Acknowledgements

This policy note was prepared in the context of the Reimbursable Advisory Services Agreement “Support for Establishing the System for Strategic Planning and Development Management and for Preparing the 2030 National Development Strategy”. The core World Bank team was led by Donato De Rosa (Lead Economist, Team Leader), Josip Funda (Senior Economist, co-Team Leader), and Catalin Pauna (former Team Leader) and included Stanka Crvik Oreskovic (Project Coordinator) and Bogdanka Krtinic (Program Assistant). The team worked under the guidance of Arup Banerji (Country Director), Elisabetta Capannelli (Country Manager) and Gallina Andronova Vincelette (Practice Manager).

Preparation of the policy note Public Administration Modernization was co-led by Roberto O. Panzardi (Senior Public Sector Specialist) and Alberto Leyton (Lead Public Sector Specialist). The main author of the policy note is Gianni La Ferrara (Consultant), with contributions from Zahid Hasnian (Senior Public Sector Specialist), Shiho Nagaki (Senior Public Sector Specialist), May Cabilas Olalia (Senior Public Sector Specialist), Ivan Kopric (Consultant) and Rojas Fernando (Consultant). Preparation of the policy note was guided by Roby Senderowitsch as Practice Manager of the Governance Global Practice for Europe and Central Asia of the World Bank Group, and Rogier J. E. van den Brink as a Program Leader, at the Equitable Growth, Finance and Institutions Practice Group.

The policy note team thanks the following individuals and organizations in Croatia:

- the Ministry of Regional Development and EU Funds for overall coordination and guidance, especially Ana Odak, the Assistant Minister, and her team;
- the Ministry of Public Administration, especially Josipa Rimac, the State Secretary and Lana Belas, the Head of Service and their team for meetings and consultations that have informed the policy note.

Note

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1. The objective of this Policy Note was to analyze the challenges of, and provide recommendations for, improving the capability of Croatia’s public administration to effectively deliver its functions. The European Organization for Economic Cooperation and Development (OECD) reform experiences have been used as the criteria to analyze Croatia’s current situation, identify the main challenges and design possible solutions. Other global innovative practices have also been considered. This Policy Note was prepared, at the request of the Ministry of Regional Development and EU Funds (MRDEUF), as background material for the National Development Strategy (NDS) Croatia 2030. The Note follows the Terms of References (ToR) agreed with the MRDEUF and Ministry of Public Administration (MPA).

2. The Note is structured as follows. First, it presents European, OECD, and other relevant global trends in public administration over the past decade, identifying the key challenges and priority reforms. Second, it discusses the experiences and results of Croatia’s administrative development in the post-accession period. Third, while acknowledging Croatia’s progress in building the administrative capabilities necessary for the implementation of the various Croatian strategic reform documents and EU acquis communautaire, the Note emphasizes the main challenges of administrative modernization, particularly in reference to European trends. Finally, it offers short, medium, and long-term recommendations that can serve as inputs for the strategic planning period before 2030.
1 Overview of European and Global Trends and Societal Challenges

3. An effective public administration is essential for a government to efficiently provide infrastructure and deliver services to its citizens, as well as to allow it to mobilize the required resources for this objective. The ability, motivation, and productivity of the personnel who populate public administrations is a key determinant of effective administration, underlying the importance of having the appropriate organizational structures, establishing sound human resource management systems, leveraging digital technologies, and establishing accountability and citizen engagement.

4. A quarter century since achieving its independence, Croatia’s public administration faces these challenges, as well as the additional ones typically expected of, and experienced by, developed European economies. Croatia’s integration into the EU market and technological progress raises the level of services that businesses and citizens expect and increases demands for transparency and accountability. At the same time, a fragile economic recovery underlines the importance of fiscal prudence. The public administration is therefore expected to increase its productivity, delivering more to society out of the available means (which include the European Structural and Investment Funds (ESIF)).

5. The evolving experience of the EU and OECD countries in public administration reforms provides a useful guidepost for which reforms Croatia should prioritize. Drawing on policy documents, and comparative studies, we identified the following recent trends in administrative reforms:

   a) Digitally enabled service delivery for citizens and businesses
   b) Improved center of government policy coordination and more integrated policy implementation
   c) Data-informed policy making
   d) A more cost effective and efficient public administration
   e) Greater accountability and performance of senior civil servants

6. Governments across the world have invested heavily in digital technologies to automate core administrative tasks, improve the delivery of public services, and promote transparency and accountability. The advent of the internet in the mid-1990s triggered the rapid diffusion of e-government systems, and by 2014, all 193 UN member states had national websites: 101 of these enabled citizens to create personal online accounts, 73 to file income taxes online, and 60 to register a business. While most countries have by now automated government financial management, customs, and tax systems, the EU and OECD countries have progressed to more integrated systems to effectively deliver e-services to citizens, in particular through multipurpose digital identification schemes that enable access to services such as voting, finance, health care, transportation, and social security. Estonia stands out particularly because of its integrated digital service delivery which, through its X-Road e-government system, enables participating government institutions and private businesses to communicate and exchange data, thereby removing the burden from citizens of supplying documentation and greatly increasing the efficiency and quality of service delivery.

7. However, the impact of these significant investments in digital government has been underwhelming. As evidenced by the World Development Report (and some recent empirical studies), citizen’s use of e-services has often been disappointing, even in digitally advanced countries such as
Estonia, Korea, and Singapore. Part of the reason for this is the absence of the complementary organizational and administrative reforms necessary for e-services to be seamlessly delivered to businesses and citizens. Bureaucracies can have a disincentive to reorganize their work to take full advantage of digital technologies as the concomitant efficiency improvements can lead to a reduction in the agency’s budget and staff. The opportunities offered by digital technologies for better collaboration and integration across government also clash with bureaucratic structures and budget and legislative processes that reinforce vertical stovepipes.  

8. **EU and OECD countries have recognized the importance of policy coordination and whole-of-government collaboration for the digital agenda in specific, and for improved performance in general.** An element that has resulted in improved coordination and reduced fragmentation has been functional streamlining, a process which several EU members have undergone as part of the spending reviews that were triggered by the 2008/09 financial crisis. A common theme of this reorganization has been reversing the “agencification” of ministries, which refers to the extensive systems of autonomous executive bodies established during the New Public Management reforms. The United Kingdom and Australia are good examples of a whole-of-government reform, recognizing that the most challenging (“wicked”) problems cross the traditional boundaries between ministries and other state bodies’ scopes of duties and between levels of government (state, regional, local). Australia’s approach, for example, focuses the public administration on outcomes of policies, ensures an integrated policy design and implementation, and provides citizens with a platform to influence the design and implementation of public policies.  

9. **Anchoring these efforts to improve public administration performance is a greater use of data to inform policy-making.** Governments need organizational, management, and information systems to effectively use data to steer policies. OECD countries increasingly use and rely on impact assessments, such as ex ante regulatory impact assessments, as decision-making tools and on ex post impact assessments to scientifically measure the effects of policies. These countries are also increasingly engaging citizens and using feedback systems to inform their policies through transparency and open data, regular surveys, and portals so as to enable citizens to co-design policies and laws. The effective use of this data is dependent on the interoperability of systems, such as quality management frameworks (like the Common Assessment Framework, CAF), tying together the work on processes and connecting it with other elements like leadership, resources and organization.  

10. **Public employment has fiscal implications, as well as efficiency and accountability considerations, that are relevant to fiscal and public administration agendas.** From a fiscal perspective, and given the large fiscal footprint of public employment, the extension of the fiscal space through a reduction in the public sector wage bill became a priority in EU and OECD countries after the 2008/09 crisis. Over the 2015-18 period, the general government wage bill averaged approximately 9 to 10 percent of GDP and represented roughly a quarter of public sector expenditures, although there was considerable variation across countries (Figure 1). While the public sector expenditure as a share of GDP rises with country income, as per Wagner’s Law reflecting the increasing role of the state in providing social services as incomes rise, it tends to fall as a share of expenditures due to the higher revenue mobilization of richer countries. The share of public employment in total employment rises from below 10 percent in low income countries to above 20 percent in high income countries, but again there is considerable variation at each income level, reflecting the importance of policy choices that countries make.
Figure 1: Wage bill has a large fiscal footprint, but with considerable cross-country variation

General government wage bill as a share of GDP

Source: World Bank staff calculations based on IMF data
11. **The financial crisis triggered EU countries’ increased emphasis on greater efficiency, the outsourcing of support functions, and on cost-savings.** The number of spending reviews conducted increased considerably within the OECD countries after the crisis, rising from five (in 2000-07) to twenty-two (in 2008-2016) OECD member countries reporting having conducted at least one spending review. On average, in the wake of the crisis EU countries downsized their public administrations by at least 5 percent, frequently in parallel with the adoption of more flexible labor regimes (with more categories of public employees regulated by the general labor law rather than civil service legislation or other specialized laws). This decrease in the number of secure jobs was combined with a stronger focus on performance within the civil service. Although the career-based system is still widely preserved, many Members’ systems now include position-based elements, and most also use results-oriented competency frameworks to describe requirements. Performance was also increasingly emphasized, through measures such as individual performance appraisals and performance bonuses.

12. **Senior civil servants have been a focus for greater accountability.** Many countries struggle with how to achieve a balance between ensuring that senior civil servants are responsive to the political will of the government and preserving the ideal of a professional public service that gives objective and non-partisan advice, delivers services fairly to all citizens, and provides for the continuity of the administrative system. OECD countries have approached this issue by establishing several special provisions for the management of senior civil servants. These include contract-based appointments for heads of agencies; a strong review mechanism to ensure that the appointments and dismissals of senior civil servants are based on merit and follow due process; a distinctive performance appraisal system that emphasizes the agency’s corporate objectives; a more competitive pay and greater use of performance pay; and an emphasis on leadership. In the last 20 years, nearly every Member established special rules for senior civil servants and to some extent separate management for such a corps (usually one to five hundred positions) with requirements focusing less on sectorial specifics, and more on...
leadership and management in a digital and transnational environment. Usually, those recruited undergo constant professional development and are managed by objectives, via fixed-term appointments with mobility chances aimed at varied careers across local and EU institutions, or the corporate sector.\textsuperscript{xvi}

13. \textbf{Accountability needs to be accompanied with an emphasis on professionalism and merit.} Political selections that ignore merit, the fast promotion of obedient and politically privileged servants, and the tendency to better motivate politically-selected people in the high managerial positions of the civil service (regardless of their competences, results and responsibilities) send a negative motivational message to other civil servants. The professionalization and de-politicization of the senior civil service has been a core element of the EU reform efforts in new Member States and candidate states. However, despite significant EU efforts, problems with the professionalization of the civil service have persisted.\textsuperscript{xvii}
Overview of Developments in Croatia

14. Croatia has made impressive progress in state building since achieving independence in 1991. After the tragic and destructive conflict of the 1990s, Croatia has made remarkable progress in developing a liberal democracy and market economy, achieving the status of an upper-middle-income country in less than three decades (according to World Bank classification). Croatia’s accession to the European Union (EU) was a strong force driving the modernization of the state, democratization and good governance. The country applied for EU membership in 2003, and the European Council granted it candidate country status in mid-2004. The process required fundamental adjustments to European governance principles and standards, as well as strengthening administrative capacities and promoting decentralization and the central role of local and regional government for the successful implementation of the “acquis communautaire” within a relatively short period of time.\(^1\)

15. Public administration reform has been a core element of Croatia’s EU accession framework. The country started its first public administration reform in 2000, (marked by the revision of the Constitution) to begin the public administration modernization and decentralization process, building on two principles: (i) the new public management doctrine and (ii) good governance\(^2\). The country needed to address the major reforms in the following areas, which also became a priority within the EU accession framework: subsidiarity and decentralization; anti-corruption; quality of public services; horizontal coordination and digitization of the administration; and, entrepreneurship, competitiveness and market orientation. Proactive and coordinated efforts among the different ministries/institutions were seen to comply with the EU standards and implement legal and administrative reforms.

