

BTI 2012 | Croatia Country Report

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scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Please cite as follows: Bertelsmann Stiftung, BTI 2012 – Croatia Country Report. Gütersloh: Bertelsmann Stiftung, 2012.

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Key Indicators

Population	mn.	4.4	HDI	0.796	GDP p.c.	\$	19516
Pop. growth ¹	% p.a.	-0.1	HDI rank of 187	46	Gini Index		33.7
Life expectancy	years	76	UN Education Index	0.778	Poverty ³	%	<2
Urban population	%	57.8	Gender inequality ²	0.170	Aid per capita	\$	38.2

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

During a fairly stable period that began in 2000 Croatia experienced economic growth and consolidation of its democratic regime. In 2009 and 2010 the country entered a profound political and economic crisis. The global economic crisis had a delayed impact in Croatia, but once it arrived it severely affected the economy, which was ill-prepared to handle the crisis due to an incomplete privatization processes and the weak competitiveness of its markets. These weaknesses were reflected in two consecutive years of GDP decline, a significant increase in unemployment and internal insolvency, the bankruptcy of thousands of SMEs in industry, crafts and retail, and the rapid growth of external debt. The crisis seems to have left only the profitable banking sector unaffected.

The coalition government led by the Croatian Democratic Union (Hrvatska demokratska zajednica, HDZ) was in power for eight years between 2003 and 2011. On the eve of the 2011 parliamentary elections, the general state of the country closely resembled its state in 2000, when the HDZ had been in power for 10 years. In both cases the HDZ has left behind an economically, socially and morally devastated country with a negative GDP rate, high unemployment, high internal insolvency, widespread corruption and a clientelist web, as well as non-transparent and authoritarian practices of political decision-making. However, in comparison with 2000, there have been some positive developments such as the much-improved international status of Croatia, reduced ethnic tensions in the country and indications that the rule of law is functional.

The evolving political crisis was symbolically announced by the surprise resignation of Ivo Sanader (HDZ) from the post of prime minister in September 2009. The next government, headed by Jadranka Kosor, was new in formal terms, but kept the same coalition partners and ministerial posts. It soon exhibited that it lacked the capacity to quickly and effectively address the growing political and economic challenges. It was only in spring 2010 that the government adopted a program for economic recovery, but crucial reform objectives were subsequently not implemented due to the combined pressure of unions and other interest groups, and the

government's fear that cuts to social spending would result in electoral defeat in upcoming 2011 parliamentary elections.

Widespread dissatisfaction was manifested through peasants' demonstrations, union-organized strikes, students' protests and blockades, direct citizen actions and acts of civil disobedience. The period under review was particularly marked by the exposure of large corruption scandals involving top government officials and the CEOs of public enterprises, followed by formal indictments and the passing of first sentences. In addition to that, several legal proceedings in Croatia and The Hague involving war crimes were completed.

The December 2009 and January 2010 presidential elections and the May 2009 local elections were central political events during the period under review. Both elections indicated the erosion of the political legitimacy of the current government.

Most positive trends were present in foreign policy. In 2009, Croatia became a NATO member. In the same year the dispute between Croatia and Slovenia over their maritime border was resolved by signing the Arbitration Agreement. This resulted in Slovenia removing their block on Croatia's accession negotiations with the EU. By the end of 2010, Croatia had opened all and closed most negotiation chapters. Several regional initiatives have been launched with the objective of peaceful reconciliation and the strengthening of economic, political and cultural ties among countries of Southeast Europe. Important agreements were made with Serbia and Bosnia and Herzegovina in fighting organized crime and the "Balkan mafia".

History and Characteristics of Transformation

Two decades of political and economic transformation in Croatia can be divided into two phases. The first phase from 1990 until 2000 was marked by a highly complex and difficult triple transition: From an autocratic to a democratic political system; from a planned towards a market economy; and from a multinational Yugoslav federation into an independent national state. This third element of transition proved the most important, and it had a decisive effect on the dynamic and character of political and economic transformation. The Homeland War had features both of a civil war and an international conflict. It started with the insurrection of the Serbian minority in Croatia, which initially opposed the dissolution of Yugoslavia and the secession of Croatia. However, it rapidly transformed into a secessionist movement that sought to annex into a "Greater Serbia" all areas where the Serbs formed absolute or relative majorities, or even large minorities. Even though since the very beginning of the conflict the Serbian insurrection in Croatia was supported and organized by the Yugoslav National Army (that is, its units stationed within Croatia's territory), the Serbian-Croatian conflict can be characterized as a civil war in the period 1990 – 1992. After Croatia's statehood was recognized internationally in 1992 the war became an international conflict between Croatia on the one hand, and Serbia and Montenegro – both then part of Federal Republic of Yugoslavia – on the other. The 1995 success of Croatia's

“Storm” military operation brought victory and represents a military end to the war, while politically the war ended in 1998 through the peaceful reintegration of eastern Slavonia, western Srijem and Baranja. These areas were previously under authority of the United Nations Protection Force (UNPROFOR), and their reintegration represents the moment when Croatia’s central government established full and effective control. The difficult and protracted war was further exacerbated by the financially, politically and morally demanding process of rebuilding the country and of attaining peaceful coexistence. The war pushed economic and political transformation to the sidelines.

