



Croatia Report

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Sustainable Governance Indicators 2019

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Executive Summary

Since mid-2017, Croatia has been governed by a coalition of the center-right Croatian Democratic Union (HDZ) and the center-left Croatian People's Party – Liberal Democrats (HNS). The coalition has been led by Prime Minister Andrej Plenković, the chairman of the HDZ. While the coalition has enjoyed only a thin majority in the Sabor, the Croatian parliament, the government has been in a relatively strong position. For one thing, it has been able to count on the support of several independent members of parliament and those of centrist and center-right parties. Particularly striking here is the case of Zagreb mayor Milan Bandić, the leader of Bandić Milan 365 – Party of Labor and Solidarity (BM365-SRS). Although his party won only one seat in the Sabor in the last election in 2016, he managed to increase the number of members of parliament in his caucus to 11 by early November 2018 and he now has twice as many members of parliament as HNS, HDZ's main coalition partner. Also contributing to the government's ability to maintain a strong position is the fact that the opposition parties are weak and disunited. The main opposition party, the social-democratic SDP has been going through a major crisis: divided into the supporters and opponents of the party boss Davor Bernardić, the party lost numerous members of parliament, who either left it of their own free will or were ousted. Of other political parties, the most relevant are the populist Human Blockade (Živi zid) party and the centrist Bridge of Independent Lists (Most-NL). For the time being, neither have any intention of linking themselves with the SDP.

Threats to the stability of the Plenković government have thus primarily been coming from HDZ's right wing and – in particular – the conservative non-governmental organizations that have continually challenged some of the fundamental policies advocated by Prime Minister Plenković. In April 2018, a considerable number of HDZ members of parliament opposed the adoption of the Istanbul Convention, despite the fact that the government had supported it. They explained that they were against the concept of a gender-based ideology allegedly being introduced by the Convention. In mid-June, the conservative NGOs “The People Decide” and “The Truth about Istanbul Convention” requested the Sabor to call referendums on it.

Despite its relatively strong position, the Plenković government has been rather slow in carrying out the reforms – both those announced by itself and

those required by the European Union as part of the European semester framework. In the first part of the year, the government was preoccupied with seeking a solution for Agrokor, Croatia's largest company which had run into problems in 2017. The government's key person for economic policymaking, Deputy Prime Minister and Minister of Economy Martina Dalić, had to leave the government in mid-May 2018 because of an alleged conflict of interest. The Agrokor settlement was reached in July, whereby two Russian banks – Sberbank and VTB bank – gained the largest shares of part ownership of the company. However, no sooner had the problem with Agrokor been solved than a problem with Pula and Rijeka shipyards arose. The shipyards were facing bankruptcy, which threatened to encumber the government budget with new expenses arising from the government guarantees given to the shipyards. All this reduced the government's capacity to formulate and carry out the reforms that would bring a sustainable improvement of Croatia's economic growth comparable to other countries of Central and Southeastern Europe. The government failed to make progress in increasing the competitiveness of the economy and to stimulate investment in research and development.

In political terms, the Agrokor crisis has 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 and have continued to exert substantial influence on the media. During the period of review, several prominent individuals accused of corruption were acquitted, which underscores the Croatian court's lack of effectiveness and independence. While the main anti-corruption office, the Croatian State Prosecutor's Office for the Suppression of Organized Crime and Corruption (Ured za Suzbijanje Korupcije i Organiziranog Kriminala, USKOK), 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 prosecute 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 lags behind most of the Central and Eastern European EU member states in terms of socioeconomic development. This has created a strong feeling of hopelessness that has resulted in alarmingly high emigration rates in recent years.

Now that fiscal balance has been attained – although public debt is still very high – increasing the rate of economic growth is the key challenge facing the Plenković government and any other government that might succeed it. Reducing income tax rates may increase household consumption expenditure and provide a short-term boost to growth, but would not be enough to ensure long-term convergence. Increasing the participation of the working-age population in the labor market is needed to increase the rate of economic growth, particularly for those above the age of 50, but no measures targeting this demographic have been developed. Although the working-age population has fallen from 3.8 million in 2012 to 3.4 million in 2018, for the first time since 2013, the active population has surpassed the inactive population by about 100,000.

In order to achieve higher economic growth, Croatia also has to increase investment in research and development, which is far below the level required from Croatia by European Semester. Economic analyses suggest that Croatian GDP has been growing slower than in comparable countries due to a slower growth of exports and a lower share of technologically complex products in exports. Increasing the share of such products in exports, where salaries are generally significantly higher than average, could also be a policy tool that would help retain part of the educated labor force in the country.

Some observers suggest that private sector investments have been low due to excessive tax rates and quasi-taxation, as well as to increased wage bills intended to retain labor. An alternative explanation is that the relatively low investment rate is due to the low rate of expected future economic growth which disincentives companies to invest in additional productive capacity. In part thanks to the recovery seen in euro zone economies in recent years, Croatia's export demand has picked up, as has its rate of economic growth.

