

SGI Sustainable
Governance
Indicators

2015 Croatia Report

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Executive Summary

In the period under review, Croatia continued to be governed by a center-left coalition government that came to office in 2011, led by Prime Minister Zoran Milanović. The May and June 2013 local elections demonstrated that the bad economic situation and the unclear course of the government had substantially weakened the originally strong popular support for the Milanović government. Similar indications were given by 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. The erosion of the government's popularity has gone hand in hand with an increase in rifts within the governing coalition.

Between May 2013 and November 2014, the economic situation continued to deteriorate. A relaxation of fiscal policy in 2013 led to uncertainty over the government's course; the shift was poorly received by the European Commission, leading rating agencies and other international observers. Optimistic forecasts that the Croatian economy would recover in 2014 failed to become reality, and indeed, a further fall in GDP was recorded for the year. The prospects for 2015 are little better. This means that Croatia may experience a sixth consecutive year of recession, a precedent of a sort in modern European history. In 2014, the unemployment rate reached a new peak of 18.3%. Due to the poor economic situation and rising internal and external deficits, the country was placed under the EU's excessive deficit procedure in January 2014, which eventually led to some reform efforts. New laws on labor-market reform, pension-system reform and social welfare have been introduced. However, macroeconomic imbalances remain a serious concern, as falling levels of investment are undermining prospects for economic recovery, and export performance is weak. Furthermore, the contracting economy and the high budget deficits have led to rapid increases in the public-debt-to-GDP ratio.

Public expenditure on research and innovation remains relatively low, and the economy is characterized by a low level of international competitiveness. The education system fails to produce workers with skills appropriate to the labor-market's demands, and inequalities in education attainment are reinforced by the continuation of a highly selective education system at the upper secondary

level. A relatively low share of the population has completed tertiary education. The health care system is expensive and inefficient, and there are widespread health inequalities. Although income inequality levels are similar to those in the broader EU, the share of the population at risk of poverty or social exclusion is relatively high, and regional inequalities have deepened since independence.

In the run-up to EU accession, the quality of democracy in Croatia improved. Following accession, however, little additional progress has been made. While access to information was strengthened by the parliament's election of the first commissioner for the right of access to information in October 2013, media freedom and pluralism have remained limited; corruption has remained widespread; and the court system has continued to suffer from a backlog of cases, low-quality decisions and a lack of independence from the government. One striking development in the period under review was the spread of initiatives calling for referendums. This development was inspired by the referendum on the constitutional definition of marriage in December 2013.

Croatia's accession to the European Union has also been accompanied by substantial changes in domestic-governance 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 after accession, such as the shift of 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 EU and the World Bank have questioned the ability of Croatia's public administration to absorb the newly available EU funds. The Milanović government's 2014 "Strategy for Public Administration by the Year 2020" has only partly addressed these concerns. The government has done little to improve the institutional capacity for planning and coordination. Interministerial coordination has suffered from a high degree of politicization and has largely been achieved through negotiations among coalition partners. While the legal framework for regulatory impact assessments (RIA) has been strengthened, implementation of the new provisions has been slow to commence. There is still minimal evaluation of government activities, and the central government does little to monitor executive and regulatory agencies or implement national standards for public services.

Key Challenges

The Milanović government has dashed many of the hopes and expectations held by its supporters in late 2011. The outcomes of the local elections in May and June 2013, as well as the presidential elections in January 2015, are clear indications of this declining popularity. The great danger is thus that the government will postpone much-needed reforms with a view to the next parliamentary elections, which have to be held no later than February 2016.

In order to achieve sustainable economic growth, the government will have to achieve three main objectives: attracting foreign investment (currently standing at less than half of its pre-crisis levels), raising the competitiveness of the economy through effective public investments in education and skills-development programs, and increasing investment in the small and medium-sized enterprise (SME) sector (where tens of thousands of jobs were lost during the crisis). This is all the more important given that high-value-added products have the most significant prospect of improving sales abroad through exports. Some of the important improvements should come through changes in labor-market policy that should aim to harmonize the education system and the needs of the labor market. A major challenge in this regard will be to reconcile the need for additional public spending with the commitment to medium-term fiscal consolidation.

A promising starting point for addressing these issues might be the 2013 Strategy for Education, Science and Technology, which the Milanović government was involved in developing. This links education and research and innovation policy, and contains a number of interesting proposals for increasing the match between the education system and the labor market. Moreover, as it was drafted by a diverse group of experts and other stakeholders, it enjoys an unusually legitimate status.

