property tax originally planned for the beginning of 2018 has also spelled for a limitation on redistribution. The budgetary effect of the tax changes has been relatively low, with direct revenue losses estimated at 0.6% of GDP in 2017 and 0.3% of GDP in 2018.

Citation:

European Commission (2018): Country report Croatia 2018 Including an In-Depth Review of the prevention and correction of macroeconomic imbalances. SWD(2018) 209 final, Brussels, 21 (<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-croatia-en.pdf>).

Government of the Republic of Croatia (2016): Prime Minister Plenkovic: Tax reform aimed at boosting growth and employment. Zagreb, November 11, 2016 (<https://vlada.gov.hr/news/prime-minister-plenkovic-tax-reform-aimed-at-boosting-growth-and-employment/19643>).

## Budgets

Budgetary Policy  
Score: 6

When Croatia joined the European Union in July 2013, it was almost immediately placed under the EU's excessive deficit procedure. However, successive governments have managed to reduce the general government fiscal deficit from a peak level of 7.8% in 2011 to about 1% in 2016 and 2017. Since 2016, Croatia's relatively high public debt has begun to fall. As a result of these improvements, Croatia was able to exit the excessive deficit procedure in June 2017. In September 2017, Standard & Poor's upgraded its outlook on Croatia's sovereign rating from positive to stable. The fiscal improvements in 2016 and 2017 have been achieved without major reforms on the revenue or expenditure side of the budget and have largely reflected the higher-than-expected growth. In both years, the eventual deficits were substantially lower than originally planned. The switch to a fiscal surplus planned for 2020 likewise strongly depends upon a favorable development of fiscal revenues. The official projections are quite optimistic regarding the drawing of EU funds. Further concerns about the medium-term sustainability of budgetary policy have been raised by the slow progress with amending the 2011 Fiscal Responsibility Act and with improving budgetary planning as recommended by the European Commission and the IMF for some time.

Citation:

European Commission (2018): Country report Croatia 2018 Including an In-Depth Review of the prevention and correction of macroeconomic imbalances. SWD(2018) 209 final, Brussels, 18-20 (<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-croatia-en.pdf>).

## Research and Innovation

R&I Policy  
Score: 3

Croatia lacks a coherent and integrated policy framework, companies have low technological capacity to support innovation, and technology-transfer mechanisms are inadequate. As a percentage of GDP, total gross domestic spending on R&D fell by almost a third from 2004 to 2016. The Plenković government has failed to address these problems, so that the country has fallen further behind in the field of innovation policy.

Citation:

Račić, D., J. Švarc, G. Testa (2018): RIO Country Report Croatia 2017. Luxembourg: European Union (<https://rio.jrc.ec.europa.eu/en/country-analysis/Croatia/country-report>).

## Global Financial System

Stabilizing  
Global Financial  
Markets  
Score: 4

The accession of Croatia to the EU has brought greater integration of the financial system. The EU's single passport system for financial institutions allows banks regulated by their home country authority to set up branches in Croatia. Previously, foreign banks were only allowed to establish subsidiaries under the regulatory supervision of the Croatian National Bank. With the passing of domestic regulatory authority from the Croatian National Bank to that of the foreign banks' home country, an important protection for the Croatian financial system has been removed. This renders the Croatian financial system more vulnerable and increases the risk of cross-border contagion in the event of a new financial crisis. To date, only a limited number of foreign bank branches have been established in Croatia, which is a potential risk to future financial stability. 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 system. 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 private and state-owned companies have been linked to money laundering activities. The Anti-Money-Laundering Office is understaffed and the rate of convictions for money-laundering offenses remains relatively low.

## II. Social Policies

### Education

Education Policy  
Score: 5

As a percentage of GDP, public expenditure on education aligns with the EU average; as a percentage of total public spending, it even exceeds the EU average. However, spending is not particularly efficient. The share of 15-year-olds who underachieve in reading, mathematics and science is above the EU average; in the case of science, by almost eight percentage points. Conversely, the share of early leavers from education and training is far below the EU average, indicating that access to education is not a problem. The system's inefficiency is exacerbated by the high degree of selectivity in upper secondary education, which offers a university-preparatory track for the brightest students and a system of underfunded vocational schools for the rest. Over 70% of upper-secondary pupils attend such vocational schools in Croatia, compared to 49% 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. 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. Access to education is open and widespread, with almost 60% of each cohort enrolled in tertiary education. 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 five percentage points below the EU average. The resources spent on education appear further wasted by the high level of unemployment of school and university graduates.