Since joining the EU, the share of exports of goods and services in GDP has increased from 42.7% in 2013 to 51.5% in 2017. At the same time, the decline in the investment ratio has come to an end. From 2009 to 2014, the ratio of gross fixed capital formation to GDP decreased from 25.1% to 19.2%, which was associated with the disincentivizing effect of the long recession on investment. Since then, the investment rate has stabilized and begun to increase, reaching 20.1% in 2017. Largely due to the economic significance of tourism in Croatia, most investment is linked to real estate; changing the structure of investment is therefore also of considerable importance. At the same time, public sector investments are very low and depend heavily on EU funds, which indicates a lack of public administration reform and reflects EU pressures to reduce fiscal deficits by reducing public spending.

There is also a need to improve the quality of human capital by improving the health care and education systems. The health care system faces serious financial difficulties that result in long patient-waiting times and limited health care provision. For this reason, introducing more efficient policies to this sector and boosting public expenditure on health services will be one of the key challenges in the years to come. Reforms in the education system have been launched, but they need to be more comprehensive and more rapidly implemented. In addition, public spending must be increased to improve the education system's capacity to provide young people a more effective education.

The final challenge involves introducing serious reforms in the judiciary and public administration. To date, no reforms have been introduced, though improving the quality of governance is essential to addressing the above-mentioned challenges. 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.

Party Polarization

Policymaking in Croatia has suffered from strong identity-based divisions grounded in competing interpretations of history and socioeconomic transition. Until 2016, the political scene was dominated by the center-right Croatian Democratic Union (HDZ) and the Social Democratic Party (SDP). Both parties largely campaigned on a set of symbolic and cultural values (traditional vs. left-liberal), which exacerbated the polarization of the electorate, made cross-party policy cooperation difficult and resulted in a lack of policy continuity after changes in governments. For some time, however, party

polarization has weakened. As a growing number of citizens have become fed up with the traditional political polarization, new political parties have emerged. Under Andrej Plenković, who became chairman of the HDZ and prime minister in 2016, the HDZ has lost some its ideological edge and moved closer to the center. Plenković succeeded in forging coalitions with the centrist Bridge of Independent Lists (Most-NL) (from December 2016 to May 2017) and the center-left Croatian People's Party – Liberal Democrats (HNS) (since June 2017). The SDS has suffered from infighting since the 2016 elections and has lost support in the polls. (Score: 7)

Citation:

Henjak, A., Zakošek, N., Čular, G. (2013): Croatia, in: S. Berglund (ed.), *The Handbook of Institutional Change in Eastern Europe*. Cheltenham: Edward Elgar, 203-234.

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. By the end of 2017, nominal GDP had returned to its 2009 value. While the growth of the Croatian economy continued in 2018, the real GDP growth rate slowed from 3.5 % in 2016 to 2.9 % in 2017 and 2.8 % in 2018. Investment has shown a downward trend, with the ratio of gross fixed capital formation falling from 25.1 % in 2009 to just 20.9 % in 2017. The economy is additionally burdened by €38 billion of external debt, amounting to about 82% of GDP. While tourism, which now accounts for almost 20% of Croatian GDP, grew strongly, industrial production lost momentum. In mid-2018 it turned out that the shipyards in Pula and Rijeka were on the verge of financial disaster. Now that the European Union has rejected the restructuring plans created by management, it remains unclear whether two of three biggest shipyards in Croatia will manage to survive.

Economic policy under the Plenković government had initially been preoccupied with the economic problems of Agrokor, a large and politically well-connected 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. Although the creation of a receivership based on a controversial April 2017 law left some loose ends behind, the company successfully completed the out-of-court settlement process in July 2018, with Russian banks Sberbank and VTB banka gaining the largest share of ownership (approx. 47%). While the Agrokor case has been settled and the quality of economic policy has somewhat improved under the guidance of the European Semester process, the Plenković government has so far failed to raise productivity, to create a reliable economic framework and to foster the international competitiveness of the country. In the World Bank's Doing Business survey, Croatia dropped from the 51st place down to 58th and was overtaken even by some regional

non-EU members.

Citation:

Ivanković, Ž. (2018): Slučaj Agrokor: privatizacija i crony kapitalizam. Zagreb: Naklada Jesenski i Turk.
 Kotarski, K., Petak, Z. (2018): Croatia's Post-communist Transition Experience: The Paradox of Initial Advantage Turning into a Middle-Income Trap, in: Z. Petak, K. Kotarski (eds.), Policy-Making at the European Periphery: The Case of Croatia. Cham: Palgrave Macmillan, 17-25.

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 8.4% in October 2018, while the number of unemployed in the same year, which fell to approximately 130,000, was the lowest Croatia has had since 2008, one year before the economic crisis of 2009. A similar unemployment rate was recorded in Croatia in the final years of former Yugoslavia (8.0% in 1989 and 8.6% in 1990). The number of employed persons has almost reached the pre-crisis level: In 2017, there were 1,625,000 employed persons, which fell just short of the highest level achieved so far – 1,636,000 – in 2008. Despite this improvement, it is notable that Croatia has one of the lowest employment rates in the EU, at just 61.9% in the third quarter of 2018, compared to an average of 69.0% in the EU. 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 young people with university qualifications, who therefore seek opportunities outside Croatia.

Wages have been falling or stagnant during the period of recession and have only just begun to increase. The overall share of wages in GDP fell from 49.5% in 2009 to 46% in 2017. At the end of 2017, the minimum wage was raised by 5% to €456 per month. Nominal wages are expected to increase by around 2.5% in 2018 and 2019. At the same time, there are other encouraging signs of improvement in the labor market, including an increase in the proportion of permanent employment contracts in the total number of new hires and a corresponding reduction in temporary contracts.

