



Croatia Report

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Sustainable Governance in the
Context of the COVID-19 Crisis

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Executive Summary

In Croatia, the COVID-19 pandemic ended a period of robust economic growth and declining macroeconomic imbalances. The twin deficits in the fiscal balance and the current account had become surpluses after 2015, and by the beginning of 2020, the seasonally adjusted unemployment rate had fallen from a peak of 17.5 % in 2014 to 6%, which is comparable to the EU-27 average unemployment rate. Unfortunately, however, the center-right Plenković government, in office since 2016, had not used the boom years from 2015-2020 to press ahead with much-needed reforms in healthcare, pensions, public administration and state-owned enterprises (SOE) reform. Moreover, the high share of the tourist sector, which had been a main driver of growth, in GDP now made the Croatian economy highly vulnerable to the COVID-19 pandemic.

The government's initial response to the pandemic was quick, resolute and effective. In March 2020, it authorized the National Civil Protection Agency (NCPA) to manage the crisis, installed a Scientific Council for advice on COVID-19 affairs and adopted one of the strictest lockdowns in the EU. Daily infections were brought down to single-digit numbers already during the second half of April 2020 and remained low until June 2020. In spite of one of the sharpest drops in GDP growth over the second and third quarter in the EU-27, the government prevented massive layoffs by introducing various furlough schemes for employees and providing financial support for entrepreneurs and the self-employed. Croatia's employment rate has fallen only mildly compared to other member states, which is remarkable since the number of nights spent at tourist accommodations fell by one half compared to 2019. Nor did the health system fall apart under the pressure of COVID-19-related hospitalizations, even though it might have achieved even better results in combination with more coherent epidemiological measures. It also ensured the stability of the education system and made some improvements in the domain of social policy. The government passed a *lex specialis* for the reconstruction of Zagreb and its surroundings after a devastating 5.5 magnitude earthquake in March 2020.

The government has been less successful in handling the second wave of the COVID-19 pandemic (Kotarski 2020). Not taking expert advice on board, it failed to prepare the healthcare and education systems, and it failed to re-

introduce lockdown measures. In November 2020, COVID-19 spread dramatically, and Croatia became one of the countries in the EU with the highest daily increase in persons infected.

Like in other countries, the COVID-19 pandemic has brought restrictions of civil rights and political liberties. The legal basis for these measures has been controversial. By delegating powers to the NCPA, the government sidelined certain pre-established statutory procedures for handling infectious diseases, ultimately prompting the need for several retroactive legislative amendments. The COVID-19 pandemic also revealed the government's willingness to instrumentalize the media and the Constitutional Court's willingness to accommodate infringements on the rule of law. However, Croatia managed to hold parliamentary elections in a professional manner in July 2020.

Citation:

Kotarski, K. (2020) Croatia's COVID-19 Crisis Management: From Well-Played Half-Time Towards Gradual Meltdown in the Second-Half. Zagreb: Hanns Seidel Stiftung (<http://www.hanns-seidel-stiftung.com.hr/news/croatias-covid-19-crisis-management-from-well-played-half-time-towards-gradual-meltdown-in-the-second-half>).

Key Challenges

If the government is seriously interested in being proactive and effective in shaping the future of Croatia's economy instead of allowing it to be determined by external circumstances, then there is simply no political alternative to an ambitious and vigorous reform agenda. This should immediately be put in place after the worst of the crisis is over and herd immunity is ensured through a successful vaccination campaign. The unpalatable alternative is a prolonged recovery that would threaten to incapacitate the real and structural convergence of the economy to the average in the EU, as well as accelerate the already worrisome trend of out-migration and population loss. The resulting inertia would also jeopardize Croatia's ambition to adopt the euro in 2023. The skewed relationship between a bloated and inefficient state on the one hand, and a fragile and underdeveloped private sector on the other, can only be tackled by a government that is ready to take ownership of the reform process and provide a new overarching vision of its own making which might benefit from the EU's vision of a green and digital economy transformation.

The financial resources necessary to achieve this feat should not be a major obstacle. Croatia was allocated a record-breaking sum of €22 billion within the next Multiannual Financial Framework 2021-2027 and Next Generation EU

program, the largest sum relative to the 2019 output size of any EU member state. This massive external funding provides Croatia the opportunity to finance the modernization of its economy without putting its compliance with the stability and growth pact criteria at risk, which is required for introducing the euro in 2023. A far bigger problem is to be found in the unambitious and incoherent 2030 National Development Strategy, presented by the government in November 2020. It lacks clear key performance indicators and time trials. It also fails to mention how it proposes to address corruption and clientelism as crucial challenges impairing political and economic development.

Furthermore, Croatia's National Recovery Plan, which is a precondition to tap into the Next Generation EU – COVID-19 Recovery Package (NGEU) and the new Multiannual Financial Framework (MFF) funds, has not been publicly presented, in spite of the government's promise to do this by the end of October 2020, while societal consultation remains next to nonexistent. In order to quickly bounce back from a deep recession, the government will have to improve its strategic planning, policy formulation and policy implementation. It will also have to ensure a successful immunization campaign and more refined epidemiological measures until this happens, in order to keep existing measures from having a detrimental impact on the economy and health indicators in the coming years.

Resilience of Policies

I. Economic Preparedness

Economic Preparedness

Economic Policy
Preparedness
Score: 5

Croatia emerged late from the 2008-2009 recession, but experienced robust economic growth in the years before the COVID-19 pandemic. Other economic developments were favorable as well: The twin deficits in the fiscal balance and the current account turned into surpluses after 2015. Over several years, the external debt fell from 113% of GDP in 2014 to 76% in 2019. This enabled a steep reduction in the ratio of external debt service from 46.3% of exports of goods and services to 29.6%. The inflow of inward foreign direct investment (FDI) increased from 0.18% of GDP in 2015 to 2.27% in 2019 (UNCTAD 2020), suggesting a rising confidence of foreign investors in Croatia's future prospects. Since 2010, the ratio between gross fixed capital formation and GDP has been fairly stable, at 20% of GDP, in the middle range of EU countries' investment performance (Eurostat online data).

These favorable developments would not have been possible without tailwinds coming from the export of services (tourism) and personal remittances from abroad. Croatia is among the OECD countries with the highest share of the tourist sector in value-added and benefits from a high inflow of personal remittances from abroad – almost 6% of GDP in 2019, according to the UNCTAD database. While contributing to the improvement of the economic situation before the COVID-19 pandemic, both factors have also made the Croatian economy vulnerable to the pandemic.

The sustainability of economic growth in Croatia, which remains the second-least developed EU member state after Bulgaria, measured by GDP per capita

in purchasing power standards, has suffered from a number of structural weaknesses addressed only reluctantly by successive governments. Looking at the whole period from 2000 and 2019, Croatia underperformed in terms of catch-up growth, when compared to the benchmark of post-socialist member states (Šonje 2019).

The quality of Croatia's institutions, as proxied by Worldwide Governance Indicators Index, is among the lowest in the EU (with only Romania and Bulgaria faring worse). While public spending is high relative to GDP (Kotarski/ Petak 2021), little is spent on R& I. The European Commission's Innovation Scoreboard ranks Croatia as a weak innovator, and there has been little done to foster eco-innovation.

Part of the problem is that Croatia has a large sector of state-owned enterprises (SOEs) and the lowest number of residents per state-owned enterprise among all post-socialist countries. The reform of SOEs is overdue and could offer significant opportunities to taxpayers, future retirees, future reform-minded governments and the investor community. Nevertheless, Croatia's political elite has not supported the reform process that would be required to boost SOE performance. Such a reform would involve privatization, liberalization and the professionalization of corporate governance. Unfortunately, these steps are incompatible in the short-term with the existing political equilibrium that favors the continuation of the system of party patronage (Kotarski/ Petak 2021, Šonje/ Kotarski 2020)

Under the Plenković government, which came to office in 2016, there has been little progress with structural reforms. The EU Country Specific Recommendation (CSR) score within the European Semester has barely budged when compared with the preceding government of Zoran Milanović. The Plenković government's implementation score was 33.3% which was little different to the 30.2% achieved under the Milanović government, indicating only limited progress (Kotarski 2020, Fig. 6).

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Kotarski, K. (2020) Croatia's COVID-19 Crisis Management: From Well-Played Half-Time Towards Gradual Meltdown in the Second-Half. Zagreb: Hanns Seidel Stiftung (<http://www.hanns-seidel-stiftung.com.hr/news/croatias-covid-19-crisis-management-from-well-played-half-time-towards-gradual-meltdown-in-the-second-half>, accessed 22 December 2020).

Kotarski, K., Z. Petak (2021): When EU Political Convergence Fails in New Member States: Corporate and Party State Capture in Croatia and Czech Republic, in: *Europe-Asia Studies* 73(4): 740-765 (<https://doi.org/10.1080/09668136.2020.1864297>).

Šonje, V. (2019) *Investicije u Hrvatskoj: trendovi, struktura, (ne)efikasnost*. HUB, Analize 67, Zagreb (<https://www.hub.hr/sites/default/files/inline-files/HUB%20ANALIZA%2067%20-%20Investicije%20u%20Hrvatskoj.pdf>, accessed 22 December 2020).

Šonje, V., K. Kotarski (2020): *Država i javna poduzeća kao poluga klijentelističkog modela upravljanja državom*, in: K. Kotarski and G. Radman (eds.) *Hrvatska u raljama klijentelizma: politike, postupci i posljedice trgovanja institucionalnom moći*. Zagreb: Centar za demokraciju i pravo Miko Tripalo, pp. 61-78. UNCTAD (2000): *World Investment Report 2020: International Production Beyond the Pandemic*. New York (https://unctad.org/system/files/official-document/wir2020_en.pdf).

Labor Market Preparedness

Labor Market
Policy
Preparedness
Score: 5

At the outset of the pandemic the Croatian labor market was recovering from a long recession in the first half of the decade and, by the beginning of 2020, the seasonally adjusted unemployment rate had fallen from a peak of 17.5% in 2014 to 6%, which is comparable to the EU-27 average unemployment rate. While the long-term unemployment rate at the outset of the pandemic was slightly below the EU-27 average, the share of young people that are neither in employment nor in education and training (NEET) was higher. Moreover, the employment rate for the working age population was only 66.7% in 2019, which was far below the EU-27 average of 73.1% for the same year; only Italy and Greece had a lower employment rate. The low employment rate is likely to threaten the long-term sustainability of the healthcare and pension systems which are financed by employee contributions. It also contributes to the increasing labor shortages on the Croatian labor market. Neither secondary nor tertiary education provide their graduates with the skills needed by the labor market. Consequently, Croatia has a shortage of ICT professionals, medical doctors and mechanical engineers, and it has too many economists, lawyers and journalists.

