



# Croatia Report

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Sustainable Governance  
Indicators 2020

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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 HDZ and HNS directly control only 40% of parliamentary seats, the government has been in a relatively strong position. It can count on a number of ideologically amorphous members of parliament, many of whom do not stand much chance of being re-elected. The government has also benefited from the fact that the opposition parties are weak and disunited. The main opposition party, the social-democratic SDP went through a major crisis in 2018 and only began to recover in the second half of 2019. Of the other political parties, the most relevant are the populist Human Blockade (Živi zid) party and the still ideologically unprofiled 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 come primarily from the HDZ's right-wing and conservative non-governmental organizations that have continually challenged some of the policies advocated by Plenković. This was most evident in the first round of the 2019/20 presidential elections when Miroslav Škoro, an independent right-wing candidate, took almost 25% of the votes.

At about 3%, real GDP growth in 2019 was slightly higher than in 2018. After five years of economic recovery, real GDP finally returned to its level before the 2009 – 2014 recession. In 2019, the European Commission also announced that Croatia no longer suffers from excessive macroeconomic imbalances, for the first time since Croatia's accession to the European Union in 2013. Fiscal balance and current account deficits have been replaced by surpluses. Despite its relatively strong political position, the Plenković government has been rather slow in carrying out economic reforms. The improvements in the fiscal stance have largely originated from higher-than-expected GDP growth and a decline in interest payments on government debt, rather than from much-needed expenditure reform. Given Croatia's level of economic development and its quality of governance, general government expenditure relative to GDP remains rather high from a comparative perspective. By scrapping the previously agreed reduction in Croatia's high VAT rate from 25% to 24%, the government has sacrificed tax reform for a revenue-based consolidation. It has

not addressed weaknesses in R&I. Policy toward the private sector has been derailed by the economic problems of Agrokor (now Fortenova), the largest private company in Croatia and the Western Balkans. The company successfully reached an out-of-court settlement in July 2018, with Russian banks Sberbank and VTB banka gaining the largest share of ownership (approximately 47%). However, the crisis was reignited in December 2019 when the Slovenian competition agency announced the seizure of one of Agrokor's prized assets, its shares in the Mercator retail group.

The weakness of education policy was revealed when the results of the 2018 PISA were published in late 2019. The results showed a substantial decline in science education, and stagnation in reading and mathematics education. Poverty and social exclusion remain significant problem areas, but the situation has progressed since the economy began to recover in 2015. Attempts at pension reform have met strong resistance from trade unions, which led the government to shelve some of its more ambitious proposals. While the increase in the healthcare insurance contribution rate from 15% to 16.5% as of January 2019 has provided additional resources, the functioning of the healthcare system has been left largely untouched.

Despite various announcements, the Plenković government has done little to improve the quality of democracy and has failed to redress the large differences in the number of voters per constituency, a fundamental problem for the electoral system. The government has continued to exert substantial influence on the media. Strong vertical and horizontal fragmentation of the governance apparatus seriously curtails effective policymaking and the provision of public services.

## Key Challenges

For a number of years, Croatia has failed to find a proper way of coping with the fundamental challenges that have had a significant impact on the country's socioeconomic development. Due to the inadequate policies of almost all of Croatia's governments since the beginning of the country's EU accession negotiations in 2005, the country lags behind most central and eastern EU member states in terms of socioeconomic development. This has created a strong feeling of hopelessness, which in turn has resulted in alarmingly high emigration rates in recent years. A 2019 survey found that 65% of respondents who had emigrated abroad stated that unsatisfactory material conditions were one of the key factors behind their decision to emigrate, while a staggering 53% of respondents pointed to corruption.

Now that fiscal balance has been achieved – although public debt is still high – improving economic competitiveness is the key challenge facing the Plenković government and any government that might succeed it. Increasing the labor market participation of rate of the working-age population, particularly older workers, is needed to increase the rate of economic growth. However, no measures targeting older workers have yet been developed. Although the working-age population has fallen from 3.8 million in 2012 to 3.4 million in 2018, the active population has surpassed the inactive population by about 100,000 for the first time since 2013.

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

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. The tourism sector has long been a mainstay of the economy and this is likely to continue to be so in the future. The success of tourism has to some extent relieved pressure on policymakers to improve the institutional and policy environment for the private sector. Consequently, the economy suffers from a long-term problem of low competitiveness. At the same time, public sector investment is low and heavily dependent on EU funds, reflecting the lack of public administration reform. The recent economic recovery, the improved labor market performance and the success in tackling public sector deficits provides an opportunity to recalibrate public policy across the whole spectrum.

There is also a need to improve the quality of human capital by improving the education and healthcare systems. Reforms to the education system have been launched, but the pace of change remains very slow. In addition, public spending should be better targeted at strengthening the education system's capacity to provide young people with effective education. The healthcare system faces serious financial difficulties that lead to long patient waiting times and limited healthcare provision. For this reason, introducing more efficient policies to this sector, and boosting public and private expenditure on healthcare services will be one of the key challenges in the years to come.

The final challenge involves substantially reforming the judiciary and public administration. The lack of policy continuity is visible in the fact that only six

ministers from the government sworn in in 2016 remain in office at the time of this writing. To date, few reforms have been introduced, even though improving the quality of governance is essential to addressing the above-mentioned challenges. As it stands, public administration in Croatia is simultaneously highly centralized and fragmented, often with a blurred division of competences between the central authority and local authorities.

Citation:

Orešić, B. (2019) PRVO OZBILJNO ISTRAŽIVANJE ISELJENIČKOG VALA 'Koliko je ljudi reklo da se nikad neće vratiti u Hrvatsku? Taj rezultat nas je najviše iznenadio' (<https://www.jutarnji.hr/globus/Globus-politika/prvo-ozbiljno-istrazivanje-iseljenickog-vala-koliko-je-ljudi-reklo-da-se-nikad-neece-vratiti-u-hrvatsku-taj-rezultat-nas-je-najvise-iznenadio/9642091/>).