Croatia's labor market has been significantly affected by the working-age population's emigration to developed European countries, which has resulted in a serious shortage of workers in sectors like construction, tourism, hotels and restaurants and agriculture, but also in a growing number of industrial sectors. The Plenković government has been trying to solve this problem by importing workers from other countries (primarily from those outside the EU) and by introducing employment policy measures that would stimulate the working-age population to join the labor force. But the government managed to increase the number of the working-age population only marginally.

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. Nevertheless, policy in this area is improving, especially following the introduction of a new network of career-guidance centers across Croatia in partnership with local authorities, which provide individual and tailored career guidance to all, but with a focus on young people not in employment, education or training (NEETS).

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 first 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. 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.

In 2018, the government adopted a second tax reform package that is scheduled to take into effect on 1 January 2019. The package is supposed to include additional HRK 1.4 billion of tax reliefs based on reducing the VAT on fresh meat, fish, eggs, fruit, vegetables and diapers from current 25% down to 13% and – as of 2020 – additional HRK 1.6 billion by reducing the general VAT rate down to 24%. In addition, the government is planning to raise the income threshold for applying the top income tax rate of 36% from current HRK 17,500 (€2,300) to HRK 30,000 and more (approx. €4,000). With this measure, the government wants to raise net salaries in the high-technology sector and in the professions like physicians, IT experts and pharmacists, in order to prevent the drain of these workers from the country. Once again, the government gave in to public pressure and has postponed the introduction of a real estate tax, although finance minister Marić's tax administration made all necessary preparations for it long ago.

Citation:

Blažić, H., Grdinić, M. (eds.) (2018): Tax Policy and Fiscal Consolidation in Croatia. Rijeka: Faculty of Economics and Business.

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. In 2017 and 2018, the general government even ran small surpluses. Since 2016, Croatia's relatively high public debt has fallen. As a result of these improvements, Croatia was able to exit the excessive deficit procedure in June 2017. The fiscal improvements in 2017 and 2018 have largely stemmed from the higher-than-expected GDP growth and the decline in interest payments. In 2017, the government paid HRK 9.7 billion for interest costs – HRK 2.3 billion less than in 2015. The government has failed to reduce the various expenditures that, according to leading Croatian economists, are associated with clientelistic arrangements. 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.

Research, Innovation and Infrastructure

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. Total gross domestic spending on R&D increased from 0.74% of GDP in 2010 to 0.86% in 2017. The small increase was driven almost entirely by increased R&D expenditure by the business sector, while R&D expenditure by the government and higher education sectors stagnated. However, in relation to the EU average R&D expenditure has been falling, and by 2017 Croatia was in 23rd place among the EU member states. It is the same with the number of patents registered: According to Eurostat statistics, Croatia ranks last in the EU, with only three registered patents on one million inhabitants. Overall, the EU Innovation Scorebord reveals Croatia to be only a “moderate innovator.”

Stabilizing
Global Financial
System
Score: 4

Global Financial System

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. 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. The Anti-Money-Laundering Office is understaffed and the rate of convictions for money-laundering offenses remains relatively low.

The Croatian National Bank produces an annual Financial Stability Report. However, this focuses mainly on domestic issues. The latest report declared that the banks remain well capitalized and financial stability had not been put at risk by the adverse events surrounding the Agrokor Group.

Citation:

Croatian National Bank (2018): Financial Stability, No. 19. Zagreb (<https://www.hnb.hr/en/-/financijska-stabilnost-19>).

II. Social Policies

Education

Education Policy
Score: 6

As a percentage of GDP, public expenditure on education aligns with the EU average. However, spending is not particularly efficient. The share of 15-year-olds who underachieve in reading, mathematics and science according the PISA tests is above the EU and OECD average. Conversely, the share of early leavers from education and training is far below the EU average. The system's inefficiency is exacerbated by the high degree of selectivity in upper secondary education. Over 70% of upper-secondary students attend such vocational schools in Croatia, which is higher than the EU average. As in other

former Yugoslavian countries, however, vocational education is very weak, as there is a high degree of mismatch between what is taught and the demands of employers, so that vocational education is not an assured route to a job. The quality of tertiary education varies significantly across institutions and even between departments within universities. The share of the population aged 30-34 years who have successfully completed university education in Croatia is slightly below the EU average. The resources spent on education appear further wasted by the high level of unemployment of school and university graduates. Another problem is the high degree of inequality in access to higher education, since students from better-educated family backgrounds tend to be over-represented in higher education.

Education reform has suffered from a lack of continuity. In 2014, the Milanović government charged an expert team headed by education policy scholar 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 government, but has regained momentum since fall 2017. Blaženka Divjak, who became minister of science and education in the Plenković government in June 2017, launched an experimental curricular reform that took into effect at the beginning of the new school year in September 2018. The reform comprises all subjects in the first and fifth primary-school grades, science (i.e., chemistry, biology, physics) in the seventh primary-school grade, all subjects in the first secondary-school grade and general subjects in four-year vocational schools. Accompanied by great expectations, the reform is intended to shift the focus of education from learning piles of facts to problem-solving and critical thinking. While this shift has broadly been welcomed, the minister's focus on the strengthening of the so-called STEM disciplines in higher education has been more controversial. Critics have raised concerns that the reforms will create narrow specialists and neglect the humanistic aspect of education.