The reasons for the relatively poor labor market performance are manifold. They range from the weak rule of law, a high level of corruption, an inefficient public administration, a high tax burden, and an education system that is unresponsive to weak labor market institutions. According to the Lithuanian Free Market Institute's Employment Flexibility Index, Croatia ranks 33rd out of 41 OECD/EU countries (only France, Portugal, Greece and Slovakia had less flexibility) (Lithuanian Free Market Institute 2019). Croatia's poor showing can be largely attributed to the relatively strict redundancy rules which protect labor market insiders and discourage employers from offering permanent employment contracts. Consequently, the share of temporary employees is among the highest in the EU. In an effort to limit brain drain and to foster the labor market participation of young people, as of 2020, income tax was scrapped for all workers up to 25 years and cut by half for all working individuals aged 25 to 30. Save from this change, no major labor market reforms have been adopted since 2008 (Fadejeva 2019). While the number of participants in active labor market programs quadrupled from 2010 to 2019, the adopted measures have not been very effective.

One structural obstacle to an increase in labor market performance has been Croatia's large public sector. Primarily as a result of the strong bargaining power of public sector trade unions and pervasive political clientelism,

average salaries in the public sector have been unresponsive to productivity and performance differences, and are considerably higher than average salaries in the private sector. This has made working in the private sector less attractive and has infringed upon productivity growth by limiting the mobility between the private and the public sector (Caponi 2020).

Citation:

Caponi, V. (2020): The effects of public sector employment on the economy. IZA, World of Labor, Bonn (<https://wol.iza.org/articles/effects-of-public-sector-employment-on-economy>, accessed 23 December 2020).

Fadejeva, L. (2019): Labour Market Reforms in the European Union: an Overview. Riga: Latvijas Banka (<https://www.macroecconomics.lv/labour-market-reforms-european-union-overview>, accessed 23 December 2020).

Lithuanian Free Market Institute (2019): 2020 Employment Flexibility Index: EU and OECD Countries. Vilnius (<https://www.llri.lt/wp-content/uploads/2019/12/Employment-flexibility-index2020.pdf>, accessed 23 December 2020).

Fiscal Preparedness

Fiscal Policy
Preparedness
Score: 6

Since the 2008-2009 recession, Croatia has achieved some fiscal adjustment. Successive governments managed to transform the fiscal stance from a peak deficit of 7.8 % of GDP in 2011 to small surpluses from 2017 to 2019. As a result, Croatia's relatively high debt-to-GDP ratio fell from 84.3% in 2014 to 72.8% in 2019. Before the COVID-19 pandemic, the government expected a further decline to 68% in 2020, in line with the government's goal of introducing the euro in 2023. The improvement in the fiscal stance allowed the country to exit the European Union's excessive deficit procedure in June 2017 and provided some fiscal space when the COVID-19 pandemic hit.

However, the reduction in public debt was largely the result of the economic recovery and the decline in interest payments on government debt, rather than from much-needed expenditure reform. Nominal expenditures rose significantly faster than nominal GDP between 2017 and 2019. Part of this increase stemmed from a welcome increase in public investment from 2.8% of GDP in 2017 to 4.3% of GDP in 2019, which was made possible by EU inflows and helped revert the negative trend in gross fixed capital formation (Šonje 2019). More problematic was the increase in government spending on subsidies, intermediate consumption and the compensation of government employees. The increase in the public sector wage bill was not based on any transparent, predictable and meritocratic collective-bargaining arrangement. Moreover, fiscal policy in 2019 was in a procyclical mode, as measured by the change in cyclically adjusted net lending, excluding interests and the gap between actual and potential GDP.

Fiscal rules have been weak. Croatia has still not formally anchored a debt brake in its Fiscal Responsibility Act, as foreseen by the EU's 2012 Fiscal Compact. The Fiscal Responsibility Act stipulates that the annual increase in

expenditures should not exceed the potential growth rate calculated in accordance with EU rules. However, the state budget for both 2019 and 2020 did not seriously take this stipulation into account. On top of that, the execution of the state budget is not particularly transparent (Bronić/ Franić 2020). Citizens and businesses lack mechanisms that would empower them to hold state institutions in charge of executing the budget accountable. This is most visible in the domain of public procurement, which is often opaque and creates opportunities for politically connected businesses to profit from the process (Vuković 2019).

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Bronić, M., J. Franić (2020): Central government budget transparency in Croatia: in spite of noteworthy achievements, there is still a lot of room for improvement. Institute of Public Finance, Press Release No. 114, Zagreb (<http://www.ijf.hr/upload/files/file/ENG/releases/114.pdf>).

Šonje, V. (2019): Investicije u Hrvatskoj: trendovi, struktura, (ne)efikasnost. HUB, Analize 67, Zagreb (<https://www.hub.hr/sites/default/files/inline-files/HUB%20ANALIZA%2067%20-%20Investicije%20u%20Hrvatskoj.pdf>, accessed 22 December 2020).

Vuković V. (2019): 'Political Economy of Corruption, Clientelism and Vote-Buying in Croatian Local Government, in Z. Petak, K. Kotarski (eds) Policy-Making at the European Periphery. Cham: Palgrave Macmillan, 107-124.

Research and Innovation

Research and
Innovation Policy
Preparedness
Score: 3

Croatia seriously undershoots in terms of R&D expenditure. Only Latvia, Romania and Bulgaria spend less than Croatia on R&D in euros per inhabitant. The public sector's contribution to total R&D expenditure is meager. In 2019, it stood at 0.21% of GDP, less than one-fifth of total expenditures and only marginally higher than in the previous year. This development is at odds with the 3% target as enshrined in Croatia's 2030 National Development Strategy, developed since 2018 in cooperation with the World Bank and eventually adopted by parliament in February 2021 (Vlada RH 2020). Furthermore, the government's Economic and Fiscal Policy Guidelines 2021-2023 do not envisage any significant increase in funding for the Ministry of Science and Education or any other state entity which might show leadership in the area of R&D (Ministarstvo financija 2020). It thus seems as if these two documents have been written without any meaningful strategic planning and coordination.

The aforementioned target of 3% will be even harder to reach unless the government does not allocate a higher percentage of ESIF resources to R&D within the next Multiannual Financial Framework (MFF) 2021-2027 and Next Generation EU program. If we break down cohesion policy funds for the 2014-2020 period into five distinct categories (R&D, human capital, technical assistance, infrastructure and aid to private sector) then we can clearly observe that only Romania, Cyprus, Bulgaria, Greece and Malta spend a smaller share of cohesion policy funds on R&D. Therefore, the Croatian government will have to significantly improve the design of its operational programs to ensure that EU funding acts as a strong leverage for structural transformation of the

Croatian economy on the wings of a rapid increase in technological capacity.

Apart from securing more funding for R&D, the Croatian government will also have to improve the efficiency of spending, streamline procedures to make them more user-friendly and set clear research priorities. The allocation of R&D funds from the MFF that are soon to expire has been often overshadowed by certain decisions on behalf of the HAMAG-BICRO Croatian Agency for SMEs, Innovation and Investments (Carić-Herceg, 2020). At times, the latter agency prioritized certain businesses with particular political connections and other reasons that have little to do with the quality of the application.

Low spending on R&I leads to poor outcomes and low productivity. Few businesses spend funds on research and development. At the same time, the research output of Croatian research institutions and universities is extremely poor, with the lowest average of united research papers in the EU, despite some pockets of research excellence. There is even less transfer of knowledge to the world of business, which means that in most sectors of the economy, other than hotels and restaurants, Croatian businesses are far less productive than the average EU business (World Bank 2019). In 2019, Croatia and Romania were at the bottom of the EU in the number of patent applications to the European Patent Office (EPO) per million inhabitants.

Citation:

Carić-Herceg, S. (2020): Krediti Hamag-Bicra isplaćeni su za nerealizirane projekte, a velik broj tvrtki novac nikada nije vratio, in: Nacional, October 29 (<https://www.nacional.hr/krediti-hamag-bicra-isplaceni-su-za-nerealizirane-projekte-a-velik-broj-tvrtki-novac-nikada-nije-vratio/>, accessed 24 December 2020).

Ministarstvo financija (2020) Smjernice ekonomske i fiskalne politike – Zavod za makroekonomske analize i planiranje. Zagreb (<https://mfin.gov.hr/pristup-informacijama/publikacije/smjernice-ekonomske-i-fiskalne-politike-zavod-za-makroekonomske-analize-i-planiranje/546>, accessed 24 December 2020).

Vlada RH (2020): Nacrt prijedloga Nacionalne razvojne strategije Republike Hrvatske do 2030. godine. Zagreb

(<https://vlada.gov.hr/UserDocsImages/Vijesti/2020/11%20studeni/12%20studenog/Nacrt%20NRS%202030%20i%20Dodaci-12112020.pdf>, accessed 24 December 2020).

World Bank (2019) Challenges and Opportunities of Croatia's National Innovation System. Washington, D.C. (<http://pubdocs.worldbank.org/en/260231604963957928/2b-Brief-Challenges-and-opportunities.pdf>).

II. Welfare State Preparedness

Education System Preparedness

Education Policy
Preparedness
Score: 5

As a percentage of GDP, public expenditure on education in Croatia aligns with the EU average. Pupil-to-teacher ratios in both the primary and secondary education systems are even lower than those found in most other EU member states (Brkljača 2019). However, as confirmed by a data envelopment analysis

of the relative technical efficiency of public expenditure on secondary and tertiary education in post-socialist EU member states (Ahhec Šonje et al. 2018), education outcomes are weaker than the spending levels would suggest.

It is commendable that the share of early leavers from education and training is one of the lowest in the EU. However, despite the progress made in previous years, Croatia remains far behind the EU average in terms of children's participation rate in early childhood education. Vocational education and training outcomes provide few practical skills to participants. Moreover, at 3.5%, the rate of participation in education and training for those aged 25-64 was the third lowest in the EU-27 in 2019. Croatia lags significantly far behind the EU average in terms of employment rates among low-skilled workers, though the employment rate for highly skilled workers is only marginally behind the EU average. As of 2018, Croatia still lagged five percentage points behind the EU average in tertiary educational attainment.

The latest PISA survey dating from 2018 shows that 15-year-olds in Croatia achieve below average performance in reading, mathematics and science compared to the OECD average (e.g., an average score of 464 compared to 489 for the OECD). Although the share of low achievers is similar to that of the OECD average, the share of high achievers in reading, mathematics and science is far less at just 8.5% compared to 15.7% in the OECD. At the same time, disparities related to socioeconomic status and migrant background are relatively small. Socioeconomic background is not as relevant an issue as it is in other EU member states. This suggests a relatively strong performance in terms of access to education.