16. The effectiveness of structural and policy reforms during the EU accession period was however challenged by the rigid political and administrative systems inherited from the past. While Croatia, unlike other Balkan countries, rapidly reached an impressive level of economic development, the Croatian administrative system is still described as an authoritarian political system, with a centralized administration and social culture inherited from the past, as well as having low levels of expertise and professionalism (Liviu et al., 2010). In fact, in the 1990s, the country prioritized the restoration of political stability and focused on peace building and economic development processes rather than on institutional and governance reforms. The reform processes that required strong political leadership, effective decision-making and consensus appear to have faced significant resistance from key influential political actors (Kopric, 2004). In addition, the public administration, influenced by the past authoritarian political system, was pressed for drastic changes in the democratization process but demonstrated rigidity to changes. The policy-based administration and evidence-based decision-making culture did not exist. The administration was considered to merely be the executive mechanism which blindly implements political decisions (Kopric, 2004). Thus, the rigidity of public institutions and the strong political influences present seemed to act as bottlenecks in the reform process.

17. In 2008, the Government of Croatia (GOC) adopted the public administration reform strategy for the period of 2008-2011 as the first policy framework in the country. The objectives of the reform were to: (i) increase the efficiency of the public administration, (ii) improve the quality of public services, (iii) strengthen the rule of law, (iv) strengthen citizen engagement, (v) increase ethics in the public administration and promote anti-corruption, and (vi) use information-communication

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\(^1\) Croatia: administrative reform and regional development in the context of EU accession, Adrian Liviu Ivan et al, 2010

\(^2\) Priority areas in reforming governance and public administration in Croatia, Ivan Kopric, 2004
technologies (ICT) to modernize the public administration. The objectives were set based on an assessment of the situation which found issues arising as a result of: the oversized public sector and high employment cost, inefficient public services and a complex bureaucracy, and the weak professionalism and capacities of public servants.

18. **Following the EU accession in July 2013, the momentum and political commitment for the public administration reform (PAR) have declined and the reform process has decelerated.** Gaining EU membership and the subsequent adoption of the *acquis communautaires* resulted in fundamental institutional and legal changes. Croatia’s accession to the EU also raised demands and expectations for better public services delivery, and for enhanced strategic public sector interventions to support private sector investments and growth. However, while the EU pressed for continued reforms, resulting in the Parliament’s adoption of the current Public Administration Development Strategy 2015-2020 (PADSt) in mid-2015viii, the momentum and commitment for reforms appears to have been lost significantly. Political leadership after the EU accession was delegated from the Prime Minister to the Minister of Public Administration – the relatively new ministry created during the EU accession period. The new strategy adopted focuses on the same priority reform areas as before: (i) public service provision, (ii) human resources management in public administration, (iii) public administration system at central and local and regional self-government levels), and (iv) strategic implementation management. It explains that most reforms remain largely unimplemented.

19. **According to the Systematic Country Diagnostic (SCD) of the World Bank (2018), policy reform has been limited by the capacity and commitment of key actors to cooperate and coordinate their actions to achieve socially desirable goals.** Commitment challenges reflect gaps in capacity and volatility in announcing and implementing policies. Coordination challenges include the fragmentation of governance which results in silo effects, a lack of coherence, and confusion about the common goals. Finally, cooperation challenges signal opting-out from delivery of public services and over-usage of common pooled goods.

20. **Changes in government and divergence between short-term strategies and long-term policy goals reflect commitment problems and reduce the sustainability of the policy framework.** As external developments require the Government to adapt to new circumstances in a limited time, the lack of commitment to long-term policy goals reduces the coherent adoption of policy reforms. Consequently, although short-term strategies are frequently prepared, their implementation is systematically delayed. For instance, the country-specific recommendations, published by the European Commission on an annual basis, have identified the same set of policy recommendations for multiple years, but their progress has been limited.

21. **The politicization of administrative processes and the large footprint of the state in the real sector exacerbate the negative impact of frequent changes in policy.** Since 2008, Croatia has experienced multiple government reshufflings which, beyond Cabinet level changes, have also resulted in many changes at the lower levels of government. These changes have hindered the ability to sustain the commitment to, and implementation of, policy reforms as well as reducing the accumulation of experience within the public administration. This uncertainty and frequent changes also reduce the authorities’ ability to exercise their oversight functions in the large State-Owned Enterprises (SOEs) sector.

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3 SCD, World Bank, 2018
22. Insufficient coordination and cooperation between different parts of the policy apparatus and between national and sub-national levels lead to an incoherent policy framework and endanger the public administration’s ability to reduce contradictions between different elements of the reform agenda. Policy reforms often lack broad support from divergent interest groups, resulting in change processes often being driven by individuals rather than institutions. This leads to high volatility in times fraught with limited political leadership and a lack of political momentum for reforms.

23. The fragmentation of local government units (LGU), in a context of low capacity, poses challenges in terms of the cost, quality, effectiveness and sustainability of services delivery. LGUs are characterized by a relatively low average population with significant variance in density and are heterogeneous in terms of administrative capacity. In many cases small municipalities are competing with those in large cities, which provide most decentralized public services, undermining the rationale for local government structures. As a result, their spending structure is dominated by wages and operational costs, with little room for investment spending, and they have limited revenue resources of their own. This situation is compounded by their reliance on transfers from the fiscal equalization system, which reduces incentive for LGUs to increase their tax base or service delivery efficiency. Their financial linkages with local government-owned utility companies result in increased fragmentation and fiscal risks. All these latter aspects are also to be coordinated and should taken into consideration through discussions with the Ministry of Finance and other stakeholders.

24. As a result, Croatia’s public sector performance remains low. The recent EUPACK review, places Croatia at near the bottom in rankings on public administration capacity and measures of governance and service delivery (Figure 3). Croatia has the lowest recorded performance out of the EU10, suggesting there is a low return and high costs (Table 1)⁴.

Figure 3. Overall assessment of PA capacity and performance of the EU Members (EUPACK, 2018)

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⁴ See Policy Note Macroeconomic stability, fiscal policy and taxation for details.
Table 1. Public Sector Performance 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Administrative</th>
<th>Education</th>
<th>Health</th>
<th>Public Infrastructure</th>
<th>Distribution</th>
<th>Stability</th>
<th>Economic Performance</th>
<th>Overall Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>0.77</td>
<td>0.99</td>
<td>0.87</td>
<td>0.85</td>
<td>1.01</td>
<td>3.50</td>
<td>1.48</td>
<td>1.35</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0.64</td>
<td>0.57</td>
<td>1.11</td>
<td>0.53</td>
<td>1.08</td>
<td>1.00</td>
<td>1.18</td>
<td>1.01</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0.75</td>
<td>0.87</td>
<td>0.80</td>
<td>0.85</td>
<td>1.08</td>
<td>1.32</td>
<td>0.96</td>
<td>0.96</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.78</td>
<td>1.01</td>
<td>1.37</td>
<td>0.92</td>
<td>1.09</td>
<td>0.63</td>
<td>0.80</td>
<td>0.94</td>
</tr>
<tr>
<td>Estonia</td>
<td>1.01</td>
<td>1.03</td>
<td>1.16</td>
<td>1.08</td>
<td>0.98</td>
<td>0.40</td>
<td>0.79</td>
<td>0.92</td>
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<tr>
<td>Romania</td>
<td>0.73</td>
<td>0.64</td>
<td>0.67</td>
<td>0.67</td>
<td>0.95</td>
<td>0.91</td>
<td>1.29</td>
<td>0.87</td>
</tr>
<tr>
<td>Hungary</td>
<td>0.77</td>
<td>0.94</td>
<td>0.93</td>
<td>0.91</td>
<td>1.03</td>
<td>0.71</td>
<td>0.86</td>
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<tr>
<td>Bulgaria</td>
<td>0.75</td>
<td>0.89</td>
<td>0.71</td>
<td>0.73</td>
<td>0.95</td>
<td>0.98</td>
<td>0.95</td>
<td>0.95</td>
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<tr>
<td>Lithuania</td>
<td>0.83</td>
<td>0.54</td>
<td>0.83</td>
<td>0.99</td>
<td>0.89</td>
<td>0.50</td>
<td>0.67</td>
<td>0.84</td>
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<tr>
<td>Latvia</td>
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<td>0.86</td>
<td>0.86</td>
<td>0.93</td>
<td>0.21</td>
<td>0.48</td>
<td>0.73</td>
</tr>
<tr>
<td>Croatia</td>
<td>0.58</td>
<td>0.92</td>
<td>0.86</td>
<td>0.95</td>
<td>1.09</td>
<td>0.36</td>
<td>0.35</td>
<td>0.72</td>
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<tr>
<td>Average EU10</td>
<td>0.80</td>
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<td>0.93</td>
<td>0.89</td>
<td>0.99</td>
<td>0.74</td>
<td>0.93</td>
<td>0.89</td>
</tr>
</tbody>
</table>

Source: World Bank staff calculation

25. The low and stagnant governance scores (compared to high-income EU countries) of the past 10 years are a cause of concern (Figure 4) and public trust in government remains low (Figure 5 and 6). Becoming a high-income country in 2018, Croatia significantly lags any other high-income countries and scores the worst in the EU for regulatory quality, and among the worst in other key indicators. Similarly, the Eurobarometer indicates Croatia has a low score in public trust in government. Figure 4 shows the correlation between trust in government (1: low to 7: high) and public sector performance, measured by the different indicators of the Global Competitiveness Index (Figure 7). These are aspects that go beyond the control of the Public Administration sphere, but that ought to be taken into consideration when developing policies aiming to optimize the efficiency and effectiveness of the public sector as a whole.

Figure 4: Worldwide Governance Indicators  
Figure 5: Correlation between trust in for high income countries and Croatia 2007 and 2017 government and public sector performance

Source: Worldwide Governance Indicators  
Source: Comparative overview of PA characteristics and performance in EU28
26. The SCD calls for enhancing public sector performance for sustainable growth and inclusion. The weak performance of the public sector increases inefficiencies and the administrative burdens inhibiting private sector development. The Global Competitive Index Pillar I, which measures the enabling environment at the institutional level (Figure 7), shows that Croatia score low on measures of transparency, public sector performance and checks and balance compared with the best performers in the world. The SCD stresses the importance of addressing Croatia’s institutional weaknesses to achieve the country’s prospects for enhanced strategic public sector interventions to support private sector investments and growth and reinvigorating sustainable and inclusive economic growth.