Citation:

Žiljak, T., N. Baketa (2018): Education Policy in Croatia, in: Z. Petak, K. Kotarski (eds.), *Policy-Making at the European Periphery: The Case of Croatia*. Cham: Palgrave Macmillan, 265-283.

Doolan, K., S. Puzić, B. Baranović, B. (2018): Inequalities in access to higher education in Croatia: five decades of resilient findings, in: *Journal of Further and Higher Education* 42(4): 467-481

Social Inclusion

Social Inclusion
Policy
Score: 4

Poverty and social exclusion are significant problems in Croatia. Whereas the income quintile share ratio (S80/S20) and the Gini coefficient broadly match the EU 28 average, 1.09 million or 26.4% of the Croatian population is at risk

of poverty or social exclusion, a figure higher than the EU 28 average. The trend concerning these indicators are, however, slightly positive: the income quintile share ratio (S80/S20) decreased from 5.5 in 2010 to 5.0 in 2017, while the Gini coefficient decreased from 31.5 in 2010 to 29.9 in 2017. The material and social deprivation rate (i.e., when households cannot afford at least five of the 13 items taken into account) also decreased from 22.3% down to 14.7% in 2017, which is close to the EU average of 13.7%. In addition, 10.3% of the population live in conditions of severe material deprivation (compared to 6.6% across the EU 28). An additional problem is that regional-development policy has failed to address the geographic distribution of poverty and exclusion. Poverty is especially severe in the war-affected areas of Eastern Slavonia and areas along the border with Bosnia and Herzegovina.

Social transfers suffer from extreme fragmentation and are not structured in such a way that they can have any significant impact on social exclusion. Benefits are very low, and eligibility criteria are tight. Recipients must not own anything except an apartment (no car, no savings). In an effort to address these issues, the government has begun drafting a new Social Welfare Act, planned for 2019, that would substantially increase welfare benefit amounts and would delimit the total amount that a family can receive.

Citation:

World Bank (2018): The Republic of Croatia: Systematic Country Diagnostic. Report No. 125443-HR, Washington, D.C., 40-47 (<https://elibrary.worldbank.org/doi/abs/10.1596/29876>).

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 538 hospital beds per hundred thousand of the population (little more than the EU average) 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 well below the EU average. Access to care is adversely affected by the regional variation in the range of care provided, the quality of services suffers from weak organization, a lack of digitalization and an inadequate monitoring of treatment outcomes. In addition, there is evidence of significant health inequalities between low and high-income groups. The low employment rate and aging demographics have produced a persistent

financial deficit within the system. In late 2017, the debt of the health care system reached more than HRK 8.2 billion – approx. 2.2% of GDP, prompting another emergency allocation from the national budget. Since EU accession, the number of physicians and other medical professionals leaving Croatia has reached alarming proportions.

The Plenković government has so far done relatively little to address these problems. While the increase in the health care insurance contribution rate from 15% to 16.5% as of January 2019 will provide additional resources, the functioning of the health care system has been left largely untouched. The long-awaited adoption of the National Hospital Development Plan took until September 2018. A new health care bill submitted in early summer 2018 triggered large protests of primary health care physicians, who took to the streets against the government renegeing on its earlier promise to allow all physicians to work as private practitioners rather than as employees in community health centers.

Citation:

European Commission (2019): Country report Croatia 2019 Including an In-Depth Review of the prevention and correction of macroeconomic imbalances. SWD(2019) 1010 final, Brussels, 28-29 (<https://ec.europa.eu/info/sites/info/files/2019-european-semester-country-report-croatia-en.pdf>).

Radin, D. (2018) Health Policy in Croatia: A Case of Free Falling, in: Z. Petak, K. Kotarski (eds.), Policy-Making at the European Periphery: The Case of Croatia. Cham: Palgrave Macmillan, 247-264.

Families

Family Policy
Score: 5

The gender gap in the employment rate has fallen from 10.5 percentage points in 2016 (third quarter) to 8.6 percentage points in 2018 (third quarter) and is now well below the EU average of 10.8, indicating an improvement in women's access to the labor market. However, maternity pay is relatively limited (in 1993, the government abolished the right to a full salary over the one-year period after birth of a child, as the only former Yugoslav country to do so), and child care facilities and extended-day programs at school are meager. Child care coverage is especially poor in less developed rural and semi-rural areas with low employment, reflecting the inability of local governments to pay for services. According to UNESCO reports, only 22% of the children from the poorest families (the lowest 20% by disposable income) attend kindergartens. While the share for the wealthiest 20% of the families is higher, it is still one of the lowest in the EU. Furthermore, work-life balance is unfavorable. According to the 2016 European Quality of Life Survey, only 62% of respondents in Croatia report that their working hours fit well with their family commitments, the lowest proportion of respondents reporting this imbalance in any EU country apart from Bulgaria. 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. The 2014 Family Act did not address these issues, focusing instead on expanding the legal rights of young people and clarifying child-custody issues. Due to numerous objections made after it was passed, the Constitutional Court suspended the entire Family Act in January 2015. Because of bitter conflicts between the conservative and the liberal camp in Croatia, three successive governments have refrained from submitting amended versions of the bill.

