

Managing Public Administration Reform in Croatia

*Ivan Koprić**

State administration in Croatia developed during three main phases, establishment (1990–1993), consolidation (1993–2001), and Europeanisation phase (after 2001). After a brief description of the current state of the Croatian public administration, the State Administration Reform Strategy – adopted during the spring of 2008, has been analysed and assessed, as well as certain other strategic documents. Certain challenges and problems, including institutional ones, have been identified and analysed during public administration reform. The establishment of the new Ministry of Public Administration has been elaborated. At the end, lessons learned have been described, having in mind good and bad Croatian administrative reform practices.

Key words: public administration – Croatia, administrative reform, Europeanisation, civil servants, public sector reform strategies, strategy implementation management

* Prof. dr. sc. Ivan Koprić, redoviti profesor i predstojnik Katedre za upravnu znanost Pravnog fakulteta Sveučilišta u Zagrebu i predsjednik Instituta za javnu upravu (full professor and head of the Chair of Administrative Science, Faculty of Law, University of Zagreb, and president of the Institute of Public Administration, Zagreb, Croatia)

1. Development of state administration in independent Croatia**

Development of the Croatian state and public administration can be systematized in three phases. The first, *establishment* phase started with independence gained in 1990 and finished with administrative reforms in 1993, when the second (*consolidation*) phase began. The third phase started in 2001 and was initiated with the new package of reform measures motivated mainly by political decision to enter *Europeanisation* process. It remains to be seen if the adoption of the first Strategy of state administration reform in 2008 will be the starting point of the new, fourth phase, the phase of *modernisation* of Croatian state administration.

1.1. Establishment phase

The Constitution of 1990 introduced the semi-presidential system based on the French model. Before the first significant reform of the territorial administrative system in 1993, the Croatian state administration had passed through a number of frequent changes and poorly conceived and executed reorganizations characterised by political voluntarism. The frequency of such reorganisations was partly caused by the necessity of creating new administrative organizations in a new State (foreign affairs, defence, customs service, etc.). The strong communes, inherited from socialist Croatia either became the central government's obedient servants, or established themselves as the focal points of a strong opposition, even resistance to the central government (almost all communes with Serbian majority). The Serb rebellion and war started in 1991. Rigorous screening took place in the ranks of the state and local civil servants and personnel in the public services based on political, national and similar criteria. Hidden lustration changed the picture in the whole public sector.

1.2. Consolidation phase

From 1993 to 2001, public administration in Croatia developed in the conditions of etatisation, centralisation, and politicisation of an authoritarian

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type. Besides an ever-increasing number of civil servants, the characteristics of that period were an insufficient level of professionalism of administrative personnel and politicization of administrative services. The space for administrative-technical principles, expertise and professionalism was limited. Democratic political values were repressed, while law was regarded as the mere instrument of politics. The lack of co-ordination was compensated for by arbitrary, *ad hoc* political interventions. Political-administrative system was closed and bureaucratized, imbued with the climate of secrecy.

The first systematic law that regulated Croatian state administration was the Act on the System of State Administration of 1993. It determined the ministries, state administrative organizations and county administrative departments as the state administrative bodies. A large proportion of the public services that had been provided in the communes until the end of 1992, were taken over by the central state. It was a massive operation of etatisation, i.e., a situation in which the state appropriates the public services from the former (nominally) self-governing units, followed by redistribution of public revenues, responsibility, significance and power.

The reform at the local level was carried out in 1993 through the Law on Local Self-Government and Administration and certain other regulations. The old French centralistic model of state organization with a strong central executive government was in its most important characteristics literally transplanted to Croatia. The key role in the new system was given to the regional, county level, as a supervisory and decreeing middle level between the central government on the one hand and local units on the other.

The Law on the State Civil Servants and Employees of 1994 regulated their status for the first time. The Law on the Salaries of the Civil Servants and Employees in Public Services was passed simultaneously. Until 2001, the status of local civil servants had been regulated by the provisions on the civil servants in the Law on Administration of 1978. The number of employees in certain public services (research and development, culture, sport, art and media, health care, welfare and education) decreased at the beginning of the 1990s, while defence, police, finances and foreign affairs recorded a large increase of their personnel.