Education reform has suffered from a lack of continuity. In 2014, the Milanović government charged an expert team headed by Boris Jokić with providing a proposal for a new curriculum. The finalization and eventual implementation of this team's work, which built on the contributions of more than a hundred teachers and experts from individual educational fields, faced delays under the Orešković and the Plenković governments, but has regained momentum since fall 2017. As it stands, pilot projects for the implementation of the reform in 3%-5% of schools might begin in fall 2018. Blaženka Divjak,

the new minister of science and education in the second Plenković government, has focused heavily on improving STEM disciplines and has made computer science, previously an elective subject, a compulsory subject for 5th and 6th grade students.

### 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 28 average, about 30% of the Croatian population is at risk of poverty or social exclusion, a figure five percentage points higher than the EU 28 average. In addition, a substantially greater proportion of the population (14%) lives in conditions of severe material deprivation (compared to 8.1% across the EU 28). Almost one-tenth of people 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 housing compared to just 16% across the EU 28. Social transfers suffer from extreme fragmentation, 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. As a consequence, regional disparities have deepened since Croatia's independence. 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.

### Health

Health Policy  
Score: 4

In Croatia, most health care services are provided by the government and are part of the country's social health insurance system. Employer and employee contributions, plus some funding from the public budget, account for 85% of all health care spending, leaving only 15% to market schemes and private spending. 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. As a percentage of GDP, government spending on health care is close to the EU average, 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. Resources are not always used efficiently, and suppliers' interests often lead to the duplication of resources or syphoning of funds. The low employment rate and aging demographics have produced a persistent financial deficit within the system, which is covered by the central government's budget. Due to resource constraints, patients are expected to make co-payments for a growing range of services. Since EU accession, the number of physicians and other medical professionals leaving Croatia has reached alarming proportions.

Progress with health care reform under the Plenković government has been limited. The long-planned functional integration of hospitals was initiated in July 2017 as six pairs of hospitals signed their integration agreements. However, the passage of the announced National Plan for the Development of Hospitals 2017-2020 has been delayed, even though its predecessor had expired at the end of 2016.

### Families

Family Policy  
Score: 5

The employment rate among women in Croatia is 10 percentage points lower than that among men and lower than that observed in almost all other EU countries. Maternity pay is relatively generous, while child-care facilities and extended-day programs at school are rather limited. 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 women will eventually require maternity leave. Technically speaking, this form of discrimination is illegal, but weak labor unions and weak government enforcement mean that discrimination continues. The 2014 Family Law did not address these issues, focusing instead on expanding the legal rights of young people and clarifying child-custody issues. Prime Minister Plenković and President Kolinda Grabar-Kitarović have stressed the demographic challenges and the need to increase birth rates. This led to the creation of a new ministry of demography, family, youth and social policy in October 2016 and the creation of a Council for Demographic Revival, an expert council, in April 2017. In November 2017, the government announced it was increasing child allowances and introducing measures to increase childcare facilities and extend afternoon childcare.

Citation:

Dobrotić, I. (2015): Politike usklađivanja obiteljskih obaveza i plaćenog rada i položaj roditelja na tržištu rada (Work-Family Policies and the Position of Parents on the Labour Market), in: *Revija za socijalnu politiku* 22(3): 353-374.

Pension Policy  
Score: 4

## Pensions

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 country's aging demographics, 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 systemic stability.

The Milanović government began to address 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 were introduced, and the occupational-rehabilitation system has been changed. While improving the fiscal sustainability of the pension systems, these reforms have done little to address the issue of pensioner poverty and intergenerational fairness.

The Orešković government presented plans to shorten the deadlines for raising the retirement age to 67 (for men and women alike) and increase the early retirement age from 60 to 62. These plans, however, were not implemented before the September 2016 elections. The Plenković government came up with similar plans in its National Reform Program for 2017 as presented in April 2017 but did not launch any legal initiatives during the period of review.