In 2015, Croatia launched the pilot of the e-Schools project, which provides digital equipment and support tools to 150 schools. The pilot was followed by a nationwide rollout designed to include all schools by 2022. Even though the nationwide rollout was not achieved before the onset of the COVID-19 crisis, because the school system was already preparing to adopt digital technology, it was able to adopt distance learning rather quickly.

Citation:

Ahhec Šonje, A., M. Deskar-Škrbić, V. Šonje (2018): Efficiency of public expenditure on education: comparing Croatia with other NMS, INTED2018 Conference Proceedings, pp. 2317-2326.

Brkljača, I. (2019): Dok broj učenika snažno pada, broj učitelja i nastavnika kontinuirano raste, in: Jutarnji list, November 28 (<https://novac.jutarnji.hr/novac/rasprave-i-rjesenja/dok-broj-ucenika-snazno-pada-broj-ucitelja-i-nastavnika-kontinuirano-raste-9675568>, accessed 24 December 2020).

Social Welfare Preparedness

Social Welfare
Policy
Preparedness
Score: 4

The Eurostat data covering at-risk-of-poverty rates for 2018 show that Croatia, in comparison to other EU member states, had the 16th highest rate before and 8th highest rate after social transfers. This discrepancy attests to the fact that Croatia's system of poverty prevention performs rather poorly. Many of its peers such as Slovenia, Hungary and Slovakia are far more engaged in poverty prevention, not only through income redistribution but also by improving labor market performance. In terms of severe material deprivation, 8.6% of the Croatian population was part of this unfortunate statistic in 2019, the 7th highest in the EU. Based on the European Central Bank Household Finance and Consumption survey (HFCS), Croatia had the highest percentage of individuals who cannot afford food and utilities for two months, with 50% of gross privately earned income among 21 countries represented in the survey. Viable access to social security benefits remains tied to formal employment.

Croatia spends 14.7% of its GDP on social protection, which is, in percentage points more than that spent by its post-socialist peers, excepting Slovenia and Poland. However, the reasons behind Croatia's relatively generous performance against that of Czechia and Slovakia is twofold. First, Croatia has the third lowest employment rate in the EU. Second, the composition of social expenditures prefers certain categories of citizens over others. However, Croatia spends less than half of the EU-27 average rate as a percentage of GDP on the unemployed, and social protection expenditures for housing are almost negligible (even though Croatia has more than 2,000 homeless people and the number is rising). At the same time, pensions make up 10.2% of GDP, and of comparable countries, only Slovenia has a higher share. Worth noting here is the fact that Croatia has the second lowest expected duration of working life and the highest share of a working-age population in some form of retirement in the EU. The low activity rates are mainly the result of early retirement for men, while women retire predominantly between the age of 55 and 59. The government's attempt to make the pension system more sustainable by penalizing early retirement and increasing the retirement age was struck down by trade unions threatening a national referendum on the issue (Zrinščak et al. 2020).

At the same time, about 25% of pensioners receive invalidity pensions (including war veterans). In the period from 2005 to 2015, the total expenditure on war veterans exceeded combined spending on unemployment benefits, child benefits and social aid. The outsized role of veteran-related expenditures reflects the continued importance of clientelistic arrangements in contemporary Croatian politics as well as the legacy of a formerly war-torn country (Vidačak and Kotarski, 2020). The final outcome of this largely

imbalanced system is that Croatia has the second-biggest poverty risk for 65+ seniors in the EU, while the poverty risk also slightly increased for children over previous years.

One often neglected aspect of social inclusion has been the government's repeated failure to successfully reform the Enforcement Act. At the beginning of the pandemic more than 240,000 people's bank accounts were blocked with their debt totaling almost HRK 17 billion. Public notaries and lawyers dealing with this issue charge high fees, and they represent powerful vested interests enacting debt relief and repayment measures for distressed debtors. The main problem is that distressed debtors must first pay administrative fees, then interest and, finally, the principle. This hierarchy of claims pushes debtors further into debt. In the end, both debtors and many original creditors are worse off.

Citation:

Vidačak, I., K. Kotarski (2019): Interest Groups in the Policy-Making Process in Croatia, in: Z. Petak, K. Kotarski (eds.) *Policy-Making at the European Periphery: the Case of Croatia*. Cham: Palgrave Macmillan, 83-105.

Zrinščak, S., M. Vehovec, D. Čengić. (2020): Croatia, In: A.N. Léime et al. (eds) *Extended Working Life Policies: International Gender and Health Perspectives*. Cham: Springer Open, 195-204.

Healthcare System Preparedness

Health Policy
Preparedness
Score: 5

Croatia's healthcare system suffers from low levels of financing; expenditure per capita is the fourth lowest in the EU and amounts to only €862 per person, including voluntary schemes and household out-of-pocket payments, which account for about 7% of the total. Both treatable and preventable mortality rates are lower in Croatia than several post-socialist member states, given the level of health expenditure per capita. In addition, there are fewer unmet needs for medical care in Croatia than on average in the EU (Björnberg/ Phang 2019).

One weakness of the Croatian healthcare system, which turned out to be blessing in disguise during the COVID-19 pandemic, has been the bloated network of public hospitals. These hospitals, which often provide the same services in close proximity to each other, have separate legal, accounting and human resources units and suffer from poor strategic planning, weak cost control and a lack of consolidation. Moreover, because the Croatian healthcare system does not have an efficient public procurement system, and it does not evaluate the performance of certain pharmaceuticals that are put on the list of pharmaceuticals available to patients, it faces a rampant increase in pharmaceutical and medical devices costs (which is already one of the highest in the EU-27).

The management of the Croatian healthcare system faces serious challenges due to a lack of coordination between managerial and medical expertise. 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 them. As a result, healthcare system management is vulnerable to the system of party patronage. There are numerous vested interests stalling the reform process. Vested interests hamper efforts to re-orient the system toward a more efficient social insurance model that could reconcile the advantages of extra capacity (e.g., critical beds during pandemics) with advantages stemming from enhanced competition between healthcare providers. This could, in turn, foster a more efficient use of scarce resources.

In terms of human resources, Croatia has the 19th lowest ratio of practicing physicians per 100,000 inhabitants in the EU, and doctors and nurses are unevenly distributed across the country. Many have either moved abroad or are nearing retirement. The number of medical doctor graduates has increased at a much slower pace as compared to other post-socialist member states over the last decade. On the positive side, the average age of physicians is lower than that found in most member states (OECD/European Observatory on Health Systems and Policies 2019).

The financial and organizational setup of the Croatian healthcare system has resulted in long waiting lists. The Euro Health Consumer Index 2018 shows that Croatia has one of the longest waiting times for many categories of diagnostics and therapy in the EU (Björnberg/ Phang 2019). Those waiting lists are additionally strained by the fact that many doctors receive a fixed salary in state-run hospitals regardless of the time and effort they invest in these facilities while they also work at private hospitals for additional income – a practice that is not penalized. Irresponsible patients are also part of the problem since they often fail to cancel in advance agreed upon screenings or check-ups to which they do not show up, or they do not pick up their screening results. Patients' unmet needs due to geographical distance are higher in Croatia than in other member states.

Citation:

Björnberg, A., A.Y. Phang (2019) Euro Health Consumer Index 2018 Report. Marseille: Health Consumer Powerhouse, (<https://healthpowerhouse.com/media/EHCI-2018/EHCI-2018-report.pdf>, accessed 27 December 2020).

OECD/European Observatory on Health Systems and Policies (2019), Croatia: Country Health Profile 2019, State of Health in the EU, OECD Publishing, Paris/European Observatory on Health Systems and Policies, Brussels.

Family Policy
Preparedness
Score: 5

Families

Based on Eurofound's European Quality of Life Survey (EQLS) data, a favorable work-life balance is relatively rare in Croatia in comparison to other EU member states. Since 2007, more and more respondents claim that they have difficulty in fulfilling their family responsibilities because of the amount of time they spend on the job or have difficulty in concentrating on work due to their family responsibilities. Lack of empty slots in kindergartens, shift work and material conditions continue to pose a significant challenge for parents.

While the Plenković government has invested more than HRK 1 billion into new kindergarten facilities as part of its demographic revitalization efforts, the success of this initiative is still uncertain since material infrastructure has received the most attention. However, the success of this initiative will require increased investment in the human capital of childcare workers in order to provide greater number of children with creative and engaging educational content. Family benefits often encourage motherhood and are used for buying votes, especially in the capital city of Zagreb. There are no special measures for single parents. However, the gender employment gap was at only 10 percentage points in 2018, below that of the EU-27 average. This gap could have been even lower if cities and municipalities with limited fiscal resources were able to provide minimum support to young parents, especially mothers.

On top of this, women also face an increased burden in terms of caring for the elderly. Croatia built its last public care home in 1991, and the system of elderly care lacks adequate planning and resources. The void is sometimes filled by uncertified private nursing homes of poor quality, while private nursing homes of good quality are too expensive even for those households whose earnings put them in the second quintile of income recipients.

In 2018, 19.3% of men and 20.5% of women in Croatia had precarious employment contracts, which are some of the highest percentages in the EU. Most of these contracts are temporary contracts; only 5% of employed people are engaged in part-time employment, which is one-quarter of the EU-27 average. Eurofound data show that, among 74% of employers, none, or fewer than 20% of employees can determine when their working day starts and ends in ways commensurate with their personal needs. All these factors combined make achieving a fulfilling work-life balance pretty hard in Croatia.

III. Economic Crisis Response

Economic Response

Economic
Recovery
Package
Score: 7

Between mid-March and early April 2020, the Croatian government adopted more than 70 measures to mitigate the adverse economic consequences of the COVID-19 pandemic. Starting with the first stimulus package adopted in March 2020, it has supported companies which have been affected by the pandemic and have not laid off workers by paying subsidies calculated on a per employee basis (Urban 2020, Šućur/ Babić 2021). Initially limited to a monthly amount of HRK 3,250 plus health and pension contributions per employee for businesses affected by lockdown measures, these “job preservation grants” were later raised to HRK 4,000 and granted to all businesses that had suffered a certain decline in revenue. In June 2020, these grants were complemented by an explicit short-time work scheme for employers who had temporarily reduced their employees’ working hours by no more than 50%. The government’s direct fiscal stimulus during 2020 amounted to approximately 2.5% of 2019 GDP. On top of that, the government deferred tax liabilities to the tune of 3% of GDP. Finally, in coordination with the Croatian National Bank and commercial banks, the government orchestrated a moratorium on many existing loans and launched special COVID-19 loans.

