



Croatia Report

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Sustainable Governance Indicators 2022

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Executive Summary

Over the course of 2021, Croatia stayed economically and politically stable. The economy staged a swift recovery due to a combination of several factors, particularly the reliance on extensive furlough schemes that had been rolled out in 2020, the policy credibility furnished by the pending euro adoption in 2023, and mild epidemiological restrictions adopted in 2021 that were in turn very conducive to a successful tourist season of 2021. The government remained firmly in power and was spared from major societal protests, despite the general dissatisfaction of the majority of the population with the direction in which the country is heading.

All in all, there were some marginal improvements in several policy areas such as the labor market, social inclusion, research, innovation and infrastructure, the global financial system, global inequalities and global environmental protection. On the other hand, the only area showing a notable deterioration in performance is the health sector, due to the large number of coronavirus deaths, its dire financial state and the influence of powerful interest groups that have opposed reforms aimed at putting healthcare on a sustainable footing. No major change was evident in other policy areas. On the surface, the government can boast some achievements including the swift economic rebound from the coronavirus-induced recession and the correspondingly improved labor market performance, as well as the imminent successes of strategic importance such as euro adoption and accession into the Schengen Area. However, there are still major unresolved challenges down the road.

All these developments reveal the incumbent HDZ-led government's limited commitment to solving various key issues. Given the scale of challenges it faces, including post-earthquake reconstruction, fighting the coronavirus, reforming the economy and the social welfare system, maintaining the pace of economic recovery, and averting demographic decline, current government structures are unable to respond effectively due to the absence of policy coherence and sustainability. Strategic capacity remains weak in spite of the adoption of a new national development strategy. The use of evidence-based instruments, societal consultation and carefully prepared policy communication is more of an exception than the rule. This is most visible in the proportion of legal acts that are adopted using urgency procedures, and which lack satisfactory regulatory impact assessments. Policy coordination

and implementation are inadequate, as encapsulated in the failed efforts to launch post-earthquake reconstruction efforts in the Banija region and in the capital city of Zagreb, which were badly hit in March and December 2020. This situation might even lead to the loss of €683.7 million granted to Croatia by European Commission from the EU Solidarity Fund. Therefore, this episode invokes serious concerns over the capacity of Croatia's governance structures to organize and facilitate the flow of record sums of EU funding granted to Croatia as a part of the NextGenerationEU program and the Multiannual Financial Framework 2021-2027.

The sheer fact that Croatia obtained the highest level of funding per capita clashes with its low absorption capacity and the questionable productivity of state investments. In the short and medium run, the EU funding will certainly lift growth prospects. However, the watershed of EU spending, which will comprise a staggering 16%-18% of the general government budget from 2022 to 2024, might overwhelm reform efforts and thereby reduce potential growth. The extent to which the EU-imposed conditionality might transform the status quo remains to be seen. The European Semester did not play a prominent role in the implementation of country-specific recommendations before the outbreak of the coronavirus. The National Recovery and Resilience Plan might lead to the same outcome in the absence of strong external and internal pressure on the government to get its act together. However, the fragmented and feeble opposition will not be a significant source of pressure in the near term. Therefore, the state of democracy is still tarnished by inadequate political representation and participation.

Key Challenges

Croatia's greatest challenge of all lies in changing the governance structure itself. Over the years, the combination of a weak rule of law and relatively high levels of public spending – at least in relation to the low level of economic and political development – have deepened the problem of clientelism and corruption. Corruption and serious misconduct scandals comprising top public officials occur frequently, and citizens' show a level of trust toward state institutions, politicians and their compatriots that is among the EU's lowest. Clientelism permeates almost all of Croatian society, and it is especially visible in the pattern of employment in public administration and the territorial organization of the country, which is fragmented according to the political imperative of the political elite, as well as in the way in which social expenditure is targeted at certain social groups such as war veterans and pensioners.

Moreover, there are the issues of negative selection among the political elite, and the poor state of intra-party democracy. Political power is excessively centralized in the core executive headed by Prime Minister Andrej Plenković, with very poor coordination with line ministries. The government has enjoyed remarkable stability despite having only one member of parliament more than the minimally required majority of 76 members. However, this stability might be compromised over the longer-term horizon by sheer policy inertia. All of this suggests that governance in Croatia would significantly benefit from stronger accountability mechanisms, greater transparency and greater independence of supervisory institutions.

Although over two-thirds of citizens indicate they are unsatisfied with the governance of the country, their dissatisfaction has not been channeled into a large-scale peaceful protest movement and/or a strong opposition party offering an alternative to the status quo. Every consecutive cycle of elections leads to reduced voter turnout, and the share of citizens who feel unrepresented by any political party is on the rise. This constellation has led to the emigration of young and productive citizens, thereby further sapping economic dynamism and jeopardizing the sustainability of major social systems. Even though there is a potential demand for change, the supply side of the political equation is in serious disarray. The opposition remains divided and enfeebled, both within and among the parties themselves.

Unfortunately, neither the National Resilience and Recovery Plan nor the National Development Strategy identify the social pathologies of corruption and clientelism as key impediments to economic progress and political development. Unless those issues are lifted to the level of highest political priority, the fulfillment of the goals espoused in both key national development documents are likely to remain a distant reality. The commitment to implementing structural reforms was unsatisfactory even before the onset of the pandemic, as evidenced by the low proportion of the European Semester country-specific recommendations that were implemented by successive governments. The persistence of policy inertia was also visible in 2021, and can be seen most clearly in the dire state of the healthcare system. The reform of this system has been announced several times, but there has not been any progress beyond sporadic financial injections that are akin to kicking the can down the road. This is all the more perplexing since the time for reforms is currently ideal; there are no major elections in sight until 2024, and all reform activities would be underpinned by large sums of money flowing from both the NextGenerationEU (NGEU) program and the regular EU budget. The previously mentioned slack in designing and implementing sustainable policies might be overcome with the aid of moderate to high levels of

conditionality imposed by the European Commission and European Council. However, it is unclear whether major EU institutions are willing to sacrifice their precious political capital and limited resources in pushing those policies over the finishing line in weaker-performing countries.

Beyond the above-mentioned challenges, which are first and foremost of domestic political origin, there are some additional challenges, such as the pace of the green transition and the current wave of inflation sweeping across the world. The latter problem may or may not be transitory in nature, but the green transition and a lack of qualified workers will constitute major sets of long-term threats and opportunities, requiring a carefully thought-out policy response.

Party Polarization

There are no credible alternatives to Prime Minister Andrej Plenković and the ruling HDZ (Croatian Democratic Union) among the ranks of the opposition. The government remains very stable in spite of being able to count on only one member of parliament above the required minimal majority of 76 members. The state budget proposal for 2022 and all other legislative proposals were smoothly adopted by votes of either 76 or 77 members of parliament (before the Croatian Party of Pensioners switched its allegiance and joined the ruling majority). The four interpellations launched by various oppositional parties were easily defeated.

If snap elections for the Croatian parliament were to happen tomorrow, the HDZ would definitely emerge as a clear relative winner, but with a relatively narrow coalition potential. However, all parties in the opposition would have even worse chances of successfully cobbling together a ruling majority. No political party in the ruling coalition (which includes the HDZ, six junior partners and representatives of national minorities who regularly align with the majority) have any interest in provoking snap elections, which would be a risky proposition. Some would not be able to pass the electoral hurdle of 5%. Therefore, government stability is not threatened in any significant way in the medium run. Nevertheless, excessive stability and the lack of a coherent and credible opposition will have a deleterious impact on the quality and sustainability of public policies in the long run. Interestingly, if “undecided voters” were a political party, it would be the second-strongest in Croatia. Their share has almost doubled since July 2021 and had climbed to 17.6% by the end of the review period, a good illustration of the prevailing level of dissatisfaction with existing political representation in Croatia.

Over the course of 2021, the HDZ consistently enjoyed an immense advantage over the opposition, with its support varying between 27% and 33%. The strongest opposition party, before it fell into internal disarray, was the Social Democratic Party of Croatia (SDP), with support ranging from 15% to 21%. There are only three other parties able to pass the electoral threshold: the leftist platform Možemo (8%-15%) and two parties covering the conservative and right-wing populist part of the political spectrum: The Bridge (Most; 6%-11%) and the Homeland Movement (Domovinski pokret; 5%-9%). (Score: 7)

Sustainable Policies

I. Economic Policies

Economy

Economic Policy
Score: 5

The Croatian economy generally withstood the test of the COVID-19-induced recession. However, the relatively favorable employment and growth statistics in 2021 have more to do with the government's decision to offer furlough schemes throughout 2020, as well as to impose one of the mildest sets of epidemiological restrictions in Europe. There was no fundamental restructuring of the way product markets, social protection, collective bargaining or the financial sector work. The decision to open the country to tourists in the summer of 2021 brought about excellent tourist figures, indeed among the best across the EU, if we compare the figures for 2021 with those from 2019. On the fiscal front, the pandemic response was aided by the willingness of Andrej Plenković's government to signal its commitment to deeper policy integration with the core of the EU, specifically through the pending euro adoption, which has positively affected bond yields and exchange-rate stability.