### Citation:

Government of the Republic of Croatia (2017): National Reform Program 2017. Zagreb, 70-71 (<https://vlada.gov.hr/UserDocsImages/Europski%20semestar/NRP%20HR%202017.pdf>).

## Integration

Integration Policy  
Score: 3

Migration to Croatia 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. Integration is complicated by weak inter-sectoral cooperation of institutions responsible for carrying out immigration issues with local communities and civil society organizations. 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. More than 20,000 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.

Since 2016, Croatia has drifted away from its originally relatively compassionate and humane treatment of refugees taking the Balkan route. The closing of the borders in Hungary and other neighboring countries has created fears that the country might become a rallying point for refugees. As of late 2016, Croatia began pushing refugees back across the green border to Serbia. An amendment to the Act on Foreigners that became effective in June 2017 has criminalized demonstrating solidarity with refugees by making it punishable by law to assist irregular foreign nationals in accessing basic needs, such as housing, health, sanitation or food, except in cases of medical and humanitarian emergencies or life-threatening situations.

Citation:

Amnesty International (2018): Croatia 2017/2018 (<https://www.amnesty.org/en/countries/europe-and-central-asia/croatia/report-croatia/>).

Šabić, S. Š. (2017): The Impact of the Refugee Crisis in the Balkans: A Drift Towards Security, in: *Journal of Regional Security* 12(1): 51-74.

## 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 prosecutor's 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: 4

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 has progressed slowly. A case in point is waste management. In July 2016, the European Commission pursued a legal action within its infringements package against Croatia for failing to comply with its obligations under EU environmental law. The Commission requested that Croatia bring its national laws on waste into full conformity with EU rules, particularly with Directive 2008/98/EC. The Directive aims to minimize the negative effects of waste generation and management on human health and the environment. The Commission identified a number of defects in Croatia's transposition of the Directive and sent the Croatian government a formal notice on that issue. It stated that none of the fundamental requirements

in waste management had been completed, including requirements on waste management permits, the waste management plan and waste prevention program as well as detailed rules on inspections. The critique by the Commission raised fears that Croatia would lose access to important EU funds. In early 2017, the government adopted a new medium-term waste management plan that has accommodated the Commission's concerns.

Citation:

European Commission (2017): The EU Environmental Implementation Review Country Report Croatia. SWD (2017) 45 final, Brussels ([http://ec.europa.eu/environment/eir/pdf/report\\_hr\\_en.pdf](http://ec.europa.eu/environment/eir/pdf/report_hr_en.pdf)).

### 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. With regard to implementation of the targets set by the Kyoto Protocol, Croatia has reduced emissions of greenhouse gases (GHGs). Also, the share of renewable energy in gross final energy consumption is 20%.

# 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 in November 2015. One peculiarity of Croatian electoral law is that candidate lists can be headed by people who are not actually candidates.

Citation:

OSCE/ODIHR (2016): Election Assessment Mission Final Report Republic of Croatia: Parliamentary Elections 8 November 2015, Warsaw, 8-9 (<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 as part of an effort to end the “clogging” of the media space by minor candidates. As a result of the amendments, private broadcasters are no longer obliged to cover the campaign and public broadcasters can decide themselves whether to provide candidates proportional rather than equal coverage in reports and analysis. Moreover, debates among candidates have been restricted to only one per broadcaster. After the public broadcaster HRT decided to involve only five parties (a decision based on public opinion polls) for a scheduled debate in the run-up to the 2015 parliamentary elections, the State Electoral Committee judged this decision to be arbitrary and the debate was canceled. Before the 2016 parliamentary elections, HRT broadcast a debate with only the leading candidates of the two biggest parties, thereby ignoring MOST’s strong showing in the previous elections and its strategic role. MOST and the smaller parties thus complained of discrimination.

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. Upon coming to office in October 2016, Prime Minister Plenković announced to address the problem of the large differences in the number of voters per constituency, a fundamental lack of the electoral system in Croatia. In the period under review, however, no changes were initiated.

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. In order to limit the burden on the already strained budget, campaign financing for the snap elections in November 2016 was limited. After the elections, MOST insisted on a limit to public party financing as a precondition for forming a coalition with HDZ. As a result, the Law on Financing of Political Activates and Election Campaigns was amended in October 2016 with a view toward limiting the annual financing of political parties.