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.

European Foundation for the Improvement of Living and Working Conditions (2016): European Quality of Life Survey. Dublin: Eurofound (https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1733en.pdf).

Pensions

Pension Policy
Score: 4

Like some other East-Central European countries, Croatia introduced a three-pillar pension system with a mandatory fully funded 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. However, war veterans enjoy strong privileges. 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. Croatia has an unfavorable pensioner-to-worker ratio of 1:1.26 and the average number of years of service is 30 – much less than in most European countries. The public pension fund has shown a persistent deficit, which represents a significant risk to systemic stability. Only HRK 21 billion out of HRK 38 billion required for payment of pensions is covered by social contributions. The remaining HRK 17 billion come from the government budget, which means that 15% of the budget is allocated for pensions.

The Milanović government began 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 by 2038. The Orešković government presented plans to shorten the deadlines for raising the retirement age to 67 (for men and women alike) and for increasing the early retirement age, but these plans were not implemented. In 2018, the Plenković government finally decided to launch a substantial pension reform. The comprehensive

reform package submitted to parliament in October 2018 by Minister of Labor and Pensions Marko Pavić contained two controversial provisions. First, it called for bringing forward the increase in the retirement age to 67 to 2033 and to accelerate the equalization of retirement age for men and women. Second, it included a new option for pensioners to transfer their savings from the second pillar to the first pillar, an option that would have been attractive because of the resulting eligibility to a 27% pension supplement for those receiving only first pillar pensions. Critics were quick to point out that the second provision would have severely weakened the second pillar and would have given the government the chance to fill the “gaps” in the public pensions scheme by using the transferred assets from the second pillar. Eventually, Pavić modified his original plan. While the right to transfer savings from the second to the first pillar was kept, the final legislation, passed in December 2018, made all pensioners eligible to some kind of pension supplement.

Citation:

Bejaković, P. (2018) The Croatian Pension System and Challenges of Pension Policy, in: Z. Petak, K. Kotarski (eds.), *Policy-Making at the European Periphery: The Case of Croatia*. Cham: Palgrave Macmillan, 229-245.

Bezovan, G. (2018): Croatia: Will the Reform of the Pension System Contribute to Improving the Adequacy and Sustainability of Pensions? European Social Policy Network, Flash Report 2018/69, Brussels.

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. 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. The police have tried hard to prevent the thousands of migrants gathering in the northwestern part of Bosnia-Herzegovina (the greater area of the city of Bihać) to enter the country. Only 425 persons sought asylum in Croatia in 2018, 6% more than in 2017.

Safe Living

Internal Security
Policy
Score: 8

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. The

regulatory framework was extended in 2018 with the amendments of the Environmental Protection Act. However, while improving the environment reporting system, they failed to expedite the passing of the rules and regulations required for enforcement of laws. In water management, substantial investment in the public water supply and drainage system and wastewater treatment system is needed, because there is still a high percentage of water loss (48%) in this system. The progress in waste management is also inadequate: of 12 regional waste management centers planned, only two have been completed – both in western parts of the country. Another problem is the fact that these planned waste management centers are to be focused primarily on mixed municipal waste, which is to be treated mechanically and biologically and turned into the fuel for incinerators in the regional centers. The focus is still not on measures aiming primarily at the selection, separate collection and re-use of waste as one of the key policy tools of the development toward a circular economy.

Citation:

Tišma, S., Funduk, M. (2018): Zaštita okoliša/Environmental Protection, in: V. Samardžija (eds.), Izazovi provedbe europskih politika u Hrvatskoj/The Challenges of European Policies Implementation in Croatia. Zagreb: IRMO, 179-218.

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).

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-NL’s strong showing in the previous elections and its strategic role. Most-NL and the smaller parties thus complained of discrimination. Several NGOs have argued for giving the Agency for Electronic Media of the Republic of Croatia a more important role in covering election campaigns in order to assist the State Electoral Commission in applying the media-campaign regulation provisions

Voting and
Registration
Rights
Score: 8

of the electoral law.

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-NL 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 referendums 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 referendums 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 following years. In mid-June of 2018, conservative NGOs requested the Sabor to initiate two referendums. The initiative “The People Decide” called for the number of members of parliament to be cut from 150 to 120, for an increase in preferential voting on party slates from one to three votes, and for a restriction in minority members of parliament’s voting rights. The initiative “The Truth about the Istanbul Convention,” strongly supported by the Catholic Church, mobilized against the ratification of the Istanbul Convention. Asked by the Sabor to check the number and authenticity of the collected signatures and the lawfulness of their collection, however, the government found that more than one-tenth of the almost 750,000 signatures provided by the two initiatives were invalid, so that the required thresholds were missed. In February 2019, the Sabor eventually declined calling the two referendums.

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 case that attracted the most attention in the period under review was the dismissal of the journalist Hrovje Zovko, the president of the Croatian Journalists’ Association (CJA) who had served as executive editor of HTV 4, one of the TV programs of HRT, Croatia’s national broadcaster, after he had criticized the government for interfering with the broadcaster’s independence. The government has weakened independent media by delaying the allocation of EU funding for non-profit media.