EU's structural funds represent a vital source for financing needed reforms. However, Croatia has made relatively little use of them, as can be seen by the fact that Croatia was a net payer to the EU budget, paying more to the common budget than it received from it, in the period from July 2013 to September 2014. In order to change this, Croatia needs to increase its absorption capacity. This will require administrative reforms. Issues such as setting strategic priorities, integrating budgeting procedures for EU funds into the national budgeting system, and enhancing institutional capacity at the local level should thus feature more prominently in the envisaged reform of public

administration – as has been recommended by the European Union and the World Bank, along with many domestic experts. However, Croatia’s absorption capacity is also limited by the current fiscal situation. The need to co-finance projects with an upfront investment of fiscal resources means that larger expenditures elsewhere tend to crowd out EU money. For Croatia, fiscal consolidation is thus also an important precondition for increasing access to EU funds.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 3

Between May 2013 and November 2014, the economic situation in Croatia continued to deteriorate. The relaxation of fiscal policy in 2013 led to uncertainty over the government's course, and was poorly received by the leading rating agencies and other international observers. Optimistic predictions that the Croatian economy would recover in 2014 were not fulfilled, and indeed, a further decline in GDP was recorded for the year. The prospects for 2015 are little better. This means that Croatia may experience a sixth consecutive year of recession, a precedent of a sort in modern European history. The Milanović government has largely failed to address these problems. 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 report also noted that unit labor costs and the real effective exchange rate are starting to rise again, putting any gains made in improving competitiveness at risk.

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

Labor Markets

Labor Market
Policy
Score: 3

Since the beginning of the economic crisis in 2009, some 150,000 jobs have been lost. The employment rate fell to just 57.3% in 2013 (among 20- to 64-

year-olds), far below the Europe 2020 Strategy employment rate target of 75%. With few new jobs available, an increasing number of people are taking early retirement. For this and other reasons, the size of the active labor force declined by 1.3% between 2013 and 2014. Of particular concern in relation to the competitiveness of the economy is the low skill level of the labor force, indicated by the relatively small share of the labor force with a university degree (just 16%). Additionally, labor mobility is much lower than in some other European countries. According to one study, in mid-2013, only 3,300 out of 370,000 unemployed people were willing to work in another country, and only 6,300 were willing to work in another Croatian town. The unemployment rate has steadily increased in the past four years, reaching a new peak of 18.3% (among 15- to 64-year-olds) in the second quarter of 2014. Those most affected by unemployment include youth up to 25 years of age, women above 45 and men above 50. The main reason for the increase in unemployment has been the fall in aggregate demand, but this has been exacerbated by skill mismatches and regional imbalances. Labor-market policies in Croatia have been insufficient to tackle the rapid increase in unemployment. Spending on active labor-market policies is relatively minimal. Despite high rates of long-term unemployment, relatively little is spent on retraining, lifelong learning and adult education. Only 2.4% of the adult population receives training, compared to an average of 9% in the European Union more generally. At the equivalent of €71.34 per month, the minimum wage in Croatia is not especially high – similar to that in Poland and Hungary, and about half the level of Slovenia, although double that in Bulgaria. However, high social contributions provide a disincentive to employers to take on new workers. A Labor Act passed in July 2014 introduced some changes in labor-market regulations. The new law covers flexible working, working hours and the termination of employment contracts. First, the maximum duration of temporary employment contracts has been increased from one to three years. Second, the maximum working week has been increased from 48 hours to 50 hours in any one week. Third, the procedures for dismissing a worker have been eased somewhat. For example, a contract can be terminated on grounds of sickness after the provision of six months of notice, and employers are no longer required to provide retraining or a layoff-compensation program (in the case of collective dismissal). An employer can terminate an employee's work contract on job-related or personal grounds. Overall, these changes do introduce more flexibility into the labor market, but not as much as had been expected in some quarters.

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 has announced plans to reduce 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 would deprive local governments of an important part of their revenue.

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 2014, Croatia published its 2014 National Reform Program and its 2014 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 by 2016, and for moving the economy to a path of sustainable economic growth. The projected aim was to reduce the deficit from 4.9% of GDP in 2013 to 3% of GDP by 2016, as required by the excessive deficit procedure. The European Commission evaluated those programs and issued a set of recommendations in July 2014. 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. Accepting these

recommendations, the European Council has advised Croatia to reduce public-sector wages, reduce social security expenditure and subsidies, and control government expenditures more effectively.

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. Spending on R&I is substantially lower than in most other EU countries. Total R&I spending per inhabitant fell from 21% of the EU average in 2008 to 15% of the average in 2013. In 2013, according to the third European Company Survey of the European Foundation for the Improvement of Living and Working Conditions, only 23% of Croatian companies had introduced new processes or significantly changed old ones since the beginning of 2010, compared to 35% of companies in the European Union as a whole. 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: 5

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 offences.

Citation:

Council of Europe (2014) Anti-Money Laundering and Combating the Financing of Terrorism: Croatia, 4th Assessment Report

Croatian National Bank (2014) Financial Stability Report no. 14, July

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 just 16.4 years compared to 17.6 in the EU; 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 only 25% compared to 37% for the EU as a whole. Croatia spends only 4.2% of GDP on publicly provided education compared to 5.3% in 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.