1.3. Europeanisation phase

The Amendments to the Constitution of 2000 were adopted following the first political change after 1990 and were prepared by the new, coalition, left-wing Government of Ivica Račan. They marked the beginning of the

democratisation and decentralisation process. The previous semi-presidential system was substituted with the parliamentary one. The Croatian legislature began to harmonize the relevant provisions of the domestic law with the European Charter of Local Self-Government more than three years after its ratification. The Constitution transferred the responsibility for a significant part of public affairs to local and regional units. The lines of subordination of local self-government to the central government administration were cut by redefining the institution of the county governor and limiting or specifying the powers of the central government administration bodies over local self-government. The state administration below the central level was undergoing rationalization. The number of state servants was reduced, particularly in defence, internal affairs and at the county level. The status of state civil servants was regulated by the new Law on State Civil Servants and Employees of 2001. The main intention of that Law was to replace former career system with the classification according to job complexity.

Croatia was a latecomer in the Europeanisation process, which started only in that phase. The first significant step was signing the Stabilisation and Association Agreement in 2001. Croatia was granted the candidate country status in October 2004. At the moment, Croatia is undergoing the negotiation process, the process of acquiring the elements of *acquis communautaire*, the process of realisation of European administrative standards and entrance into the European Administrative Space.

2. Public administration in Croatia and its reform

The Croatian public administration consists of state administration, local and regional self-government, and public services (services of general interest, in new European terms).

There are two levels and four types of the state administrative bodies. At the central level (about 60.500 state civil servants), there are ministries, the (so-called) state administrative organisations and the (so-called) central state offices. There are 15 ministries, 9 state administrative organisations and 4 central state offices, one of which is in charge of the public administration system and administrative development. The difference between the ministries and state administrative organisations is in political importance and political influence, as the ministers are members of the Government and the heads of the state administrative organisations are not. In other words, state administrative organisations are a kind of public agencies. The central state offices are in the closest relation with the

Prime Minister. They are, in a way, Prime Minister's special management tools. At the lower (1st) level (about 4.500 state civil servants), there are the offices of state administration, one at the territory of each county. They (20 of them) are in charge of the first degree administrative procedures. It should be mentioned that there is also the Government's Office mainly functioning as Government's secretariat with very weak position, narrow competences and weak expertise.

The system of local and regional self-government consists of 429 municipalities, 126 towns (15 of them are in a special category of large towns), 20 counties and the City of Zagreb (which has twofold status and is allowed to perform both local and regional self-government scope of affairs). Municipalities in predominantly rural areas and towns in predominantly urban areas perform local self-government scope of affairs. Counties are regional self-government units, strictly separated from the offices of state administration in terms of organisation and personnel.

Some public services are in closer relation to the central state, because they are mostly centrally financed. These are education, health service, social security service, science, and the like. The previous Government of Ivica Račan launched administrative decentralisation of some of these services. Some of the public services are locally financed, for example, pre-school education and kindergartens, libraries and museums, utility services, etc. There are other agencies, independent regulatory bodies, other public bodies and legal entities with public competences in the public sector, also. The majority of them are in one way or another engaged in the performance of services of general interest.

In the whole public sector, there are four categories of the civil servants. In the state administration there are approximately 65.000 civil servants. In all local and regional self-government units there are approximately 11.000 civil servants. Centrally financed public services are employing about 160.000 people, and locally financed public services additional 19.000. The fifth category in the public sector comprises the employees of public companies, e.g., in utility services, state oil company, state postal service, state electric power industry, and the like.

3. State administration reform strategy

After a few unsuccessful attempts of previous Governments, the *Strategy of State Administration Reform for the Period of 2008–2011* was adopted by

the Croatian Government in March 2008. It is the strategy for state administration reform only, not for the reform of public administration as a whole.