A look at the internal structure of GDP and the relative contribution to real growth rate shows that personal consumption was the most important factor in propelling the economy during 2021. The Guidelines for Economic and Fiscal Policy 2022-2024 issued by Ministry of Finance point out that personal consumption and gross capital investment will play the most prominent role in the economy through 2024. One of the biggest challenges in the years ahead will be how to spend the large sums of money flowing from the NextGenerationEU (NGEU) program and the EU budget productively. Croatia invested more than 22% of its GDP in 2020 (more than the EU-27 average); 5.63% of GDP was invested by the government, the third-highest such share in the EU. It is noteworthy that Croatia received the highest per capita allocation from the NGEU. There is a risk that the record inflow of money, free of external conditionalities, will weaken the willingness to undertake long-

awaited reforms in the healthcare, education and pension systems, or to try to lift the disappointingly low productivity rate. On the other hand, this is a historic opportunity to boost economic convergence and close the development gap. In 2020 Croatia had the third-lowest GDP per capita in the EU-27, with just 64% of the average EU-27 GDP per capita. With regard to goods exports, Croatia boasts one of the highest growth rates with regard to both intra-EU and extra-EU trade over the course of 2021, which is a welcome sign given the existing dependence on the export of services via tourism.

State-owned enterprises remain bloated and unreformed. There is no clear strategy or set of key performance indicators for managing state-owned assets. Moreover, Croatia's score in implementing the country specific recommendations (CSR) issued by the European Commission prior to the onset of the global pandemic shows a lack of political commitment to structural reforms. The reluctance to propose an elaborate healthcare reform in 2021 vindicates those who predicted the continuation of the muddle-through approach. However, given the fact that there are no major elections in sight until 2024, the timing for reforms seems to be ideal.

Among the set of risks which might negatively impact economic growth in the following years is imported inflation in the form of rising energy prices. Currently, Croatia imports 53.6% of all energy consumed (82.6% of its oil needs, 53.2% of its natural gas, 32.5 % of its electricity, and 100% of its coal needs). It remains to be seen whether this threat will be used as an opportunity to speed up the green transition.

Labor Markets

Labor Market
Policy
Score: 5

In 2021 Croatia staged a remarkable economic recovery from the depths of recession experienced in the previous year. Unlike the experience of past recessions, which were deep and prolonged, Croatia managed this time around to bounce back faster than many other crisis-affected countries. At the end of 2021, Croatia had an unemployment rate of 7%, which was slightly higher than the average rate in the EU-27, but lower than the average rate in the euro zone. On the downside, the unemployment rate among young people (below the age of 25) was significantly higher at 20%, as compared to an EU-wide rate of 15.9%. This exemplifies the persistence of a dual-track labor market with adverse prospects for the least-skilled or least-protected employees. The sharpest contrast between labor market insiders and labor market outsiders is observed with respect to public versus private sector employment. Public sector jobs offer greater security and are also financially more rewarding. Furthermore, the lack of any performance-based criteria for assessing public

servants enables and supports a rather inefficient and non-responsive public administration.

The total number of people in employment is the highest since the Great Recession of 2008. The problem of unemployment has gradually turned into one of labor scarcity, which is compounded by the fact that Croatia still has one of the lowest employment rates in the EU, at 63.6%. Only Greece, Italy, Spain and Bulgaria fare worse. On the upside, Croatia is among the rare group of countries that have increased this ratio as compared to 2019, managing to close the gap between the national ratio and the EU-27 average. The real average salary has increased by a respectable 17.3% since 2016. Moreover, the rise in real salary has been more pronounced in the lower income brackets, especially the first two deciles. The real average monthly salary amounted to HRK 7,140 (approximately €50).

The percentage of temporary contracts as a share of total employment has shrunk from 15.5% to 13.0%. At the same time, the government has continued with its political commitment to raise the minimum wage. This rose from HRK 3,250 per month in 2020 to HRK 3,400 in 2021, and will increase by an additional 350 Croatian kuna (HRK) in 2022.

In order to alleviate the scarcity of skilled workers, the government decided to scrap the quota for foreign workers in 2021, which will be especially important for tourism and the construction sector. However, employers will still have to formally demonstrate that they are unable to find suitable employees from the domestic pool of workers or unemployed people.

The participation rate of adults in education and training is among the lowest in the EU, amounting to only 3.2% in 2020. Rates among young people are also low. In the case of young people, the expansion of active labor market programs has led to a neglect of other ways of entering the labor market, such as internships and apprenticeships. The additional factor that reduces the pool of qualified labor is the very low employment rate for persons aged 50-74. In Croatia, the employment rate in this group is a paltry 36.1%, compared to the EU average of 47.1%.

Taxes

At the beginning of 2021, tax reductions in the domain of income and corporate taxes kicked in. Those reductions were described in detail in the Bertelsmann Stiftung's publication "Croatia Report: Sustainable Governance in the Context of the COVID-19 Crisis." The reductions did not interfere in any significant way with the OECD's initiative for a minimum global

corporate tax rate. All Croatian businesses that have total revenue less of than €1 million will be able to rely on a competitive tax rate of 10%. Furthermore, the first pillar of the OECD initiative could be a boon for Croatia, since the country will be able to tap into a new revenue stream stemming from the activities of large multinational corporations. Taxes on dividends to foreign shareholders and shareholders that are not natural persons were reduced from 12% to 10%. In spite of the aforementioned tax-reduction agenda, tax revenue as a percentage of GDP still amounted to 37.3% in 2020, the second-highest such rate among EU's post-socialist member states. At the same time, Croatia was the third-poorest EU member state, a fact that invites the introduction of a more competitive tax system to galvanize its economic convergence.

The income tax system is moderately progressive and serves the goal of tax equity. Almost 50% of workers do not pay income tax due to existing exemptions and personal deductions. In that regard, income tax plays a rather limited role in tackling poverty and social exclusion. The only viable solution is to boost the country's relatively low levels of productivity growth as an underlying factor driving higher incomes and living standards, which could in turn broaden the tax base. There is not much room for rebalancing the existing tax structure from income to consumption-based taxes in the light of the fact that Croatia already has the second-highest share of VAT revenue in GDP among the EU member states. Interestingly, Croatia is also among the most efficient EU member states in terms of VAT collection.

Furthermore, there are no property taxes in Croatia, and the country has the second-highest home ownership rate in the EU. Many people possess two or even more living units. Therefore, this type of tax, if introduced properly and at moderate rates, could lead the way in further reducing income taxes, which would be a highly beneficial outcome in light of the fact that Croatia faces a pressing need to retain and/or attract workers. Despite the need to ensure fiscal sustainability, there are limited options for reliance on additional taxes. Hence, carefully controlling state expenses in line with the country's potential growth rate plus expanding the tax base will be of utmost importance.

In 2020, environmental taxes made up 3.28% of GDP compared to the EU-27 average of 2.24%. Gasoline, diesel, fuel oils, natural gas, coal, electricity and carbon dioxide (CO₂) are all subject to taxation. Motor vehicle owners pay transport taxes, and there is a "one-off" tax on the import/sale of equipment. There is not much room to expand this category of taxes to help the green transition if policymakers want to ensure economic competitiveness and avoid a drop in living standards. However, there is one type of environmental tax that has not yet been utilized in Croatia at all, namely a landfill tax to improve waste collection and management. Croatia is one of the few EU member states

without such a tax in its policy toolkit. Correspondingly, Croatia represents a laggard in waste management.