## Party Polarization

Until 2016, the political scene in Croatia 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 versus left-liberal), which exacerbated the polarization of the electorate, made cross-party policy cooperation difficult and resulted in a lack of policy continuity following changes in government. For some time, however, party polarization has weakened. As a growing number of citizens have become fed up with the traditional political options, new political parties have emerged. In the first round of the presidential elections in December 2019, the candidates of HDZ and SDP received only 55% of the popular vote. 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 government coalitions with the centrist Bridge of Independent Lists (Most-NL) (between December 2016 and May 2017) and the center-left Croatian People's Party – Liberal Democrats (HNS) (since June 2017). After the 2020 parliamentary elections, even a grand coalition between HDZ and SDP might be on the cards. The fact that in recent years individual members of parliament have often changed their political allegiance due to pragmatic reasons also points to a lower salience of ideological questions as a dividing line between political parties in contemporary Croatia. (Score: 7)

# Policy Performance

## I. Economic Policies

### Economy

Economic Policy  
Score: 5

After six consecutive years of recession (2009 – 2014), the Croatian economy returned to growth in 2015. At about 3%, real GDP growth in 2019 was slightly higher than in 2018. After five years of economic recovery, real GDP finally returned to its level before the long recession. In 2019, the European Commission announced that Croatia no longer suffers from excessive macroeconomic imbalances, for the first time since the accession to the European Union in 2013. Fiscal balance and current account deficits have been replaced by surpluses.

The quality of macroeconomic policy has improved under the guidance of the European Semester process. Measures have been adopted to strengthen the institutional framework governing public finances and improve governance of state-owned enterprises. As for the professional management and privatization of state-owned enterprises, however, Croatia still lags behind.

The Croatian National Bank (HNB) has succeeded in keeping inflation in check. The private sector has benefited from ample liquidity and declining interest rates. However, policy toward the private sector has been derailed by the economic problems of Agrokor, the largest private company in Croatia and the Western Balkans. The company successfully reached an out-of-court settlement in July 2018, with two Russian banks (Sberbank and VTB banka) gaining the largest share of ownership (approximately 47%). However, the crisis was reignited in December 2019 when the Slovenian competition agency announced the seizure of one of Agrokor's prize assets, its shares in the Mercator retail group. Agrokor's management has described the action as a gross misuse of the law. In 2019, the number of newly formed enterprises for the first time dropped below 6,000.

## Citation:

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.

Kotarski, K. (2019) The Political Economy of Euro Introduction to Croatia: a Golden Goose or a Stinging Viper? Zagreb: Hanns Seidel Stiftung ([http://www.hanns-seidel-stiftung.com.hr/assets/images/uploads/euro\\_introduction\\_to\\_croatia.pdf](http://www.hanns-seidel-stiftung.com.hr/assets/images/uploads/euro_introduction_to_croatia.pdf)).

## 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 below 7% in 2019. However, Croatia still has one of the lowest employment rates in the European Union, at just 61.8% in the second quarter of 2019, compared to an EU average of 69.3%. This figure masks a very uneven situation across Croatia's 21 counties. Whereas Zagreb, the capital, boasts an employment rate of more than 80%, less-developed mainland counties record rates of less than 50%. Another 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.

After a period of decline, wages have begun to increase. A new minimum wage law was introduced in January 2019. The law ensures social partners are consulted when setting the minimum wage, which is to be determined on 31 October each year. At the end of 2019, the minimum wage was €505.90 per month, about 44% of the average wage. 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. Since peaking at 22% in 2016, the percentage of temporary and part-time contracts has fallen to less than 20%.

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 European Union) and by introducing employment policy measures that would stimulate the working-age population to join the labor force. 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). The Law on the Promotion of Employment was introduced in 2019 to support these measures.

### Taxes

Tax Policy  
Score: 5

Tax reform has been among the top priorities of the 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 nontaxable 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. In 2018, the government adopted a second tax reform package that went into effect on 1 January 2019. The package included an additional HRK 1.4 billion in tax reliefs based on reducing the VAT on fresh meat, fish, eggs, fruit, vegetables and diapers from 25% to 13%. However, the planned increase in the threshold for the upper income tax band, which is taxed at 36%, from HRK 17,500 (€2,300) per month to HRK 30,000 (approximately €4,000) per month – which aimed to raise net salaries in the high-technology sector, and in professions like physicians, IT experts and pharmacists in order to prevent “brain drain” – was eventually postponed. In the third tax reform package, the personal allowance (i.e., earned income that is not taxed) threshold was lifted from HRK 3,800 per month to HRK 4,000 per month, starting from 1 January 2020. Furthermore, the revenue threshold for the corporate tax rate of 12% was raised from HRK 3 million per year to HRK 7.5 million per year. Hence, 93% of businesses will pay taxes according to the lower tax rate. Finally, the government decided to exempt workers under the age of 30 from paying the full amount of income tax. At the same time, under pressure from trade unions, which had orchestrated the longest strike in Croatian history, the Plenković government decided to scrap the previously agreed reduction in the general VAT rate from 25% to 24%. The government



also gave in to public pressure and postponed the introduction of a real estate tax, despite Finance Minister Marić's tax administration making all the necessary preparations for it long ago.

Since 2016, tax revenues have been sufficient to allow for a small fiscal surplus. However, the tax-to-GDP ratio, while slightly below the EU average, is rather high for a country of Croatia's economic and institutional development. Moreover, the previously announced tax reductions have been sacrificed for a revenue-based consolidation.

Vertical equity has suffered from the recent tax privileges of young income earners. While Croatia has a progressive income tax, the large share of indirect taxes limits the redistributive effects of the tax system. Croatia is the EU member state with the highest share of VAT revenues in GDP.

The standard corporate income tax is higher than in Bulgaria and Hungary, but similar to other East-Central European countries. Small businesses benefit from the lower tax rate. Due to the high social insurance contributions, however, the tax wedge is relatively high. The frequent changes in taxation have increased uncertainty over taxation.

At 3.6% of GDP in 2018, Croatia's revenues from environmental taxes were above the EU average of 2.4%. However, there is scope to improve the use of environmental taxation to better support environment and climate policy objectives. Croatia is one of the few Member States that does not have a landfill tax nor an incineration tax for waste management

Citation:

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

European Commission (2020): Country Report Croatia 2020. SWD(2020) 501 final. Brussels, 25 (<https://ec.europa.eu/info/sites/info/files/2020-european-semester-country-report-croatia-en.pdf>).