During the first decade a new democratic constitution was adopted (1990), three cycles of free elections were held for the first house of the parliament (1990, 1992, 1995), two for the then-existent second house of Parliament (1992, 1995), and two cycles of presidential elections (1992, 1997). These elections set the foundations for democratic legislative and executive government. At the same time, formal democratic institutions were out of sync with the predominantly authoritarian style of governance of Croatia’s first President, Franjo Tuđman. Such tendencies were further exacerbated by the semi-presidential system and the absolute majority that Tuđman’s HDZ held in parliament. They were responsible for the lack of transparency in the privatization process, which was in many instances implemented under criminal circumstances, and which produced far-reaching economic, social and moral consequences that affect Croatia to this day. It is within this institutional-political context, together with the war and post-war context, that the Croatian version of delegative democracy evolved.

The second phase of transformation started with the death of Franjo Tuđman in 1999 and the full change in government at the 2000 parliamentary and presidential elections. The new center-left government, led by the Social Democrats (Socijaldemokratska partija Hrvatske, SDP), formed an oversized coalition of six parties – all of which had previously been in opposition – in order to secure a wide social consensus around comprehensive political and social reform. During its sole term in office, this government, helped by the state President Stjepan Mesić of the Croatian People’s Party (Hrvatska narodna stranka, HNS), achieved several important goals. Firstly, it ended the period of international isolation to which Croatia was subjected to as a result of Tuđman’s authoritarian rule. It removed obstructions to cooperation with the international tribunal in The Hague, and ended the aggressive stance of Croatia towards Bosnia and Herzegovina in the period 1990 – 1995. In the period 2000 – 2003, Croatia joined NATO’s Partnership for Peace program and signed the Stabilisation and Association Agreement with the EU. Secondly, constitutional amendments were adopted that replaced a semi-presidential system with a parliamentary system of government, which proved to be an institutional framework more conducive to the consolidation of the democratic political system. Thirdly, key negative economic trends were reversed and the country entered a period of economic growth. Despite undeniable economic and political accomplishments, the center-left coalition lost the subsequent election in 2003. This was mostly due to unfulfilled promises made to complete a comprehensive audit of the privatization process and prosecute those guilty of corporate crimes and political corruption in the 1990s. HDZ returned to office under the leadership of Ivo Sanader, who

presented himself as a modern politician seeking to reform HDZ following the role models of contemporary European Christian democratic and peoples' parties.

The HDZ government continued to pursue all the foreign policy goals set the by center-left coalition, and started a policy of anti-discrimination against ethnic minorities. In that context it was of prime importance that the HDZ formed a parliamentary (2003 – 2007) and subsequently government coalition (from 2007 onwards) with the Independent Democratic Serb Party (SDSS), the chief representative of the Serbian minority in Croatia. Good macroeconomic indicators – stable GDP growth, low inflation, reduced unemployment, and reduced budget deficit – together with an increase in social spending for various underprivileged, as well as clientelist groups, brought a narrow victory for HDZ at the 2007 parliamentary election.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

Transformation Status

I. Political Transformation

1 | Stateness

There is no competition for the state's monopoly on the use of force throughout the entire territory.

Access to citizenship and naturalization is not generally denied to any particular group although there are still cases which suggest that the process is more difficult for members of certain ethnic groups, most notably ethnic Serbs and Roma. State stability was reinforced by the stronger integration of ethnic minorities into the political system. Prior to June 2010, 10 ethnic minorities were explicitly identified in the Historical Foundations section of the Constitution. In June 2010, the Croatian parliament adopted a constitutional amendment that mentioned 22 ethnic minorities by name, including those who constituted just 0.01% of the population. Since all ethnic minorities were granted the right to individual or joint representatives in parliament, the concept of descriptive representation was stretched to caricatural proportions. Through amendments of the Constitutional Act on the Rights of National Minorities several models of political representation for minorities have been instituted. Minorities that represent over 1.5% of the population are guaranteed at least three representatives based on their general voting right, while minorities who represent less the 1.5% of the population received a double voting right and five joint representatives in parliament. In practice this means that the Serbian minority has one vote and three representatives while other minorities have double voting rights and five joint representatives.