Budgets

Budgetary Policy
Score: 6

The Guidelines for Economic and Fiscal Policy 2022-2024 issued by the Ministry of Finance forecast a gradual reduction in the general government deficit and public debt in the years ahead. After a massive fiscal deficit of 7.4% of GDP in 2020, the country was expected to end 2021 with a 3.8% deficit. Projections for 2022 and 2023 were respectively 2.6% and 1.9%. The public debt-to-GDP ratio is planned to shrink from a high of 88.7% in 2020 to 76.8% in 2024. The fiscal support measures adopted in 2020 to alleviate the population's health and economic suffering, and especially to finance extensive furlough schemes and hospitalizations, was broad and decisive. This would not have been possible on favorable lending terms unless the government and the Croatian National Bank had not taken important steps such as entering the EU's Exchange Rate Mechanism (ERM II) and signing the swap-line agreement with the European Central Bank (ECB) in 2020. However, after reaching the highest absolute level of public debt in Croatian history, as well as a relatively swift bounce back from recession, the government decided in 2021 to set a moderate pace of fiscal consolidation over the medium run.

This pace will be supported by record transfers from the EU's Recovery and Resilience Facility (RRF) plus transfers from the former and existing Multiannual Financial Framework. In 2022 and 2023, those transfers will account for a staggering 16% to 18% of total budget revenues. The aforementioned fiscal consolidation will be important not only from the standpoint of adjustment to the period after the deactivation of EU's "general escape clause" – that is, by installing habits of fiscal responsibility – but also from the standpoint of the government's ambition to adopt the euro as soon as possible. Unfortunately, these favorable developments have been counterbalanced by government inertia with regard to ensuring long-term fiscal sustainability. Namely, the largest spenders of public money, the pension and healthcare systems, have not been put on a sustainable trajectory. When it comes to the pension system, the system itself covers less than 60% of payments made to the retirees by ongoing workers' contributions. The rest is financed out of taxes and debt, which will face some constraints in light of the shrinking workforce and rising interest rates. Furthermore, since the onset of the global pandemic healthcare expenses have skyrocketed, in spite of the fact that the volume of non-COVID-19 treatments has been reduced by 20% to 30%. Interestingly, Minister of Health Vili Beroš opted for an increase in revenues in his reform plan, which was then discarded by Minister of Finance

Zdravko Marić, who prefers savings and improved management. However, as of this writing there are no viable reforms of either system on the horizon, in spite of an effort by the Ministry of Finance to set up at least some hard budget constraints in the ongoing negotiations.

Research, Innovation and Infrastructure

R&I Policy
Score: 4

Croatia lacks a coherent and integrated policy framework for policy formulation, implementation and evaluation in the domain of research and development (R&D). Generally, most companies in the country have low technological capacity to support innovation, and technology-transfer mechanisms are inadequate. Since 2008, the World Bank's index measuring university-industry collaboration in R&D has shown a steady decline. In this area, Croatia is the worst performer among comparable member states. On the positive side, there are nascent ICT and electromobility companies with global presence and aspirations, but their success is more the result of individual talent and vision as opposed to the state's systemic support. It is to be hoped that their presence alone might have positive spill-over effects on other stakeholders, especially on policymakers, which might be induced to start catering to the needs of businesses by crafting and upgrading horizontal support measures.

Total gross domestic spending on R&D increased from 0.74% of GDP in 2010 to 1.27% in 2020, but this was primarily due to a fall in the value of the denominator. However, despite a severe recession in 2020, the absolute figure dedicated to R&D increased to €26 million. This was the 18th highest such share of GDP in the EU. The higher education, business and government sectors all increased their R&D spending. The NGEU program and the MFF 2021-2027 funds offer unprecedented potential for boosting the innovation agenda and driving further digitalization. In that regard, financial constraints will no longer constitute a plausible cover for underperformance or continuation of the status quo. On the other hand, potential bottlenecks are to be found in the excessive bureaucratization of the innovation process (e.g., public tenders) and a lack of policy coordination among key stakeholders.

In terms of the number of patent applications to the European Patent Office (EPO), Croatia fares poorly in contrast to other EU-27 countries, but has boosted its performance. For example, in 2018, Croatia filed 14 patents with the EPO, while in 2020 it managed to obtain a record-breaking 22 patents. Finally, according to the EU Innovation Scoreboard, the country was categorized as an "emerging innovator" in 2021, demonstrating an upward trend over the last couple of years.

Stabilizing
Global Financial
System
Score: 5

Global Financial System

Croatia's accession to the EU has facilitated greater international integration of the financial system. The EU's single passport system for financial institutions allows banks regulated by their home country authority to set up branches in Croatia. Those trends have been amplified since Croatia joined the ERM II system and banking union in July 2020 as a formal prerequisite for euro adoption as early as 2023.

The Croatian banking sector is among the most highly capitalized in the EU. The total capital ratio is more than 25%. Of all 27 member states, only Latvia and Estonia fare better than Croatia on that count. Liquidity coverage ratio is beyond 190%, as compared to the required minimum of 100%, and is significantly above the average level for the EU-27. Over the last several years, the share of non-performing loans (NPL) has been on a steady decline. In spite of the impact of COVID-19 on the Croatian economy in 2020, this share has stayed below 6%. The coverage ratio for non-performing loans and advances (NPL) is 62%, putting Croatia in the league of the EU's top performers with regard to the ability to absorb potential losses from outstanding loans. There has been no change in the value of the Herfindahl-Hirschman index of concentration regarding total banking assets. The number of credit institutions in the country has remained stable since 2018. In 2021, the return on equity (RoE) of Croatian banks surpassed that from 2020, and is slightly above the average cross-EU level.

The aforementioned indicators also look favorable due to credit-support measures such as loan guarantees and loan moratoriums adopted in early 2020 to cushion the liquidity shock facing businesses during the COVID-19 lockdowns. Those credit-support measures amounted to approximately 6.5% of GDP.

All in all, Croatia is a responsible rule-taker in terms of EU's macro-prudential regulation. Regulatory compliance has been ensured by the hitherto highly independent Croatian National Bank (CNB). The CNB has at times been criticized for displaying a rather reactive stance in response to rare episodes of financial fraud allegedly perpetrated by certain credit institutions, for instance by Raiffeisen Bank Leasing. This particular case is still the subject of a lengthy investigation by state prosecutors.

Croatia has a dormant stock exchange that could do more to improve capital allocation. Nevertheless, the Croatian financial system remains an anchor of stability.

In 2021, Croatia joined the new framework for international tax reform, aimed at ensuring that large multinational enterprises pay tax where they operate and earn profits, based on criteria such as the location of assets, employment and turnover. The framework also envisages tax-related reforms related to introduction of a minimum corporate tax rate of 15% for companies with annual turnover greater than €750 million. Nevertheless, at the beginning of 2022, this international effort largely stalled. This will hamper the potential reduction of the tax burden for SMEs, which could otherwise be compensated for by taxes paid by MNCs.

Citation:

Croatian National Bank (2021). Standard Presentation Format. <https://www.hnb.hr/en/-/spf>

II. Social Policies

Education

Education Policy
Score: 5

The year 2021 did not bring about any significant change in the way education policy is implemented. On the positive side, during the second year of the COVID-19 pandemic, there were no major school closures, and only a handful of schools and universities were occasionally compelled to move temporarily to online classes. On the negative side, the legacy of the pandemic 2020 has not been completely reversed. The online classes conducted through much of 2020 led to a deterioration in pupils' skill formation, motivation and performance. Furthermore, the mental health of pupils and students has worsened. It is too early for any international performance comparison, since the PISA 2021 assessment was postponed until 2022.

In contrast to 2021 and earlier years, 2022 should witness one of the biggest reforms of the education system since Croatia's independence, across all major areas (pre-primary, primary, secondary and tertiary education). The major intention of this overhaul is to adapt the education system to key priorities outlined in the National Development Strategy 2030 and the National Recovery and Resilience Plan submitted to the European Commission. Minister of Education Radovan Fuchs, who also performed this role 10 years ago, is eager to achieve breakthroughs in the aforementioned areas this time around. The key aspects of his reforms include changes in the way tertiary education is funded, changes in the system of vocational education, changes in the pre-primary education system and finally, changes in the primary and secondary education sectors. First, according to the announced reform,

earmarking of funds to institutions of higher education should be tied strictly to learning outcomes. Second, children will be required to attend pre-primary education for two years instead of the existing mandate of one year. The capacities of towns and municipalities should be improved to handle this new requirement, since Croatia has one of the EU's lowest shares of children less than five years old attending pre-primary education. Third, despite some very praiseworthy achievements in the past, such as the fact that Croatia has the EU's lowest share of early leavers from the education and training systems in the 18-24 age cohort (3.3%), the system needs a substantial update to improve pupils' relatively poor skills profiles, as evidenced by modest PISA assessment scores. Finally, vocational schools within the secondary education system will be pushed to undertake further steps toward establishing a dual system of vocational training, so as to improve graduates' practical skills. It is to be seen whether vested interests will inhibit this reform.