While the legal framework has improved, public control of party and campaign budgets has remained insufficient. 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 mean that legal restrictions can 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. While the State Audit Office has also begun to carry out systematic audits of the campaign budgets of political parties and individual candidates, 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 success of the referendum on the constitutional definition of marriage in early December 2013 ushered in a wave of initiatives in 2014 and 2015. In the period under review, there were no initiatives for referenda at the national nor local level. Longstanding proposals to reduce the legal barriers to referenda have not been taken up by the governing coalition.

### Access to Information

Media Freedom  
Score: 4

Media freedom in Croatia is limited. Political influence on the media is still fairly strong, as is the influence of private media owners. After the change in the governing coalition in May 2017, the HDZ intensified its control over the public media. In some cases, controversial journalists have been fired and critical programs discontinued. Interviews with the prime ministers and other cabinet members have become less confrontational. The government has weakened independent media by delaying the allocation of EU funding for non-profit media. It has so far failed to adopt the new media strategy announced by Minister of Culture Nina Obuljen Koržinek at the end of 2016. Nor has it repealed Croatia's controversial 2012 shaming law.

Citation:

South East Europe Media Organization (SEEMO) (2018): Press Freedom in Croatia: Hate Speech and Hope for Change. Vienna (<http://seemo.org/assets/pdf/Croatia-Report-final%203152018.pdf>).

Media Pluralism  
Score: 4

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. In November 2017, Croatia's Electronic Media Council (AZTN) blocked the sale of Nova TV by CME to Slovenia Broadband, a subsidiary of United Media, which already owns Total TV, another leading provider of digital services in Croatia. The market for print media has likewise been dominated by a handful of companies. The Agrokor group, which fell apart in 2017, had owned the single distribution network for print media and most marketing agencies and, thus, advertising budgets. It has been highly indebted with several media companies, so that its restructuring will have an impact on the media market as well.

Access to  
Government  
Information  
Score: 8

The Right of Access to Information Act has been in place since 2003 and the legislative framework is relatively well established, thanks in particular to later amendments to the act. In October 2013, a long-standing demand by NGOs was met and Anamarija Musa, a public administration scholar, was appointed by parliament as the first commissioner for the right of access to information. Thanks to her efforts, access to information has significantly improved. According to her 2017 report on the implementation of the Right of Access to Information Act, more than 80% of the 5,900 distinct public authorities now

submit the required regular reports on the enforcement of the act and about 85% have an information officer in charge of handling information requests. Transparency is lower at the local and regional level and in the case of public companies.

### 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 carefully followed up on. The Kosor government's judicial-reform strategy (2011 – 2015) was designed 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 the process is slow and marked 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

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 remain subject to 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. Regulation is sometimes inconsistent and changes often, administrative bodies frequently lack the necessary legal expertise, and 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 per capita number of judges and court personnel. The independence and quality of the judiciary were a major issue in the negotiations over EU accession. Reforms targeting improved judicial independence introduced 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. Justices are now selected by a formally independent council (the State Judicial Council, or SJC) that consists of their judicial peers (nominated and elected in a process in which judges of all courts participate), two legal experts from academia (elected by their peers) and two members of the Sabor (elected by a parliamentary majority). 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. Every county now has a single municipal court, misdemeanor court and municipal State Attorney's Office. Attempts at a further reform of the judiciary by Ante Šprlje, the MOST-nominated minister of justice in the first Plenković government, were abandoned after his dismissal and the change in the governing coalition in May 2017. During the period of review, a number of prominent individuals accused of crimes were acquitted, which underscores the Croatian court's lack of effectiveness and independence.

Appointment of  
Justices  
Score: 7

The Constitutional Court of the Republic of Croatia has 13 judges who are elected for a term of eight years. Judges are appointed by the Croatian parliament (Sabor) on the basis of a qualified majority (two-thirds of all members of the Sabor). Prescribed by a constitutional law, the eligibility 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. In 2016, for the first time since the 1990s, active politicians were elected judges of the Constitutional Court. The politicization of appointments continued in October 2017 as two of the three newly appointed judges, Miroslav Šeparović and Mato Arlović, have had strong political affiliations.