## Budgets

Budgetary Policy  
Score: 6

When Croatia joined the European Union in July 2013, it was almost immediately placed under the European Union's excessive deficit procedure. However, successive governments have managed to reduce the general government fiscal deficit from a peak of 7.8% in 2011 to about 1% in 2016. Since 2017, general government has run small, yet declining surpluses. As a result, Croatia's relatively high public debt ratio has fallen since 2016. These improvements in the fiscal stance allowed Croatia to exit the excessive deficit procedure in June 2017. Despite the fiscal surpluses, however, fiscal policy

has been procyclical in 2018 and 2019. Moreover, the fiscal surplus has largely been the result of higher-than-expected GDP growth and a decline in interest payments on government debt, rather than from much-needed expenditure reform. Given Croatia's level of economic development and its quality of governance, general government expenditure relative to GDP is still rather high from a comparative perspective. Croatia's budget remains riddled with bloated expenditure categories, which suggests the presence of clientelistic arrangements. It is indicative that the sum of government expenditure on intermediate consumption, compensation of government employees and public subsidies amounts to a staggering 20.8% of GDP (2001 – 2017 average). This result places Croatia fourth among the EU-28 (only behind the wealthy and well-governed Scandinavian countries). Concerns about the medium-term sustainability of budgetary policy have increased due to the slow progress in amending the 2011 Fiscal Responsibility Act and improving budgetary planning, as recommended by the European Commission and the IMF for some time.

Citation:

Kotarski, K. (2019) *The Political Economy of Euro Introduction to Croatia: a Golden Goose or a Stinging Viper?* Zagreb: Hanns Seidel Stiftung.

Šimović, H., M. Deskar-Škrbić (2019): *Fiscal Policy and European Semester in Croatia: Why Should we focus on public debt?*, in: Petak Z. and Kotarski, K. (eds.) *Policy-Making at the European Periphery: The Case of Croatia*. Cham: Palgrave Macmillan, 147-168.

### 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 0.97% in 2018. The small increase was driven by increased R&D expenditure by both the sector and higher education sectors, while R&D expenditure by the government stagnated. European Structural and Investment Funds are a new and important source of scientific research funding. However, managing EU-funded scientific projects remains burdensome given the large scope of domestic red tape imposed on the scientific community by implementation bodies. In relation to the EU average, R&D expenditure has been falling and Croatia closed 2019 in the group of worst performers. Similarly, in terms of the number of patent applications to the European Patent Office, Croatia fares poorly in contrast to other EU-28 countries, with only three registered patents to one million inhabitants. Overall, the EU Innovation Scoreboard categorizes Croatia as only a “moderate innovator.”

## Global Financial System

Stabilizing  
Global Financial  
System  
Score: 4

The accession of Croatia to the European Union has brought greater integration of the financial system. The European Union'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. However, the regulatory framework will be strengthened by the joining of the Single Supervisory Mechanism (SSM) and Single Resolution Mechanism (SRM) when Croatia enters the EU banking union in mid-2020. 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 given the fact that more than 90% of bank assets are held by foreign banks. Hence, there is no strong domestic constituency advocating for this agenda. 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.

Citation:

Croatian National Bank (2019): Financial Stability, No. 20. Zagreb (<https://www.hnb.hr/en/-/financijska-stabilnost-19>).

## II. Social Policies

### Education

Education Policy  
Score: 5

As a percentage of GDP, public expenditure on education aligns with the EU average. Pupil to teacher ratios in both the primary and secondary education system are even lower than in most other EU member states. Still, educational performance is relatively weak. A greater proportion of Croatian 15 year olds underachieve in mathematics (31%) compared to the OECD average (24%), according to the PISA 2018 tests, while performance is rather similar to the OECD average in reading and science. Since 2006 when Croatia joined the

PISA program, average performance in reading and mathematics has been relatively stable. The mean score in reading has increased slightly from 477 in 2006 to 479 in 2018 (OECD average is 487), while the mean score in mathematics has fallen slightly from 467 to 464 (OECD average is 489). However, there was a significant deterioration in the average score in science from 493 in 2006 to 472 in 2018 (OECD average is 489).

The PISA tests also reveal substantial inequalities in educational attainment at the end of compulsory education. In reading performance, socioeconomically advantaged students outperformed disadvantaged students by 63 score points, although this was a smaller gap in comparison to the 2009 PISA. In addition, while 10% of advantaged students achieved the highest grade in reading, only 2% of disadvantaged students achieved this level of attainment. The PISA results reveal a strong relationship between socioeconomic status, and performance in mathematics and science, although this relationship is somewhat weaker in Croatia than on average among OECD countries.

The poor quality of and inequity in primary education carry over into a high degree of selectivity in upper (post-compulsory) secondary education. Over 70% of upper-secondary students attend vocational schools, a greater proportion than elsewhere in the European Union, while 30% attend general secondary schools (gymnasia). Whichever type of school is attended, entry to the labor market is problematic following completion of studies. In 2019, according to Eurostat, the unemployment rate of people with a general secondary school background who had graduated within the previous five years was 36.5%, while it was 26.4% for people with a vocational education background (compared to an average of 22.3% for all education system graduates within five years of graduation). The share of the population aged 30 – 34 years old who have completed higher education was 34.1% in 2018, substantially below the EU average of 40.7%.

Access to higher education is unequal, as students from better-educated family backgrounds are over-represented in higher education. However, this outcome is not caused by the presence of burdensome tuition fees acting as a barrier to entry, especially since higher education is overwhelmingly financed out of the public purse. This has more to do with the cost of living for students in major cities and the lack of private scholarships for students from poorer families. The employment rate for recently graduated students is far below the EU average. It is very common that employers in the private and even public sector complain of the lack of necessary skills on the part of recent graduates.

Education policy 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. Blaženka Divjak, minister of science and education, launched an experimental curriculum reform 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. The Croatian National Center for External Evaluation of Education's recent evaluation of teachers and pupils exposed to the experimental curriculum found that outcomes were poor and satisfaction with the way experimental classes worked was very low. After organizing the longest strike in Croatian history (more than 35 days), teachers' unions succeeded in pressuring the government into granting teachers more than a 10% salary increase in 2020. However, it is unlikely that there will be a significant improvement in educational outcomes unless a meritocratic system for compensating and promoting staff, paired with political accountability at the highest level, is established.

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 (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

OECD (2019): Programme for International Students Assessment (PISA) Results from PISA 2018 – Country Note Croatia. Paris.