27. The public administration reform should be placed at the core of the policy reform agenda to strengthen the accountability, efficiency and modernization levels of the administration. Failures to address shortcomings in the governance structure impair public perceptions, limit the quality of, and satisfaction with, public service delivery, and contribute to the high emigration rates of skilled workers. Over the medium and long term, this gap in implementation and expectations will endanger fiscal, social and environmental sustainability. While authorities acknowledge the importance of an ambitious reform program to enhance public performance, progress has been limited. Moreover, political cycles bring deep changes to civil services which are disruptive for projects and long-term initiatives, thus weakening (rather than strengthening) state systems and institutions. Reforms are needed to address the rigid organizational structures, overlapping functions, politicization of civil service, poor
coordination, unclear accountability lines, and fragmented and unsustainable subnational government structures. Further investments into the monitoring and evaluation of government programs would be key to ensure a better design of evidence-based policies and strengthen the effectiveness of policy actions. Examples of measures supporting this priority include: the professionalization of managerial cadres and the introduction of performance-based management practices; the reviewing of functions across the public administration and the identification of measures to rationalize ministerial structures, agencies and local governments; and the strengthening of institutional capacity for monitoring, policy design, service delivery, financing and management.

Box 1. Public Administration Reform in Singapore

After achieving independence from the Malaysian Federation in 1965, Singapore (recording a population of 5.6 million in 2017) set social and economic growth as a clear development goal, started rationalizing the public administration and pursued major public administration reforms in the 1980s to improve the public sector’s capabilities and deliver high quality services under the leadership of the Prime Minister. The reform clearly focused on three areas: the budgetary reform, merit-based management and anti-corruption, and defined principles and consequential practices which constituted the core of Singapore’s public sector reform:

1. strong political will and example of political leaders and public servants in terms of integrity and honesty (through strict adherence to a code of conduct);
2. constant reinventing of the way the Government does its business in response to external challenges;
3. meritocracy and equal opportunities for all in terms of open and fair recruitment and selection based on educational qualifications and relevant experience;
4. effective performance appraisal;
5. market rates for civil servants based on regular pay comparator surveys which benchmark pay with the private sector, disaggregated by jobs;
6. continual learning by doing and through constant review and improvement;
7. determination to make and implement difficult decisions.

The most recent initiative has been the introduction of the Public Service for the 21st century (PS21), a program that aims to create a culture within the Civil Service that welcomes continuous change for greater efficiency and effectiveness. The three-fold challenge in PS21 was described as (i) anticipating the future with scenario-based strategic planning; (ii) fostering positive attitudes among staff towards a continuous change; and (iii) executing change as effectively and efficiently as possible.

The results have been remarkable as quickly becoming one of the top performers in terms of economic growth, governance (3rd highest in the world in the corruption perceptions index by Transparency International, 2018), and human capital (World champion in the World Bank Human Capital Index in 2018).

5 The reform of the Public Administration in Singapore – a model to follow in Italy? December 2013, Ballatore Benedetto Francesco, MPRA Paper No. 52685
3 Assessment of main developmental challenges and opportunities

28. The following sections provides an assessment of challenges and opportunities in the areas agreed with the MPA in July 2018: (1) the policy framework for PA modernization and its management; (2) the improvement of service delivery processes, (3) the organization of the PA, and (4) the management of human resources.

3.1 Policy framework for public administration and management

29. The Public Administration Development Strategy (PADSt) 2015-2020 and the e-Croatia Strategy (eCSt) 2017-2020 provide the overarching policy frameworks for public administration reform. PADSt is a continuation of the previous PAR strategy 2008-2010 and is supported by an Action Plan (AP2) for the period of 2017-2020. Building on the assessments, it defines three priorities: (i) building an effective public administration, (ii) the depoliticization and effective management of human resources, and (iii) the digitization of public administration (Figure 6). The strategy aims at achieving a set of objectives, namely: the rationalization of the bloated and complex administration at the central and regional/local levels, the improvement of the quality of public services through the improved process, management and digitisation, and improvement of human resources management (HRM) and the remuneration system. These objectives were however identified as priorities during the EU accession period in early 2000’s, and it remains the same today. Building on PADSt focusing on the digital development, eCSt 2017-2020 was also developed as the new policy framework for digital development with a citizen centric approach and includes an Action Plan with 126 projects.

30. The weak linkage between national strategic planning and PADSt limits policy coherence and reform implementation. Since joining the EU in 2013, Croatia’s strategic planning capacity has increased substantially, due in part to the learning that took place during the accession period, as well as to Croatia’s inclusion in the EU strategic planning exercise organized within the framework of the European Semester. The general challenge today is that, while the national strategic planning led by the Ministry of Regional Development and EU funds (MRDEU) provides strategic guidance for the country’s development and growth (in which the public administration plays a key role in implementation), PADSt does not provide a clear linkage with the National Development Strategy (NDS). In addition, though cross-cutting issues such as decentralization require strong coordination and the actions of several ministries and institutions at the different levels, such implementation mechanisms are not well defined, and a sequence of actions is often missing (i.e. a decentralization policy is yet to be put in place before proceeding with the administrative changes). Weak policy coherence have caused delays in the reform’s implementation. Considering the need for proper sequencing and follow-up to normative measures, it is unlikely that the AP2 and eCSt AP will be fulfilled by 2020. The end of the current PADSt will be a good opportunity to assess the progresses, challenges and failures for each area, and to learn lessons for the next generation of PADSt. The new PADSt will need to: (i) be more

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6 Sustainable Governance Indicators, Croatia Report, Bertelsmann-Shiftung, 2017
in line with the country’s development focus in the National Development Strategy 2030 under preparation, to build the robust and effective institutional framework, capacities and systems so as to enable a more focused approach to the implementation of the NDS, and (ii) create a strategic and coherent implementation mechanism within the government, beyond the mandate of one ministry (MPA).

31. **The establishment of the new strategic planning system represents an opportunity to increase overall coherence in policy management.** In responds to issues affecting national and regional planning (e.g., unclear coordination responsibilities, lack of correlation between the numerous planning documents, absence of a systemic approach to manage various government policy commitments, etc.) a strategic planning system was formally designed. A law on the strategic planning system was approved in December 2017, followed by the Government’s decision to provide methodological guidance on the new arrangements for strategic planning. The responsibilities for the overall coordination of the SP system were assigned to MRDEUF, with a clear hierarchy of strategic planning within the government. The NDS will comprise the main national development strategy for the following 5 to 9 years, the action and implementation programs for the medium and short term, and a results framework with a cascading approach to measure the results achieved at the different levels. The pilot phase of the new planning system, focusing first on the preparation of a medium-term plan and subsequently, on the implementation program for one sector, will allow the government to learn lessons and adjust it in order to ensure the coherent planning and implementation.

32. **The PADSt and AP2 are neither performance-oriented nor clearly linked with the fiscal planning and program budgeting.** While the e-CSSt and its action plan provide performance-indicators with a clear timeline for implementation, many measures listed in the PADSt are mainly outputs (such as the type of documents to be produced) but do not list the expected results and outcomes. Similarly, AP2 provides output indicators but not performance-indicators. This output-based measurement and management approach is one of the factors contributing to the PAR’s limited impacts. The PAR agenda and its performance management framework need to be linked with the system of impact and outcome indicators that is now being introduced through the new Strategic Planning System. In addition, the results indicators are not necessarily linked with the fiscal framework. The link between the policy commitments, concrete measures and the budget framework remains a challenge and is to be addressed through the new institutional Implementation Programs that MoF is coordinating and which will replace the previous strategic plans. The results framework also needs to be linked with the MTEF and program budgeting. For instance, efforts to resize the public administration and contain the wage bill require a strategic workforce and skills plan, and the redeployment of staff to better align with the programs specified in the program budget.

33. **Public sector modernization will require stronger policy coordination and leadership from the central government.** In the first phase of PADSt, during the EU accession period, the reform process was expected to take place under the leadership of the Prime Minister (PM), even though the steering mechanism was never established. Later, although the AP2 also envisaged the Prime Minister’s office to be part of the steering mechanism, in practice the leadership for reform implementation and government coordination was performed by the Minister of PA. As public administration reform

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7 Law on a System for the Strategic Planning and Managing of the Development Of The Republic Of Croatia, NN 123/2017, December 12
8 A comprehensive Library of Indicators including 1058 indicators on 17 policy areas (355 impact indicators and 703 outcome indicators) was prepared in 2018 by MRDEUF with World Bank assistance to support the Strategic planning system
requires the strong political leadership of the central government, particularly for sensitive matters such as civil service reform or the restructuring of the administration, the rearrangement of the leadership and coordination mechanisms will be key to advance the critical reform agenda. In most EU member states\(^9\) and OECD countries, either the Prime Minister’s Office (or equivalent) leads the PAR (UK, Japan, France, Singapore – Box 1) or the Ministry of Public Administration or Finance (or equivalent) leads the PAR with a strong mandate and significant support from the highest authority.

34. **At the operational level, while AP2 defines detailed implementation mechanisms, most of them have not been operationalized. Going forward, a robust operational and M&E system for enhancing accountability will be essential.** While the AP2 envisaged the operational mechanism including one working group (WG) for each priority area, most mechanisms are not operational. While the purpose of this implementation arrangement was to ensure the coherence of operations, the eCSt created a separate structure, called “the e-Croatia Administration and National Council on IT Infrastructure”, and appears to use the new government Office for Promoting an Information Society (OPIS) as a secretariat. This has created confusion regarding who is responsible for the implementation of the e-government policy. Going forward, it is essential to anchor the reform processes in a permanent structure (i.e. the MPA’s Service) that can support it, with strong support from the Prime Minister’s office and a robust national M&E system to monitor the reform progress and increase accountability for the use of domestic resources and external financing support (such as the EU funding programs).

35. **The Ministry of PA could play a stronger role in coordinating access to EU funding.** AP2 was tailored to meet the financing criteria for the EU funding mechanisms (such as the Structural Reform Support Program (SRSP) and the European Structural and Investment Funds (ESIF)), particularly the windows of Thematic Objective 2 (TO2) on ICT and TO11 on public administration financing criteria. Though they offer an opportunity to enhance the country’s ownership and coordinate efforts for PAR, which most of EU member states leverage, the MPA has a limited role in coordinating with and/or facilitating other ministries/institutions for an access to ESIF. This is partly due to the weak political position within the government, and partly due to their limited operational and administrative capacities. There are greater needs for reassessment of the role of MPA, potentially involvement of other ministries such as the ministry of finance and the MRDEU, to leverage access to the external funding, and strengthening an accountability mechanism for its use and the result to be produced.