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. After some haggling, Nova TV was taken over by Slovenia Broadband, a subsidiary of United Media, in July 2018. While United Media had been forced by Croatia’s Electronic Media Council (AZTN) to sell its shares in Total TV, it also owns the N1 (cable) television and multimedia platform that has a growing audience in Croatia.

Access to
Government
Information
Score: 8

The market for print media has likewise been dominated by a handful of companies.

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. 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. In 2017, Croatian citizens submitted 22,226 requests for access to information. Their requests were met – fully or partially – in 85% of the cases. However, violations are rarely penalized. Commissioner Musa and others have criticized the fact that court procedures have been cumbersome, and courts have rarely passed verdicts against public authorities.

Civil Rights and Political Liberties

Civil Rights
Score: 5

Civil rights are formally protected by the constitution and other laws, but always respected in practice. 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 need to reduce the backlog of civil, commercial and enforcement cases is still pressing, and the demonization of human rights' advocates has continued. 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.

Citation:

Horvat, K., D. Kalamujić, A. Katavić, S. Sharifi, I. Vejić (2018): Human Rights in Croatia: Overview of 2017. Zagreb: House of Human Rights Zagreb.

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: 4

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. The rights of LGBT persons have been subject to pressures fueled by various types of disinformation about gender, sex and sexual orientation, often propagated by conservative NGOs and initiatives, such as the Truth about the Istanbul Convention initiative. According to the initiative's backers, the Istanbul Convention promotes "gender ideology," something they strongly oppose. All these processes have had a negative effect on the capacity of LGBT persons in Croatia to exercise their human rights.

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.

The number of pending criminal cases in the court system can be used as an indicator of the efficiency and predictability of the court processing system. According to Eurostat data, this number was on the decline in the period leading up to EU accession, falling from 819 pending criminal cases per hundred thousand people to 456 in 2013. Since then, the number has crept back up to 578. This is far greater than in many other EU countries. For civil and commercial cases, the situation is even worse with as many as 6,158 pending cases per hundred thousand people, which amounts to the second highest logjam in the EU.

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. The number of courts were substantially reduced in 2014 and 2015. The long duration of judicial procedures and the

high backlog of cases continue to be a major problem in Croatia's judicial system. Subsequent ministries of justice have dealt with it in vain. Dražen Bošnjaković, HDZ's incumbent minister, has also put it on the list of his main priorities, together with the digitalization of the judiciary. However, widespread skepticism regarding the Croatian judiciary's independence continues to be the major issue at hand. Within the EU, Croatia has the lowest percentage of citizens and the second lowest percentage of business stakeholders who see their judicial system as being independent. The fact that in recent years a number of prominent individuals accused of crimes were acquitted has underscored the Croatian court's lack of effectiveness and independence.

In Croatia, judges of ordinary courts are appointed by the National Judicial Council, an independent body consisting of 11 members – 7 judges, 2 university professors of law and two members of the parliament (one from the opposition). This composition has turned out to be debatable, because it is not certain whether this strategy can ensure the full independence of the judiciary branch in appointing judges. The problems with approach to appointing judges became clear in 2017, when a constitutional blockade of the National Judicial Council took place at one moment after the representatives of the government, and the opposition could not agree on the appointment of their respective members into this body. As a result, the work of the National Judicial Council was obstructed because reaching a majority required for decision-making became difficult. This is why legal experts suggest that citizens' representatives be included in the Council instead of members of the parliament. These representatives, trained lawyers, would be proposed by the parliamentary Judiciary Committee.

Citation:

Dallara, C. (2014): *Democracy and Judiciary Reforms in South-East Europe*. Cham: Springer.

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.

Corruption
Prevention
Score: 5

Corruption ranked high on the agenda of the accession negotiations with the European Union. Despite the Anti-Corruption Strategy for 2015-2020 adopted by the Croatian parliament in early 2015 and the Anti-Corruption Action Plan

for 2017-2018 passed by the Ministry of Justice in mid-2017, corruption 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 exposed the extent to which economic and political interests in the country co-mingle. While the main anti-corruption office, the Croatian State Prosecutor's Office for the Suppression of Organized Crime and Corruption (Ured za Suzbijanje Korupcije i Organiziranog Kriminala, USKOK) 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 prosecute corruption either as a result of external pressure or a lack of competence. In most of the major corruption cases in which indictments were raised against high-ranking officials like former prime minister Sanader, incumbent Zagreb mayor Bandić and a number of former ministers and other officials, no final sentences have been brought yet. This fact has additionally shaken citizens' confidence in the judiciary system and the government's ability to prevent corruption.

Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 5

Since joining the EU in 2013, strategic-planning capacity in Croatia 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. Strategic decisions are still very often made pro forma, lack political support and end up being shelved. Also, in numerous cases, strategies are inconsistent and lack some of the elements that strategic documents should contain. In his October 2018 report on the government's activities in the past year, Prime Minister Plenković did not mention the issue of strategic planning when talking about public administration. However, strategic planning has become a relatively strong tool of some local and regional self-government units. Having realized that success in drawing EU funds largely depends on the quality of strategic planning, they have started using this tool in their policy planning.