## 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, over one million people (23.8% of the Croatian population) were at risk of poverty or social exclusion in 2018, three percentage points above the EU-28 average, although this is an improvement from 1.25 million people (32.6%) in 2012, in the immediate aftermath of the economic crisis. The material and social deprivation rate for persons not in employment (i.e., when households cannot afford at least five of the 13 items taken into account) also decreased from 28.9% in 2014 to 18.3% in 2018 and is now broadly similar to the EU-28 average. However, there are significant pockets of extreme poverty with 8.6% of the population living in conditions of severe material deprivation (compared to 5.9% across the EU-28).

Social transfers suffer from extreme fragmentation and are not structured in such a way that they have a significant impact on social exclusion. Benefits are very low and eligibility criteria are tight, so only 2% of the population receive

social welfare. Recipients must not own anything except an apartment (i.e., no car or savings). This results in high levels of marginalization and exclusion among the poorest families. In particular, families with school-age children who live on the minimum social assistance scheme (GMB) are on average able to cover only about half of their material needs. These families use various coping strategies, including borrowing from relatives and friends, going into arrears on utility bills (which can lead to utility services being cut off), and selling items from home. Parents in such families often go hungry so that their children have enough to eat. There is a growing concern about the quality and availability of nursing homes, both private and public. In the coming years, familiarization of elderly care is likely to increase as in other Mediterranean countries, which will negatively affect intergenerational solidarity and labor market outcomes.

In 2018, in an effort to address these issues, the government adopted the Action Plan for the Improvement of Social Benefits 2018 – 2020, which has unfortunately failed to improve the adequacy or coverage of social assistance, and has had little impact on the extent of social exclusion or marginalization.

Citation:

European Parliament (2018): The Employment and Social Situation in Croatia. Luxembourg: European Parliament, Policy Department for Economic, Scientific and Quality of Life Policies (<http://www.europarl.europa.eu/committees/en/supporting-analyses-search.html>).

## Health

Health Policy  
Score: 4

In Croatia, most healthcare 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 healthcare 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 European Union. As a percentage of GDP, government spending on healthcare is well below the EU average (6.8% vs 9.8%). In terms of expenditure per capita, Croatia spends less than €1,300, with only Romania and Latvia lagging further behind. The structure of expenditure is unfavorable, and too much is spent compared to the EU average on drugs and medical equipment, which could be improved by scaling up purchases and increasing transparency, as well as by rationalizing the prescription of drugs and antibiotics. Prevention programs are seriously under-

resourced. The low employment rate and aging demographics have produced a persistent financial deficit within the system. Since joining the European Union, the number of physicians and other medical professionals leaving Croatia has reached alarming proportions.

Access to care is adversely affected by regional variations in the range of care provided, the quality of services suffer from weak organization, a lack of digitalization and the inadequate monitoring of treatment outcomes. In addition, there are significant health inequalities between low- and high-income groups. Life expectancy in Croatia is 78.2 years, lower than the EU average of 81.0. Healthy life expectancy at the age of 65 is five years, one of the lowest in the European Union. Croatia has the eighth highest obesity rate in the EU-28 and also has one of the highest prevalence of daily smokers.

The Plenković government has so far done relatively little to address these problems. While the increase in the healthcare insurance contribution rate from 15% to 16.5% as of January 2019 has provided additional resources, the functioning of the healthcare system has been left largely untouched. The long-awaited adoption of the National Hospital Development Plan took until September 2018 and its implementation has been largely unsatisfactory. A recent series of scandals around Minister of Health Milan Kujundžić has once more shown the pervasiveness of corruption in the healthcare system.

Citation:

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 for 15 – 64 year olds is 12.0 percentage points in Croatia compared to 10.2 in the EU-28 (Eurostat data, Q2 2019). It has increased from just 7.6 in Q2 2015 indicating a worsening of the situation over time. Maternity pay is relatively limited. In 1993, the government abolished the right to a full salary over the one-year period after the birth of a child, being the only former Yugoslav country to do so. Similarly, childcare facilities and extended-day school programs are meager. In 2020, the maternity pay cap between the sixth and 12th months of leave will be raised from HRK 3,991 per month to HRK 5,564 per month. Childcare 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 European Union. 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 member state 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](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 at 39% is the second lowest in the European Union, partly because many pensioners retire early. Only 15% of pensioners worked for 40 or more years. As a result, pensioner poverty is high in Croatia, with almost one-third of pensioners at risk of poverty or social exclusion. Though approximately 170,000 retirees enjoy privileged pensions, among them more than 70,000 war veterans. 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. Almost half of the pension spending is covered by the government budget rather than by social contributions, which means that pensions account for 15% of the government budget.



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. In October 2018, the Plenković government submitted a substantial pension reform to parliament which 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 pointed out that the second provision would severely weaken the second pillar. In response the final legislation, passed in December 2018, was slightly modified so that all pensioners would be eligible to some kind of pension supplement. In 2019, trade unions gathered about three-quarters of a million signatures for a referendum on the issue, and forced the government to back down and introduce amendments to the law to lower the official state retirement age to 65, while allowing those who wish to do so to continue working beyond that age. In late 2019, the government also announced the introduction of “national pensions” for citizens who have never worked or have worked less than 15 years from 2021 onwards.

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. (2019): Croatia: Mitigating poverty among the elderly by introducing a “national pension.” European Social Policy Network, ESPN Flash Report 2019/60, Brussels.

Bezovan, G. (2019): Trade unions mobilize citizens’ support for referendum against recent pension reform. European Social Policy Network, ESPN Flash REport 2019/24, 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. In 2018, only 800 persons sought asylum in Croatia. Generally, Croatia’s economic and social model is not attractive to potential asylum-seekers and migrants, which will exacerbate Croatia’s future demographic and economic challenges. There is neither a strategy to attract culturally similar immigrants, which could facilitate integration, nor a policy to integrate existing migrants. Integration is complicated by weak inter-sectoral cooperation between institutions responsible for carrying out immigration issues with local communities and civil society organizations. The integration

of Serbian returnees who fled the country during the Homeland War has made relatively good progress, even if access to adequate housing remains a key challenge.

Since 2016, Croatia has drifted away from its relatively compassionate treatment of migrants and 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. In 2019, the number of people illegally entering the country increased substantially. Croatia has refrained from building barricades and using barbed wire, but sought to protect the Croatian, EU and future Schengen border with 6,500 police officers. Civil rights organizations have criticized the country for violently pushing refugees back.