Corruption  
Prevention  
Score: 5

Corruption ranked high on the agenda of the accession negotiations with the European Union and remains one of the key issues facing the political system. During the period under review, a number of high-profile corruption cases surfaced or were under investigation, involving, among others, a close aide to former Prime Minister Milanović and the most powerful man in Croatian soccer. The Agrokor case has also revealed the co-mingling of economic and political interests in the country. While the main anti-corruption office, the USKOK (Ured za Suzbijanje Korupcije i Organiziranog Kriminala, Croatian State Prosecutor's Office for the Suppression of Organized Crime and Corruption), and the parliament's commission for the conflict of interests have been quite active in opening and investigating cases, the courts have often failed to sanction corruption either as a result of external pressure or a lack of competence.

# Governance

## I. Executive Capacity

### Strategic Capacity

Strategic  
Planning  
Score: 6

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 Plenković governments have taken the drafting of the annual national reform programs, as required by the European Commission, rather seriously. Despite the introduction of these institutional and procedural arrangements, policymaking in Croatia continues to be dominated by short-term political interests.

Scholarly Advice  
Score: 4

The 2009 Societal Consultation Codex, which serves as a set of 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

Until 2014, the Prime Minister's Office lacked 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's Office. The unit is tasked with coordinating and monitoring public policies performed by line ministries. However, the capacity of the staff to provide reliable applied policy analysis is limited.

GO Gatekeeping  
Score: 5

The Prime Minister's Office has the political authority to return policy proposals it receives from ministries. However, its gatekeeping role is limited by its weak sectoral-policy expertise. Prime Minister Orešković tried to expand the role of the Prime Minister's Office in interministerial coordination by appointing Jakša Puljiz, Deputy Minister of the Ministry of Regional Development and EU Funds in the Milanović government, chief integration officer in charge of interministerial coordination. The government under Prime Minister Plenković has not followed up on this attempt to strengthen Prime Minister's Office's gatekeeping role.

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 (Uži kabinet 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 both between the coalition partners and between different party factions in the HDZ has played an important role in interministerial coordination under the Plenković government. The strong reliance on decisions in coalition meetings or party bodies has 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. Moreover, the break-up of the coalition in May 2017 testifies to the limits of informal coordination.

### 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 re-established 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 a RIA. However, these and other obligations have been only selectively met. RIA results do not feature prominently in cabinet sessions.

Citation:

Petak, Z. (2015): Evidence-Based Policy Making and the Implementation of Regulatory Impact Assessment in Croatia, in: *Management and Business Administration: Central Europe* 23(2): 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, there is little inclusion of the public in the RIA process and RIAs do not have much impact on regulatory plans. The RIA Act stipulates that the proposed regulatory plan be posted on the official website for a minimum of 15 days. In practice, the attitudes of regulators (ministries, agencies) toward the openness of the policymaking process have varied considerably. Some ministries have 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

Sustainability  
Check  
Score: 4

Croatia adopted a sustainability strategy in 2009. However, neither this strategy nor the RIA Strategy or subsequent RIA action plans provide for comprehensive sustainability checks. RIAs are 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 RIAs. 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 weakened the social dialog needed in policymaking. Under the Milanović government, the tripartite dialog between representatives of the government, employers and trade unions in the Economic and Social Council was marked by a lack of trust and respect. This has not changed under the two Plenković governments.

### Policy Communication

Coherent  
Communication  
Score: 3

The Prime Minister's Office is formally responsible for policy coordination and the communication of policy to the general public through the Public Relations Service. As the break-up of the coalition between HDZ and MOST (Bridge) indicates, the first Plenković government did not succeed in streamlining its communication policy.

### Implementation

Government  
Efficiency  
Score: 4

During his first year in office, Prime Minister Andrej Plenković announced far-reaching reforms. The HDZ's election program served as the basis for a relatively comprehensive National Reform Program presented to the European Commission in April 2017. However, the program lacked a clear schedule and its implementation has suffered from the Agrokor crisis and the mid-2017 change in the governing coalition. The tax reform adopted at the end of 2016 was the only major reform implemented during Plenković's first year in office. However, even this reform has been implemented only partially, as the government gave up the already prepared introduction of a property tax in June 2017.