The proposed reforms could also improve the system's efficiency. Croatia's share of education spending as a percentage of GDP is approximately equal to the EU-27 average. Moreover, Croatia's student/teacher ratio is generally lower than the majority of its peers. Nevertheless, this does not necessarily equate to higher quality, as previous PISA assessment scores indicate.

Access to higher education is relatively 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 fresh graduates.

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: 5

Eurostat data show that Croatia spent 21.4% of GDP on social protection in 2019. The disaggregation of those outlays by function shows that Croatia spends a significantly higher share than other EU member states on healthcare/sickness and on disability payments. By contrast, expenditure on the unemployed and housing are lower. This latter fact was made possible by the rise in emigration rates since EU accession, which reduced unemployment, as well as by the fact that Croatia has a very high home ownership rate. Social protection outlays in euro per inhabitant (in 2010 constant prices) were set at €2,718, more than in other post-socialist EU member states, apart from Slovenia and Czechia. A total of 20.5% of the population is at risk of poverty, slightly below the EU average of 21.9%. This indicator has improved markedly relative to previous years.

The population at risk of poverty has several notable attributes that differentiates it from comparable groups in the majority of EU member states. First, there is a far higher likelihood that these people live in households without dependent children and in rural areas. In Croatia, these are predominantly marginalized people aged 65 and older. The share of population living in material deprivation has almost halved both in absolute and percentage terms since 2017 (9th highest share in the EU). Hence, the overall picture looks better than one would be primed to see based solely on GDP per capita data, on the basis of which Croatia, Greece and Bulgaria rank as the poorest EU member states.

Still, social transfers suffer from extreme fragmentation and are not structured in such a way that they have a major impact on social exclusion. Benefit levels are very low, and eligibility criteria can vary. In comparison to other peers in the EU, Croatia has lower percentage of social transfers paid out as means-tested cash or in-kind benefits. In the long run, social spending levels are jeopardized by demographic decline and aging.

At the end of 2021, the government began designing a new “National plan for fighting poverty and social exclusion,” with which it plans to reduce the absolute number of people at risk of poverty from 720,000 to 600,000 by 2030. It also proposed several laws aiming to improve the provision of social welfare. For example, one of the proposals plans to increase social assistance benefits for individuals able to work from HRK 800 to HRK 1,000, and from HRK 1,000 to HRK 1,300 for those that are not in a position to work. This level of assistance is intended to be higher than the current minimum national retirement pension. The proposal was loudly criticized by professional associations of social workers due to excessive centralization and a lack of

consultation. However, given the rising price of energy, it remains to be seen whether the increases will in fact keep more people from slipping into energy poverty (5.7% of Croatians in 2020 were unable to keep their homes adequately warm).

Croatia has significantly reduced the percentage of youth in the NEET (not in education, employment or training) category, which is a very welcome development.

Health

Health Policy
Score: 4

Most healthcare services in Croatia are provided by the state 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 low employment rate and the country's demographic aging have together contributed to a persistent financial deficit within the system. On the upside, the system is broadly inclusive, but patients often found themselves on long waiting lists for treatments and check-ups even before the pandemic.

In this regard, Croatia's healthcare system represents one of the country's biggest ticking bombs with regard to long-term fiscal sustainability and social cohesion. As of this writing, the outstanding debt of the healthcare system (predominantly to wholesale pharmacies) amounted to HRK 4.5 billion, and had risen rapidly since the beginning of 2021 at a monthly pace of HRK 283 million. This has occurred despite the fact that the number of non-COVID-19 treatments has been significantly reduced. Many patients are complaining that their access to healthcare has deteriorated during the pandemic. Furthermore, since joining the European Union in 2013, the number of physicians and other medical professionals leaving Croatia has reached alarming proportions.

The dire state of the Croatian healthcare system has persisted in spite of repeated financial injections over the course of 2021, to the tune of HRK 4.1 billion, by the Ministry of Finance. Without any meaningful reform on both the expenditure and revenue sides of the budget, the system will periodically stray from one crisis into another, shifting steadily escalating fiscal costs to future taxpayers. Furthermore, there is a significant risk of future supplier boycotts, such as the one dating from April 2021, when wholesale pharmacies halted both medicinal products and drug deliveries to state hospitals as part of their bargaining strategy with the government. The vendors were seeking to collect outstanding dues and shorten the average maturity of debts from whopping 210 to 180 days.

The government will probably use its current strong foothold to press ahead and impose limited reforms in 2022. However, timid proposals by the minister of health dating from autumn 2021 included increasing out-of-pocket expenses for uninsured patients, introducing obligatory healthcare contributions for workers who are less than 30 years old, and attempting to push off a far higher share of sick leave and maternity benefits to employers. The proposals avoided any mention of cost optimization, which is the crux of the problem. In addition, in the 2012-2019 period, the current health expenditure per capita rose at a pace two times faster than the average expenditure for all EU member states, albeit from a relatively low level. *Ceteris paribus*, the aforementioned reforms will almost certainly fall short of introducing the most needed reforms due to opposition from many vested interests such as hospitals, associations representing medical personnel, private suppliers of medical equipment, and so on. Party patronage can be often observed in the way hospitals' governing councils are formed, and in their influence on the appointment of hospital directors. Governing councils are disproportionately staffed by representatives of county and city governments. Politics often trumps competence and coherent planning.

The Croatian healthcare system faces serious challenges due to a lack of coordination between managers and physicians. The role of politics in appointing hospital directors is too discretionary, and directors often lack a clear mandate to steer their institutions. In addition, there is essentially no coherent set of criteria for evaluating their performance, and no plans to develop such criteria. As a result, management of the healthcare system is vulnerable to party patronage. Such practices tend to weaken inclusiveness and equitable access. Finally, the system is overly fragmented and does not reap economies of scale in public procurement.

Access to care is adversely affected by regional variations in the range of care provided, the quality of services suffers from weak organization, a lack of digitalization and the inadequate monitoring of treatment outcomes. Healthy life expectancy amounts to 68.6 years, one of the lowest such levels in the EU. Unfortunately, Croatia has one of the highest obesity rates, the highest level of alcohol consumption per capita and the highest share of smokers in the population.

All things considered, it is hardly surprising that in 2018 Croatia experienced 371 deaths per 100,000 inhabitants from treatable and preventable diseases, as well as from conditions that could have been avoided either through better healthcare and/or better public health interventions. This number ranks Croatia at 20th place in the EU. This number will be much grimmer when the figures for 2020 and 2021 arrive. Unfortunately, Croatia has done a poor job of

vaccinating the population aged 60 or older against the coronavirus; at the end of 2021, more than 20% of this cohort remained unvaccinated. Overall, the vaccine rollout was slow during 2021. This conclusion is corroborated by the upsetting fact that at the beginning of 2022, Croatia had the tenth-highest figure globally in the number of coronavirus deaths per million inhabitants.

Families

Family Policy
Score: 5

The gender gap in employment rate for those 20 – 64 years old is approximately 10 percentage points, which is slightly lower than the EU-27 average. At approximately 12 percentage points, the gender pay gap in Croatia is less than the average such figure in the EU as a whole. When it comes to education, the picture looks different. The share of females in the 20-34 age cohort who earn a university degree is 17 percentage points higher than among the corresponding male group, and is higher than the EU average.

The country seems ready to complete a full 30-year circle with regard to maternity leave. In 1993, the government abolished the right to a full salary after a one-year period after the birth of a child, being the only former Yugoslav country to do so. In 2020, the maternity pay cap between the sixth and 12th month of leave was raised from HRK 3,991 per month to HRK 5,564 HRK per month, while the first six months provide full salary coverage. In autumn 2021, the government announced that it intended to go even further, and lift the cap on the salary coverage in the period from the sixth to 12th month of maternity leave. It remains to be seen how the whole scheme will be financed in light of existing fiscal pressures. The government also obliged itself to introduce paid paternal leave by August 2022, according to EU directive 2010/18/EU.

Childcare facilities and extended-day school programs are unsatisfactory. Childcare coverage is especially poor in less-developed rural and semi-rural areas with low employment rates, reflecting the inability of local governments to pay for services. Even the richest parts of Croatia, such as the capital city of Zagreb, lack necessary kindergartens due to the concentration of younger families in the most economically vibrant parts of the country. All of this complicates the work-life balance for younger parents, and is additionally compounded by the poor track record of policies aimed at the elderly population. There is a dearth of adequate nursing homes and trained personnel, which will become an even more pressing issue with the rapidly aging population.