### 3.2 Service Delivery Processes

36. **Improving the access, efficiency, and quality of administrative services through e-government is a priority for the Croatian government and an area of consensus across several political stakeholders.** The e-Croatia Strategy 2017-2020 (eCSt) lays out an ambitious vision of digital government, aiming to (a) improve the efficiency of the public administration to deliver priority services to businesses and citizens by increasing speed and reducing costs; (b) improve transparency and reduce risks for corruption by reducing the levels of discretion in the interaction between government officials and users; and (c) generate savings to the government by reducing the resources and personnel engaged to deliver services. Much of AP2 also focuses on the machinery for the delivery of administrative services. The plan covers user-focused quality management (QM)\(^\text{xx} \) and identifies tools to optimize delivery processes through systematic mapping\(^\text{xxi} \) and simplification.\(^\text{xxi} \) It plans to have single access

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\(^9\) A comparative overview of Public Administration Characteristics and Performance in EU28, November 2017, European Commission
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points as counter services\textsuperscript{xxii} and online portals for citizens and businesses\textsuperscript{xxiii} supported by full interoperability.\textsuperscript{xxiv} It gives e-government a central position, striving for the ‘digital by default’ and ‘once only’ principles agreed at EU level. However, the overall design displays some difficulties in developing and connecting these elements, resulting in the MPA having limited leverage to achieve policy implementation across institutions.

37. **Croatia has also made impressive progress in some areas of digital government.** The legal framework for e-government was strengthened with the passage of the law on electronic identification in 2017 (OJ 62/17). The e-Citizen platform was launched in 2014, and an increasing number of priority services have been provided on-line. Citizen’s demand for e-services is also high, with 66 percent of Croatians having submitted a form online, compared to the 58 percent EU average. The city of Zagreb has also improved services by establishing a one-stop-shop that integrates the functions of 11 deconcentrated offices of the city administration. Croatia has done particularly well in the provision of eHealth services, ranking 10\textsuperscript{th} in the EU, with the Central Health Care Information System in Croatia (CEZIH) providing an integrated platform for a large number of primary and tertiary care health facilities, and the use of e-prescriptions, e-referrals and telemedicine services. Croatia has been creating preconditions for the establishment of the Digital Single Market by developing interoperable transfrontier services which can be accessed through single sign-on (https://europe.gov.hr/en). In 2017, an eIDAS node was established, which enabled EU citizens to sign in to our services with their national credentials. It is one of the series of steps towards the Digital Single Market. In 2018, the Ministry of Public Administration successfully completed the process of eIDAS notification of NIAS and the selected credential eID - Electronic Personal Identity Card, thus enabling Croatian citizens to use services in other EU Member States with national credentials.

38. **Croatia however, lags EU countries (and other countries at similar levels of development) on a variety of e-government and online service measures.** The Digital Adoption Index Government (DAI-Gov), developed by the World Bank for the World Development Report 2016, is a measure of the strength of these information systems within the government. The DAI has three components: digital identification systems as core platforms for interoperability; core administrative systems to automate and streamline government activities; and on-line services for businesses and citizens. The Index rises in value with country incomes, and Croatia’s level of digitization, although at the expected level given its income, is well below that of other EU and OECD countries (Figure 8).
Croatia also ranks towards the bottom of the EU Digital Economy and Society Index (DESI) on digital public services (Figure 9) and on the share of e-government users (Figure 9). Unsurprisingly, citizens are generally unsatisfied with the quality of services, as measured by the Eurobarometer survey.
Advancing digital services will require addressing both technical and institutional challenges. Internet and broadband connectivity have improved, with the percentage of households with broadband connection increasing from 50 percent in 2010 to 75 percent in 2017, and are now only slightly below the EU average of 82 percent. However, the quality of this connectivity is low, with slow speeds and relatively high prices. A bigger challenge is the lack of interoperability and integration of services. The eCroatia strategy and Action Plan recognize this problem and aim to improve interoperability through the creation of a Shared Service Centre in the cloud which would coordinate and manage all digital applications of government institutions. The strategy emphasizes infrastructure improvements (security and ID, including elements allowing EU-wide services), and interoperability, including shared ICT services (including a main project to cover e-signature and e-stamp, as well as e-payments), data exchange (140+ agreements with institutions) and online portals (e-Citizens, already operational since 2014, as well as special arrangements for G2B services meant to operate from 2019). This environment, which the e-Croatia Administration implements mostly through the public enterprises APIS IT and FINA, is meant to nurture the development of applications by institutions in all sectors of the public administration that are hosted on the portal.

Croatia is also lagging behind the region in the integrated provision of services through physical access points like citizen service centers, which is a key need given that a major portion of the population, (such as the poor, less educated, and the elderly) may not have the capacity to access online services. Aside from the one-stop shop in Zagreb, attempts to provide integrated delivery in other municipalities have not progressed, largely for political reasons. The AP2 outlines a plan for establishing single points of access based on counter services, using offices of state administration, which function at the county level with additional 91 deconcentrated offices in the number of towns.

Achieving the full potential of digital technologies also requires significant investments in the “analog complements.” The digitalization of services should be preceded by the reengineering of business processes to simplify regulatory and administrative requirements for the delivery of services so that inefficient procedures are not fully digitized. Simplifying business processes for a variety of administrative services is an urgent need for Croatia; however, the MPA’s e-Croatia Administration
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has focused on this priority area, and business process analysis is being handled largely by ICT contractors, who are not well placed to recommend these often difficult institutional and organizational reforms. Process simplification measures rely partly on the General Administrative Procedure Act (GAPA), which sets time limits for service decisions and regulates the ‘once only’ principle, offering a general basis for simplification. The service in charge (in MPA’s civil registers sector) compiled a catalogue of sectorial procedures, and monitors practice via a new electronic system. It is however too small to direct extensive reviews, which AP2 means to extend beyond GAPA compliance and into the elimination of unjustified burdens. Assistance is planned by the QM project, which will have also had bottom-up activities requiring each institution to map and improve their processes, as part of improvement cycles.

42. **There is also weakness in the institutional coordination of digital government.** The e-Croatia Administration focuses mostly on providing the above-mentioned horizontal modules, and extends to specific functionalities only in relation to other services that are part of MPA’s own mandate (mostly G2G applications). Its activities for the digitalization of processes in the public administration therefore, do not connect to the work of other parts of the Ministry, which have the responsibility to set standards for their optimization. The two aspects are treated, organized and implemented as separate priorities, which limits mutual synergies.

43. **Finally, greater attention should be given to the needs of the users (citizens and businesses) in prioritizing which services to be delivered on-line or though physical access points.** The MPA had made a promising start while drafting the eCSt, by conducting a users’ survey to see which online services citizens wanted the most. However, such systematic needs-assessments have not been incorporated in the strategy’s action plan.

### 3.3 Organization of the PA

44. **A major challenge in the Croatian public administration has been the bloated, fragmented and inefficient administration structure inherited from the past.** For several years the EU has raised three areas of concerns: (i) an overgrown system of state agencies in need of streamlining (ii) the overlapping of the central and local administrations’ functions, and (iii) the lack of capacities in local governments to undertake responsibilities for the constitutional decentralization of public services. Croatia is a unitary state (Constitution, Art. 1) with three governance levels: national, territorial (20 counties and the city of Zagreb) and local levels (428 municipalities and 128 cities, 17 of which have the special status of large cities). The total number of local governments is 576 (counties included). The Croatian capital - the City of Zagreb (790,017 inhabitants) - has a special status, having the competences of both the town and the county, and – unlike other local governments – plays a significant role in performing delegated state administrative tasks on its territory.\(^{10}\)

45. **Despite the revision of the Constitution in 2000 that transferred several public service responsibilities to local governments, the public administration structure and management remain highly centralized.** The public employment is highly concentrated at the central administration - the central government employs 87 percent of the total public servants (about 276,000 employees), while the local government employs only 13 percent (41,000 employees) (2015). Most decisions are made at the central level and the implementation of central policies is under the full control of ministries and

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\(^{10}\) Public Administration Characteristics and Performance in EU18: Croatia, April 2018, European Commission
Local governments are generally a weakly positioned in relation to the central bodies, despite the constitutionally-recognized status of local self-government and the existence of some mechanisms of legal protection. At the central level, the State Administration Act lists 20 ministries, five central state offices, and seven state administrative organizations. Acknowledging the large size of the central government compared to other EU member countries, as well as its overlapping functions and inefficiencies, the MPA recently announced the preparation of amendments to the law on the public administration system and law on public establishments to set clear criteria on the formation of new institutions and improve their governance and accountability. xxviii Also, since the beginning of 2019, two dozen of agencies have been dissolved or merged with ministries and other public bodies xxix within a broader list of 54 public bodies.

46. The fragmented administration at the decentralized levels is constrained by limited financial and HR resources combined with low capacities and presents a costly model. Half of the territorial (communities comprised of 21 counties) have less than 50,000 inhabitants, and 282 out of 556 cities or municipalities have less than 3000 inhabitants. This is not uncommon, as most Europeans live in countries where the average municipality size is smaller than Croatia’s. The difference is in the administrative capacity and disparities in service provision among the counties and municipalities due to the structural issues in public resource distributions and public expenditure management. The fiscal and HR decentralization from the central to territorial or local governments has not advanced since the revision of the Constitution. Meanwhile, public expenditures in the local governments have gradually increased to 25 percent of total government expenditures, mostly financed by the central budget, and yet the employees of local governments account for only 13 percent of total public employment, which is the lowest percentage in continental EU. Functioning administrations are mostly found in the 34 larger towns, where staff recruitment is easier. The current model of regional public administration, characterized by a fragmented administration and increasing expenditures, is costly for the country. Also, insufficient human resources with low capacities limit the administrative and service delivery capacities of key sectors.

Figure 11. Average size of basic local government unit, by population

Source: EUPACK data, 2017

47. The central government tends to cope with the decentralization process by focusing on counties as intermediaries for rural administrations, and by subsidizing its decentralized functions. This “partnership” with the central government brings counties closer to the network of Offices of State Administration (OSA) which are the deconcentrated services of the central government under the MPA. On the other hand, the OSA does not function effectively and, after being evolved into some
1,390 offices at multiple locations in various towns over time, became oversized, and may pose a challenge in collaboration with the counties.

48. Going forward, the following challenges and opportunities are essential to consider in the reform process:

- Counties could be strengthened, delegated more responsibilities, and co-located with the Offices of State Administration at county level (this process has already started). The arrangement will strengthen the capacities of staff at the counties’ level and promote the gradual take-over of decisions and inspections on key issues. Creating a single access point to public service will further address the challenges presented by the fragmentation of the deconcentrated presence. However, this cohabitation may risk creating a confusion from the legal perspective as the current draft law does not provide for the integration of local governments with the OSA at the county level. The partial co-location of state offices at the county level can be experimental to test what additional public services could be decentralized to the intermediate level of elected government to facilitate services for citizens. However, the issue of high costs will remain if the other deconcentrated services (affiliated to the different ministries or agencies from the MPA) are excluded from this arrangement. A challenge will therefore be the need to strengthen the OSA as the focal point for merging deconcentrated branch offices of other ministries and agencies –focus on service delivery to citizens, clear visibility in local institutional space, integrated leadership, better coordination and command lines, overhead savings, and overall improvement of professional standards.

- At the cities’ and municipalities’ levels, the main development in 2017 was the adoption of the legislation on the simplification of local government financing. In regard to fiscal transfers, it shares the full personal income tax between them and the counties, both directly and through the equalization fund set up to reduce local fiscal capacity disparities. Regarding ‘own revenues’, initial proposals for a new local property tax were withdrawn due to widespread opposition, though they may be revisited in the future. Overall, the reform was largely budget-neutral and did not significantly change the cities’ and municipalities’ capacity to take over more of their constitutional responsibilities.