The Croatian National Bank also played an active stabilization role. Until the end of June 2020 it purchased government bonds totaling HRK 17 billion within its quantitative easing program that was silently launched for the first time in modern Croatian history. Therefore, monetary and fiscal policy were actively coordinated at a crucial stage of the crisis. The additional boost to macroeconomic and social stability came after both the European Central Bank and the Croatian National Bank had agreed upon establishing a currency swap line in mid-April 2020. This agreement allowed for a bilateral exchange of Croatian kuna into the euro and vice versa totaling €2 billion. This maneuver removed depreciation pressure from the Croatian kuna and calmed down financial markets. All of this was further reinforced by the fact that Croatia had been admitted to the ERM II on the 9th of July, which represents a milestone in the process of euro adoption scheduled for 2023.

While the government responded swiftly, the measures were insufficient to offset the hit to the economy from the COVID-19 pandemic. The decline of GDP in the second and third quarters of 2020 was among the highest in the EU

(Kotarski 2020: 2). Concerns about public debt prevented a more powerful response. Moreover, the government did not use its stimulus for supporting the structural transformation of the Croatian economy in line with the European Commission's focus on targeting green and digital economies. One additional problem has been the lack of transparency in the government's fiscal support to employers.

Citation:

Kotarski, K. (2020) Croatia's COVID-19 Crisis Management: From Well-Played Half-Time Towards Gradual Meltdown in the Second-Half. Zagreb: Hanns Seidel Stiftung (<http://www.hanns-seidel-stiftung.com.hr/news/croatias-covid-19-crisis-management-from-well-played-half-time-towards-gradual-meltdown-in-the-second-half>, accessed 22 December 2020).

Šućur, Z., Z. Babić (2021): Croatia: Economic and Social Policy Measures to Address the COVID-19 Crisis. European Social Policy Network, ESPN Flash Report 2021/07. Brussels: European Commission.

Urban, I. (2020): Job Preservation Grant. Institute for Public Finance, Press Release No. 113, Zagreb (<http://www.ijf.hr/upload/files/file/ENG/releases/113.pdf>).

Sustainability of Economic Response

Recovery
Package
Sustainability
Score: 4

Croatia's initial economic stimulus measures focused on stabilizing the economy and maintaining social cohesion but were not used for supporting the sustainable transformation of the economy. The government did not increase the Environmental Protection and Energy Efficiency Fund, which has subsidized improvements to the energy efficiency of family houses and stimulated electromobility.

Being an EU member, Croatia will receive EU investment funds for green and digital economy programs and projects in the coming years. Croatia was allocated a record-breaking sum of €22 billion within the next Multiannual Financial Framework 2021-2027 and the Next Generation EU program (NGEU), the largest sum relative to 2019 GDP of any EU member state. The allocated funds derive from the Recovery and Resilience Fund (€9.4 billion) and the long-term budget (€12.7 billion). Croatia will receive a total of €5.9 billion from the REACT-EU and Just Transition Fund, while an additional sum will be extended as loans to the country. A further €683 million from the EU Solidarity Fund is to be paid out after Zagreb suffered a devastating earthquake in March 2020.

The government has announced that it plans to spend 57% of the €22 billion allocated to it on green and digital projects. However, it is uncertain how the government plans to achieve those goals. The 2030 National Development Strategy, eventually adopted by parliament in February 2021, lacks ambitious targets (especially in the area of climate policy), clear key performance indicators and time trials (Vlada RH 2020).

In spring 2021, the government submitted its draft National Recovery and Resilience Plan to the European Commission, which is a precondition for receiving funds from the NGEU. The document was prepared by 13 ministries. However, representatives from academia or the private sector were not included in the process.

While funding for orchestrating green and digital transformations is available, Croatia will nonetheless have to significantly improve its absorption capacity in order to take advantage of these funds. At the end of 2020, Croatia was among the worst performers in terms of spending EU funds from the ongoing MFF 2014-2020 (Kotarski 2020: 13).

Citation:

Kotarski, K. (2020) Croatia's COVID-19 Crisis Management: From Well-Played Half-Time Towards Gradual Meltdown in the Second-Half. Zagreb: Hanns Seidel Stiftung (<http://www.hanns-seidel-stiftung.com.hr/news/croatias-covid-19-crisis-management-from-well-played-half-time-towards-gradual-meltdown-in-the-second-half>, accessed 22 December 2020).
Vlada RH (2020): Nacrt prijedloga Nacionalne razvojne strategije Republike Hrvatske do 2030. godine. Zagreb (<https://vlada.gov.hr/UserDocsImages/Vijesti/2020/11%20studeni/12%20studenog/Nacrt%20NRS%202030%20i%20Dodaci-12112020.pdf>, accessed 24 December 2020).

Labor Market Response

Labor Market
Policy Response
Score: 7

While the Croatian economy suffered one of the sharpest downturns in the EU during both the second and the third quarters of 2020, labor market performance has been relatively favorable. Croatia experienced one of the EU's smallest decreases in the employment rate between Q3 2019 and Q3 2020. This achievement is even more notable given that Croatia has had the highest share of precarious employment in the EU (work contract did not exceed three months' duration), a rate that exceeded 5.8% in 2019.

The favorable labor market performance was largely achieved by the government's extensive furlough schemes, the scope of which was broader than that found in most EU member states (Davies 2020, Müller/ Schulten 2020). In June 2020, the "job preservation grants" introduced in March 2020 for employers not laying off workers (Urban 2020) were complemented by an explicit short-time work scheme, which was further expanded in October 2020. At the beginning of May 2020, 34.6% of workers were covered by the previously mentioned schemes. With almost 630,000 employees included in the scheme at one point in 2020, Croatia had among the highest shares of workers participating in short-time work schemes among all European countries (Müller/ Schulten 2020). From April till December 2020, approximately HRK 10 billion were paid out. Financing was eased by favorable loans from the EU's Support to Mitigate Unemployment Risks in an

Emergency (SURE) program. Croatia was granted one of the largest per capita allowances among the EU member states and received a first tranche of €510 million in November 2020.

Labor market performance also benefited from a better-than-expected tourist season. In 2020, Croatia achieved 50% of the total number of overnight stays recorded in 2019. This is a significantly higher figure than the figures for its Mediterranean peers and can be mostly attributed to road proximity and the favorable epidemiological situation during the first pandemic wave.

One policy area where the government could have performed better is the support of the self-employed. The first income support scheme was terminated already by March 2020 and reinstated only in July 2020. This kind of back-and-forth in policymaking has undermined predictability.

The Plenković government has not confined itself to cushioning the negative effects of the COVID-19 pandemic on the labor market but has adopted a number of other labor market measures as well. For the fourth year in a row, the monthly minimum wage was raised, increasing from HRK 3,250 in 2020 to HRK 3,400 in 2021. In October 2020, the government also announced a reform of the Labor Act intended to lower the share of temporary employment by easing the procedures for laying off workers. Trade unions opposed this move and demanded that the government should first regulate conditions for employees working from home. The government also revoked quotas for foreign workers, which should ease labor shortages in critical sectors such as construction and tourism. Croatia has been one of the few countries that has regulated the status of “digital nomads” to attract highly skilled individuals.

Citation:

Davies, J. (2020): International approaches to Covid-19 job retention and wage subsidy schemes. London: Lewis Silkin (<https://www.lewissilkin.com/en/insights/international-approaches-to-covid-19-job-retention-and-wage-subsidy-schemes>, accessed 23 December 2020).

Müller, T., T. Schulten (2020): Ensuring fair short-time work – a European overview. ETUI, Policy Brief 7/2020, Brussels (<https://www.etui.org/sites/default/files/2020-06/Covid-19%2BShort-time%2Bwork%2BMüller%2BSchulten%2BPolicy%2BBrief%2B2020.07%281%29.pdf>, accessed 28 December 2020).

Urban, I. (2020): Job Preservation Grant. Institute for Public Finance, Press Release No. 113, Zagreb (<http://www.ijf.hr/upload/files/file/ENG/releases/113.pdf>).

Fiscal Response

Fiscal Policy
Response
Score: 5

Confronted with the COVID-19 pandemic, the Croatian government has tolerated a huge fiscal deficit. The revised November 2020 budget set revenues at HRK 131.1 billion, while expenditures amounted to HRK 155.9 billion. The resulting fiscal deficit of 8% GDP has stemmed from a combination of HRK 9

billion less in collected taxes and a HRK 16 billion increase in expenditures. The public debt-to-GDP ratio, which was originally set to decline further in 2020, has risen sharply.

Although Minister of Finance Zdravko Marić has times and again emphasized that all categories of public spending, except for pensions, are subject to potential cuts, the Plenković government has refrained from reducing the fiscal pressure by expenditure reforms. In particular, the government has not reneged on the substantial increase in the already relatively high salaries of public employees agreed upon after trade unions' protests in October and November 2019. Such a public sector pay freeze would have freed resources for other, more useful public spending and would have improved fiscal sustainability.

Despite the fiscal pressures, the government has also stuck to the tax cuts promised in the 2017 government manifesto. The tax relief in 2021 is worth HRK 2 billion. It encompasses a reduction in the top marginal income tax rates (from 36% to 30% and from 24% to 20%), as well as a reduction in the corporate income tax rate for businesses that have revenues less than €1 million (from 12% to 10%). These changes will not only result in revenue losses, at least in the short-term. They will also make one of the least progressive income tax systems in the EU even less progressive and might have been better targeted toward sectors (e.g., ICT and healthcare sectors) that have problems attracting skilled labor.

The Plenković government has also failed to take the opportunity to proceed with local and regional self-government reform. Only 80 out of 428 municipalities are not dependent on fiscal equalization payments from the central budget. The government decision to lower income tax rates as of 2021 could prove detrimental to revenue streams flowing into cities, municipalities and counties. Until 2020, cities and municipalities obtained 60% of all income tax revenues, 17% was earmarked for counties, 17% went to the Fiscal Equalization Fund and 6% for decentralized functions. In 2021, central government will take over the obligation to finance the Fiscal Equalization Fund, which will negatively affect the sustainability of the general government budget in the future. The excessive fragmentation of local and regional self-government also impairs the quality of public services.

The government has done relatively little to increase the transparency of public finances. While an amendment to the Law on Local and Regional Self-Government will for the first time impose a HRK 100,000 penalty for mayors and heads of municipalities that fail to obey a transparency rule for local budgets, 85% of total public expenditures under the control of the central state budget will be spared from this reform. The government has also not

committed itself to establishing an independent system for monitoring the disbursement of EU funds, even though improved absorption capacity with regard to EU funds will prove essential to fiscal sustainability in the medium and long-run.