The structure of the Strategy is as follows:

- I. Introduction (meaning – Executive summary),
- II. State administration we want (Vision and goals of modern administration),
- III. The main results in the reform of political system and state administration,
- IV. The main areas and directions of state administration reform,
- V. Implementation of strategic measures,
- VI. Leadership, monitoring and evaluation of results.

The Strategy delineates eight different but interconnected *goals* accompanied by 29 indicators for monitoring achievements:

1. Increasing efficiency and economy in state administration system,
2. Raising the quality of administrative services,
3. Openness and access to state administrative organisations,
4. The rule of law,
5. Increasing social sensitivity inside state administration and in relations with citizens,
6. Rising ethical level and reducing corruption,
7. Modern ICT implementation,
8. Joining the European Administrative Space.

In the next part of the Strategy, certain results which have already been achieved are described.

The fourth part of the Strategy, on the main areas and directions of state administration reform, indicates five areas with 15 directions of reform.

The areas are:

1. Structural adaptations of state administration system: *from structure to good governance* (3 directions; 13 activities),
2. Increasing the quality of programmes, laws and other regulations: *better regulation* (4 directions; 14 activities),
3. The system of state servants: *modern civil service* (4 directions; 10 activities),

4. Education and in-service training of state administration: *knowledge, skills and competencies* (2 directions; 8 activities),
5. Simplification and modernisation of administrative procedures: *e-administration* (2 directions; 17 activities).

For each area there is a short explanation of the present situation and plans. Reform activities are enumerated and systematised in the tables, with indication on the bodies that will be in charge of implementation. There are as many as 62 various activities. The number of directions and activities is the smallest in education and in-service training area. Quite contrary, the activities in simplification and modernisation of administrative procedures and e-administration design area are well-elaborated.

Under the title »Implementation of strategic measures« there are three chapters. In the first one, five principles and priorities are described. Those principles and priorities should be followed during the Strategy implementation. They are: quality professional preparation of the reform activities; professionalism and sustainability of PAR results (could be achieved on the basis of merit and public administration education); the participation of general public, civil society and citizens in designing and implementing reform measures; decentralisation and partnership; the protection of citizens rights.

In the second chapter of this part (Implementation), bodies in charge of activities and time-table are systematised, but in a very general manner. The third chapter indicates the necessary financial resources for the implementation of the Strategy (23.5 millions KN, or approximately 3,250,000 euros).

In the final part, the Strategy asks for the establishment of the National Council for Evaluation of State Administration Modernisation. The members will be representatives of the Parliament, civil society, trade unions, state administrative bodies and expert community. The Government is responsible for the Strategy implementation and day-to-day leadership is assigned to the Central State Office for Administration.

One can notice at least three main shortcomings. *Firstly*, all indicators of progress during the Strategy implementation are qualitative, not quantitative. In the draft Strategy, there were quantitative indicators. *Secondly*, the approach of the Strategy is in great part normative, meaning that implementation activities are defined mainly via adopting or changing laws and other regulations. *Thirdly*, the Strategy implementation budget does not exist. There is only a vague statement that for the Strategy implementation »about 23.5 millions of KN should be ensured in the State Budget«.

There is no distribution during the years of the Strategy implementation period (2008–2011), nor distribution according to concrete and measurable purposes. That could prevent any implementation at all.

Despite all the shortcomings, the Strategy is the very first strategic plan for reforming state administration after 1990 formally adopted by the Croatian Government or any other political body in Croatia. It might be an important and influential reform tool *only* if it were upgraded and amended in the ways indicated *supra* in the text.

Certain other strategic documents and efforts should be mentioned. First of all, there is the *Strategic Development Framework for 2006–2013* adopted by the Croatian Government in August 2006. It comprises chapters on people and knowledge; science, technology and ICT; social cohesion and social justice; transport and energy; space, nature, environment and regional development; macroeconomic stability and economic openness; finance and capital; the entrepreneurial climate; privatisation and restructuring; and the new role of the state. Under the last mentioned title, there are three subchapters: (1) a competent and effective public administration – cheaper, faster, better, (2) judicial reform – legality, fairness and efficiency, (3) the role of the state in the economy and public finances.