### Safe Living

Internal Security  
Policy  
Score: 7

In Croatia, crime represents no significant threat to public safety or security, although property crime is on the rise in tandem with burgeoning tourism activity. The homicide rate is still below the EU-28 average, but higher in 2019 than the previous year. Family-related violence has also risen in 2019. Despite the police continuing to effectively maintain public order and combating crime in general, police effectiveness has been dropping. While Croatia has the fourth largest number of police officers per 100,000 inhabitants in the EU-28, almost one third of police officers are deployed to protect the country's borders. Over the years, the employment of (often superfluous) administrative staff in the Ministry of the Interior has come at the expense of police officers' presence in the field. Field officers are generally poorly paid and often overstretched. Several high-profile cases of police officers' malfeasance and the ensuing attempts to cover up these cases, and even some extortion attempts on behalf of police officers has reduced public confidence in the police force's integrity. 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.

### Global Inequalities

Global Social  
Policy  
Score: 3

The Croatian government takes part in the activities of international organizations to which the country belongs. For trade issues related to international development, the government follows the policy of the European Union and other international organizations. The government does not have a well-developed international-development policy. However, since joining the

European Union, 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. More than 80% of the official development aid is generally directed to Southeast European (SEE) countries. Of Croatia's ODA, 72% is multilateral aid and 23% is bilateral aid. In 2019, this aid amounted to HRK 250 million, HRK 200 million less than what had been budgeted for 2018. This figure puts Croatia far below the officially endorsed goal of 0.33% of GNI for the new EU member states.

### III. Environmental Policies

#### Environment

Environmental  
Policy  
Score: 5

Environmental policy in Croatia has been strongly shaped by Croatia's accession to the European Union. The regulatory framework was extended in 2018 with the amendments to the Environmental Protection Act. However, while improving the environment reporting system, the amendments failed to expedite the passing of the rules and regulations required for the enforcement of laws.

According to the National Strategic Reference Framework, which guides the use of European Structural and Cohesion Fund money, Croatia is required 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, largely due to the incoherent Public Procurement Law. The uncertainty caused by the law's interpretation has been a significant drag on ESIF absorption in Croatia. In 2019, Croatia was almost bottom of the EU-wide list in terms of the percentage of funds spent.

Primarily as a result of its EU membership obligations, Croatia has made some improvements in water and waste management, and has passed several action plans. However, there is still much to be done in terms of actual enforcement and implementation. 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%). The progress with waste management is also slow: 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 system of waste management clearly lacks coordination between different administrative levels, it does not provide appropriate incentives for ordinary citizens and businesses to avoid, collect and separate waste, and there is a lack of enforcement capacity.

Environmental pollution has declined. However, air pollution remains a significant problem, especially in the capital, Zagreb. Additional efforts are needed to fulfill the emission reduction commitments laid down in the new National Emissions Ceilings Directive for 2020 – 2029 and beyond.

Croatia has succeeded in implementing the targets for climate protection set by the Kyoto Protocol and Paris Climate Agreement. By procuring almost 30% of energy consumed from renewable sources, it stands both above the level stipulated in the Lisbon Strategy, as well as above the EU average share of renewables used. However, the share of renewables used in the transportation system is rather low. Progress in formulating the country's low-carbon 2030 development strategy has been slow. Some initial steps have been taken to define national objectives, policies and measures; however, these have not been finalized or adopted.

Since 2017, Croatia has made some progress in protecting biodiversity. The Natura 2000 network in Croatia, which is the second largest in the European Union relative to country size, is now largely complete. However, the conservation of Natura 2000 sites continues to suffer from a weak legal framework and a lack of resources. Moreover, further designations need to be made in the marine network.

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 (2019): *The EU Environmental Implementation Review Country Report Croatia*. SWD (2019) 114 final, Brussels.

### Global Environmental Protection

Global  
Environmental  
Policy  
Score: 6

Croatia ratified the Paris Climate Agreement in 2017 and strongly adheres to international environmental standards. It has reduced greenhouse gas emissions in line with the targets set by the Kyoto Protocol and the Paris Climate Agreement. However, it has not launched any initiatives for global environmental protection, and the development of its low-carbon 2030 development strategy has progressed slowly.

## 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 the elections to the national parliament and to local assemblies 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. However, the number of required signatures does not represent a major hurdle to the functioning of the democratic process. Prospective presidential candidates need to secure the support of at least 10,000 voters to stand in a presidential election. In parliamentary elections, only 500 signatures are required from the respective electoral unit for the candidacy of an independent list to be valid. In the case of local elections, the number ranges from 25 to 2,500, depending on the size of the locality. Over the last couple of years, the number of independent mayors and lists have surged. Since the 2017 local elections, independent mayors control 21 out of 128 cities and 76 out of 428 municipalities. One often criticized 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>).

OSCE/ODIHR (2019): Needs Assessment Mission Report Republic of Croatia: Presidential Election 22 December 2019. Warsaw, 5-6 (<https://www.osce.org/odihr/elections/croatia/440501>).

Media Access  
Score: 6

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. In the case of the 2019 presidential elections, HTV reacted to these complaints and invited all 11 candidates to a public debate. In contrast, calls by several NGOs to give the Agency for Electronic Media of the Republic of Croatia a more important role in applying the media provisions of the electoral law were not taken up.

Voting and  
Registration  
Rights  
Score: 8

All citizens of voting age are entitled to participate in elections, and legislation on this issue is strongly inclusive. For example, prisoners are eligible to vote, and persons without legal capacity were allowed to participate for the first time in the April 2013 European Parliament elections. Before these 2013 elections, the highly outdated voting register was thoroughly cleaned. However, a controversial 2015 amendment to the Law on the Register of Voters limited the automatic registration of voters to those with a valid ID. A provision enabling Croatian citizens without permanent residence in Croatia to take part in national elections if they register in advance remains controversial. Upon coming to office in October 2016, Prime Minister Plenković announced to address the problem of the large differences in the number of voters per constituency, a fundamental lack of the electoral system in Croatia. In the period under review, however, no changes were initiated.

Party Financing  
Score: 4

The legal framework for the financing of parties and campaigns has undergone frequent changes over time. The new law on the financing of political activities, election campaigns and referendums, adopted in March 2019, has regulated the financing of referendum campaigns for the first time. It has increased the limits on private and corporate donations to political parties, and campaign financing limits, and has also introduced a new system for publishing the reports of parties and candidates. However, it has failed to close a number of loopholes. The new legislation has suffered from a lack of a proper parliamentary and public debate. It was adopted only a few weeks before the 2019 European Parliament elections.