- Delivering the constitutional promise of decentralization requires improving local administrations’ performance, which is particularly low in the many smaller cities and cities/municipalities. Reasons include severe underfunding, as well as higher running costs and a difficulty in recruiting the talents needed to set and implement policy. Simple solutions based on the compulsory amalgamation of elected local authorities have, however, high political costs, which proved to be a significant disincentive in other EU Members. The current AP2 does not provide a full alternative, and finding the right approach is one of the main challenges of the next planning period.

- The financial support for territorial cooperation, obtained through EU funding, especially the ERDF or an increase in revenues through enhanced tax-base (e.g. property tax) can directly alleviate the fiscal burdens of territorial fragmentation and provide an opportunity to increase the capacity and performance of the smaller counties, cities, and municipalities.
3.4 Human resources

49. **Croatia has strong legal provisions to ensure merit and security of tenure for employees in the public administration.** The personnel in Croatia’s public administration accounts for approximately a quarter of general government employment. Almost all the employees of the central public administration are civil servants, and therefore have specific legal rights and obligations (as specified in the 2005 Law on State Servants), which provides a degree of formal legal protection that makes Croatia an outlier compared to other European countries (Figure 12). There are strong provisions in the law for merit-based recruitment and the promotion of civil servants, job security, and high levels of remuneration (that recent studies considered competitive).

**Figure 12. Percentage of Civil Servants in central administration**

Source: Eurostat, 2017

50. **Croatia however, does not rank highly on measures of government effectiveness or professionalization of the civil service, and its rankings have slipped over time.** Croatia’s ranking on the Worldwide Governance Indicators Government Effectiveness Index, the most widely used measure of the public administration’s capability, is in line with what one would expect for countries at similar levels of income (Figure 13). The two Quality of Government Institute (CoGI) measurements of civil service professionalism (taken after the change of policy in 2011) are discussed below and show a decline in the capacity of Croatia’s Civil Service to provide non-political policy advice and convey impartiality in policy implementation (Figure 14). After holding on to honorable mid-range position, within three years the country fell significantly in European rankings, becoming the fourth worst ranked in the Union in 2016.
51. **Part of the explanation for this disappointing level of professionalization is a dearth of skilled staff.** Only 46 percent of civil service positions require tertiary education, which is an unusually low educational requirement cross-nationally. While this low requirement is partly due to several types of law enforcement personnel having civil service status, the share of civil service jobs not requiring higher qualifications is high in most institutions. This suggests that as incumbents retire, MPA might want to consider encouraging institutions (besides law enforcement) to raise educational requirements for junior civil service positions. Additionally, the civil service reform of 2001 significantly widened the ‘civil servants’ category to encompass several groups that were previously classified as “employees”. Employees working on “information technology, general and clerical, planning, material-financial, accounting, and similar tasks” are thus a category which may be treated differently in the future, probably under a more “normalized” legal regime.

52. **More fundamentally, it reflects weaknesses in human resource management and increasing levels of politicization.** Human resource management in Croatia is the responsibility of the respective
ministries, agencies, and local governments, with limited oversight from MPA’s Civil Service Administration, which often results in a divergence between actual practice and what was in theory stipulated by the law. While there is a tradition of merit-based recruitment in the civil service (through an open, publicly-announced competition), the absence of a competency framework for core positions hurts the ability to select candidates with specific skills for specific jobs. There has also been a trend towards the increasing politicization of senior civil service positions since 2011, with amendments to the civil servants’ law to allow for politically appointed advisors to minister which resulted in a large number of political appointments for managerial positions.

53. **The senior civil service also has weak leadership skills.** The civil service system has no special conditions for top managers, and it does not incentivize them to drive organizational performance. Goal-setting and competency-based management systems are largely absent in organizational and human resource management. Weak management is also reflected in the dysfunctionality of the individual performance appraisal system and the absence of systematic performance conversations to motivate staff towards the achievement of organizational objectives.

54. **Recognizing these weaknesses in human resource management, the AP2 lays out the following reform priorities:**

- Simplifying the mechanical aspects of HRM with central ICT-based services (e.g. centralized online vacancies and submission of applications as well as testing platforms, online performance appraisal) and facilitating data sharing amongst administrations (e.g. re-usability without new testing of candidates that were successful but not appointed, possibly facilitation of internal transfers). It is unclear whether these systems will be separate from, or integrated within, the existing Registry of Public Servants (which however has a broader scope, and is mostly geared towards wage bill control) as well as systems for budgeting and planning;

- Advancing the central oversight role of MPA’s Department for Civil Service, which (as the authority managing the central ICT application(s)) would be able to establish ICT-assisted controls (e.g. supporting the secrecy of automated testing or limiting top appraisal marks below the current 30%) and exert real-time oversight. Incidentally, this could also considerably reduce reliance on the Ministry’s administrative inspectors in the employment area, thereby freeing resources (currently planned to be increased) to contribute to oversight and assistance in other areas, including in relation to local government;

- Creating space for the development of a competency-based HRM system, starting from the introduction of a general competency framework (with elements already supported by past work e.g. on ethics and integrity) along with sectorial ones. This would be followed by cascading implications throughout the system, from job classification into recruitment and selection, performance management and pay, as well a development and career management. Expectations are particularly high for the National School of PA (NSPA), as the competency framework would provide a basis for training policy, which is currently missing.

55. **The Minister of PA also recently unveiled plans to re-introduce professional assistant-ministers (by 2020) by changing the Law on State Administration.** This reform, however, was not included in AP2, so limited preparations have been made on to plan for its implementation. The assumption is that the positions may fall back to the approach in 2008-2011, still valid for ministerial secretaries and heads of agencies, services and offices of state administration at county level. This implies limited special features, including selection by a central panel for 4-year appointments (matching a government mandate), with limited retention chances upon expiration. Originally, The NSPA also provided some management training, which AP2 aims to re-introduce.
56. By amendments to the Law on State Servants which undergo parliamentary procedure, the state exam will be simplified, and it will be tested before fully rolling it out. The status of state employees will not fall within the scope of the general labor law anymore but will instead be regulated by the Law on State Servants. A new law on salaries has been announced, which will regulate a new remuneration system for state servants and employees and new appraisal and advancement systems.
4 Prioritized Policy Recommendations

This section provides some options and recommendations for reforms in the immediate/short term as well as during the period of NDS implementation.

4.a). Short-Term

The following measures are proposed for objectives deemed achievable within 3 years (or by the end of 2021, the first year of NDS implementation and the new EU assistance cycle). However, as the measures require structural changes, continued reform efforts for sustainability will be likely necessary.

4.a).1. Strengthening the management of Public Administration Modernization (PAM)

Problem: Political instability was overcome, and the implementation process was started, but other factors affect MPA’s performance, including a scope of the PAM framework that exceeds the Ministry’s steering capacity, and the lack of priority-level goals to ensure coordination of the many fragmented institutions. Moreover, the unit responsible to monitor and assist implementation has limited capacity.

Approach: The PAM framework and the leadership mechanism need to be evaluated before proceeding with the NDS and the next generation of PADSt. The past weak performance of PAR in the post-EU accession period clearly indicates a critical need to reorganize the current leadership and implementation mechanisms. The PAM agenda needs to be the highest government priority, supported by a robust government coordination and M&E mechanism at the strategic level in the Prime Minister’s Office, and the MPA as the leading ministry for its implementation, and accountable for the PAM. The PAM framework also needs to be strengthened through the use of performance indicators and synchronized with the program budgeting cycle (as well as the EU funding cycle, where applicable) and clear timelines with targets need to be set. The technical capacities of MPA to coordinate and monitor implementation of all PAM programs should also be strengthened. The systematic monitoring and evaluation of reform progress and impacts, proactive use of public communication and open data, and mobilization of EU resources will be particularly important.

Required actions: The reorganization of the leadership mechanism, particularly the creation of the government coordination and national M&E mechanism at the Prime Minister’s Office, would be a critical action to undertake and needs to be further discussed by the government. The new organization should, at the strategic level, also inevitably involve the MRDEU and Ministry of Finance to support the new NDS and ensure its coherence with the fiscal framework and program budgeting process. As part of the preparation for the new cycle of PAM frameworks, the performance assessment of both PADSt and eCSt will be critical. The preparatory process also needs to ensure a participatory approach and extensive consultation processes with the public to re-shape the PAM framework with a more service delivery oriented, citizen centric and cost-effective approach. As for the unimplemented reforms of the past 10 years, a detailed analysis can be useful to identify bottlenecks including political economy aspects so that the strategy can be revised with the clearer goals in a feasible timeline (e.g. see further proposals on administrative simplification, local government viability, strategic HR). Additionally:

- The results framework for the PAM can include the output and performance indicators and be measured by using publicly available data for baseline and targets. It will allow the government to clearly follow the deliverables (outputs) and impacts (performance) and verify the achieve-
ment of national objectives instead of measuring its achievement within the international comparison parameters as is the case for the eCSt. Since open data systems are a relative strength for Croatia, and the EC recently started considering building its own system of PAM indicators, the 2020 Presidency will be a great opportunity for Croatia to take a lead in developing and rolling it out in the EU Public Administration Network (EUPAN). Promoting this approach will also assist relations with EU institutions within the Semester system and contribute to establishing a culture of evidence-based policy making;

Box 2. Previous work in EUPAN and OECD on PA indicators based on national open data

The comparative analysis on PA performance among the EU countries by using national statistics has not been materialized. Under the Belgian presidency of 2010, the network produced one of the first attempts to acquire PA indicators from national administrative systems. Network representatives scored an inventory of 57 such proposed indicators for utility and feasibility, with 30 assessed positively in both respects (17 more were scored as highly useful but needing development to standardize national data). Just one year before, the OECD (to which Croatia has applied for membership) had launched its Government at a Glance project, which is partly based on the comparison of data obtained from national statistical offices and supreme audit institutions (though to a large extent also on ad hoc surveys taken across national administrations).xliii

- The Service for PA Development Planning, Quality Management & Harmonization with EU Policies (SPADP) in MPA’s Sector for PA Development & EU Projects should focus on monitoring the implementation of the reform programs and indicators, along with related variable tranche indicators for the expected EU Sector Budget Support, and dialogue within the EU Semester System. The clear reporting mechanism and public communication of the progress and results of PAM efforts need to be strengthened. There should also be a clear division of labors and responsibilities in the implementation, M&E and quality management of the PAM framework. For instance, the SPADP should be discharged from projects unrelated to the SPADP’s mission;

Risk management: The main risk is the continuation of PAM “as it is” given its modest track record of reform performances. It is therefore critical to place it under the responsibility of a higher level of leadership and undertake structural changes to turn around its performance.

4.b). Medium-Term (4-7 years)

The following groups of recommended measures concern the objectives deemed achievable within 7 years (i.e. by the end of 2025, in the second half of the next EU assistance cycle). As the measures also require structural changes, continued reform efforts for sustainability will be critical.