That document adopted a lot of ideas previously developed in another document, prepared by the National Competitiveness Council and adopted by the Government in the beginning of 2004 and titled *55 Recommendations for Increasing Competitiveness of Croatia*. These 55 recommendations are systematised in seven chapters: education for growth and development; the rule of law according to the EU standards; expenditure and price competitiveness; development of innovations and technology; strengthening of small and medium enterprises; regional development and building-up clusters; advancement of positive attitude and leadership. Both documents reflect neoliberal ideology and the private sector interest.

A strategy of decentralisation is still under development. There were a few EU financed projects directed to development of such a strategy, but their results have not been adopted yet. It seems that there is no real political will necessary for the preparation and adoption of a decentralisation strategy. Also, generally speaking, the results of the mentioned projects are of very poor quality. In a way, there is continuation of unsuccessful efforts in decentralisation strategy design. Namely, there was a large project financed by the Open Society and the Croatian Government, *Decentralisation of Public Administration*, in 2000–2003. The results of that project were not adopted by the Government, either.

A third, very important part of public administration, are services of general interest. There is new European regulation of such services, with distinction between the services of general economic interest and other services. The first group has been subject to the privatisation and liberalisation policy. Public services obligations are imposed in that sector and a lot of new regulatory bodies have been established (telecommunications, postal service, energy supply, transport, etc.). Having in mind the importance of services of general interest for the quality of life, it is a bit strange that Croatia neither has any general policy document with regard to them nor any general regulation on basic issues of such services. There are only sectoral documents – the Strategy for Development of Communal Utilities of 2002, the National Strategy for Health System Development 2006–2011, etc.

We mainly own the promotion of strategic thinking to the efforts of Račan's Government, which established a large project of the Croatian strategy development *Croatia in 21st Century* at the very beginning of its mandate in 2000. A few sectoral strategies were developed within this project. There could be mentioned the Strategy of Energy System Development of 2002, the Strategy of Pension System and Social Security System Development of 2003, the Strategy of Science System Development of 2003, etc. It seems that the next Government (the first Sanader's Government) neglected these strategies, even without changing them formally. Nevertheless, both Sanader's Governments have designed new strategic documents in the same or quite different areas.

4. The main challenges during public administration reform

The Central State Office for Administration is competent for the Strategy implementation, but certain other administrative and public sector bodies have responsibilities with regard to precisely delineated activities. The Strategy implementation management is in the hands of the Government and Central State Office for Administration. It should be mentioned that one of vice prime ministers has formal responsibility for public administration and justice reforms. Monitoring and evaluation of the Strategy implementation is given to the National council, which has not been established yet. Further development and necessary adaptations of the Strategy are uncertain for now. It is obvious that the Government is in charge of such a competence, but this assignment is only formal. Real job

might lie with the Central State Office for Administration, (unknown) domestic and international experts, or business community which has already shown its readiness to design strategic documents for quite natural interest – to advance the private sector position, especially that of large domestic and multinational companies, banks, insurances, etc. Because of that, the Strategy development has been one of the main challenges in public administration reform.

Another challenge is the issue of support. Every significant institutional innovation in the public administration system of a country should be firmly supported by politics, public administration itself, Ministry of Finances, and the general public. In Croatia, political support of the Croatian Parliament has been weak and general. There is also a low level of administrative support, partly caused by inappropriate institutional design which asks for changing the position of the body responsible for public administration reform in administrative system. Financial support from the Ministry of Finance can be assessed as lacking or moderate at best. Public support is also low, indicating that communication strategy and activities are needed.

One worrying challenge is connected with general situation with civil servants. Having in mind deep politicisation not only at the very top positions in state administration, but also along the whole organisational hierarchy, including professional positions, it is obvious that the political criteria overcome the professional ones. It should be noted that Croatia is one of very few transitional countries without proper administrative and in-service education system. Such a situation raises issues of recruitment, quality education and in-service training programmes development, establishment of central educational institution for administrative education, etc.