Finally, the government managed to ensure the passing of the Zagreb Reconstruction Law after the devastating 5.5 magnitude earthquake in March 2020. The Law promises the reconstruction of private property financed up to 80% by public funds, but this only applies to Zagreb and its surroundings. Unfortunately, the government has failed to pass a law that could be applied to the whole country in the event of future natural catastrophes, and which could carefully balance solidarity with the need to eliminate moral hazards and fiscal sustainability.

Research and Innovation Response

Research and
Innovation Policy
Response
Score: 5

As part of the international research community, Croatian researchers have contributed to the fight against the COVID-19 virus. An interdisciplinary team of Croatian scientists from the Ruđer Bošković Institute in Zagreb was able to determine the genome sequence of the COVID-19 virus from patients in Croatia (Ruđer Bošković Institute 2020). This made it possible to determine the source of the infection in Croatia and its transmission pattern, which also contributed to global efforts to curb the pandemic. Furthermore, researchers from Zagreb's Fran Mihaljević Hospital for Infectious Diseases managed to develop the coronavirus under laboratory conditions and sent data to the Helmholtz Centre for Infection Research in the city of Brunswick. At the same time, the Croatian government has invested relatively little in research and innovation. The development of the national contact-tracing app STOP COVID-19 proceeded rather slowly, with the app having only 76,000 users by the end of 2020. Until the end of November 2020, less than 600 users had been notified that they should get tested and go into quarantine. The government did not require or nudge citizens to use it in certain designated public spaces such as schools, hospitals, etc.

The government has also failed to revive the Institute of Immunology (IMZ), one of the oldest producers of immuno-biological medicines in the world and once a major exporter of vaccines to developing countries (Vladisavljević, 2020). Due to a lack of investment in facilities and equipment, corruption and poor management, IMZ lost its license with the World Health Organization (WHO) and a further license in 2013 with the Croatian Agency for Medicinal Products and Medical Devices, HALMED. Unfortunately, the pandemic did not result in EU aid or national funding being tapped to bring about the restoration of its capacity.

Citation:

Ruder Bošković Institute (2020) Successfully Sequenced COVID-19 Virus Genome, Isolated from Patients in Croatia. Zagreb (<https://www.irb.hr/eng/News/Successfully-Sequenced-COVID-19-Virus-Genome-Isolated-from-Patients-in-Croatia>, accessed 29 December 2020).

Vladislavljevic, A. (2020) Pandemic Revives Debate over Fallen Croatian Vaccine Giant, in: Balkan Insight, April 23 (<https://balkaninsight.com/2020/04/23/pandemic-revives-debate-over-fallen-croatian-vaccine-giant/>, accessed 29 December 2020).

IV. Welfare State Response

Education System Response

Education
Response
Score: 7

In Croatia, the shift to distance learning proceeded relatively smoothly (Ambasz/ Brajković 2020, Ministry of Science and Education 2020). The process was made easier due to an experimental program of curricular reform “School for Life,” which involved the large-scale purchase of digital equipment for teachers and pupils from weaker socioeconomic backgrounds. Many schools also already had smartboards and other innovative learning platforms at the outset of the crisis. Teacher training for curricular reform was launched online in 2018, via the Loomen platform, which includes virtual classrooms and online cooperation tools. Having these elements of distance learning in place helped make it easier to make the transition during the crisis. The primary school classes for young pupils were aired via public TV.

However, the Ministry of Science and Education was not clear in its communication during the first wave of the pandemic with regard to whether all pupils would be obliged to return to school after re-openings were initiated in May 2020. In addition, the organization of the state matura exams in June 2020 remained unclear for some time, which resulted in unnecessary stress for pupils and their parents. Although the transition to distance learning progressed relatively smoothly, learning outcomes worsened. In response, the state matura exams criteria were lowered.

The change of guard at the Ministry of Science and Education after the parliamentary elections in July 2020 went smoothly. Due to the prior development of three models of classes, schools were well-prepared for closures during the second wave of the pandemic.

:

Ambasz, D., L. Brajković, L. (2020): Croatia: How investing in information technology and digital competencies of students and teachers paid off during the pandemic. Washington, D.C.: World Bank (<https://blogs.worldbank.org/education/croatia-how-investing-information-technology-and-digital-competencies-students-and>, accessed 14th of January 2021).

Ministry of Science and Education of the Republic of Croatia (2020): Croatia – how have we introduced distance learning? Zagreb (<https://skolazivot.hr/croatia-how-have-we-introduced-distance-learning/>, accessed 29 December 2020).

Social Welfare Response

Social Welfare
Policy Response
Score: 5

The social policy response to the pandemic has been mixed. After several years, the government finally responded to the pleas of parents who take care of their sick and disabled children by increasing their monthly payments from HRK 2,500 to HRK 4,000 together with the corresponding social security contributions. A National Pension Program was also launched for citizens with less than 15 years of pensionable service and who are over 65 years of age if they do not receive social aid. Furthermore, in April, the maximum pay during parental leave was increased (after the first six months of a child's life) from HRK 3,991 to HRK 5,654. The Ministry of Culture also organized a special scheme for artists, while the Ministry of Labor and Pension System, Family and Social Policy provided financial support to employers who employ disabled workers. Finally, the government pledged to cover the total cost of reconstruction of homes devastated during the March earthquake in Zagreb if owners satisfy certain means-testing criteria.

On the negative side, the government was unresponsive in organizing public tenders for the disbursement of moneys from the European Social Fund. From April until the end of December of 2020, no tenders were oriented toward NGOs that lend a helping hand to marginalized groups. The same happened with school meal subsidies for deprived children. Unfortunately, in 2020, the government proceeded with the program of state-subsidized housing construction, which has been in place since 2017. However, the program is not aimed at building new state housing for deprived people and does not rely enough on means-testing. The effect of those subsidies is that at least one-quarter of the increase in the price of housing since 2017 can be attributed to the program, making housing on average less affordable for the majority while imposing an unnecessary burden on taxpayers. Moreover, precarious workers, especially among youth, are insufficiently covered by the social safety net.

Overall, vulnerable groups have been hit hard by the pandemic and the policy response to it. By July 2020, 23% of Eurofound survey respondents reported great difficulties in making ends meet, the highest proportion in the EU (Eurofound 2020). Moreover, in July, 46% of respondents to the survey in Croatia believed that their situation would worsen in three months' time, again the highest share in the EU.

:
Eurofound (2020) Living, Working, COVID-19, COVID-19 series, Publications Office of the European Union, Luxembourg (<https://www.eurofound.europa.eu/publications/report/2020/living-working-and-covid-19>).

Healthcare System Response

Health Policy
Response
Score: 6

Despite of its structural weaknesses, the Croatian healthcare system has not fallen apart under the pressures of the COVID-19 pandemic. During the pandemic, the country's large number of hospital beds became an advantage, and no cases of ventilator shortages have been reported. The government has managed to provide the much-needed additional resources by injecting HRK 1.7 billion into the system. When the pharmaceutical suppliers in October 2020 threatened a boycott as a result of a massive accumulation of unpaid past bills, the government was able to quash the immediate fire and provide the liquidity vital for the continuation of supplies. The fact that several members of the ruling party even proposed founding a state-run wholesale distributor of pharmaceuticals points to the prominence of long-standing conflicts between suppliers and the government.

While the government's short-term crisis management has been relatively successful, the government has failed to prepare the healthcare system for the second wave of the COVID-19 pandemic, let alone address the system's medium- and long-term problems. Although many experts had predicted a second wave of the pandemic since the summer of 2020, it was not until 26 October 2020 that the Ministry of Health instructed hospitals and other healthcare institutions to keep records of the health workers who had recovered from COVID-19 and could thus look after COVID-19 patients. Also, it was only then that the ministry ordered estimates of the number and type of health workers suitable for temporary assignment to the medical institutions with the most crushing burden of COVID-19 patients. Because of infighting between various medical clans, KB Dubrava was chosen as the official COVID-19 state hospital only in November. Investment in seroprevalence research, which could shed light on the extent of herd immunity and inform the ongoing vaccination campaign, was limited.

The focus on COVID-19 has also led to a far-reaching neglect of other illnesses. Access to health services for non-COVID-19 patients has been limited as health sector resources were reserved to combat COVID-19. The government has also failed to launch the much-needed National Cancer Strategy. Croatia is the only EU member state without such a strategy and has the second-highest death rate due to cancer in the EU.

Family Policy Response

Family Support
Policies
Score: 5

During the pandemic, the government has increased some family benefits. Monthly payments for parents taking care of sick and disabled children have been increased from HRK 2,500 to 4,000 and the maximum pay during parental leave was increased (after the first six months of a child's life) from HRK 3,991 to HRK 5,654. However, it has not adopted any specific measures aimed at fair burden-sharing with regard to childcare roles between spouses. While fathers often took over more responsibilities with regard to childcare and household chores during the pandemic, women have withdrawn from the labor market to a greater extent than men. In 2020, the ratio of female to male employment fell by four percentage points, and the ratio of the female to male labor market participation rate fell by three percentage points, the greatest falls in these indicators in the EU. The government issued guidelines to social workers on how to help victims of family violence which, according to the Gender Equality Ombudswoman, increased during the pandemic.

Citation:

World Bank (2021): Croatian Women and the COVID-19 Pandemic: The Coronavirus is not gender-blind. Washington, D.C.: World Bank
(<https://openknowledge.worldbank.org/bitstream/handle/10986/35240/Croatian-Women-and-COVID-19-Pandemic-The-Coronavirus-is-not-Gender-Blind.pdf?sequence=1&isAllowed=y>).

International Solidarity

International
Cooperation
Score: 7

Early on in the pandemic, as the holder of the Presidency of the Council of the EU, Croatia triggered the EU's Integrated Crisis Response (IPCR) mechanism in relation to the coronavirus in order to facilitate information-sharing among member states and increase their overall preparedness. Croatia has also continued to play an active role in the WHO, to which it contributes more than most other post-socialist EU members, at least on a per capita basis (WHO 2020). According to the ECFR's European Solidarity Tracker, Croatia numbers among the upper half of EU-27 member states in terms of demonstrating solidarity with other member states during the pandemic (ECFR 2020). At the same time, Croatia was also among the top-five receivers of solidarity, especially in the wake of a devastating earthquake that hit Zagreb on 22 March 2020. On top of the demonstrated solidarity in the fight against the coronavirus, Croatia maintained its existing engagement within the upgraded EU Civil Protection Mechanism called rescEU. In this framework, Croatia, Cyprus, France, Greece, Italy, Spain and Sweden put together 13 firefighting planes and six helicopters at the disposal of other member states (European Civil Protection and Humanitarian Aid Operations 2020).