Ministerial  
Compliance  
Score: 5

As the strong conflicts within the governing coalition (between HDZ and MOST) and the weak policy record of the Plenković government show, the organization of government of the first Plenković government provided only

weak incentives for ministers to implement the government's program. The situation has not changed significantly under the second Plenković government.

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 Orešković government continued the evaluation of agencies begun under the Milanović government and eventually proposed the elimination of nine agencies. However, no progress with implementing this proposal has been made under Prime Minister Andrej Plenković.

Task Funding  
Score: 4

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). 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. Amendments to the law on financing local government authorities were adopted only in December 2017.

## Citation:

Koprić, I., A. Musa, V. Dulabić (2016): Local government and local public services in Croatia, in: H. Wollmann, I. Koprić, G. Marcou (eds.), Public and social services in Europe: from Public and municipal to private sector provision. London: Palgrave Macmillan, 201-215.

Constitutional  
Discretion  
Score: 4

The autonomy of local and regional self-government units is very 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.

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 catalog of services that local and regional self-government units (municipalities, towns, countries) should provide to the local community. The absence of clear national standards is felt particularly 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 Milanović government's long-awaited Strategy for Public Administration was passed only in June 2015 and addressed these concerns only partially. Dubravka Jurlina Alibegović,

Minister of Public Administration under the Orešković administration, presented her own plan for a reform of public administration at the beginning of 2016. Announced as the nucleus of a comprehensive law to be adopted at the end of the year, it included comprehensive measures to improve the computerization of the Croatian administration, professionalize its human resources management and rationalize the organization of the various tiers of government. Due to strong resistance from within the administration and the collapse of the Orešković government, the plan was never implemented. The two Plenković governments have done little to adapt domestic government structures to international and supranational developments.

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, President Kolinda Grabar Kitarović has not been 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: 5

Upon taking office, the first Plenković government slightly changed the cabinet structure. In April 2017, it created a new expert council, the Council for Demographic Revival. Save for these changes, however, the government did little to improve its strategic capacity by means of institutional reform. It did not take up the plans for a reorganization of public administration, presented at the beginning of 2016 by Dubravka Jurlina Alibegović, minister of public administration in the Orešković government. The change in the governing coalition in mid-2017 has led to changes in ministers but has left the cabinet structure untouched.

## II. Executive Accountability

### Citizens' Participatory Competence

Policy  
Knowledge  
Score: 4

Citizens' policy knowledge in Croatia is limited. Most citizens show only minimal interest in the workings of government and politics. 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 (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 members of parliament 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 members of parliament is relatively small, as the budget of the Sabor allows for a secretary for every parliamentary group and one additional adviser for every 15 group members. Moreover, the Sabor does not have an office for policy analysis, and formal legalistic thinking characterizes is prevalent among Sabor staff.

Obtaining  
Documents  
Score: 7

According to Article 115 of the Standing Order of the Croatian Parliament (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 exercised in practice. The most commonly used supervisory mechanisms are oral or written questions to the government.

Summoning  
Ministers  
Score: 7

Parliamentary committees can and do summon ministers for hearings. One committee that has done so particularly effectively has been the Commission for Conflict of Interest in the Exercise of Public Office led by Dalija Orešković.

Summoning Experts  
Score: 10

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 current parliamentary term, the number of committees has substantially exceeded the number of ministries. However, this discrepancy stems largely from the existence of committees that deal with internal parliamentary affairs such as the Credentials and Privileges Committee, Interparliamentary Cooperation Committee, and Petitions and Appeals Committee. The task areas of the other parliamentary committees largely match those of the ministries, thus enabling an effective monitoring.

Audit Office  
Score: 9

The Auditor General is elected by the parliament (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 (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. As for electronic media, market share has shifted from the partisan public broadcaster HRT to the more objective independent broadcasters TV Nova and RTL Croatia.

## 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, members do not regularly participate in party activities and the party leadership maintains considerable control over selection procedures and debates. In the HDZ (Croatian Democratic Union), no internal elections took place until April 2016. While the party's chairman has been elected directly by party members ever since, the latter have not had the chance to choose between different candidates. The SDP (Social Democratic Party) is somewhat more open to internal debates but does not tolerate the existence of open political blocs. MOST held its first intra-party elections in January 2017, more than one year after having been catapulted into parliament.

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 protests 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 participated in the process of drafting 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.

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