4.b).1. Assisting local government viability

Problem – Despite the revision of the Constitution in 2000, which introduced the decentralization of public administration, the current organization is highly centralized with very complex and fragmented local governments and represents the unique characteristics of a spatial-embodied diverse state. The main problem that has yet to be addressed is that most of the decentralized structures are small and do not effectively and efficiently fulfill their constitutional responsibilities for service delivery. This is an area to focus on in the NDS, since their sparsely populated areas comprise an important share of Croatia’s development potential. Although the MPA’s plan to provide a comprehensive solution out of data modelling may facilitate a rational debate in the longer term, it seems to entail limited benefits until structural change is pursued.
**Approach** - The MPA could use the process of analyzing local data to assist small communities in advancing through more limited initiatives, prevalently based on mutual cooperation and building certain institutional links (common institutions, utilities, forums for policy coordination, etc.). A complete and comprehensive analysis of which tasks are carried out in small units is highly recommended, keeping in mind that in cases where capacity is found to be insufficient, remedial measures including amalgamation, various forms of capacity-building activities, and inter-municipal cooperation should be taken. The Law on Local and Regional Self-Government (consolidated text n. 1137/15, as last corrected in 2017) allows (Art. 54) that two or more units of local self-government jointly organize specific tasks from the scope of their responsibilities, including in particular for the preparation of projects on EU funds. Special sectorial legislation also mentions the possibility for local self-government units to establish a joint body, joint administrative department or service, or a joint enterprise.\(^{xliv}\) In this perspective, the MPA could act as broker formulating proposals for joint administration and/or shared services based on general and sectorial capacity benchmarks in the envisaged database. The approach would decrease the number of cases for which harder political solutions may be needed. An example of such a process is given below, though the Croatian version may need to be adapted due to the large number of potential cases:

**Box 3. Monitoring and reviewing municipal viability in Canada**

Alberta is a Canadian Province with a population of 4m and 352 territorial governments of four main types, comprised of two large cities and many much smaller units, several of which have a population of less than 1000 people. The Ministry of Municipal Affairs is responsible for local government restructuring and monitoring of the viability of local governments since 2010 by using an assessment framework of 13 indicators (7 financial and 6 others). If a local government repeatedly falls below the minimum benchmark for multiple indicators, the Ministry can deploy a Viability Review - a process agreed upon by local government associations, in which neighboring municipalities are also involved. It consists of a study on possible improvements that starts with a self-assessment and ends with a ministerial proposal for remedial actions, typically combining financial and inter-municipal cooperation measures. If the local government rejects the proposals and keeps scoring poorly, alternative solutions such as amalgamation can be discussed.\(^{xlv}\)

Inter-municipal cooperation does not touch on local political identities (e.g. elected councils and majors) but allows for the creation of partial common administrations benefitting from economies of scale, overhead savings, and larger staffing pools. Giving the Ministry a proposing role in this respect does not contradict local autonomy,\(^{xlvi}\) but rather aims at by-passing the adverse impact that capacity gaps have on the initial design of inter-communal partnerships. One of the advantages is the variable geometry which can adapt to different conditions. The Ministry can rely on its ability to cooperate with associations of towns and municipalities. Finally, cooperation does not rule out, but rather can serve to prepare for, later amalgamation (if sufficient consensus for it arises). The possibility of voluntary amalgamation was provided for by the amendments to the Law enacted in 2015.

**Required actions** - The proposal also touches on the responsibilities of other portfolios, starting with MoF and MRDEUF because of their budgetary, strategic planning, their implications at the national and regional/local levels and ESIF incentives. The MPA may therefore wish to develop the following elements into a policy proposal for Government-level discussion. If the concept is approved and a joint approach can be established, the main actions would be:

- Establishing an MPA-led team to manage the program; a performance framework with indicators on general capacity and on each area of potential local government activity; and, a monitoring system with protocols for data collection, analysis and discussion. The MPA could build the program around the already proposed database project, although on-site reviews and data analysis would benefit from also drawing on other organizations, including ministries holding
relevant expertise, local government associations and non-government research institutions. It is in MPA’s interest to also mobilize other resources.

- Enabling a larger palette of potential solutions by removing normative limitations and improving incentives to inter-municipal cooperation and amalgamations. In terms of the former, analysis by local government associations shows a fragmented legal framework, which is permissive in some sectors and surprisingly narrow in others. When considering incentives, they also appear to be haphazardly distributed across sectors, exclusively financial (no use of non-financial incentives, e.g. relaxing some legal requirements), and fully based on upfront increases of transfers (whereas incentives usually prove effective if conditional on good performance). Amalgamations should not be neglected, having in mind the relatively long NDP period. The Danish experience shows that having previously established criteria for getting amalgamation incentives and a broadly defined frame for possible amalgamations are favorable conditions for advancing territorial changes.

- One possibility might be to use access to ESIF as an incentive, by assisting small municipalities with the costs of feasibility studies and preparations of proposals, as exemplified by some Italian Regions. The ESIF can also be activated as a multiplier of budgetary incentives by prioritizing support for cooperation ventures. While the majority of small Croatian municipalities obviously has a poor record in this area, a few success stories exist – pointing to the possibility of building more, if the adequate support is provided.

Risk management - Risks are associated on the one hand to policy concerns, and on the other hand to the capacity of MPA to manage the scheme in an impactful manner. Competent staff is scarce and the number of local units to cover is potentially very large. Coping strategies include an ESIF-funded project structure (upscaling the database project) and a partnership with sectorial and non-government institutions. Contrastingly, risks connected to the initial apathy and lack of interest of local units are likely to result in viability reviews being selectively deployed based on prima facie feasibility, which would assist the program on planning its work and building a positive reputation.

4.b).2. Citizens- and business-oriented integrated design and delivery of public services

Problem: The MPA has deployed or planned most of the elements needed for an administrative simplification strategy, de-bureaucratizing the relationship between service users and the PA. Unfortunately, the lack of a synergy amongst them curtails the potential impact, as initiatives on user relations, optimization of procedures, and e-government are implemented as separate projects rather than systematically feeding into each other. This reduces de-bureaucratization’s high potential for harnessing popular consensus.

Approach: Joining all elements into a single administrative simplification, physical delivery, and an e-government program, with strong emphasis on citizens’ participation in the design of services and conditions of service delivery. The program should use the MPA’s leading position in e-government (including infrastructure, the portal and, as proposed, some central funding), its command of the planned physical single access points, and responsibility for administrative procedures and quality management to involve other institutions in coordinated and well publicized de-bureaucratization efforts. Consider possibly re-launching the HITRO brand with an enhanced application of a similar approach across all sectors or develop e-business as planned but not yet realized. A wide network of physical one-stop shops may also, but only partly, rely on the still existing citizens’ registrars offices (about 300 of them). It is important to develop one-stop shop as the real state administrative offices in which citizens, businesses, and other subjects can get reliable information and immediate service. The single contact for various public agencies (employment, health, social care, etc.) including the local and regional services can be
Public administration modernization

one option to be considered. Countries with similar territorial and deconcentrated fragmentation and with similar administrative cultures, such as Austria, have been successful in integrating service delivery regardless of organizational and territorial boundaries.

Required action: The first step would obviously be to establish a concept for the program, which, touching on the actual business processes within other portfolios, would need to be discussed and approved at the level of the Government. Possible inspiration in this respect can be drawn from past experience in Croatia and similar programs developed under similar conditions in other EU Member countries (see box below; see Austrian experience with Digital Austria and Hungarian experience with the Government Windows). Once the concept of the program is agreed upon, implementation would unfold through the following phases:

Box 4. A client-driven e-government and administrative simplification program in Portugal

SIMPLEX is an awarded e-government and administrative simplification program coordinated by the Minister for Administrative Modernization, heading the homonymous Agency responsible for both aspects (AMA, also responsible for physical single access points, the online portals, and chairing the Council for ICT setting priorities for e-government funding). It started in 2006 and was relaunched after a break in 2016 (SIMPLEX+). It is a 2-year rolling program, based on clients’ involvement in simplifying existing, or designing new, public services. The cycle starts with a 4-month round of highly publicized consultations with citizens, businesses, associations, academia, institutions and civil servants (there are prizes for proposals), online and across Portugal’s 20 provinces and islands. The AMA team (16 people) collects and systematizes all submissions, which are analyzed with the responsible organs for feasibility, demand and cost-benefit ratio. As a result, the Minister agrees with the rest of the Government a timed plan of 150 to 250 measures to be completed within each year, some 10% of which are complex ones. Implementation takes place through a steering board coordinating the projects’ managers, whose teams include IT, legal and management specialists belonging to individual institutions, or led by the AMA if the project is crosscutting. The Minister reports quarterly to the public on progress, including reasons for delay (annual completion rates are around 80%).

- Establishing within MPA an interdisciplinary team to manage the program, drawing on internal expertise in project management and costing as well as PAM coordination, user relations, e-government, administrative procedure, functioning of back office, and quality management. The team would be intended for the long-term (dealing with a cyclical rolling program), with the staff retaining relations with the seconding unit. In its early cycle, the team should be reinforced through a technical assistance program, ideally provided by the EC through the SRSP.

- Informing the public about the program and allowing citizens to submit, through web-based or traditional forms, their proposals for new services or changes to procedures. Also, scheduling and implementing a calendar of open sessions with businesses, unions, associations, and other key groups in different locations across the country to extract similar input. Finally, implementing an award for individual civil servants presenting the best innovative ideas, and systematically receiving proposals from all institutions in the PA (through a complementary channel, as the program is meant to be user-driven);

- Cataloguing all received input, analyzing and scoring ideas by demand (i.e. number of similar proposals received), feasibility (i.e. objective chances to carry out within the program’s timeframe any needed changes to underlying regulations, organization, and resourcing) and cost/benefit ratio (i.e. investment required vs. benefit for customers calculated on the basis of a standard cost model). On these bases, preparing a list of potential target measures for the planned implementation period (preferably one year) for MPA to discuss with the concerned institutions. Citizens and other societal subjects’ proposals can be used in deliberation, policy
making, and legislative activities at the central, county and municipal levels. The role of the MPA team is also to respect other good and effective public governance principles;

- Publicly announcing the agreed simplification agenda for the implementation period ahead (1 year), establishing an MPA-chaired steering mechanism with the institutions concerned, forming inter-disciplinary teams (if needed, inter-institutional) led by responsible project managers, and allocating them the agreed resources (i.e. central fund for e-government programs, besides resources from participating institutions). The steering mechanisms follows progress according to project plans and reports, through MPA, to the public on the state of implementation – while another cycle is launched. The second cycle can easily integrate, via points of single contact, the services of various public agencies (employment, health, social care, etc.) as well as local and regional services.

**Risks management:** The main identified risk is the resistance of individual institutions to a horizontal role of MPA in canvassing users and facilitating the simplification of their business processes. The approach to manage this risk should rely on the use of inclusive program management structures, and the leverage provided by MPA’s control over key horizontal resources. In Austria, contracts with public and local authorities contribute to the development and smooth functioning of Digital Austria.

4.c). Long Term (7-10 years)

The following groups of measures - most of which group several recommendations - concern objectives deemed achievable within 10 years (i.e. by the end of 2028 or later, so largely after the end of the new EU assistance cycle). Although implementation may start earlier, in order to achieve the desired impacts a critical mass will need to be reached.