There is no coherent national strategy for demographic revival, and existing initiatives are poorly coordinated. For example, the leftist coalition that took over the mayor's office in Zagreb decided to scrap "parent-educator" measures targeting families with three or more children. This measure had enabled mothers to stay at home and raise their children. Even though the measure had been fiscally unsustainable, its abrupt termination, with a short phase-out period, will push many large families into social exclusion. Finally, parents of disabled children still find themselves in a very precarious situation, in spite of some improvements over the last two years. The financial costs to support disabled children and their medical bills stand in no correlation with the monthly payment of HRK 4,000 per caregiver parent.

Pensions

Pension Policy
Score: 4

Like 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 gross replacement rate for pensions (gross pension divided by pre-retirement gross wage) stood at 32.5% in 2020, while the EU average is significantly higher at 46.2%. Unfortunately, this figure has been on a steady downward trajectory. Only about 15% of pensioners have worked for 40 or more years. As a result, pensioner poverty is high in Croatia, with more than one-third of pensioners at risk of poverty or social exclusion. Approximately 170,000 retirees enjoy privileged pensions, among them the more than 70,000 war veterans and former politicians. As a consequence of the country's demographic aging, low employment rate and decline in the effective retirement age, the system is neither fiscally sustainable nor intergenerationally fair.

The National Recovery and Resilience Plan approved by the EU contains several important reforms. First, the government wants to redefine the survivor's pension model. As a part of planned amendments to the Pension Insurance Act, the goal is to increase pension rights for the surviving partners of a deceased spouse. The surviving partner could opt either for 80% of the deceased spouse's pension or their own pension plus 50% of the deceased spouse's pension. Second, the goal is to increase the gross replacement rate via changes to the existing laws such as creation an obligation for employers to pay the full costs of sick leave for workers who have reached retirement age. The document also contains a rather vague statement that contributions to the second pension pillar will be raised in the future.

Nevertheless, the proposed reforms do not go far enough in tackling the problem, since they omit many important steps. Early retirement cannot be prevented simply by marginal tweaks, but instead requires improvements to work conditions, especially for the less educated and workers prone to sickness. Furthermore, mandatory pension funds predominantly invest in government securities and securities issues by state-owned enterprises. The latter are rather poorly managed and carry low yields. Privatization and/or the professionalization of management in those enterprises is also part of the solution to the low gross replacement rate. In the long run, the pension system is clearly unsustainable in the current form.

Integration

Integration Policy
Score: 3

In 2020, a total of 33,414 people immigrated to Croatia from abroad, while 34,046 people emigrated. Thus, for the first time since Croatia joined the EU, both flows virtually balanced each other out. In previous years Croatia was first and foremost a country of strong emigration. Immigration to Croatia is mostly composed of ethnic Croats from neighboring countries such as Bosnia and Herzegovina, or parts of the Croatian diaspora (25% of migrants).

In the first nine months of 2021, a total of 1,858 persons sought asylum in Croatia and just 32 persons were granted this right, which constitutes a marked decrease over 2018 and 2019. Generally, Croatia's economic and social model is not attractive to potential asylum-seekers and migrants, a fact that will exacerbate Croatia's future demographic and economic challenges. There is neither a coherent strategy to attract culturally similar immigrants, which could facilitate their integration, nor a policy to integrate existing migrants. Integration is complicated by weak intersectoral cooperation between institutions responsible for carrying out immigration policy with local communities and civil society organizations. Skills shortages will constitute one of the key impediments to potential growth in the coming years, and Croatia's decision in 2021 to lift the quota on foreign workers won't be of much help unless it manages to improve incentives for digital nomads and young immigrants.

Safe Living

Internal Security
Policy
Score: 7

In Croatia, crime represents no significant threat to public safety or security. The homicide rate per hundred thousand inhabitants is slightly below the EU-27 average and has been trending downwards since 2010. However, the incidences of family-related violence, rape and sexual violence have increased since 2019. On the positive side, given the number of burglaries and thefts, Croatia remains one of the safest EU member states. In addition, with regard

to subjectively perceived security, relating to the safety felt Croatia has the second-highest share in Europe of people who feel safe in walking alone in the streets during the night (77.4%; based on Numbeo data). The country has also been spared from any large and violent forms of protest.

The internal security is maintained by the Croatian police forces, and their effectiveness has improved over 2019. When compared to 2019, the crime resolution rate increased from 66.2% to 70.5%. Even higher crime resolution rates were seen in the categories of homicide and rape (102.8% and 98.8%). The Croatian police are quite effective in their work, especially given the fact that field officers are generally poorly paid and often overtaxed. However, the recurrence of certain crimes and recidivism has more to do with the way how the Croatian judicial system works, since verdicts often lack a powerful deterrent effect.

Croatia has the fourth-largest number of police officers per 100,000 inhabitants in the EU, but almost one-third of these police officers are deployed to protect the country's borders, the bloc's longest external land border. The problem of too much administrative staff as compared to police officers remains a constant challenge.

The police and national prosecutor's office collaborate effectively with international organizations such as INTERPOL and EUROPOL, countries in the southeast European region, the EU, and other international peers. Intelligence services cooperate with their counterparts within NATO and the EU, and act within an integrated security system.

Global Inequalities

Global Social
Policy
Score: 4

The Croatian government takes part in the activities of international organizations and integrations to which the country belongs. The most important avenue for promoting development assistance is the EU itself. Croatia's efforts rely on the National Strategy for Development Cooperation 2017 – 2021, which has recently lapsed, and there is thus a clear need for the adoption of a new strategic framework. The country aims to increase its development aid to 0.33% of GDP by 2030, which would be a major feat, since the data for 2020 indicate that Croatia had reached a level of just 0.14% at that point. However, the good news is that in spite of the record 8% drop in Croatia's GDP in 2020, the official development aid and humanitarian aid increased by 7.5% in the same year. For the first time in Croatian history, the official development assistance reached a milestone of HRK 0.5 billion, having doubled since 2016. Of the previously mentioned sum, 76.27% was earmarked for multilateral assistance, while the rest was part of Croatia's

bilateral efforts to promote development and alleviate suffering worldwide. The biggest beneficiaries of Croatian humanitarian aid in 2020 were Bosnia and Herzegovina, Albania, Lebanon, and Venezuela. Croatia also donated 490,000 doses of COVID-19 vaccine via COVAX to eight different countries. Finally, Croatia promotes global development according to the EU's trade policy guidelines.

III. Environmental Policies

Environment

Environmental
Policy
Score: 5

Primarily as a result of its EU membership obligations, Croatia has made some improvements in its water and waste management systems, and has passed several action plans. However, there is still much to be done in terms of actual enforcement and implementation. In the area of water management, substantial investment in the public water-supply network, drainage systems, and wastewater treatment systems is needed. In the capital city of Zagreb, there are steady leakages due to the poor condition of water pipes. The recycling rate for municipal waste rose from 14.9% in 2013 EU to 34.3% in 2020. However, Croatia is still among the EU's worst performers. The key reason for this state of affairs is to be found in the ineffective bureaucracy, the lack of any coherent strategy or policy coordination, a territorial fragmentation that has hampered the achievement of economies of scale for utility companies, the lack of financial incentives tied to certain milestones, and poor urban planning.

Per capita emissions of CO₂ in Croatia reached their peak of 5.7 tons annually in 2007, and dropped to 4.14 tons in 2020. Additionally, energy intensity (how much energy the country uses per unit of GDP) has steadily declined, from 1.91 kWh in 1993 to 1 kWh in 2016. Environmental pollution has declined. However, air pollution occasionally emerges as a significant local problem, especially in Zagreb.

Eurostat data for 2018 show that the share of energy from renewable sources in transport was less than 4%. Only Greece, Estonia and Cyprus showed a worse performance. Therefore, electromobility in Croatia is very limited. Croatia ranks in the middle of the EU-27 chart with regard to charging points per 100 kilometers (2.3 in 2020). On the other hand, Croatia has a less impressive score in relation to the market share of EVs (1.9% in 2020). In this particular area Croatia has plenty of space to improve, attract new investments and create new jobs. It remains to be seen whether the NewGenerationEU (NGEU) and EU budget funds will serve as a game-changer. The answer to

that question will depend on the quality of planning for operational programs stretching through the 2021-2027 period, as well as on the implementation of NGEU projects already approved by the European Commission.