In addition to that, the model for the political representation of Croatian citizens without residence (the diaspora) was also amended. Starting with the 2011 parliamentary elections, this worldwide constituency will elect three representatives to the Croatian parliament. Previously the number of diaspora representatives in parliament was not fixed because it was determined via the flexible quota method, calculated by taking into consideration voter turnout in Croatia and abroad. Since

Question
Score

Monopoly on the
use of force

10

State identity

9

the first enfranchisement of the diaspora in 1995, almost all the diaspora's representatives have been members of HDZ. In the 2007 parliamentary elections, diaspora voters elected five members of HDZ to the parliament. The decision to change voting rights for minorities and the diaspora were the result of political compromise between the two major parties. The SDP backed down on its principled argument that citizens without residence in Croatia should not vote in parliamentary and presidential elections, while in turn HDZ agreed to reduce and fix the number of representatives for this group of voters HDZ also agreed to the rule that the diaspora is allowed to vote only in Croatia's diplomatic missions abroad – which terminated the practice of the so-called “picnic elections” abroad. This agreement was supported by a majority of parliamentary parties, minority organizations and CSOs, thereby strengthening state legitimacy among ethnic and political minorities.

The amended voting rules are likely to reduce the number of HDZ members of parliament elected by the diaspora from five to three.

The state secularism faced a new wave of reproach from the Catholic Church. The Catholic Church in Croatia equates secularism with communism and “communist atheism,” and declares the civilizing attainments of the secular state to be the remnants of its communist heritage. The church also declared that widespread corruption in the country was another communist heritage, even though investigations have shown that HDZ, an anti-communist and pro-Catholic party, is at the heart of the corruption network in Croatia. Eminent members of HDZ can be labeled as clerical right-wing politicians, including the minister of health who initiated the adoption of a conservative law on assisted reproduction. However, the Catholic Church suffered a heavy defeat when an SDP candidate won the presidential election in early 2010 after publicly declaring himself an agnostic. The church had actively supported a losing pro-Catholic candidate; the will of the people was shown to be at odds with the recommendations of the Catholic Church. On a social level, the Catholic Church maintains a strong impact which, while not on the level of unquestionable dogma, is widespread. Confessional religious classes take place in all schools; in the vast majority of cases these are Catholic, although in places where other confessions are dominant there can be Orthodox, Islamic or other classes. They are not obligatory but acceptable alternatives have not been provided. Also, crucifixes are still present in public offices to a greater degree than is the case in more advanced democracies.

The state has a differentiated administrative structure throughout the country which provides all basic public services.

No interference of religious dogmas

8

Basic administration

10

2 | Political Participation

The presidential and local elections were the central political events during the period under review. In the first round of presidential elections, held on 27 December 2009, voter turnout was 46.7%.

Free and fair
elections

9

An ominous shadow was cast over the free and competitive election process by the non-transparent sources of financing of expensive electoral campaigns by several independent candidates, and especially Milan Bandić, an independent candidate and former SDP politician.

Local elections held in spring 2009 were the first since the adoption of a new law that stipulates the direct election of majors, municipal and regional officials. This change did not prompt higher citizen participation in local elections, as was expected, but did result in a series of negative developments: An increase in the number of quasi-independent candidates and lists which were in effect supported by political parties and other political organizations; stronger involvement in some candidates' campaigns by interest and lobby groups including pre-modern family and clan groups; and the introduction of "dirty money" and money of unknown origin into financing election campaigns. After the election was held, divided government was established in many municipalities where executive and legislative branches were held by different political forces. This caused conflicts and tension. In some cases extreme manifestations of personalized and privatized government were established, as in Split, which is the second largest city in Croatia. Local elections also served as a serious warning that the government was losing voter support. The ruling HDZ lost mayoral and city assembly elections in Zagreb, Split, Rijeka and Osijek – all major regional centers – and in a number of other urban centers including those traditionally considered HDZ strongholds, such as Vukovar and Dubrovnik. Alongside elections as a conventional form of political participation, in this period unconventional political participation became much more prominent, in the form of peasant protests, union strikes, student protests and other forms of civil disobedience.

An array of interest groups and organizations tried to influence the presidential election as non-constitutional veto players. In addition to the Catholic Church, a number of war-veteran groups and organizations threatened public disorder if Josipović won the election. The war veterans voiced their opposition to Josipović because of his stance on war crimes, which he believed should be tried, while the Church was initially influenced by the fact that Josipović has publicly stated that he is an agnostic. These groups still have a strong impact which can at times turn into de facto power. This is especially the case when the government is lead by the SDP

Effective power to
govern

9

and not the HDZ. However, all political actors finally acknowledged his election and gave up trying to dispute the legitimacy of the new state president.