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 decided against calling the two referendums. Between April and May 2019, trade unions collected signatures in favor of a referendum on amending the 2018 Pension Insurance Act. Although the required number of signatures was collected, no referendum was called, as the government eventually accepted all demands in September 2019.

#### Access to Information

Media Freedom  
Score: 4

Media freedom in Croatia is limited. Political influence on public media is still fairly strong, as is the influence of private owners on private media. 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. Media freedom has also suffered from the large number of defamation lawsuits against journalists and media. In January 2019, there were more over 1,000 ongoing trials against Croatian journalists or media outlets. Some of them have been brought to the courts by the public broadcaster HRT, which has been unique in suing its own journalists, other media outlets and professional journalist associations. As a result, many Croatian journalists who investigate corruption, organized crime or war crimes are often subject to harassment campaigns. The government has weakened independent media by delaying the allocation of EU funding for non-profit media. Even after the fall of Balkan tycoon Ivica Todorić in 2017, there are still many cases of powerful businesspeople using advertising to hinder media freedom. In 2019, however, a new generation of investigative journalists have brought a series of scandals involving public officials to the fore, which have resulted in several high-profile resignations.

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)

Access to  
Government  
Information  
Score: 8

television and multimedia platform that has a growing audience in Croatia. 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. While most of the requests are – fully or partially – met, 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. The Ombudsman for Human Rights has complained several times about having been denied information about police treatment of migrants.

### Civil Rights and Political Liberties

Civil Rights  
Score: 5

Civil rights are formally protected by the constitution and other laws, but not 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.

After much of political controversy, the Croatian parliament ratified the Istanbul Convention in 2018. However, data for 2019 show an increase in the number of family-related violence cases, most of which encompass male offenders. These cases are also more shocking in terms of the brutality displayed. Prevention initiatives and the penal system have been too inert in tackling the issue. The government endorsed stiffer penalties for offenders, while attacks on social workers will now be treated as criminal offenses. It remains to be seen whether the stiffer penalties will deter serious offenders and molesters in light of the very slow and inefficient judiciary.

In terms of the freedom of expression and access to justice, Croatia still posts unsatisfactory results. However, in other walks of life, such as protecting civil and political rights (especially of gay people and minority nationalities), Croatia has made steady improvements or maintained relatively high



standards, as witnessed by the 2019 court decision that allows gay couples to become foster parents. According to the Othering and Belonging Institute at UC Berkeley’s 2019 Inclusiveness Index, Croatia ranks a very credible 13 out of 132 countries worldwide.

Citation:  
Human Rights House Croatia (2018): Human Rights Defenders in Croatia: Obstacles and Challenges. Zagreb (<https://humanrightshouse.org/articles/human-rights-in-croatia-overview-of-2018/>).

Othering & Belonging Institute (2019): The Inclusiveness Index Report 2019. Berkeley (<https://belonging.berkeley.edu/inclusivenessindex>).

Political Liberties  
Score: 7

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

Non-discrimination  
Score: 5

Although discrimination has been prohibited by several different legislative acts for some time, the new Anti-discrimination Act (ADA), which entered into force in 2009, was an important step. The new act prohibits discrimination in 10 specific areas of social life and distinguishes 17 different forms of discrimination. It has enabled new forms of judicial redress for cases of discrimination. The Ombudsman institutions have a large role in combating discrimination, and the Office of the Public Ombudsman serves as a central anti-discrimination body under the ADA. However, although discrimination is prohibited by the law, the legislation has not been fully implemented, and certain vulnerable groups still experience discrimination. In particular, the Roma sometimes encounter discrimination in education and employment. The rights of LGBT persons have been occasionally circumscribed, but Zagreb and Split Pride, as well as the failure of conservative NGOs to collect sufficient signatures for a referendum against the Istanbul Convention suggest that the overall social climate toward LGBT community has significantly improved. Despite the fact that gay couples are denied the right to officially marry, they can enter into same-sex partnerships with almost equal rights to opposite-sex partnerships since 2014. A court decision in December 2019 finally acknowledged the right of gay couples to become foster parents.

**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

Judicial Review  
Score: 5

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.

Croatia has the highest number of judges per 100,000 people in the EU-28 and spends almost 0.45% of GDP, the fifth highest share in the European Union, on the judiciary. At the same time, the independence, quality and efficiency of the judiciary have been limited. The level of trust in the Croatian judicial system remains the worst of any EU member state, both among ordinary citizens and businesses.

The fact that in recent years a number of prominent individuals accused of crimes were acquitted has underscored the Croatian judiciary's lack of effectiveness and independence. The main impediment to the perceived lack of courts' independence is to be found in interference by government and politicians, which is closely followed by interference from economic or other specific interests. The State's Attorney Office is also often perceived as lacking skilled personnel with integrity, and under constant pressure from powerful political players to either start or stall processes against their adversaries.

In Croatia, judges of ordinary courts are appointed by the National Judicial Council, an independent body consisting of 11 members – 7 judges, two 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.

The long duration of judicial procedures and the large backlog of cases continue to be a major problem in Croatia's judicial system. Successive ministers of justice have failed to deal with the backlog. Dražen Bošnjaković, HDZ's incumbent minister, has also prioritized it, together with digitalization of the judiciary.

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. The latest round of appointments in 2016 included many judges with dubious backgrounds.

Corruption  
Prevention  
Score: 4

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, final sentences have been conspicuously absent. In the nine years since Sanader was arrested, only one out of six indictments raised against him received a final sentence. The Constitutional Court's repeal of the final verdict against Sanader in the case of INA-MOL in 2017 has proven to be highly controversial and many criminal code experts deem the court's decision to constitute a serious legal mandate overreach. In 2019, four ministers (G. Marić, G. Žalac, T. Tolušić and L. Kušćević) resigned due to inconsistencies or irregularities in their publicly available personal asset list, which raised suspicions of corrupt practices. However, swift, impartial and transparent judicial investigations have been lacking in the aftermath. All of this has additionally shaken citizens' confidence in the judicial system and the government's ability to fight corruption.