The readiness of Croatian businesses to embrace opportunities arising from green transition was assessed by a joint research project conducted on behalf of the Croatian Chamber of Commerce and the Apsolon consultancy firm. Their recently published research shows that more than 60% of businesses do not perceive the green transition as an opportunity. The greatest obstacles to the green transition have been identified in the fields of financing, the country's often contradictory and complex legislative framework, as well as the slow and non-responsive public administration. However, some enterprises (e.g., Rimac Automobili) look very promising, and are transitioning rapidly.

Global Environmental Protection

Global
Environmental
Policy
Score: 6

Croatia is a member of the EU that is starting from a strong position when it comes to achieving the goals of decarbonization, green development and climate neutrality. Renewable energy already accounts for 28.5% of total energy consumption, which positions Croatia above the EU-27 average of 19.7%. The latest evidence of political commitment to these goals was Croatia's pledge at the Glasgow COP26 in November 2021 to end deforestation by 2030, phase out coal by 2033 and reduce methane emissions at least 30% from the 2020 levels by 2030. The political direction of environmental protection policy in Croatia is quite obvious. However, there are still some inconsistencies that do not fit into this conclusion nicely, such as the government's provision of financial incentives to farmers for intensive cattle farming, in spite of the EU's proclaimed intention to support extensive farming practices.

Interestingly, at the end of 2021 Croatia joined a group of 10 European countries led by France that have put pressure on the European Commission to grant nuclear energy a "green" label under the EU's sustainable finance taxonomy, which acts as a guide to climate-friendly investments. From the Croatian standpoint, nuclear energy is an important component for a smooth green transition. Croatia procures approximately 10% of electricity from the Krško nuclear power plant, and intends to expand its capacity alongside Slovenian partners.

Robust 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. After the 2021 local elections, independent mayors controlled 130 cities and municipalities. They won 41 more seats than four years ago, and pushed the SDP to the position of the third-strongest political force at the local government level. HDZ remained the strongest political party at the local level, winning 250 out of 556 mayorships in cities and municipalities, and 15 out of 20 county-prefect positions.

Citation:

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>).

OSCE/ODIHR (2020): Election Assessment Mission Final Report Republic of Croatia: Parliamentary Elections 5 July 2020. Warsaw, 28 September (https://www.osce.org/files/f/documents/b/4/465120_0.pdf)

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 with 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. The Electronic Media Council has the option of sanctioning media outlets that spread misinformation during an election campaign. However, it generally does not use tools to penalize disinformation and manipulative content, relying instead on the candidates who are the target of such disinformation campaigns to initiate proceedings. Coverage of the various political parties in the media during the election process is largely balanced. According to a survey of media experts in Croatia, restrictions on editorial autonomy and political control over media outlets are a much bigger problem.

Citation:

Grbeša, M., Volarević, M. (2021): Media in Croatia: From Freedom Fighters to Tabloid Avengers, in: *Publizistik* 66(3-4): 621-636.

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.

The biggest shortcoming related to voting and registration rights relates to the unequal number of voters per constituency. When the proportional electoral system for parliamentary elections was introduced in 2000, 10 constituencies were established, and the law stipulated that the number of voters in those constituencies should not deviate by plus or minus 5% from the average across all constituencies. Even in the first elections under the current law, held in

January 2000, three units jumped more than plus or minus 5% of the average unit, and in the last three parliamentary elections, held in 2015, 2016 and 2020, deviation in the number of voters of at least this amount was present in eight out of 10 units. The inequality in constituencies is due to mass emigration from several counties in the eastern area of Slavonia, and in the central part along the border with Bosnia and Herzegovina.

Due to such inequalities between constituencies, different results were obtained from some constituencies than would have been the case if they had been uniform, and many members of the Croatian parliament entered who would not otherwise have been elected. Political scientist Goran Čular, who researched the topic, concluded that up to three mandates per elections went to some parties solely due to the inequality of constituencies. As a proposal, he pointed out the possibility of designing constituencies with different numbers of deputies, according to the number of voters, or to create a new structure of constituencies and reduce their number.

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

Citation:

Čular, G. (2018) Metodološki izazovi ustavnog sudovanja: učinci podjele na izborne jedinice na rezultate izbora u Hrvatskoj 2000-2016. (Methodological Challenges of Constitutional Judgement: Effects of Apportionment on Electoral Results in Croatia, 2000-2016), in: *Anali Hrvatskog politološkog društva* 15(1): 7-28.

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. The new law enables electronic submission of reports by political parties and individual candidates on donations received and funds spent in the election campaign, and provides for the centralized publication of all this information on the website of the State Election Commission. This represents a small step forward in the regulation of party funding, and has at least minimally improved the transparency and accountability of political finance.

However, it has failed to close a number of loopholes. One particular problem is the fact that the State Election Commission and local election commissions refuse to play a more active role in sanctioning the spending of public funds

for election campaigns (which is prohibited by law), and are unwilling to monitor expenditures on advertising in electronic media and social networks. Because of all this, preliminary financial statements appear today to be a relatively unreliable regulatory tool in presenting the financial flows used to finance political parties' and candidates' electoral campaigns.

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. The legal framework governing the organization and conduct of referendums in Croatia is extremely complicated, and is indeed one of the most demanding in Europe. In addition, the same rules do not apply to state and local referendums. In a local referendum, a proposed measure must receive more than 50% support of all registered voters in that locality or region. In a state referendum, a measure may be approved by the majority of voters who have participated in the referendum.

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. In December 2021, the right-wing political party Most began collecting signatures for a referendum on the abolition of COVID-19 certificates and the transfer of the power to adopt coronavirus-related measures from the Civil Protection Headquarters to the Croatian parliament, which – under the terms of the measure – could impose such measures only with a two-thirds majority. On December 22, the party announced that it had collected 400,000 signatures, amounting to more than 10% of the electorate,

and that in January 2022 they would hand over all collected signatures to the Croatian parliament.

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 than 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 and 2020, 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.

In November 2021, the president of the Croatian Journalists' Association (HND), Hrvoje Zovko paid a visit to independent media organizations in Serbia. During the trip, he noted that the media in Croatia face major problems, such as the large number of lawsuits filed against journalists (making Croatia one of the worst locales Europe in this regard), various forms of pressure exerted particularly on local media, and the significant influence by political forces on the public media services (the Croatian Radio-Television, HRT). However, he added that the situation in Croatia is incomparably better than in Serbia, Hungary, or Bosnia and Herzegovina.

Media Pluralism
Score: 4

Media pluralism in Croatia is limited. The TV market is dominated by the public TV station Croatian Radiotelevision (Hrvatska radiotelevizija, HRT) and two private broadcasters, Nova TV and RTL. After some haggling, Nova TV was taken over by Slovenia Broadband, a subsidiary of United Media, in July 2018. While United Media had been forced by Croatia's Electronic Media Council (AZTN) to sell its shares in Total TV, it also owns the N1 (cable) television and multimedia platform that has a growing audience in Croatia. The market for print media has likewise been dominated by a handful of companies.

In October 2021 the parliament amended the electronic media law and several other regulations with the aim of increasing transparency in the publication of information by making public the ownership structure of media service providers.

Research on media pluralism in Croatia has shown that there is a medium level of risk with regard to the protection afforded to journalists and the standards of the journalistic profession. This is reflected primarily in the relatively large number of lawsuits against journalists and lack of editorial autonomy. However, a much higher level of risk exists in the area of market pluralism, which is reflected in the high level of concentration shown by digital platforms and a significant share of the traditional media organizations. Negative aspects of media pluralism are also reflected in the market's impact on media content and the insufficient protection given to the preservation of competition in the field of digital media.

Citation:

Bilic, P. (2020) Monitoring Media Pluralism in the Digital Era: Application of the Media Pluralism Monitor in the European Union, Albania and Turkey in the years 2018-2019. Country Report: Croatia. Florence: European University Institute.

https://www.jutarnji.hr/tag/Zakon_o_elektroni%C4%8Dkim_medijima

Access to
Government
Information
Score: 7

The Right of Access to Information Act has been in place since 2003 and the legislative framework is relatively well established, 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. In 2018, the Croatian parliament elected Zoran Pičuljan as the new information commissioner. He has sought to retain the fundamental achievements in the right of access to information gained during Musa's tenure.

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. 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. According to a survey conducted by the Croatian Journalists' Association in 2021, at least 924 active lawsuits had at that time been filed against journalists and media. A total of 97% of these were civil actions against publishers, their editors and

their journalists, seeking compensation for alleged damages to honor and reputation based on published texts and articles, while the remaining share of lawsuits related to currently active criminal proceedings.