Citation:

ECFR (= European Council on Foreign Relations): (2020) European Solidarity Tracker (<https://ecfr.eu/special/solidaritytracker/>, accessed 21 December 2020).

European Civil Protection and Humanitarian Aid Operations (2020): rescEU (https://ec.europa.eu/echo/what/civil-protection/resceu_en, accessed 21 December 2020).

WHO (2020): Contributors. Geneva (<http://open.who.int/2020-21/contributors/contributor?name=Croatia>, accessed 21 December 2020).

Resilience of Democracy

Media Freedom

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. One major problem is lawsuits against journalists. According to the Croatian Journalists' Association (HND), there were 905 lawsuits against journalists and media houses in Croatia in May 2020, with plaintiffs demanding almost HRK 68 million (approximately €9 million) (Vrsaljko 2020). While the number of lawsuits against journalists and media was slightly lower than in 2019, this shows that the intimidation and prosecution of media houses and journalists in Croatia is still going on.

During the COVID-19 pandemic, the government has sought to control media coverage behind the scenes. In March 2020, it invited representatives of major media outlets (private and public television, national radio, leading daily newspapers, and weekly magazines) to a secret meeting in order to influence journalists' coverage of the COVID-19 outbreak and containment measures. It took three months for the investigative media portal index to receive some information about the meeting from the government and even then, the government did not provide the requested minutes of the meeting. The government's tendency to view the media as its tool to leverage became evident at a government press conference on the need to vaccinate against COVID-19 in December 2020 when Prime Minister Plenković addressed the journalists in a commanding tone and demanded that journalists get involved in the vaccination campaign. He said that he expected all media outlets to support the COVID-19 vaccination campaign and thus drive away public doubts about vaccination.

In November 2020, the government submitted the Electronic Media Act to the parliament for debate. The proposed act intended to regulate issues not covered by the existing 2013 media law. The most problematic provision of

the new act is the one stipulating that the provider of an electronic publication is responsible for all the content published on it, including content generated by users. Critics of the new act claim that such regulations suppress freedom of speech and that responsibility is unfairly transferred to the owner of the electronic media instead of to the persons generating hate speech or fake news.

Citation:

Vrsaljko, M. (2020) Kako je Covid-19 kriza utjecala na novinarstvo i medije, in: Faktograf, October 15, <https://faktograf.hr/2020/10/15/kako-je-covid-19-kriza-utjecala-na-novinarstvo-i-medije/>, accessed 29 December 2020).

Civil Rights and
Political Liberties
Score: 5

Civil Rights and Political Liberties

Civil rights and political liberties in Croatia are formally protected by the constitution and other laws, but not always respected in practice. The situation of certain vulnerable groups, such as ethnic minorities (Serbs, Roma) and LGBT persons, is particularly problematic, although important steps have been taken in recent years to reduce the level of discrimination against these groups. The ombudsman institutions have a large role in combating discrimination and the Office of the Public Ombudsman serves as a central anti-discrimination body.

On 20 March 2020, the National Civil Protection Authority (NCPA) imposed a far-reaching lockdown. While not including a curfew, it substantially restricted public gatherings and the movement of citizens. Citizens were no longer allowed to travel outside of their city of residence. The legal basis for these measures was controversial. By delegating powers to the NCPA, the government sidelined certain pre-established, statutory procedures for handling infectious diseases, ultimately prompting the need for several retroactive legislative amendments (Selanec 2020). Starting in May 2020, the restrictions were gradually abolished. However, the relaxation of restrictions was not linked to any clear epidemiological criteria and suffered from political bias. In line with the governing coalition's agenda and with a view to the parliamentary elections approaching in July 2020, the NCPA allowed religious services before all other social gatherings and sought to keep Sunday work prohibited (Selanec 2020). When the second lockdown was imposed in November 2020, the NCPA did not formulate any clear criteria for lifting the restrictions.

Despite the COVID-19 pandemic, parliamentary elections were held in July 2020 (OSCE/ODIHR 2020). The timing of the elections was controversial. The governing coalition argued that an election in the autumn, as originally scheduled, would have been hampered by a possible second wave of

infections. Opposition politicians argued that the governing coalition was trying to capitalize on its relatively successful management of the first wave and the strong public presence of the government in times of crisis. Further controversies arose over the initial decision of the State Electoral Commission (DIP) to deny voting rights to citizens infected with COVID-19 in order to protect public health (Keršić 2020). Following widespread criticism from NGOs and constitutional lawyers, this decision was declared unconstitutional by the Constitutional Court a few days before the elections. In the end, the elections were administered relatively professionally. However, voter turnout for the elections was the lowest ever recorded in Croatian parliamentary history.

Citation:

Keršić, Marin (2020): Voting in Times of a Pandemic: The Case of Croatia: Constitutional Conflict between the Right to Vote and the Protection of Health, in: VerfBlog, July 8 (<https://verfassungsblog.de/voting-in-times-of-a-pandemic/>).
OSCE/ ODIHR (2020): Republic of Croatia, Parliamentary Elections, 5 July 2020. ODIHR Election Assessment Mission, Final Report. Warsaw. (https://www.osce.org/files/f/documents/b/4/465120_0.pdf).
Selanec, N. B. (2020): Croatia's Response to COVID-19: On Legal Form and Constitutional Safeguards in Times of Pandemic, in: VerfBlog, May 9 (<https://verfassungsblog.de/author/nika-bacic-selanec/>, accessed 18 December 2020).

Judicial Review

Judicial Review
Score: 4

The independence, quality and efficiency of the judiciary in Croatia has been limited (European Commission 2020). Popular trust in the judicial system is the lowest in the European Union. The duration of court proceedings is extremely long with a relatively high number of pending cases.

The COVID-19 pandemic, and the earthquakes in March and December 2020 have slowed down the work of the courts significantly. A law adopted in April 2020 provided for a three-month suspension of enforcement and bankruptcy proceedings in order to protect the numerous citizens who have been economically affected by the coronavirus crisis. In July, the suspension period was extended until 18 October 2020. The Ministry of Justice has failed to come up with a strategy for dealing with the backlog in the courts, which has further increased in the course of the COVID-19 pandemic.

The Constitutional Court has challenged the government in some cases, most notably on restrictions to the voting rights of citizens infected by COVID-19 and on legislative oversight, but has not questioned the controversial authorization of the National Civil Protection Agency (NCPA) and its measures. While one of its justices published a journal article that heavily criticized the governing majority's legal handling of the pandemic, the court itself refrained from questioning it (Selanec 2020). On 14 September 2020, it

ruled that decisions of the National Civil Protection Authority (NCPA) were constitutional, explaining that the Croatian parliament was the sole authority that could decide which constitutional provision should be invoked. The court also rejected demands to verify the constitutionality of the obligation to wear face masks, and restrictions on social contact, shop opening hours, service sector activities, and sporting and cultural events. The court also rejected demands concerning the ban on movement outside one's place of residence and the temporary ban on leaving the country. On its own initiative, the Constitutional Court ruled that the NCPA's decision to close stores on Sundays was not in compliance with Article 16 of the constitution, explaining that – while it did aim to protect people's lives and health – the decision failed to meet the proportionality requirement.

Citation:

European Commission (2020): The 2020 EU Justice Scoreboard. Luxembourg (https://ec.europa.eu/info/sites/info/files/justice_scoreboard_2020_en.pdf).

Maganić, A. (2020) Utjecaj epidemije bolesti COVID-19 na sudske postupke. Informator, no. 6622.

Selanec, N. B. (2020): Croatia's Response to COVID-19: On Legal Form and Constitutional Safeguards in Times of Pandemic, in: VerfBlog, May 9 (<https://verfassungsblog.de/author/nika-bacic-selanec/>, accessed 18 December 2020).

Informal Democratic Rules

Informal
Democratic Rules
Score: 7

Until 2016, the political scene in Croatia was dominated by the center-right Croatian Democratic Union (HDZ) and the center-left Social Democratic Party (SDP). Both parties largely campaigned on a set of symbolic and cultural values (traditional versus left-liberal), which exacerbated the polarization of the electorate, made cross-party policy cooperation difficult and resulted in a lack of policy continuity following changes in government. Since then, however, party polarization has weakened (Henjak 2018). As a growing number of citizens have become fed up with the traditional political options, new political parties have emerged. In the first round of the presidential elections in December 2019, the candidates of the HDZ and SDP received only 55% of the popular vote. Under Andrej Plenković, who became chairman of the HDZ and prime minister in 2016, the HDZ has lost some of its ideological edge and moved closer to the center. Plenković succeeded in forging government coalitions with the centrist Bridge of Independent Lists (Most-NL) (between December 2016 and May 2017) and the center-left Croatian People's Party – Liberal Democrats (HNS) (from June 2017 to the parliamentary elections in July 2020).

In the first months of the coronavirus pandemic, the parties were not substantially polarized over the issue of crisis management. Bearing witness to this is the fact that, on 28 March 2020, at the onset of the pandemic, the

members of the parliament adopted amendments to the Civil Protection Act by 108 votes to one, with six abstentions, despite the fact that a number of legal experts had contested the validity of the amended act.

Party polarization increased in the run-up to the parliamentary elections in July 2020. The governing coalition's decision to bring forward the elections from autumn to July, which was justified on the basis of pre-empting a second COVID-19 wave, was criticized by the parliamentary opposition as an abuse of the public's trust in the government following its perceived success in dealing with the first wave. As a result, political debates as well as government decisions became more partisan and cross-party cooperation weakened. The politicization of the Civil Protection Authority undermined its credibility.

Despite rising infection figures, Prime Minister Plenković's HDZ scored a convincing victory in the parliamentary elections, winning 66 seats compared to 41 seats for the SDP. (It was one of the SDP's heaviest defeats since 2000). HDZ needed to achieve a majority of 76 representatives to form a new government, which Plenković achieved by securing the support of eight representatives of ethnic minority groups (including three representatives of SDSS, the leading party of the Croatian Serb community) and two members of parliament of the centrist liberal parties.

When the second COVID-19 wave hit the country in late 2020, cross-party cooperation was much weaker than in the spring. When the government at the end of November proposed a new set of strong restrictions to contain the pandemic, including emergency amendments to the Act on the Protection of the Population from Communicable Diseases, it could no longer count on the support of the opposition. Unlike in March, the bill was passed by only 76 votes to 53, showing a lack of consensus on how to fight the pandemic, especially with regard to imposing financial penalties for not wearing a face mask indoors.