4.c).1. Establishing an effective Senior Civil Service

**Problem:** Skilled and motivated senior civil servants are essential for the effective implementation of the National Development Strategy and the modernization of the public administration. However, there has been a trend of political appointments for senior managerial positions, a problem that MPA recognizes. The Registry of Senior Civil Servants currently contains data about 58 managerial civil servants appointed by the Government on the proposal of the responsible minister or head of other state administrative body to a four-year term, after an open public competition. Similar efforts to introduce merit for senior appointments failed between 2008 and 2011, and the new approach that MPA is in the process of developing should take inspiration from experiences in other EU Members to avoid repeating the weaknesses of the past scheme.

**Approach:** An effective senior civil service requires clear processes of selection and appointment, an emphasis on managerial and leadership competencies, and an emphasis on accountability and performance. The main lesson from reforms in other Members is that establishing an effective Senior Civil Service (SCS) requires specific and more advanced HRM mechanisms. Croatia could put this in place by prioritizing, for this high-impact group, the new competence-based approach that the AP2 envisages for the general civil service, and gradually phasing it in across all institutions. It is advisable to widen the coverage of SCS to some extent to other posts from already existing managerial and “higher” civil service positions in order to get a sufficient pool of the best professionals who have the best competencies and are able to “protect the ethos of a politically neutral and professional public administration” (OECD). Direct political influence on their appointment should be minimized through various instruments.
**Required actions:** The MPA should submit for Government consideration a clear policy proposal for the establishment of a Senior Civil Service. This would ideally be followed by a package of amendments to the Law on Civil Service and the forthcoming law on salaries:

- The starting point is defining requirements. A SCS competency framework should be prepared and progressively extended to all positions above middle management. The SCS framework should focus on the horizontal competencies needed by all managers (e.g. leadership, communication, general management, strategic vision, integrity, client orientation, EU orientation, etc.), with sectorial knowledge coming only second and in reference to broad areas rather than narrow jobs. The SCS competency framework should be at the basis of hiring, development and performance management.

**Box 5. Competency management for Top Civil Servants in Estonia**

The Top Civil Service Excellence Centre (TCSEC) in the Government Office is responsible for recruiting candidates, organizing selections, coordinating performance assessments, and advising on self-development for about 100 top positions (including heads of County administration). At the core of all aspects of its work is the Competency Framework of the Top Civil Service developed in 2009, which describes six core competencies through the image of (1) a leader who is (2) a bold designer of the future, (3) an achiever, (4) an inspiring driver of innovation, (5) a genuine value builder for target groups and (6) an effective self-leader. All competencies are measured through four to ten activity indicators, marked as poor to excellent on a five-point scale. Indicators refer to the handling of modern challenges including globalization, competition between states, new technologies, demanding target groups, new work-patterns, demographic changes, urbanization, and increasing uncertainty.

All top managers undergo a competency assessment at least once every two years, based on a 360-degree method in which their self-assessment is combined with others by his/her immediate superior, subordinates, colleagues and partners from other organizations through an electronic environment (e-Competence Centre) specific for top managers. Results are input for the performance assessment interview (the interview is conducted annually). The Centre uses the results to help each manager plan development activities for the next period – which can include individual coaching and mentoring, specially designed development programs, individual and group trainings, workshops, seminars and conferences. Competency assessment is also used as input in the performance review, which is annual and driven by institutional objectives.

- Compensation and non-pecuniary rewards should be adequate for the required competencies. Managerial pay should be raised to a level competitive enough to allow applications by candidates with a private sector background (budgetary impact is modest due to the few positions involved), possibly by incorporating performance rewards based on institutional objectives. Clear professional development opportunities should also be offered - including compulsory personalized coaching, training, as well as the perspective of a varied career with mobility across institutions, the regional, and EU level. The latter is particularly important for retention, since while membership in the SCS may be open-ended, promoting performance would require appointments to specific positions to continue being for a fixed term.

- As for the selection system, the Minister of PA announced a process free of any role for politicians, which would arguably remain only in charge of the final appointment based on the selection panel’s shortlist. This approach, which is indeed the most common in the EU and many OECD countries, is already known in Croatia. It needs reinforcing to ensure the selection panel uses transparent and verifiable methods to assess requirements and competencies and is impartially composed and fairly managed. The general approach is that some level of political discretion can be justified, due to the need for managers to be perceptive of the needs of democratically elected officials. This however should be confined to the appointment, not the selection phase. Chile’s selection system is a good example of a system that balances both merit
in selection and political discretion in final appointment. In 2002, Chile significantly reformed the management regime for senior civil servants (heads and deputy heads) following corruption scandals associated with the system of purely political appointments. A dedicated agency prepares a detailed profile of the job requirements and then appoints a headhunter firm to find candidates, and a separate consulting firm to evaluate general candidates who apply for the job via a website. The consulting firm assesses all candidates and submits a report. An independent commission then reviews their assessments and eventually makes a recommended final short-list, from which the concerned minister makes the final selection. Latvia is another good example (Box 6).

Box 6. Ensuring merit-based selection of Senior Civil Servants in Latvia

The UK inspired most other SCS systems. There, the Civil Service Commissioners – independent personalities appointed by the Queen – traditionally chair or monitor selection to ensure the about 200 top and other senior jobs are assigned based on merit. Since 2015, an equivalent feature is implemented in Latvia, where SCS selection is centralized in the State Chancellery. The panel assessing candidates’ competencies comprises SCS members and experts from outside the PA – the latter can be from NGOs, which in any cases must participate as external observers. Including them is meant to limit political influence, taking also into account that political responsiveness (to serve under any Minister) is part of assessed competencies. The panel provides a shortlist of two names, on which the Chancellery gives its best advice before the relevant Minister makes the final choice. When proposed, the inclusion of NGOs met strong opposition in Parliament, because of their record in criticizing Government. The Prime Minister, however, supported the idea and the results are now appreciated.

In the case of Croatia, it might be important for the SCS system to be phased-in gradually: it would be unrealistic to simultaneously put to open competition 80 or more top manager jobs right after the late 2020 elections and expect to receive enough quality applications for a genuinely competitive process. A phased implementation would also give the MPA some time to test innovations and build its capacity to manage them. As long as the appointment to positions will be merit-based, it may make sense to provide a once-off solution allowing to temporarily post to management positions the best performing portion of such temporary staff.

**Risk management:** The main risk associated with the proposed policy is the possibility that the competency-based approach is reverted back to the familiar personnel management routines because of an underdeveloped strategic planning system that is expected to set the objectives for managers to achieve (which in turn determines demand of the necessary competencies). In this sense, the introduction in Croatia of the SCS system should go hand in hand with the development of strategic planning. Partisan political influence on their appointment, masked with a deficient and biased public competition procedure, is one of the significant risks.
5 Cross-cutting issues and their policy implications

PA Modernization is itself a cross-cutting theme: reducing bureaucracy and red tape has a direct impact on performance, political and economic stability, and trust in public institutions. For example, the stability of the regulatory framework and transparency in the applications of laws and regulations will incentivize economic growth and development, subsequently bringing foreign investments. Improving cooperation and coordination among public sector institutions and reducing the duplication of functions will create a trusty political environment. Implementing a competent and meritocratic system of public servants in the central, local and state-owned bodies (including SOEs) will reduce mistrust and the perception of state capture, creating civil service mobility and transparency in the labor market.

Also, improving management and efficiency in public administration will have a direct consequence on public finances by reducing costs, improving fiscal sustainability, and reducing public debt. As Croatia is interested in reducing recurrent expenditures, the rationalization of the public-sector apparatus should create savings that could be used for reducing public debt or to increase capital expenditures.
6 Proposed implementation roadmap

The following tables provide a summary overview of the recommendations proposed in section 4, placed in actionable format with a tentative time frame. Both sequencing and time durations are of course merely indicative, since with the strategic decisions being made later, it is obviously early to engage into operational planning.

The policy recommendations and implementation roadmap also provide the contours of a potential flagship project for public administration reform to improve the delivery of services. This project can be structured around three components:

1. Strengthening policy coordination and center of government leadership for public administration modernization
2. Improving the skills, accountabilities, and performance of senior civil servants
3. Improving service delivery through the digitalization of administrative services and the establishment of a stronger performance framework for local governments.

The specific project activities in these components would be; technical assistance on establishing the necessary regulatory and policy frameworks, business process reengineering of administrative services, and results monitoring; implementation of IT systems; and capacity building.

6.1 Strengthening the coordination of PA modernization

The following sequencing of the proposed activities relies on the assumptions that: the foundational work on indicators for the new PAM framework (and EU Budget Support) will be agreed to, based on Croatia’s work within EUPAN at the time of its EU Presidency; and, that launching an early meta-project (issuing calls) based on residual TO11 ESIF from the current cycle will be possible in the course of 2020.

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<th>Start</th>
<th>Sub-actions</th>
<th>Milestone</th>
<th>Resources</th>
<th>Area</th>
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</table>
| Q4/19 | 1. Designing the next PAM policy framework:  
- final participatory evaluation of the PADSt and eCSt  
- revision of PAM steering structure and scope of framework (MPA only)  
- design of PAM framework with fewer, more integrated programmes | Q3/20 PAM framework for next cycle approved | SRSP (augmented with ESIF TA) | Governance |
| Q2/19 | 2. Establishing PAM outcome-oriented indicators:  
- EUPAN project on open data-based indicators  
- Establishment of compatible indicators for new PAM framework  
- Establishment of compatible indicators for EU Budget Support | Q2/21 EU Budget Support uses Croatia’s proposed indicators | SRSP (above) | Strategic Framework |
| Q1/19 | 3. Capacity building of SPADP on monitoring, coordination and outreach:  
- refocusing on coordination and familiarizing with all areas of programmes | Q4/21 First reporting cycle for the new PA | SRSP (above) | |
6.2 Citizens- and business-oriented integrated design and delivery of public services

The proposed sequencing for this recommendation assumes that, as recommended, the MPA acquires by 2021 a role in the management of significant central resources for financing sectorial e-government projects (succeeding to at least MLPS). At this stage, when the volume of Croatia’s e-government should have become significant, the new programme will take a marked quality approach based on users’ expectations.