Citation:

<https://www.hnd.hr/eng/cja-survey-at-least-924-lawsuits-against-journalists-and-the-media-currently-active-in-croatia>

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. In April 2021, in a case in which life partners Mladen Kožić and Ivo Šegota sought to adopt a child, the Administrative Court of Croatia ruled that they could be adoptive parents. The court ruled that there should be no discrimination in the right to adopt children. This was the first such decision made in Croatia.

Citation:

<https://rm.coe.int/5th-op-croatia-en/1680a2cb49>

Rule of Law

Legal Certainty
Score: 5

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

Judicial Review
Score: 5

arbitrary. Frequent changes in criminal laws have also had a negative impact on legal certainty in Croatia. Some amendments to acts have been implemented even without the much-needed majority in the parliament, which further negatively affected the level of legal certainty.

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.

The most important issue related to the appointment of judges in 2021 concerned the election of the president of the Supreme Court. The president of the republic has the right to nominate a candidate for the head of that court; however, the Law on Courts stipulates that he must nominate someone from the circle of candidates who apply to the State Judicial Council (DSV). However, President Milanović proposed Zlata Đurđević, a distinguished professor of criminal procedural law from the University of Zagreb, who did not apply in this manner. As this led to a dispute between President Milanović and the HDZ-controlled government bodies, the Constitutional Court had to rule on all of this. In March, the Constitutional Court ruled that the president of the republic could not voluntarily propose to parliament any candidate for the presidency of the Supreme Court that he wanted, but only one of the candidates who had applied through the DSV. Professor Đurđević subsequently applied in this way, but in June 2021, the parliament rejected her with 81 votes against (76 votes were needed for a majority).

After President Milanović and Prime Minister Plenković finally agreed on a candidate for the president of the Supreme Court in July 2021, Radovan Dobronić was elected to the post in October. Dobronić came to this position as a judge of the Commercial Court, outside the circle of judges of the Supreme Court, and he gained wide popularity in the public when in 2013 he ruled against banks in their dispute with Swiss-franc-denominated account-holders.

Corruption
Prevention
Score: 4

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. Kuščević) 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. In November 2021, an investigation was launched into the "Software" affair, which related to public procurement of a software system that was awarded to a company with links to then-Minister of Regional Development and EU Funds Gabrijela Žalac. Tamara Laptoš, European prosecutor at the European Public Prosecutor's Office in Croatia, confirmed in the media that the case was initiated by that office, following an OLAF (European Anti-Fraud Office) report. At the same time, it emerged that the report to OLAF derived from the investigative work of independent journalists, and that the indictment documents in the Software case had not been addressed by Croatian judicial authorities, who apparently did not intend to prosecute.

Good 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. On 5 February 2021, the Croatian parliament finally adopted the National Development Strategy of the Republic of Croatia, which covers the period through 2030. Presenting the strategy in the parliament, Plenković emphasized that it focuses on four developmental pillars: sustainable economy and society, strengthening resilience to crises, the green and digital transition, and balanced regional development. The problem, however, is that there are no deadlines or benchmarks in the document as adopted by parliament that would enable the fulfillment of these goals to be monitored.

Ivo Bićanić, a leading Croatian economist, has criticized the strategy, emphasizing that it is “irreparably bad” because it is a “sterile and toothless

document” that does not create obligations for this or future governments, and does not limit the implementation of their programs, whatever they may be. Plenković and Minister of Regional Development and EU Funds Nataša Tramišak promised that as many as 67 sectoral strategic documents would be harmonized with Strategy 2030 by 2022. The question remains, however, whether any further strategies and policies will emerge from this “umbrella strategy.” For example, other democratic countries often adopt such general development documents, but their adoption is followed by the kind of clearly articulated sectoral policies that Croatia has generally not developed. Thus, it seems that in Croatia, daily politics have again trumped long-term strategic planning.

Citation:

Bićanić, I. (2020) Bićanić: Nismo baš svi bedaci. Za taj novac strategiju su mogli napisati Rodrik i Acemoglu, recenziju

Krugman i Stiglitz i još bi ostalo za Ekonomski institut, (We are not all fools. For that money, Rodrik and Acemoglu could write a strategy, peer-review Krugman and Stiglitz, and more would remain for the Institute of Economics), Web-portal Ideje, November 15, 2020 (<https://ideje.hr/bicanic-nismo-bas-svi-bedaci-za-te-novce-strategiju-su-mogli-napisati-rodrik-i-acemoglu-recenziju-krugman-i-stiglitz-i-jos-bi-ostalo-za-ekonomski-institut/>).

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: 4

Until 2014, the Prime Minister’s Office (PMO) 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.

Within the Prime Minister’s Office, Plenković’s government has a Service for Public Policies and Support to the Prime Minister, which is primarily responsible for systematic monitoring and analysis of individual public policies, and has the task of preparing expert opinions and studies and strategic development plans and analyses. In addition, the service prepares all relevant position papers for the prime minister for his meetings in the narrow

government cabinet, as well as his addresses to the parliament and the European Council.

The head of the service is Tena Mišetić, and the PMO as a whole is headed by Zvonimir Frka Petešić. In the political public, these two persons are considered to have decision-making power greater than most government ministers, but all available data and analyses suggest that the PMO has comparatively little independent sectoral policy expertise, and thus lacks the capacity to evaluate the policy substance of draft bills.

Line Ministries
Score: 4

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. Since the Service for Public Policies and Support to the Prime Minister does not have the capacity to evaluate line ministry policies in the way that central-government policy offices do in most democracies, consultation between line ministries and the Prime Minister's Office is rather formal, and focuses only on technical and drafting issues.

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

Coordination between line ministries in shaping certain elements of public policies is normatively determined by the Rules of Procedure of the Government. 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. In addition, there are no clear criteria as to when multi-sectoral working groups need to be formed for particular policy proposals.

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: 5

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: 5

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.

According to a 2021 European Commission report, Croatia has implemented the principles of the European Interoperability Framework well or at a medium level.

However, the effective use of digital technologies in government and administration is still 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.

Citation:

https://joinup.ec.europa.eu/sites/default/files/inline-files/DPA_Factsheets_2021_Croatia_vFinal.pdf

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 125 laws planned to be passed in 2020 were subject to RIA, of which only two laws (12%) ultimately underwent RIA procedures. A total of 145 laws were planned to be passed in 2021, of which 20 laws were expected to undergo regulatory impact assessment procedures. 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.

In October and November 2019, a large strike among teachers in primary and secondary schools broke out, ending only at the beginning of December that year. Trade unions in the education sector demanded a salary increase of 18.3%, which Plenković's government declined to agree to. In the end, the unions agreed to a much smaller increase, which the government pledged to pay in three phases. The government's problems with the education-sector union have thus temporarily ended. However, during 2021 and early 2022, other public-sector unions also sought to improve working conditions for their members. By mid-January 2022, no basic collective agreement defining substantive rights had yet been signed. The unions were continuing to argue that the government's refusal to raise base public-sector salaries was unacceptable.

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.

The failure of the government's communication strategies has been clearly demonstrated by the failure of the public-information campaign around COVID-19 vaccination. Even before the campaign was conceived, about 35% of the population said they did not intend to be vaccinated, and in early 2022, just about that percentage of the population remained unvaccinated.

However, sociologists' research have found that among those who do not intend to be vaccinated, only 45% opposed any vaccinations, and a majority of 55% simply distrust the existing coronavirus vaccine. These are precisely the citizens that the government and the headquarters for civil protection should have reached with their communications, but failed to do so.

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 2020 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 2019 (i.e., Milanović,

Orešković and Plenković governments) is rather low. Only 43% of all country-specific recommendations addressed to Croatia have recorded at least “some progress,” while another 43% of recommendations have recorded “limited” or “no progress,” and only in 7% have either full implementation or substantial progress been recorded. Reform activity in relation to key structural policy areas such as the judiciary, the health sector, education, pensions, social policy and reform of the public administration has stalled in recent years.

In 2020, Plenković’s government continued the legacy of previous governments of passing multiple laws using the urgent procedure, albeit to a lesser extent than in previous years. In 2015, 85 laws were passed using this urgent procedure, which requires only one reading by the parliament, while only 35 laws were passed using the regular procedure. In 2020, 70 laws were passed using the urgent procedure, while 68 laws were passed utilizing the regular procedure. Unfortunately, the intense use of this procedure significantly downgrades the overall quality of laws passed.