Citation:

Henjak, A. (2018) Nose li parlamentarni izbori 2015. i 2016. godine promjenu političkog rascjepa u Hrvatskoj? (Did the 2015 and 2016 Parliamentary Elections Change the Political Cleavages in Croatia?), in: Društvena istraživanja 27 (3): 383-406.

Resilience of Governance

I. Executive Preparedness

Crisis Management System

Crisis
Management
System
Score: 5

Croatia has a relatively well-developed public healthcare system, the foundations of which were mostly laid in the first half of the 20th century by Andrija Štampar, a distinguished health policy reformer in the former Yugoslavia and one of the founders of the World Health Organization (WHO). The Croatian National Institute of Public Health has 15 different divisions, of which one of the best equipped is the Division for the Epidemiology of Infectious Diseases. The institute is complemented by 20 public health institutes at the county level as well as in Zagreb, the capital (which has a dual status as both city and county).

While Croatia thus had an effective early-warning system in place at the outset of the crisis, other conditions were less favorable. There were no real (let alone tested) plans for how to deal with a pandemic and no established risk assessment mechanisms. As the public healthcare system was not sufficiently connected to the security system and the civil protection system, the structures of decision-making were unclear. At the onset of the pandemic, Croatia also lacked any substantial supplies of protective equipment for physicians and other medical staff.

II. Executive Response

Effective Policy Formulation

Effective Policy
Formulation
Score: 5

The government reacted promptly to the emergence of the COVID-19 pandemic. In March 2020, the government tasked the National Civil Protection (NCPA) Agency with managing the crisis and the Scientific Council with

providing advice, and introduced one of the strictest lockdowns in the European Union. The measures adopted kept infection and mortality rates at relatively low levels. Although the formulation of some of the measures, like permits for moving outside one's place of residence (after such a ban had been introduced), turned out to be inconsistent and confusing, the measures were quite effective in containing the pandemic.

The medical experts – epidemiologists and virologists – that had been involved in the decision-making process were a very important element within this formulation. Of the members of the NCPA, it was Dr Krunoslav Capak, epidemiologist and director of the Croatian Institute of Public Health, and Dr Alemka Markotić, infectiologist and director of Fran Mihaljević University Hospital for Infectious Diseases, who rose to prominence. Together with Minister of the Interior Davor Božinović, as head of the NCPA, and Minister of Health Dr Vili Beroš, they were the key members of the National Civil Protection Authority and addressed the public on a daily basis. The Scientific Council, which included 12 prominent national and international scientists, backed the measures.

The government's preparation for and response to the second wave of infections was much less effective. In the months from July to November 2020, the government tolerated large social gatherings, such as weddings and night clubs, without any clear limitation on the number of attendees. While the government opened up Croatia to the mass influx of tourists in July 2020, it did not require mandatory PCR tests for foreign entrants to the country, which could have significantly reduced transmission of the virus. Croatia did not use thermographic cameras at its borders and did not make use of the government-sponsored STOP COVID-19 app obligatory in designated public spaces.

This lenient approach triggered a major revolt of leading Croatian scientists, with some members of the Scientific Council soon adding their criticism to the revolt. In October 2020, after the infection incidence and mortality rate had started to grow rapidly, seven council members demanded that the government and NCPA introduce more rigorous measures. However, the government took the opinion of other scientists who had minimized the gravity of the pandemic. Five members of the council joined the appeal for another lockdown published by 26 scientists and physicians on 6 December 2020 (Despot 2020, Špoljar 2020). The appeal was published regardless of the fact that the government had already started to implement a new round of measures that included shutting down bars, restaurants, gyms and betting shops on 28 November.

Citation:

Despot, S. (2020): Širenje zaraze u Hrvatskoj ne usporava (The spread of the infection in Croatia is not slowing down), in: Faktograf, 10 December, (<https://faktograf.hr/2020/12/10/sirenje-zaraze-u-hrvatskoj-ne-usporava/>, accessed 22 December).

Špoljar, M. (2020): Znanstveni savjet: anatomija raspada (Scientific Council: the anatomy of decomposition), in: Jutarnji list, 12 December.

Policy Feedback and Adaptation

Policy Feedback
and Adaptation
Score: 4

The Croatian government has adapted its measures several times. Starting at the end of April 2020, it gradually lifted the tight restrictions imposed in March. Since October 2020, it has re-tightened restrictions, culminating in the adoption of a second lockdown at the end of November.

The relaxation of the initial restrictions followed a decline in infections. Daily infections were brought down to single-digit numbers during the second half of April 2020 and remained low until June 2020. The relaxation took place gradually. First, all small stores were opened on 27 April. Second, all the shops in the catering sector (e.g., hairdresser shops, beauty parlors and tailor's shops) were opened on 4 May. Third, all the bars, restaurants, shopping malls, bus and train terminals were opened on 11 May. Compared to many other countries, the relaxation of restrictions was still relatively cautious. The government's strategy was to brand the country as a COVID-19 safe destination in order to save the tourist season.

However, both the government and NCPA failed to take into consideration the warnings of some scientists, including several members of the government's Scientific Council, who argued that the real danger was yet to come. It failed to adapt its measures to the inflow of foreign tourists in the early summer, and to prepare the healthcare and school systems for a second wave. Nevertheless, the NCPA confined itself to introducing some rather mild measures in October, such as limiting the closing hour of bars and night clubs to 24:00. It took until the end of November, when the pandemic had already spread dramatically and Croatia had become one of the countries with the highest daily growth rate in infected persons, for the government and the NCPA to eventually adjust their policies, and to close bars, restaurants and gyms.

Public Consultation

Public
Consultation
Score: 4

Consultation of societal actors in Croatia has been governed by the 2009 Societal Consultation Codex (Petak et al. 2019). It was strengthened by 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 public comments via this portal. The second major instrument for societal consultation is the tripartite dialogue, the Economic and Social

Council, which brings together representatives of the government, employers' associations and trade unions (Gospodarsko-socijalno vijeće, GSV).

While the government has formally continued its dialogue with entrepreneurs and unions during the COVID-19 pandemic, it has not been very responsive. As the government has only rarely included societal actors in policy formulation, many interest groups have been dissatisfied with the government. A good case in point is the government's decision to close bars, restaurants and gyms in late November 2020. First, the five caterers' associations were not consulted before the decision, but only afterward. Second, the government turned down both models for compensation proposed by the caterers' associations and the Croatian Employers' Association (HUP).

Citation:

Petak, Z., Vidačak, I., Dvorny, D. (2019) Interest Groups in Croatia: Institutional Development, Strategies, and Influence. *Journal of Public Affairs* 19 (2).

Crisis Communication

Crisis
Communication
Score: 5

Official communication about COVID-19 has largely rested with the National Civil Protection Authority (NCPA), which was put in charge of managing the pandemic in mid-March 2020. At the beginning of the COVID-19 pandemic, the NCPA held daily press conferences, which were regularly attended by its head, Minister of Interior Davor Božinović, Minister of Health Vili Beroš, epidemiologist Krunoslav Capak (director of the Croatian Institute of Public Health), infectiologist Alemka Markotić (director of Fran Mihaljević University Hospital for Infectious Diseases) as well as other officials, when needed. During the lockdown that lasted from March to May 2020, these four, together with the prime minister and the president of the republic, made more public appearances than anyone else. Vili Beroš became one of the most popular politicians in the country and the NCPA received very high marks from the public for its work.

In run up to the parliamentary elections in July 2020, doubts over the NCPA's role and measures increased. Because of a rising number of controversial decisions and its tendency to sugarcoat developments, the NCPA increasingly lost its image as a non-partisan, expert body and its orientation function. The extent to which the NCPA was subject to political instrumentalization became clear in the fall when it ignored the recommendations of most of the members of the government's Scientific Council for COVID-19, who called for more rigorous measures to contain the coronavirus to be introduced. Some of Croatia's leading scientists who were not council members, such as microbiologist Professor Ivan Đikić from the Goethe University in Frankfurt and many other medical scientists, joined the criticism of the NCPA's work.

As a result of this development, popular trust in the NCPA has dramatically declined. A poll by N1 TV in mid-December 2020 showed that only 28% of citizens continued to trust the NCPA, whereas 46% of citizens did not and 26% were indecisive. With the decline in trust in the NCPA, the share of citizens who feel that the health situation has run out of control has risen. Whereas in May 2020 as much as 54% of citizens believed that the health situation was complicated but under control, only 21% of them did so in December 2020. Over the same period, the share of citizens that believe that the situation has been barely under control or totally run out of control increased from 9% to 67%.

Implementation of Response Measures

Implementation
of Response
Measures
Score: 6

The National Civil Protection Authority (NCPA) has relied on three main institutional mechanisms for the implementation of its COVID-19 response measures. The first one consisted of a network of regional and local civil protection authorities (CPAs): there were 21 county CPAs (for 20 Croatian counties and the City of Zagreb, which has a dual city/county status), and hundreds of local CPAs in cities and municipalities (there are 128 cities and 428 municipalities in Croatia). The second implementation mechanism was the network of institutes for public health. The Croatian Institute for Public Health had been given very broad powers for issuing epidemiological recommendations and detailed guidelines for various sectors. County institutes for public health played an important role in information exchange, and adherence to isolation and self-isolation measures. The third implementation mechanism was Fran Mihaljević University Hospital for Infectious Diseases in Zagreb, which is the leading medical institution that is equipped and staffed for the treatment of infectious diseases, including COVID-19.

The implementation of the COVID-19 response measures has not always been impartial. Some actions by the NCPA have suffered from political bias. In November 2020, for example, the NCPA allowed the traditional procession commemorating the wartime tragedy at the city of Vukovar to take place, despite it being in the middle of the second wave of the pandemic and in contradiction to the ban on gatherings of more than 50 persons that was in place at the time.

The monitoring of infected persons turned out to be one of the weak points in the implementation of measures. Early in the second wave, this monitoring virtually ran out of control. The number of permanently assigned epidemiologists was not sufficient for monitoring persons in self-isolation because the virus had started to spread rapidly at the local level. Persons

qualified for such activities, such as medical students, were belatedly assigned as supportive epidemiological staff.

The sanction and penalty system is very important for ensuring that implementation of anti-pandemic policies is as efficient as possible. Only in early December 2020 did the government, using emergency procedure, submit to the parliament a proposal containing harsher penalties for violating anti-pandemic measures. Amendments were made to the Law on the Protection of the Population from Infectious Diseases and rather severe fines were imposed for violating the epidemiological measures. Fines of HRK 10,000 to 40,000 were envisaged for legal entities and HRK 500 to 10,000 for individual persons.