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, the share of the Croatian population at risk of poverty or social exclusion is substantially higher. The problems of social exclusion and poverty have been exacerbated primarily by the weakly 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 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

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 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. 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 copayments 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. Reforms have focused on funding mechanisms, service rationing and private incentives in the provision of services. Public spending on health care remains below the EU-27 average.

Citation:

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

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.

Families

Family Policy
Score: 5

In Croatia, 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. Maternity pay is relatively generous, while child-care facilities and extended-day programs at school are limited. Child-care coverage is especially poor in areas with low employment, which reflects the ability 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: 5

Like 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 from 61 in 2004 to 59 in 2013, 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. After some dithering, the Milanović government has started to address these problems. The Pension Insurance Act of January 2014 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.

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.

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 south east 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: 3

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.

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 has 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 by the end of 2013.

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

Media Access
Score: 5

In Croatia, the national electronic media, both public and private, are legally required to provide equal coverage of all competing candidates and parties. In the case of the public media, this includes the obligation to set aside free airtime for all participants and broadcast a variety of special election programs. Given the large number of parties, however, this means that numerous insignificant participants “clog” the media space. With the exception of during presidential elections, the two major party groups do not conduct televised debates. A second major problem is the partisan bias of the local electronic media, two-thirds of which are owned by municipalities.

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. A provision enabling Croatian citizens without permanent residence in Croatia to take part in national elections if they register in advance remains controversial.

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. The period under review, however, saw a wave of a “referendum democracy.” In early December 2013, a referendum on the constitutional definition of marriage took place, initiated by In the Name of the Family, a conservative NGO. In line with the recommendations of the Catholic Church, almost two-thirds of the participating citizens voted in favor of a traditional definition of marriage. The success of the referendum inspired other initiatives. An initiative to hold a referendum on the ban of the Cyrillic script in the City of Vukovar was backed by a sufficient number of citizens. However, the Constitutional Court ruled against this referendum in August 2014, on the grounds that it would represent a substantial violation of national minorities’ rights. In fall 2014, In the Name of the Family solicited signatures for another referendum, this time on a reform of the electoral law, gathering some 370,000 signatures in total. As of the time of writing, some controversy existed over whether this was enough to call a referendum; the government claimed that around 450,000 signatures were required, as the electorate also included Croatian citizens living in the diaspora. Finally, the road-construction-workers’ union and a few NGOs organized the solicitation of signatures for a referendum against granting concessions on Croatian motorways. They managed to gather more than 470,000 signatures.

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. The Milanović government has done nothing to improve the regulation of the media market. 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. As a result, the institutional environment for access to government information has substantially improved.

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. In practice, legislation is sometimes implemented in a restrictive manner.

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. With regard to the enforcement of business contracts, Croatia was ranked at 54th place out of 189 countries in the 2014 edition of the World Bank's Doing Business Index.

Citation:

World Bank Doing Business Survey 2014

Judicial Review
Score: 5

With 42.8 justices per 100,000 inhabitants, compared to the EU-10 average of 27.15, 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.

Citation:

World Bank, 2014: Public Finance Review Croatia: Restructuring Spending for Stability and Growth. Washington, D.C.

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. The Bureau for Combating Corruption and Organized Crime (Ured za suzbijanje korupcije i organiziranog kriminaliteta, USKOK), a specialized prosecution unit attached to the State Attorney's Office, has investigated a significant number of prominent politicians. In October 2014, for example, Milan Bandić, a long-serving mayor of Zagreb, was arrested on suspicion of corruption.

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 2009, all ministries have been obliged to prepare three-year strategic plans. However, the quality of these plans has been low. In most cases, they tend to be updated incrementally.

Citation:

Miošić, N., Škrabalo, M. 2013: Pretpostavka uspješne provedbe reforme državne uprave u Hrvatskoj. Analiza stajališta ključnih dionika reforme, GONG Istraživački centar, Zagreb

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: 2

In Croatia, the Prime Minister's Office lacks a central policy unit able to evaluate and coordinate the activities of the line ministries. Its sectoral policy expertise is thus limited.

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	<p>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.</p>
Cabinet Committees Score: 6	<p>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.</p>
Ministerial Bureaucracy Score: 4	<p>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.</p>
Informal Coordination Score: 4	<p>Informal coordination in the form of meetings between the coalition partners has featured prominently under the Milanović government. Meetings are 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 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.</p>
<p>Evidence-based Instruments</p>	
RIA Application Score: 6	<p>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</p>

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. Out of the 344 laws adopted in 2013, however, only 45 were listed in these plans, and less than half those 45 were subject to the full official RIA procedure.