However, the biggest policy-implementation problem has been the catastrophic delay in the reconstruction of Zagreb and the Banija area, which were severely damaged in the 2020 earthquakes. In Banija, by mid-January the government had not instituted the construction of a single house, so renovation efforts had been limited to those funded by a small number of private donations. The state-led construction was expected to begin only in February 2022.

Citation:

European Commission (2020): Commission Staff Working Document – Country report Croatia 2020. SWD(2020) 510 final, Brussels (<https://op.europa.eu/en/publication-detail/-/publication/2868b45e-5944-11ea-8b81-01aa75ed71a1>).

Kotarski, Kristijan (2019) http://www.hanns-seidel-stiftung.com.hr/assets/images/uploads/euro_introduction_to_croatia.pdf

Vlada Republike Hrvatske (2021) Izvješće o provedbi plana zakonodavnih aktivnosti (Report on the Implementation of the Plan of Legislative Activities). Zagreb: Ured za zakonodavstvo. (<https://zakonodavstvo.gov.hr/UserDocsImages//dokumenti//210928%20Izvjescje%20PZA%20VRH%202020%20final.pdf>)

Ministerial
Compliance
Score: 5

The organization of that Croatian government generally provides only weak incentives for ministers to implement the government’s program. The situation has not changed significantly under last two Plenković governments (2016-2022). 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.

A good example of this has been the inefficiency in implementing the reconstruction of buildings damaged in the earthquakes that hit Croatia in 2020. The Law on Reconstruction of Buildings Damaged in the Zagreb Earthquake was passed despite numerous warnings from the architectural profession and civil engineers that it was too complicated to be enforceable. As a result, a year later, in October 2021, the law was amended, but reconstruction was still very slow. The example once again showed that ministries are organized in a way that complicates decision-making processes aimed at implementing the government's policies.

In many cases, required documents are missing, or months are taken to repeal unnecessary regulations that are hampering implementation. For example, it took six months to repeal a provision requiring public financial and technical control over building projects funded via public procurement mechanisms. Nowhere in the official documentation did it say that it was necessary to have this control; however, this proved to be a condition that had to be met before funds could be disbursed for reconstruction. Ministries and agencies generally have procedures in place that significantly slow down the implementation of government policies.

Monitoring
Ministries
Score: 4

The primary central-government core-executive bodies, the General Secretariat of the Government and Prime Minister's Office, do not have the capacity to fully monitor the policies implemented by line ministries. Their restrictive remits constitute a major capacity gap. Greater monitoring power lies with 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

In 2015, Croatia had about 75 executive agencies, six of which were regulatory agencies. The tasks of these agencies were 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 predefined 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 government announced a plan to reduce the number of agencies and to make the others more efficient; in this plan, only a few agencies were abolished or shut down, and the rest were merged with other agencies. In September of that year, trade unions responded to the proposal, saying the social partners had not been consulted on the future of some bodies of immediate interest, and opposed the merger of the four agencies.

The government's 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, merged with other agencies or subsumed 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 transfer some income tax revenue to municipalities and cities. This has enhanced fiscal capacities within these local governments. However, the level of effective administrative and political decentralization remains low according to analyses by the Committee of the Regions.

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.

Committee of the Regions division of powers report:
<https://portal.cor.europa.eu/divisionpowers/Pages/Croatia.aspx>

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. On 1 January 2020, special laws came into force entrusting certain tasks formerly implemented by the state administration to county governments. By entrusting these tasks to counties, the government intended to encourage the process of further decentralization.

National
 Standards
 Score: 4

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, countries) should provide to the local community. The absence of clear national standards is felt particularly in the field of social policy. Here, the implementation of central-government regulation has differed strongly among municipalities. Some have even ignored legal requirements

Effective
Regulatory
Enforcement
Score: 4

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.

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. On 1 April 2019, the Plenković government finally legally established the State Inspectorate as the central state administration body.

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. The long-awaited reform of the territorial organization of the country is effectively being shelved. The excessive fragmentation thus remains, with a total of 556 municipalities and towns.

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 was not very active in improving cooperation with the other successor states of the former Yugoslavia. President Milanović has not as yet changed that direction, leaving relations with Bosnia and Herzegovina and Serbia strained.

Organizational Reform

Self-monitoring
Score: 4

There is no regular self-monitoring of the institutional arrangements of Croatian governments. Monitoring occurs only on an ad hoc, selective basis. 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, each of the two Plenković governments slightly changed the cabinet structure. In April 2017, the first 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. It remains to be seen whether the ambitious goals of the Mechanism for Recovery and Resilience, which emphasize a strong focus on reforms and investments that encourage green and digital transition, will drive the institutional reforms implemented by the second Plenković government in the 2022-2024 period.

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: 5

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 a Reuters Digital News Report from 2019, Croatia has the largest percentage of citizens who actively avoid news (more than 50%) among a sample of 30 countries. Moreover, interest in politics has been diminishing along with voter turnout rates, which have declined appreciably over the years.

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).

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 16 group members. Moreover, the Sabor does not have an office for policy analysis, and formal legalistic thinking 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

Summoning
Ministers
Score: 7

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 that are submitted to the government. These questions are mostly answered satisfactorily.

Parliamentary committees can and do summon ministers for hearings. However, these hearings are not always taken seriously by ministers. Ministers occasionally refuse to answer questions. Although the work of investigative commissions that summon ministers or former ministers to testify at parliamentary hearings is generally of great public interest, the impact of such initiatives is relatively limited. For that reason, ministers occasionally refuse to answer questions.

Citation:

Staničić, F., Čačija, M. (2016): Kontrola koju provode istražna povjerenstva Hrvatskog sabora – učinkovit oblik kontrole? (The Control Implemented by the Inquiry Commissions of the Croatian Parliament – An effective Form of Control?). Zbornik radova Pravnog fakulteta u Splitu/Collected Papers of the Law Faculty of the University of Split, 53(2): 439-466.

Summoning
Experts
Score: 10

Croatia is one of the rare countries where experts can be named as outside members of parliamentary committees, and this has become a regular practice. The Committee for International Relations, the Committee for European Integration and the Committee for Internal Affairs and National Security are the only exceptions to this rule.

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 and the misuse of public funds. They command a rather significant audience, although newspaper circulation is on a downward trend.

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.

In the last parliamentary elections, the left-green coalition gathered around the platform *Možemo* (Yes, we can – M!) won seven seats, and won the local elections in Zagreb. The extent to which the new political grouping will allow party members to participate in shaping key party policies remains to be seen. The current SDP leadership has dissolved a number of local party organizations in the country, including the largest in Zagreb, expelling a number of prominent SDP members. As a result, the SDP's deputy club in the Croatian parliament has split; it now has fewer SDP members than does the deputy club of the Social Democrats, which includes former SDP members who disagree with the current party leadership.

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: 4

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.

In April 2020, the Croatian Employers’ Association (Hrvatska udruga poslodavaca, HUP) hired a new chief economist, striving to raise the quality of the group’s policy assessments. In 2021, the group published analytical projections related to the Recovery and Resilience Mechanism. Based on this information, HUP proposed to the government that 50% of the funds should go to the private sector. The government ignored this request, as evidenced by the fact that the HUP announced only a few weeks before the adoption of the policy that it was still not involved in the process of drafting this strategic document.

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 has also been able to review 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. The recent scandal involving former Minister of Regional Development Gabrijela Žalac, who was charged with serious misconduct relating to projects financed by European Structural and Investment Funds, has revealed the weakness of the State Attorney's Office in investigating prominent political figures. Without the combination of work performed by investigative journalists and the active role of European Public Prosecutor's Office, the investigation would certainly not have led to the point of indictment.

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.

At the end of February 2021, Ombudswoman Lora Vidović submitted her annual report for the year 2020 to the Croatian parliament. In it, she described issues faced by citizens in the exercise of their human rights, and enumerated incidences of discrimination. She pointed out that the largest number of citizen complaints in 2020 related to the area of health (not being able to get in touch with their physicians or acquire the medication they needed, as well as postponed appointments and medical procedures, which made already long waiting periods even longer), followed by complaints related to employment, labor and the civil service (submitted mostly by the citizens who had lost their jobs or were required to work from home, but were unable to do so). The third most common group of complaints were related to discrimination, most commonly in the areas of labor and employment, and on the grounds of nationality, ethnicity, health, property status or age. The Ombudswoman concluded that the trends from previous years had continued, with the circumstances related to COVID-19 further exacerbating existing problems in the health system.

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 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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