National Coordination

National
Coordination
Score: 4

The authorization of the National Civil Protection Authority (NCPA) in March 2020 went hand in hand with the creation of civil protection authorities (CPAs) at the county and municipal level. However, regional and local capacities have differed strongly, and the coordination both between and on the different levels has proven difficult. Some subnational CPAs have been highly efficient and well-organized. Benefiting from strong cooperation with the county institutes of public health, the Istria CPA, for example, has come to national fame for the quality of its work. Other CPAs have lacked adequate capacity for managing the pandemic. Some municipal CPAs have tried to overcome these problems by establishing joint CPAs, which further aggravated the issue of institutional complexity. The limited capacities of some CPAs and the problems of vertical coordination have complicated the reporting on COVID-19 infection rates.

By failing to provide a “traffic light system,” the NCPA has left little scope for regional and local variations in restrictions. This has been increasingly criticized by subnational authorities with favorable or unfavorable epidemiological situations alike. Istria county, which was for some time one of the few COVID-19 free regions in the European Union, has several times pushed for exemptions from the national rules. Likewise, in late November 2020, Radimir Čačić, the prefect of Varaždin County in the northwestern part of country adjacent to Slovenia and Hungary, rebelled against the inadequate measures introduced by the NCPA and insisted on more stringent measures for his county.

The devastating 6.2 Richter earthquake, which hit Sisak-Moslavina County (with an epicenter some 50km southwest of Zagreb) in late 2020, also showed the limited capacities of the CPAs. Faced with chaos when it turned out that

the existing CPAs were not able to efficiently run the systems for looking after the population, distributing assistance and assessing the damage, the government decided to establish a separate authority with special powers, headed by Deputy Prime Minister and Minister of Veteran Affairs Tomo Medved.

International Coordination

International
Coordination
Score: 8

At the onset of the COVID-19 pandemic, Croatia presided over the Council of the European Union and had to coordinate other EU member states' responses to the crisis from late February on (Bandow 2020). The outbreak triggered the IPCR mechanism (Integrated Political Crisis Response) – the tool that the Council of the European Union uses to respond to crises such as a pandemic. As the IPCR tools are in the hands of the country currently presiding over the council, Croatia had to coordinate international efforts in coping with the emerging crisis. The mechanism implies that decisions are taken at the EU level in cases of major and complex crises, including health-related crises.

Presiding over the EU activities, Croatia coordinated efforts to adopt two important packages of emergency economic measures, which were proposed by the European Commission as a response to the COVID-19 pandemic. This legislation received the support of the European Parliament and, some 20 days after its initial presentation, was also adopted by the council. In order to expedite the decision-making process, Croatia arranged with other EU member states temporary amendments to the Rules of Procedure of the Council of the European Union, enabling decision-making in writing. This was of particular importance because Protocol 6 of the Treaty on the Functioning of the European Union stipulates that formal decisions of the council can only be made at council meetings, which physically take place in Brussels and Luxembourg. As the borders were closed, the practice of ministerial videoconferences was introduced in order to discuss all aspects of the coronavirus crisis.

Benefiting from the institutional capacities built in preparation of its EU presidency, Croatia has also played an active role in the COVID-19 crisis management of the CEI (Central European Initiative). In mid-2020, the CEI joined forces with the World Health Organization (WHO), establishing a joint task force to strengthen regional coordination to mitigate the effects of the pandemic. The task force was supposed to function as a strategic platform for exchanging information, experience, best practices and training.

Citation:

Bandow, Goran (2020): Croatia's EU Presidency: A strong Europe in a world of challenges, in: European View 19(2): 188-196.

Learning and Adaptation

Learning and
Adaptation
Score: 3

The Croatian government has largely refrained from evaluating the efficiency and effectiveness of its crisis management system. After making the National Civil Protection Authority (NCPA) the key body in the fight against the COVID-19 pandemic, it gradually clarified the NCPA's role, and its relationship to the Ministry of Health and the Croatian Institute for Public Health (Selance 2020). After the successful weathering of the first wave of the pandemic, the government became rather complacent. It failed to use the summer of 2020 to systematically evaluate its crisis management performance during the first wave of infections and refine its crisis management system in preparation for a second wave, which many experts expected. It is telling that it took until mid-January 2021 for the government to announce the introduction of a “traffic light system,” delineating cut-off points for easing or tightening pandemic containment measures.

Citation:

Selancic, N. B. (2020): Croatia's Response to COVID-19: On Legal Form and Constitutional Safeguards in Times of Pandemic, in: VerfBlog, May 9 (<https://verfassungsblog.de/author/nika-bacic-selancic/>, accessed 18 December 2020).

III. Resilience of Executive Accountability

Open Government

Open
Government
Score: 6

Croatia began in mid-2011 its formal participation in the Open Government Partnership (OGP), as a voluntary international initiative that aims to secure government commitments to open government, and to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance. A special council known as the Council for the OGP Initiative was established as a centralized hub for communication between implementing and monitoring stakeholders. OGP, which in Croatia falls under the Office for Cooperation with NGOs, has until now carried out several open government action plans, with the last one completed in August 2020. Currently, the implementation of the action plan for 2020–2023 is underway.

The OGP initiative has four basic principles of which the strongest commitment during 2020 was made in connection to the principle of transparency. Mayor of Bjelovar Dario Hrebak, the president of HSLS (a small

liberal party and the junior coalition partner to the ruling HDZ), stated that his party supported the HDZ-led government on condition that it integrate transparency into all local self-government budgets. Commenting on the planned announcement of the new Act on Local Self-Government, he said that the act would introduce a penalty of HRK 100,000 for all mayors, and heads of counties and municipalities who fail to publicly publish their budgetary expenditure.

In order to ensure monitoring of its actions, the government established a very well designed website (koronavirus.hr), which provides timely and precise information on the COVID-19 pandemic, including detailed and regionally disaggregated information on infection rates. The Ministry of Health successfully created a digital assistant, named Andrija, based on artificial intelligence, which helps and advises citizens in fighting the coronavirus.

Legislative Oversight

Legislative
Oversight
Score: 4

Legislative oversight has been limited during the COVID-19 pandemic. While members of parliament frequently asked questions about the functioning of the Civil Protection Authority and the Commodity Reserves, which is under of aegis of the Ministry of Economy and Sustainable Development, they often received no answer. When the head of the Parliamentary Committee for Internal Affairs and National Security, Ranko Ostojić (SDP), asked about the availability of protective equipment for COVID-19 in early May, the reply only came on 16 July 2020, after the new convocation of the Croatian parliament in which Ostojić was no longer a member.

As part of the overall decision-making rule changes, the Rules of Procedure of the Sabor (i.e., the Croatian parliament) were amended in April 2020 (FRA 2020: 4–5). Justified as a means of protecting the lives and health of members of parliament, the amendments effectively restricted legislative oversight by introducing the possibility of shortening debates and suspending the right to reply during a pandemic. The new article (Art 293) was brought to the Constitutional Court in September 2020 by opposition members of parliament and repealed by the court in October 2020.

Citation:

FRA (= The European Union Agency for Fundamental Rights) (2000): Coronavirus pandemic in the EU: Fundamental Rights Implications: Croatia, November. Vienne (https://fra.europa.eu/sites/default/files/fra_uploads/hr_report_on_coronavirus_pandemic_november_2020.pdf, accessed 23 December 2020).

Independent Supervisory Bodies

Auditing
Score: 7

The State Audit Office (Državni ured za reviziju) is the key institution in the country in charge of auditing the financial reports of all institutions that use public money. It was established in 1993 based on the State Audit Act and started to work in November 1994. The office is an institution independent from the government and headed by the main state auditor, who is appointed by the parliament for an eight-year term. The work of the office is directed toward auditing the financial reports of, and improving the legality, effectiveness and efficacy of all those who manage public money and public belongings. The main role of the office is to inform the parliament and government about the mode and results of this management.

By the end of September 2020, Ivan Klešić, the head of the State Audit Office, presented to members of parliament the 2019 annual report of the State Audit Office (Hrvatski sabor 2020). The report was eventually accepted by a large majority of votes: 111 members of parliament voted for report, while five abstained. Even one of the leaders of the opposition, the head of the green-left coalition, Tomislav Tomašević, stressed in a discussion that the State Audit Office is one of the rare institutions in the country with a good track record.

During the COVID-19 pandemic, the State Audit Office has continued to play an active role. It has gradually started to monitor the implementation of the programs adopted by the government. In April 2020, it issued a report in which it criticized the government for misusing part of the funds for its Strategy for the Fight Against Poverty and Social Exclusion for the second economic recovery package.

Citation:

Hrvatski sabor (2020): Izvješće o radu Državnog ureda za reviziju za 2019. (Report on the Work of the State Audit Office for 2019). Zagreb (<http://infodok.sabor.hr/Views/FonogramView.aspx?tdrid=2015031>, accessed, 28 December).

Data Protection
Score: 7

The Croatian Personal Data Protection Agency (AZOP) was established in 2004 on the basis of the Personal Data Protection Act, which was adopted in parliament in 2003. Under the act, personal data protection in the Republic of Croatia was regulated for the first time. The agency is a supervisory body tasked primarily with overseeing personal data protection. AZOP has advised the Croatian parliament, the government and other institutions on legislative and administrative measures related to the processing and managing of personal data. Once a year, it issues a report on its work and presents it to the Croatian parliament.

During the COVID-19 pandemic, AZOP has played an active role. Already one day before the National Civil Protection Authority (NCPA) announced the first lockdown measures in March 2020, AZOP published advice on the processing of employee health data by employers in line with the European Union's GDPR guidelines. In April 2020, it commented on the processing of location data by tracing apps. In the beginning of May, AZOP commented on the processing of client personal data by service providers where services require physical contact (e.g., beauticians, hairdressers and barbers). However, AZOP has left a number of other data protection and privacy issues unaddressed. It only played a subordinate role in the controversial debate over the government's attempt, in March 2020, to amend the Electronic Communications Act, with a view to allowing the surveillance of citizens' location by mobile phones.

In December 2020, AZOP stirred up controversy by ordering the closure of an online portal (Ocijeni.me), which had been started by a citizens' initiative and aimed to increase the accountability of public servants by subjecting them to citizen evaluation. After a series of protests by some public servants who did not like the idea of being subject to the public rating their work, AZOP decided to invoke GDPR protections as a legal ground for ordering the closure of the independent website, which in effect undermined freedom of speech.

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