5. Institutional challenges

A good institutional structure is a necessary prerequisite for a successful reform. Other prerequisites are needed and are sometimes of equal importance. They are: political will, support and leadership; strategic planning and policy making; educated and informed civil servants; extra-organisational expertise; financial support; reform dedication; etc.

But, it is obvious from comparative experience that institutions do matter. Inappropriate institutions, weak institutions or inappropriate networks of institutions impede positive effects of other possibly favourable condi-

tions. Of course, institutions, as the whole public administration reform, should be adapted to the specific circumstances of a country: culture, external conditions, basic state's goals, history, specific ethnical situations, the content of the public administration reform strategy, previous reform institutions, and the like.

Having in mind such specific circumstances, one should be fairly aware that certain regularities are generally recognizable and could be used for learning and suggesting proposals for a country.

One of the weak points of the Croatian Strategy implementation is the institutional capacity of the Central State Office for Administration. It should be noted that within Functional Review Project (in progress during 2008) measures for this Office's organisational development have been proposed. Redesign of the CSOA into the Ministry of Public Administration is assessed as necessary in the current stage of the Croatian state development. It would allow adding the tasks considering e-government design, general policy towards public services modernisation, and certain other tasks, which are now being performed in other state administrative bodies, into the new ministry. Their placement in the Ministry of Public Administration would enable simpler (internal) coordination, raising expertise and overall capacity, as well as an integral approach to reform and modernisation of public administration.

Another weak institutional point is the Government Office (so-called Government's Professional Service) that has mainly clerical and pure administrative competences. It is obvious that a strong Government Office with substantial competences and expertise for coordination is needed. If the Government wants to lead the processes, it should not be completely dependent on the inter-ministerial power games.

The third source of uncertainty with regard to responsible institutions is the composition of the National council for monitoring and evaluation of the Strategy implementation. There are two competing concepts. According to the first one, the Council should be in the hands of politicians, with dominant position of the ruling coalition Parliament members. According to the second one, the Council should be composed of a balanced number of politicians, public administration experts and civil society representatives, to be capable of raising professional issues and citizens interests, not only political themes, and to acquire broad public support for an administrative reform.

6. Lessons learned

First of all, it should be noted that each insignificant reorganisation is not a public administration reform. Only those changes that bring about important institutional innovations in the public administration system of a country can be titled as »reforms«.

From Croatian and other experiences, it is quite clear that considering public administration reform as only one part of the Europeanisation process is not the best solution for domestic problems. Europeanisation is only one environmental influence and the European Union only one of the broader institutional frameworks, not the only one. Having that in mind, the main institutional point for administrative support of public administration reform should not be accompanied with domestic bodies competent for EU affairs, but with the body in charge of public administration development.

Public administration reform should be in line with previously discussed and adopted basic national goals. Otherwise it could be unsuccessful or counter-productive. It opens another question: do we in Croatia have such goals?

Three main parts of public administration (state administration, local and regional self-government, and public services) need different reform approaches. Sectoral reforms are obviously not counter-indicated, but should be performed in line with the basic (previously adopted) reform approaches.

A strong administrative body is needed for public administration reform. It should be so strong as to have at least equal power as the most powerful ministries, like ministry of finances. If we want to be effective, such a ministry should be led by strong minister or, preferably, by a vice-prime minister, to gain additional leadership capacity.

Law could foster or freeze reform efforts, but cannot replace the real will to make public administration modern and better. Pure normative approach to the reform has its obvious limitations. More stress should be put on the implementation of new regulations harmonised with the European standards. The capacity of public administration to implement new legal regulations and function in public interest seems to be of critical importance for successful modernisation of a country, not only for speeding up EU accession process.

Having in mind that the minimum requirement for a successful reform are institutions, political will and civil servants' expertise (knowledge), built-

ding informed policy orientation and intensifying proper education and training are of great importance. Policy effort should result with the whole array of interconnected state administration system, structural, personnel, human resource, financial and other reform measures.