# Governance

## I. Executive Capacity

### Strategic Capacity

Strategic  
Planning  
Score: 4

Since joining the European Union 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. Moreover, many local and regional self-government units have realized that success in drawing EU funds largely depends on the quality of strategic planning.

Despite the introduction of new 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. A good case in point has been the fate of the National Development Strategy 2030, announced by the second Plenković government as an umbrella strategy. Back in 2017/18, interest associations and ordinary citizens were invited to provide their input with much acclaim. Originally announced for June 2019, however, the strategy is yet to be completed, and the government and other key stakeholders have gradually stopped referring to it. As Croatia has now entered a long electoral cycle – with presidential elections in December 2019/January 2020, followed by parliamentary elections planned for autumn 2020 and local elections in 2021 – daily politics has trumped long-term strategic 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.

The involvement of the Prime Minister's Office in the preparation of policy proposals has been complicated by the large number of ministries. During the era of Prime Minister Ivo Sanader, Croatia had only 14 ministries. By contrast, the second Plenković government consists of 20 ministries, the third highest number in the European Union.

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 and the tendency to subject such issues to laborious bureaucratic processes in organizational siloes. . As a result, digital technologies do not play a major role in interministerial coordination.

### Evidence-based Instruments

RIA Application  
Score: 5

The EU accession process has accelerated the development of RIA in Croatia. In July 2011, the Kosor government adopted a RIA bill and re-established the Government Office for Coordination of the Regulatory Impact Assessment System that had been abolished in July 2009 as a reaction to populist critique. In accordance with the RIA Action Plan for 2013 – 2015, the office became a department of the government's Legislation Office, and RIA implementation coordinators were appointed in all ministries. Since 2012, all government bodies have been obliged to prepare annual regulatory plans specifying which of their planned regulations should undergo a RIA. A new RIA law passed in 2017 requires a full RIA to be carried out for all new laws that will potentially

have a large environmental or social impact. In addition, a Regulatory Impact Assessment Strategy for 2018 – 2023 has sought to improve the implementation of RIA. While progress has been made in strengthening the regulatory policy framework, only a small number of bills undergo the complete RIA procedure. According to the government's report on conducted legislative activities, only 17 out of 68 laws planned to be passed in 2018 were subject to RIA. Moreover, 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. The professional and administrative capacities of the Legislation Office are insufficient to ensure the application of the RIA system and quality control of RIA documents.

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 EU membership 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, Croatian

policymakers are yet to introduce effective ex post evaluation mechanisms for the already passed legislative and regulatory measures. Thus, ex post evaluations of significant policies are rarely carried out, 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. In the period under review, critical comments by the scientific community and the general public on the web platform led the government to withdraw the envisaged amendments to the law on the prevention of conflict of interest, which would have reduced the prerogatives of the parliamentary commission on conflict of interest. The second major instrument for societal consultation – the tripartite dialogue between representatives of the government, employers' associations and trade unions, the Economic and Social Council (ESC) – has continued to be marked by a lack of trust and respect. The trade unions left the ESC in April 2019, following a dispute with the government over the role of the ESC and have not participated in its work since then.

### 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 often followed their own communication strategies, only to reverse their stance following criticism from the Prime Minister's Office or other line ministries. This was best exemplified during the longest strike in Croatia's history, which was orchestrated by teachers' trade unions in 2019. The Ministry of Education and PMO were not communicating effectively in developing a coherent and common set of proposals for the negotiation process.

### 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 healthcare, 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 2019 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 51% of all country-specific recommendations addressed to Croatia have recorded at least "some progress," while the remaining 49% of recommendations have recorded "limited" or "no progress." Reform activity in relation to key structural policy areas has stalled in recent years.

In 2018, Plenković's government continued the legacy of previous governments of passing multiple laws according to the urgent procedure, albeit to a lesser extent than in previous years. In 2018, 48% of laws were passed within the urgent procedure that requires only one reading by the parliament. Unfortunately, the intense use of this procedure significantly downgrades the overall quality of laws passed. Hence, there is a wide range of laws that have been amended several times, such as the disputed Enforcement Act. All of this testifies to the low effectiveness and uncertainty present in a large array of government decisions.

Citation:

European Commission (2018): Country report Croatia 2019 Including an In-Depth Review of the prevention and correction of macroeconomic imbalances. SWD(2019) 1010 final, Brussels ([https://ec.europa.eu/info/files/2019-european-semester-country-report-croatia\\_en](https://ec.europa.eu/info/files/2019-european-semester-country-report-croatia_en)).

Kotarski, Kristijan (2019) [http://www.hanns-seidel-stiftung.com.hr/assets/images/uploads/euro\\_introduction\\_to\\_croatia.pdf](http://www.hanns-seidel-stiftung.com.hr/assets/images/uploads/euro_introduction_to_croatia.pdf)

<https://zakonodavstvo.gov.hr/UserDocsImages//dokumenti//190509%20UZ%20Izvjesce%20PZA%20VRH%202018%20final%20za%20web.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 aimed to downsize public administration by reforming 54 public organizations, including state agencies, state institutions and state-owned enterprises, which will be either closed, or merged with other agencies or within line ministries. Agencies will be brought within a new framework, which will involve a higher degree of homogeneity across the system. A continuing problem is the lack of a publicly accessible online list of all executive agencies and their annual reports, which would enable any changes to their number, size or functioning to be tracked.

Task Funding  
Score: 5

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. In addition, due to a lack of consistent long-term policies, the allocation of central government grants is complex, unclear and subject to sporadic alteration. Although local government units have substantial autonomy in providing services related to economic activity, preschool education, and culture, sports and religious activities, they have limited autonomy in financing such responsibilities because the proceeds from tax sharing and central government grants are earmarked. Moreover, many public services depend on financing from both central and local government levels, undermining their coherent delivery. In 2018, the Plenković government decided to give up income tax revenue in favor of municipalities and cities. This has enhanced municipalities' and cities' fiscal capacity.

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.

Bajo, A., M. Primorac (2018): Croatia: instruments of fiscal equalisation, in: W. Bartlett, S. Kmezić and K. Djulic (eds.), *Fiscal Decentralisation, Local Government and Policy Reversals in Southeastern Europe*, Cham: Palgrave Macmillan, 53-80.

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. "Lex Šerif," a special law passed in 2017, strengthened mayors vis-à-vis local assemblies by allowing mayors to dissolve the assemblies when they do not adopt budgets. This was an attempt on behalf of the ruling HDZ to provide more power to mayors from their own ranks in the face of growing political fragmentation in local assemblies since 2017 election.