Citation:

Petak, Z. (2018) Policy-Making Context and Challenges of Governance in Croatia, in: Z. Petak, K. Kotarski (eds.), *Policy-Making at the European Periphery: The Case of Croatia*. Cham: Palgrave Macmillan, 29-45.

Expert 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.

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.

Citation:

Giljević, Z. (2015): Utjecaj okoline organizacije na upravu koordinaciju: Ministarstvo uprave kao studija slučaja (The Influence of Organizational Environment on Administrative Coordination: Croatian Ministry of Public Administration as a Case Study), in: *Hrvatska i komparativna javna uprava* 15(4): 875-908.

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.

Citation:

Musa, A., Petak, Z. (2015): Coordination for Policy in Transition Countries: Case of Croatia, in: *Mednarodna revija za javno upravo/International Public Administration Review* 13(3-4): 117-159.

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.

Digitalization for
Interministerial
Coordination
Score: 4

The digitalization of public administration is an undisputed goal of the government, but has not proceeded smoothly. The Croatian government established the Central State Office for the Development of the Digital Society in 2016. One of the basic tasks of the Office has been to bundle the existing 28 different digitalization strategies within an umbrella strategy that allows for the co-funding of initiatives from EU funds in the next Multiannual EU Financial Framework for the years 2021-2027. As it stands, the effective use of digital technologies in government and administration is hindered by fragmentation, siloization and bureaucratization. As a result, digital technologies do not play a major role in interministerial 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 an RIA. However, these and other obligations have been only selectively met. In fact, only a small number of bills undergo the complete RIA procedure, partly because they are introduced ad hoc and are thus not included in the annual legislative activity plan. RIA documents are generally of low quality, particularly the parts identifying options and analyzing effects. This has in part to do with the fact that state administration bodies have limited professional and analytical capacities, despite the several training cycles having been provided. The professional and administrative capacities of the Legislation Office are not sufficient to ensure the application of the RIA system and quality control of RIA documents. The government's Regulatory Impact Assessment Strategy for 2018 – 2023 has sought to improve the implementation of RIA. Its passage in December 2017 was followed by the adoption of a Regulatory Impact Assessment Action Plan for 2018 in January 2018.

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 Croatia, there is no independent body that evaluates RIA assessments on a regular basis. However, 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) provide for the involvement of stakeholders. The openness of the RIA process and the transparency of RIA results differ among ministries. 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. The public itself does not seem to be very interested in the RIA process. It often questions its necessity and mocks it.

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.

Quality of Ex
Post Evaluation
Score: 3

The process of Europeanization and Croatia's membership in the EU have opened the space for the use of evaluation studies in Croatian public administration at the central and local government levels. Methods and theoretical approaches to evaluation are exchanged through the Croatian Evaluation Network, which is comprised of experts interested in evaluation practice. However, ex post evaluations are still rarely carried out for significant policies and are even more rarely used by policymakers as a source of evidence and inspiration. If ex post evaluations are carried out, the success indicators tend to be too general and insufficiently precise.

Societal Consultation

Public
Consultation
Score: 4

Consultation of societal actors in Croatia has been governed by the 2009 Societal Consultation Codex. It has been strengthened with the introduction of the government's Central Web Portal for Public Consultations in 2015. According to the Right of Access to Information Act of 2013, all government proposals for regulations related to citizens' interests have to be submitted for

comments via this portal. However, consultation has remained a formality. The tripartite dialog between representatives of the government, employers and trade unions in the Economic and Social Council has continued to be marked by a lack of trust and respect. In the case of the controversial 2018 pension reform, unions complained that they were not sufficiently consulted.

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. In practice, however, ministries have followed their own communication strategies.

Implementation

Government
Effectiveness
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 was implemented only partially, as the government gave up the already prepared introduction of a property tax in June 2017. As for pensions and health care, the Plenković government came up with reforms only in autumn 2018. The announced reform of public administration has progressed slowly.

The limited effectiveness of the Plenković government is also reflected in the 2018 European Commission's European Semester report. According to the report, the level of implementation of the recommendations submitted to successive Croatian governments between 2014 and 2017 (i.e., Milanović, Orešković and Plenković governments) is rather low. Only 5% of the recommendations were fully implemented and substantial progress was made in 12% of them, which is less than one-fifth of all the recommendations submitted. Some progress was made in 31% of the recommendations and very limited progress in 33% of them. There was no progress at all in the remaining 19% of the recommendations.

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 (<https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-repor-t-croatia-en.pdf>).

Ministerial
Compliance
Score: 5

As the strong conflicts within the governing coalition (between HDZ and Most-NL) 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. Interministerial coordination and regular communication between relevant ministries are very rare and of poor quality. As a result, numerous issues that the ministries should deal with eventually end up on the prime minister's desk. This substantially reduces the ministries' capacity for autonomous – full or partial – implementation of the government policies they are entrusted with. All this also slows down the whole policy-implementation process because the prime minister has to deal with too many less important issues instead of concentrating on the strategic development of government policies.

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. Under the first Plenković government, this proposal was not implemented. The second Plenković government eventually came up with its own reform proposal in August 2018. The proposal has aimed at downsizing public administration by abolishing a total of 54 public organizations, most of them agencies.

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, counties) 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.