Croatian public administration reform is incremental and a bit chaotic reform with various influences of donors, the European Union and accession pressure, domestic actors' influences, etc. It shows moderate success and opens possibilities of experiential learning from good and bad¹ examples.

Among good Croatian reform examples, the following could be stressed:

- a) Cooperation between academic community and the Central State Office for Administration in the Strategy preparation, administrative education, reform monitoring and evaluation has been and is fruitful.
- b) The example of technical assistance projects with participation of domestic pro-reform experts as key project experts.
- c) We can make significant progress with strong and dedicated politicians as reform leaders.

Bad examples also could be mentioned:

- a) There were unsuccessful attempts to prepare the Strategy and realise certain reform measures with teams consisting exclusively of academics, or the civil servants from the Central State Office for Administration, or foreign experts. Similar situation can be found in *acquis communautaire* acquiring, also. Cooperation between all of them offers better prospects.
- b) The source of the problem is in the weak lines of Central State Office for Administration state secretary's political accountability to the Prime Minister. Stronger position of a body responsible for administrative reform is needed.
- c) Informally politicised networks substantially impede the reforms. Rougher measures for reaffirming formal authority lines, professional criteria in the civil service, proper administrative education and in-service training development, and fair and ethical public management are to be applied.

¹ It could be noted that unsuccessful reforms could teach us even more than the successful ones.

- d) Furthermore, too broad network of politically selected experts for the EU accession negotiations is one of the bad examples. There are large, too large working groups with modest knowledge and information, selected mainly according to political and other non-professional criteria. Again, professional expertise is needed.

MANAGING PUBLIC ADMINISTRATION REFORM IN CROATIA

Summary

State administration in Croatia developed during three main phases, establishment (1990–1993), consolidation (1993–2001), and Europeanisation phase (after 2001). After a brief description of the current state of the Croatian public administration, the State Administration Reform Strategy – adopted during the spring of 2008 – has been analysed and assessed, as well as certain other strategic documents. If the reform is to be effective, the Strategy deserves certain improvements, good implementation management and strong public, political and administrative support. Certain challenges and problems, including institutional ones, have been identified and analysed during public administration reform. The main body responsible for administrative reform, as one of necessary prerequisites for administrative capacity raising and EU accession, is the Central State Office for Administration (CSOA). The main institutional challenges are connected with the capacity of the CSOA as well with institutional design and the capacity of the Government's Office. The establishment of the new Ministry of Public Administration has been elaborated. At the end, lessons learned have been described, having in mind good and bad Croatian administrative reform practices.

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UPRAVLJANJE REFORMOM JAVNE UPRAVE U HRVATSKOJ

Sažetak

Državna uprava u Hrvatskoj razvijala se u tri faze: fazi utemeljenja (1990.–1993.), konsolidacije (1993.–2001.) i europeizacije (nakon 2001.). Nakon kratkog opisa sadašnje strukture hrvatske javne uprave, analizirana je i ocijenjena Strategija reforme državne uprave prihvaćena u proljeće 2008., ali i neki drugi strateški dokumenti. Želi li se da reforma bude uspješna, potrebna su određena poboljšanja Strategije, dobro upravljanje njezinom provedbom te jaka javna, politička i upravna potpora reformi. Utvrđeni su i analizirani određeni izazovi i problemi u reformi javne uprave, uključujući one institucionalne naravi. Glavno tijelo zaduženo za upravnu reformu, koja je preduvjet jačanja upravnih kapaciteta i pridruživanja Europskoj uniji, Središnji je državni ured za upravu. Glavni institucionalni izazovi odnose se na kapacitet Ureda, kao i na institucionalno oblikovanje i kapacitet Stručne službe Vlade. Obrazlaže se potreba osnivanja Ministarstva za javnu upravu. Na kraju se iznose zaključci, dobri i loši primjeri te lekcije naučene u dosadašnjem tijeku reforme.

Ključne riječi: javna uprava – Hrvatska, upravna reforma, europeizacija, javni službenici, strategije reforme u javnom sektoru, upravljanje provedbom strategije