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</table>
| Q2/21 | 1. MPA proposes a Government-wide eGov & simplification program:  
- the ministry starts working on the policy once tasked to manage eGov funds  
- a first draft is produced, including for program management structures  
- after negotiations on the budget (including EU BS) the program is approved | Q1/22 Program approved by Government | SRSP (TA) | Governance ↓ PAM ↓ Service delivery processes |
| Q3/21 | 2. MPA establishes the core team that will manage the program:  
- a project manager is identified  
- e-government, costumer relations and admin procedure specialists seconded  
- technical assistance from the EC SRSP is deployed | Q2/22 Core team managing program in place | SRSP (TA) | |
| Q3/22 | 3. Launch and consultation phase (6 months):  
- the new program is advertised publicly and in the administration,  
- proposals are collected from citizens, businesses, and other stakeholders  
- proposals are collected from civil servants and from all institutions | Q4/23 All possible inputs have been collected | SRSP (TA) | Budget Support |
| Q1/23 | 4. Analysis phase (6 months):  
- the received simplification proposals are systematized for analysis  
- all proposals scored for feasibility, cost/benefit ratio, and demand  
- MPA negotiates with other institutions the annual simplification agenda | Q2/23 Agreed first annual simplification agenda | SRSP (TA) | |
| Q2/24 | 5. Implementation phase (one year): | Q2/25 | SRSP (TA) | |

- monitoring and reporting skills for PA framework, NRP, Budget support  
- communication and outreach capacity for PAR agenda

Q4/21
- MPA provides first SRSP assistance and first grants out of BS
- ESIF 2013/20
- Budget Support
- SRSP
6. Stocktaking and launch of next cycle:
- the first cycle of the program has been completed
- an early completion evaluation of achievements is carried out
- the program is improved, and a second cycle is launched

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<th>Time</th>
<th>Description</th>
<th>Milestone</th>
<th>Resources</th>
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<tbody>
<tr>
<td>Q3/25</td>
<td>First annual program complete</td>
<td>Q4/25 An improved new cycle is launched</td>
<td>SRSP (TA)</td>
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### 6.3 Assisting local government viability

Sequencing this recommendation depends largely on how long MPA’s study on the preferred model for fiscal, functional and territorial decentralization will take and how quickly its implementation will progress. If large scale territorial reorganization takes place, small-scale viability projects based on inter-municipal cooperation (IMC) may become less worth pursuing. The sequencing below assumes an essentially unchanged situation:

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<th>Milestone</th>
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<tbody>
<tr>
<td>Q1/19</td>
<td>1. MPA implements the database project already presented for ESIF funding:</td>
<td>Q4/21 Viability process agreed to</td>
<td>SRSP (TA)</td>
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<td></td>
<td>- defines specifications and gets the system developed</td>
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<td>Governance ↓</td>
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<td>- establishes a peripheral network for data entry at local level</td>
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<td>PAM ↓</td>
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<td>- build up analytical capacity in the responsible MPA sector.</td>
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<td>PA</td>
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<td>2. MPA sets out the basis of the viability review system:</td>
<td>Q2/19 Capacity for viability reviews is in place</td>
<td>SRSP (TA)</td>
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<td></td>
<td>- discusses with local government associations and small communities</td>
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<td>Q1/19</td>
<td>- provides proposals to the MRDEUF and the MoF for their participation</td>
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<td>- approaches research institutions with relevant expertise.</td>
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<td>Q3/19</td>
<td>3. MPA improves tools for inter-municipal cooperation:</td>
<td>Q3/21 Legislation on IMC is streamlined</td>
<td>SRSP (TA)</td>
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<td>- agrees with line ministries and initiate amendment of restrictive provisions</td>
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<tr>
<td>Q3/20</td>
<td>- agrees with MoF and MRDEUF on size and mobilization of incentives</td>
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<td></td>
<td>- establishes viability indicators based on database</td>
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<td>4. MPA starts operating the first cycle of viability reviews:</td>
<td>Q1/21 First viability recommendations</td>
<td>SRSP (TA)</td>
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<td>- informs local governments of the nature of the viability reviews</td>
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<td>- produces retrospective monitoring to identify target local governments</td>
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<td></td>
<td>- performs (with field teams) first visits and produces recommendations</td>
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6.4 Establishing, professionalization and depoliticization of a senior civil service system

Sequencing for this recommendation requires a solution to the impossibility to recruit en masse an entire new corps of SCSs upon the expiration of the mandates of most of the current appointees at the end of 2020. As any transitional solution should be based on quality cadres, the possibility of an interim status for the 2020 Presidency team could perhaps be explored.

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<th>Sub-actions</th>
<th>Milestone</th>
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<tbody>
<tr>
<td>Q4/18</td>
<td>1. MPA sets the bases for the SCS system:</td>
<td>Q4/19 Legal framework for SCS is in place</td>
<td>SRSP (TA)</td>
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<td></td>
<td>• consults ad gets approval on a comprehensive SCS policy</td>
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<td>• develops and gets enacted necessary changes to legislation on state CS</td>
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<td></td>
<td>• develops and enacts the package of necessary secondary legislation</td>
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<tr>
<td>Q3/19</td>
<td>MPA builds capacity to manage the SCS system:</td>
<td>Q3/20 Capacity to manage the SCS is in place</td>
<td>SRSP (TA)</td>
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<tr>
<td></td>
<td>• builds-up its central unit supporting management of the SCS</td>
<td></td>
<td>ESIF 2013/20</td>
<td></td>
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<tr>
<td></td>
<td>• via NSPA, contracts the SCS training project (including sub-projects)</td>
<td></td>
<td>State Budget</td>
<td></td>
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<td></td>
<td>• introduces leadership to and trains HR units of other in managing SCS</td>
<td></td>
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<tr>
<td>Q4/20</td>
<td>2. MPA with other portfolios prepares and implements a transition plan:</td>
<td>Q4/22 All cohorts of new SCS are appointed</td>
<td>SRSP (TA)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• support institutions in recruitment by identifying and attracting candidates</td>
<td></td>
<td>Budget Support</td>
<td></td>
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<tr>
<td></td>
<td>• supports institutions by organizing the selection process before appointment</td>
<td></td>
<td>ESIF 2013/20</td>
<td></td>
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<tr>
<td></td>
<td>• via NSPA, provides induction for external entrants (&amp; high-potential juniors)</td>
<td></td>
<td></td>
<td>Human Resources</td>
</tr>
<tr>
<td>Q4/20</td>
<td>3. MPA supports institutions in managing the new SCS recruits:</td>
<td>Q4/27 First appointment cycle in SCS ends</td>
<td>ESIF 2013/20</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• via NSPA, provides continuous upgrading of managerial competencies;</td>
<td></td>
<td>Budget Support</td>
<td></td>
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<tr>
<td></td>
<td>• performing and reward appraisal according to set departmental objectives;</td>
<td></td>
<td>SRSP (TA)</td>
<td></td>
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<tr>
<td></td>
<td>• facilitating mobility upon expiration of fixed-term assignments</td>
<td></td>
<td></td>
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<tr>
<td>Q1/28</td>
<td>4. MPA considers lessons and improves SCS system:</td>
<td>Q4/30 Impact of SCS system evaluated &amp; improved</td>
<td>SRSP (TA)</td>
<td></td>
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<tr>
<td></td>
<td>• commissions an evaluation of the SCS system (first round of assignments)</td>
<td></td>
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<tr>
<td></td>
<td>• proposes to revise the policy and legal framework of SCS accordingly</td>
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</tr>
</tbody>
</table>
second round of managerial assignment is under way


Based on the Online Service Index (OSI), published by the United Nations Department of Economic and Social Affairs (UNDESA).


Fountain, 2010


OECD, 2017. Government at a Glance


EIPA CAF Resource Centre (P. Staes), Growing Towards Excellence in the European Public Sector - a decade of European collaboration with CAF, 2010

OECD, 2018


EC (DG EMPL), Quality of PA: A Toolbox for Practitioners, theme 4, chapter 4.3.2., Publications Office of the EU, 2017


EUPACK (EC DG EMPL), A comparative overview of public administration characteristics and performance in EU28, 2018, p. 27.


Most of the following data on Croatia’s are from EUPACK (I. Kopric), Public administration characteristics and performance in EU28: Croatia, 2018

AP2 (2017-2020) of the PADSt, measure 5.1
AP2 (2017-2020) of the PADSt, measure 3.1
AP2 (2017-2020) of the PADSt, measures 3.5 and 3.6
AP2 (2017-2020) of the PADSt, measure 7.1
AP2 (2017-2020) of the PADSt, measure 17.3 on the business portal.
AP2 (2017-2020) of the PADSt, measures 18.1 and 2, as well as obviously the eCSt.
Eurostat Information Society indicators
eCSt, page 78
The PN uses the concept of “agency” in the broad English meaning of executive bodies other than ministries, following practice in EU institutions (e.g. the 2018 Country-Specific Recommendations “The planned reduction of the number of local branch offices of the central administration and the streamlining of the system of state agencies have been further postponed”), the EC-commissioned EUPACK study that MPA asked the PN to follow, and seminal comparative studies (e.g. by the COBRA network, K. Verhoest et al., “Government Agencies: Practice and Lessons from 30 Countries”, MacMillan, 2012). It is not meant to be equivalent with the Croatian term “agencija”, which may have a different meaning.

Amendments to the Law on Organisation and Scope of the Ministries and Other Central State Administration Bodies, OG 116/18, December 2018.

EUPACK (I. Kopric), section 3.3.5, based on Government evidence from 2015 and Eurostat, Number of national civil servants in central public administration (NACE O.84.11), 2012-2017.

Ministry of PA, Statistical Review n. 8, December 2017.

Based on the same MPA data set from the previous endnote, the share of civil service positions not requiring at least 3-year university education is 36% in the Central State Offices, 48% in the Services and Offices of the Government, 55% in Ministries, 57% in the MPA-supervised State Offices at County Level, and 59% in State Administrative Organizations. As only some of these groups include institutions with law enforcement functions, the inclusion of their employees under the civil service status can only partially explain the low starting qualifications required for most positions.

PADSt, AP2, measure 10.1
PADSt, AP2, measure 11.2
PADSt, AP2, measure 11.3
EUPACK (Kopric), sec.3.2.2.
PADSt AP2, measure
Performance pay was not an explicit measure in AP2, but it appears to be developing as part of the approach, subject to budgetary feasibility.

Objective 16 of AP2 provides activities on professional ethics, three broad measures to be carried on in the next planning period, all concerning the PA. The government would like to extend its activities to all public servants, as well as to MPs. Those targets, however fall outside the purpose of the PN.

Marko Didić, Exclusive reporting: assistant-ministers become history, professionals will be hired in their place, Slobodna Dalmacija news, 21.09.2018


EUPACK (W. Van Dooren), Measuring Public Administration: a Feasibility Study for Better Comparative Indicators in the EU, 2018

A detailed analysis of provisions in special sectorial legislation concerning potential and incentives for inter-municipal cooperation cannot be carried out here, but an excellent starting point was provided by the Association of Municipalities of the Republic of Croatia in “Inter-Municipal Cooperation in the Republic of Croatia: Legislative, Institutional and Financial Framework for Inter-Municipal Cooperation and Examples of Good Practice”, Zagreb, 2010.


Indeed, inter-municipal cooperation can be even made mandatory for the smallest units, as currently in the area of water and sewage. An extreme case is Italy, where since 2014 cooperation is the compulsory form for all core responsibilities of the small municipalities.

OECD Network on Fiscal Relations Across Levels of Government; Promoting performance: using indicators to enhance the effectiveness of sub-central spending, Working Paper nr. 5, 2008. Examples of benchmarking schemes run by associations of municipalities (e.g. in Scotland and the Netherlands) are provided by EC DG Employment (F. Hauser ed.), Quality of PA: a Toolbox for Practitioners, 2017

See the above the mentioned study of the Association of Municipalities of the Republic of Croatia, “Inter-Municipal Cooperation…” of 2010.


EU COCOPS project (A. Uudelepp et al.), Development of the Estonian Top Civil Service, 2013

EUPAN, Top Public Managers in Europe […] 2016, p. 36.