Effective
Regulatory
Enforcement
Score: 4

Ensuring impartial enforcement of the law and implementation of regulations by public administration bodies independently of the political, economic or social interests of those subject to regulation is a significant problem in Croatia. The underlying reasons lie in the existence of interest groups that

enjoy strong protection through political patronage and in the corruptive tendencies of a part of the street-level bureaucracies dealing with the enforcement of regulation (i.e., inspectorates, tax administration, land registry administration, etc.) The politicization of the civil service and weak governance structures have led to the prevalence of institutions of clientelism and regulatory capture.

Adaptability

Domestic
Adaptability
Score: 5

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 put responsibility for governing EU policy affairs in the hands of the Ministry of Regional Development and EU. However, the ability of the Croatian administration to absorb the newly available EU funds has remained limited, and the Plenković government has done little to adapt domestic government structures to international and supranational developments.

Citation:

Puljiz, J., Maleković, S., Keser, I. (2018): Cohesion Policy in Croatia: What Have We Accomplished so Far? in: Z. Petak, K. Kotarski (eds.), Policy-Making at the European Periphery: The Case of Croatia. Cham: Palgrave Macmillan, 285-302.

International
Coordination
Score: 5

Croatia has supported major global reform initiatives, especially in environmental affairs. However, the Plenković governments have not paid 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. In the period under review, little progress was made in reforming public administration.

Citation:

Koprić, I. (2018): Croatia, in: N. Thijs, G. Hammerschmid (eds.), *Public Administration Characteristics and Performance in EU28*. Luxemburg: European Union, 100-140 (<https://publications.europa.eu/en/publication-detail/-/publication/97f87f51-9608-11e8-8bc1-01aa75ed71a1>).

II. Executive Accountability

Citizens' Participatory Competence

Political
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.

Open
Government
Score: 7

Croatia began in mid-2011 its formal participation in the Open Government Partnership (OGP), as a voluntary international initiative that aims to secure commitments from governments to their citizenry to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance. A special council known as the Council for the Open Government Partnership Initiative of the Government was established as a centralized hub for communication between implementing and monitoring stakeholders. The OGP Council is responsible for the coordination of Croatia's national action plan with expert and administrative support provided by the Government Office for Cooperation with NGOs. The implementation responsibilities are spread among a large group of government institutions, including the parliament. In 2015, the Open Data Portal of Croatia was established which tried to offer in a single place all data related to public administration and became an integral part of the e-citizens project. Some key institutions that provide publicly accessible data such as the State Audit Office and the Croatian Bureau of Statistics do so in a comprehensive, timely and user-friendly way.

Legislative Actors' Resources

Parliamentary
Resources
Score: 6

The members of the Croatian parliament (Sabor) 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. However, these hearings are not always taken seriously by ministers.

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.

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
Decision-Making
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 is somewhat more open to internal debates but does not tolerate the existence of open political blocs. Most-NL held its first intra-party elections in January 2017, more than one year after having been catapulted into parliament.

Association
Competence
(Employers &
Unions)
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 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. In November 2018, the Croatian Employers' Association (HUP) published a substantive public policy document on the sectoral and institutional reforms needed to keep Croatia

Association
Competence
(Others)
Score: 6

from falling even further behind other Central European and South-East European EU member countries.

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.

Independent Supervisory Bodies

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 2003, separate ombudspersons for children and gender equality were established. In 2008, an Ombudsperson for Persons with Disabilities followed. Croatia thus has a differentiated system of ombudspersons. In order to foster cooperation among them, a special agreement was signed by all ombudspersons in 2013.

In 2018, unlike in the previous year, the Sabor endorsed the annual reports of all ombudspersons. Lora Vidović, the current ombudsperson for human rights, made more than 200 recommendations for improving the enforcement of human rights. She listed five fundamental social problems that strongly affected the status of human rights in Croatia: poverty, lack of information about the rights, unequal access to the rights, lack of trust in institutions, and intolerance and lack of dialog. Notwithstanding the parliamentary endorsement, however, most government institutions do not react promptly to the Ombudsman's requests, with requests often left pending for considerable time.

Data Protection
Authority
Score: 7

The Croatian Personal Data Protection Agency established in 2004 was based on the Personal Data Protection Act adopted in parliament in 2003, by which the protection of personal data in the Republic of Croatia was regulated for the first time. The agency is a supervisory body tasked primarily with overseeing personal data protection. The agency monitors those who gather personal data collections that process personal data and warns them of unauthorized processing of personal data. The agency has the authority to order the removal of irregularities, it can temporarily prohibit the processing of personal data, order the deletion of personal data and prohibit their removal from the Republic of Croatia. The Croatian Law on Implementation of General Data Protection Regulation (GDPR) was passed in April 2018 in parliament. The new law prescribes the agency's duty to publish website final and binding decisions, without anonymization of the offender's data, if a data breach is committed in relation to data on children, special categories of personal data, an automated individual decision, in cases of profiling or if an offender is charged in excess of HRK 100,000. In order to get companies and state institutions to implement and reach compliance with the GDPR regulation, the agency organized in 2018 more than 30 advisory activities, involving nearly 2,000 representatives of the processing manager and personal data protection officers. In its annual report to the parliament, the agency pointed out that a large number of companies essentially ignore GDPR compliance. As a result, it requested that the Croatian Employers' Association be more intensively involved in implementing the GDPR.

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