National  
Standards  
Score: 2

There are no national standards for public services in Croatia. Modern systems for the improvement of service quality such as ISO, EFQM or similar public-management standards are not implemented in the Croatian public sector. Moreover, the productivity, efficiency and quality of local self-government units are not systematically measured, and local-government budgets are currently monitored only on the basis of the economic purposes of local-government spending, rather than on its outcomes. There is not even a catalogue of services that local and regional self-government units (municipalities, towns, counties) should provide to the local community. The absence of clear national standards is 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. The introduction of the State Inspectorate in 2018, which encompasses 17 previously independent inspectorates, has failed to ensure compliance.

### 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. 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. In 2019, some cosmetic changes were made to the governance structure. State administration offices in 21 Croatian counties were revoked and some of their competencies transferred to counties. Unfortunately, this reform will not significantly decrease the out-sized public administration apparatus. The reform only entails the reshuffling of competencies and personnel, and will not alter structures or processes.

## 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 much 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. 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. According to the latest Reuters Digital News Report,

Croatia has the largest percentage of citizens who actively avoid news (more than 50%) among a sample of 30 countries.

Citation:

Reuters Institute for the Study of Journalism (2019): Digital News Report 2019. Oxford ([https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2019-06/DNR\\_2019\\_FINAL\\_0.pdf](https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2019-06/DNR_2019_FINAL_0.pdf)).

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  
Summoning  
Experts  
Score: 10

Parliamentary committees can and do summon ministers for hearings. However, these hearings are not always taken seriously by ministers.

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.

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. Though this does not necessarily mean that those media outlets sacrifice in-depth analysis due to excessive reliance on infotainment. In a society in which television is still the most important source of information, it is noteworthy that two leading commercial televisions enjoy significantly higher levels of brand trust than the public broadcaster HRT. The daily newspapers Jutarnji list and Vecernji list provide relatively broad coverage of Croatian political, economic and social affairs, although their quality is far behind world-class newspapers, such as Die Welt or The Guardian. Internet portals such as Index.hr and Telegram have made a large contribution to revealing corruption affairs and the misuse of public funds. They have a rather strong followership.

## 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 due to high formal and informal barriers. These barriers include the need to collect 11,000 signatures in order to become an official candidate. Incumbents also have substantial leverage over intra-party rivals due to widespread clientelism and the potential to punish party members who do not toe the existing party line. The threshold and barriers mentioned above are not as high in the second largest party, the Social Democratic Party (SDP). The SDP is somewhat more open to internal debates, but does not tolerate the existence of open political blocs.

Ćelap, K., D. Nikić Čakar (2017): Unutarstranačka demokracija u Hrvatskoj: (Ne)moć običnih članova u procesu stvaranja stranačkih politika, in: *Politička misao* 54(3): 80-107.

Association  
Competence  
(Employers &  
Unions)  
Score: 3

Trade unions cover about one-quarter of employees. Union membership is declining and is higher in the public than in the private sector. Like most other economic interest associations, trade unions have focused on opposing government proposals, but have lacked the will and ability to develop their own proposals. In 2019, trade unions became more active and the three trade union confederations – Union of Autonomous Trade Unions of Croatia (UATUC), Independent Trade Unions of Croatia (NHS) and Association of Croatia Trade Unions (Matica) – led a campaign to collect signatures for a petition to hold a referendum on changes to the pension system reform. The teachers' unions orchestrated a strike in 2019. Like other public sector trade unions, however, they have failed to propose measures to improve the quality of public services and have focused only on securing salary hikes.

There is only one representative association for employers, the Croatian Employers' Association (HUP). The HUP carries out some policy analysis relating to institutional reforms. The HUP publishes thematic articles through its newspaper and electronic bulletin. It presents positions on current economic themes through press conferences and media campaigns. However, effective coordination between HUP members in designing their own solutions or seriously challenging government is lacking, since many employers are heavily dependent on state contracts. The Chamber of Trades and Crafts, which has been particularly vocal in making proposals concerning vocational education, has played a more constructive role.

Association  
Competence  
(Others)  
Score: 6

A number of 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. Recently, the NGO Franak has played a very important role in gathering debtors and former debtors in order to sue foreign banks for alleged malpractices in issuing CHF loans since 2005.

### Independent Supervisory Bodies

Audit Office  
Score: 6

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 (approximately 300 every year) and acts independently. Since 2019, it can also cover the operations of the Croatian National Bank (HNB) – an extension of its remit seen by the European Central Bank as compatible with central bank independence. Ivan Klesic, the auditor general, was reappointed for a further eight-year term in December 2018. The reports of the auditor general are carefully crafted, and often identify inefficiencies and irregularities in spending taxpayers' money. The auditor general can inform the State Attorney's Office about cases of fraud. In 2018, however, one-third of all 258 recommendations or decrees issued by the auditor general were ignored by the public entities concerned. Since 2019, the auditor general can impose fines on recalcitrant and non-compliant public entities. However, these fines remain too small to significantly alter existing behavior patterns and processes.

:  
ECB (2018) Opinion of the European Central Bank of 26 October 2018 on the legal framework of the State Audit Office. European Central Bank, CON/2018/45, Frankfurt, M.

Ombuds Office  
Score: 5

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. It is encouraging that the 2018 Annual Report states that 65% of recommendations issued by the People's Ombudsman (PO) were taken into account by various state bodies, significantly more than in 2017. However, the PO 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 dialogue. Notwithstanding the parliamentary endorsement, however, many government institutions do not react promptly to the Ombudsman's requests, with requests often left pending for considerable time. Even more worryingly, the Ombudsman Lora Vidović reported several times that the Ministry of the Interior had repeatedly denied her access to information relating to police treatment of migrants.

Data Protection  
Authority  
Score: 6

The Croatian Personal Data Protection Agency (AZOP) 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. This is mostly observable in the tourism and healthcare sectors. As a result, it requested that the Croatian Employers' Association be more involved in implementing the GDPR. Overall, AZOP remains rather ineffective in data protection since it is overwhelmed with administrative tasks and the processing of a large number of questions on behalf of various state agencies, which lack competent GDPR compliance officers. Therefore, due to the lack of enforcement capacity, serious offenders have been able to avoid financial penalties for breaching data privacy.

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