Citation:

Zelenika, Boris, 2014: RIA in Croatia: lessons Learned. Presentation (<http://www.osservatorioair.it/wp-content/uploads/2014/10/workshop-1-Croatia-Zelenika.pdf>)

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. However, most ministries confine themselves simply to informing the public, with less than a third of all ministries enabling the public to leave comments on proposed plans. Such a feedback option is particularly important in cases in which regulation has not been included in the impact-assessment process. Ministries are also eager to control the selection of external collaborators. For this and other reasons, the participation of stakeholders is often symbolic.

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.

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. The trade unions left the council in December 2013, issuing severe criticisms of the new draft of the Labor Act, a newly proposed law on occasional work (“mini-jobs”) and a planned increase in the retirement age.

Policy Communication

Coherent
Communication
Score: 4

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 has failed to set clear and measurable goals and has been ineffective in reaching most of the policy goals formulated in its own strategies, programs and multi-year frameworks. Nor has it succeeded in addressing Croatia’s economic problems. However, under the influence of EU membership, and particularly the excessive deficit procedure, some new energy has been devoted to the implementation of key policy reforms. The government has begun to implement policies to achieve its goals in the areas of pension and labor reforms.

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

Task Funding
Score: 4

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.

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 on average accounts for some 55% of all revenues of local and regional units. The remaining taxes account for only around 6% of total revenue, the most important being the property tax (approximately 4% of 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 18% of total subnational revenues). Grants from the central government (often administered via counties) and various assistance funds from abroad rank third. Finally, about 7% of subnational governments' revenues derive from the various types of property they own (business premises, apartments). The main problem with the financing of subnational governments has been strong regional and local differences. A substantial number of municipalities and towns, most of them in rural areas, suffer from markedly low financial capacities, and thus face severe difficulties in providing public services.

Citation:

World Bank, 2014: Public Finance Review Croatia: Restructuring Spending for Stability and Growth. Washington, D.C. (http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/12/12/000470435_20141212074111/Rendered/PDF/783200REVISED00PFR0final0report0ENG.pdf), 60-69.

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. In February 2012, the Milanović government established an Advisory Council for Decentralization headed by Deputy Prime Minister Neven Mimica, but as of the time of writing, that body had not yet produced any kind of coherent policy proposal.

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 European Union and the World Bank have questioned the Croatian public administration's ability to absorb the newly available EU funds. The Milanović government's Strategy for Public Administration by the Year 2020, passed in 2014, only partly addressed these concerns.

Citation:

World Bank, 2014: Public Finance Review Croatia: Restructuring Spending for Stability and Growth. Washington, D.C. (http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/12/12/000470435_20141212074111/Rendered/PDF/783200REVISED00PFR0final0report0ENG.pdf), Chap. 3.

International
Coordination
Score: 5

Croatia has supported major global reform initiatives, especially in environmental affairs. However, the Milanović government has not paid particular attention to improving the country's capacity to engage in global affairs or to assessing the global repercussions of national policies. President Josipović has 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

Institutional
Reform
Score: 6

deficiencies.

In the period under review, the Milanović government reformed the EU-related institutional arrangements and started to prepare a public-administration reform. EU accession led to a shift in responsibility for EU coordination to the Ministry of Foreign Affairs. Moreover, the former Central Office for Development Strategy and Coordination of EU Funds (CODEF) was integrated into the Ministry of Regional Development. In autumn 2014, the government presented a first draft of an eagerly awaited Strategy for Public Administration by the Year 2020. Drafted without consultation with experts and stakeholders, the strategy has been criticized for neglecting local self-government issues, service quality, EU governance and eligibility requirements for the civil service.

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. However, some steps have been taken to improve the openness of government processes. In 2011, Croatia joined the Open Government Partnership. Through this initiative, the government has developed an action plan to introduce measures in the areas of fiscal transparency, access to information, the use of information technologies, and citizen and civil-society participation.

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 policy analysis, and the staff of the Sabor is characterized by formal-legalistic thinking.

Obtaining
Documents
Score: 7

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.

Summoning
Ministers
Score: 6
Summoning
Experts
Score: 10

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 current parliament or Sabor, there are 28 general committees and two special committees – one for the fight against 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 (Čular 2005). In the HDZ (Croatian Democratic Union), no internal elections take place. The SDP (Social Democratic Party) is somewhat more open, with party members given the chance to vote on the party leadership in early 2013. However, Zoran Milanović was the only candidate on the list. Moreover, the SDP does not tolerate the existence of open political factions.

Citation:

Čular, Goran (2005) Organizational Development of Parties and Internal Party Democracy in Croatia, *Croatian Political Science Review*, 41(5):28-51.

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 other economic interest associations such as the Croatian Employers' Association, however, the unions have focused on opposing government proposals and have lacked the will – and the capacity – to develop their own proposals.

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.

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