Association and assembly rights are unrestricted for individuals and independent political or civic groups within the basic democratic order. However, the outcome of public demonstrations held by different groups in 2010 showed that the police are not always consistent, gradual and proportional when exercising their authorities.

Association /
assembly rights
10

Freedom of expression is partially limited, but generally there are no outright prohibitions on the press. The constitution guarantees freedom of expression, but there are mounting pressures to use tougher legal measures against journalists. These measures have been proposed in order to curtail libel and offenses to the privacy of persons, but could also effectively discourage dissenting opinions. Although the threat does not match the level of danger experienced in the 1990s, journalists and other individuals attempting to expose criminal activity or to critically discuss sensitive issues have been harassed, physically beaten and/or threatened. In 2009, the editor in chief of the weekly *Nacional*, Ivo Pukanić, was killed by a bomb in the center of Zagreb. A court convicted the perpetrators but not the individuals who ordered the killing. While there are some political pressures (mainly on the public broadcaster, Croatian Radio-Television (HRT)), influential interest groups are the main source of pressure on journalists to practice self-censorship.

Freedom of
expression
7

Earlier this year, amendments to the Law on Access to Information were accepted. Although these amendments formally align the law with relevant EU standards, this law gives the Agency for Data Protection the authority to guarantee that freedom of expression is respected. The agency head is appointed by the government and the agency has been unable to demonstrate its independence in several recent high profile cases. The current set up does not guarantee the effective enjoyment of the right to freedom of information.

Influential segments of HRT and Europa Press Holding (EPH, the largest print media publisher) openly supported Milan Bandić, a right-wing populist politician, during the presidential election campaign.

3 | Rule of Law

The constitution divides rule between legislative, executive and judiciary branches. Judges are appointed by the State Judicial Council, whose members are selected by parliament from the ranks of judges, university law professors and members of parliament. Judicial review is performed by the Constitutional Court, which in Croatia is not considered part of the judiciary branch of government. However, the

Separation of
powers
9

weakest link within the standard checks and balances process is the lack of effective parliamentary oversight over the work of the executive.

The parliament has still not been able to establish its own identity or capacity, to the necessary degree. On several occasions in recent years, special parliamentary committees were set up to investigate certain cases of potential misuse of state funds, corruption, etc. Generally speaking, these committees are a venue for political combat between the ruling parties and the opposition although at times they could initiate some changes. Their limited effect was achieved through media coverage rather than through actual findings.

The transfer of public funds to party and private accounts allegedly organized by the former Prime Minister Sanader was initiated prior to the 2007 parliamentary elections. Neither the parliament nor the state prosecutor were able to initiate any serious inquiry into the matter prior to 2009. In 2009 and 2010 a special parliamentary committee for investigating developments related to the oil company Industrija nafte (INA) was active. Former Vice Prime Minister Damir Polančec and former Prime Minister Ivo Sanader underwent hearings before the committee.

Since the regular parliamentary committees can only engage in quite limited activity beyond the discussion of laws, it can be said that parliamentary oversight of the executive has only recently started to develop. The parliament could establish a committee that would look into the allegations of criminal activities made against the current government but this work would be initiated by the opposition, treated as a party battleground and would, therefore, not lead to concrete results.

The parliament has also developed gradually, but is still unable to effectively oversee the executive.

Even though the constitution stipulates the independence of the judiciary, this independence has been challenged by frequent interventions by executive government into judiciary authority, especially in the mid-1990s when a sort of nationalist purge of the judiciary was carried out. In June 2010, the parliament adopted constitutional amendments that reinforced the independence of the bodies selecting, assessing and evaluating judges and prosecutors, the State Judicial and the State Prosecutorial Council. Now it is the State Judicial Council rather than the ministry of justice that appoints the presidents of courts. According to a 2010 European Commission report, the president of the Supreme Court will have greater control over court management, the five-year probation period for judges has been abolished and the Judicial Academy has been made independent of the ministry of justice and had its staff increased. The EU report also noted that a new selection procedure and improved criteria for selecting judges and prosecutors was introduced in October 2010, including the establishment of a school for judicial

Independent
judiciary
8

officials. However, the impact of these institutional reforms on the de facto independence of courts was not yet evident in January 2011.

During 2009 and 2010, two sets of criminal proceedings were in the public limelight. The first set concerned proceedings against members of government and other public servants suspected of corruption. After Sanader resigned as prime minister, the government, under pressure from the EU, intensified what had previously been a very low-key fight against corruption, and the state prosecution office started investigating several cases. Initially the Kosor government used Sanader as a scapegoat to show the extent, but also the limitations, of its anti-corruption campaign. However, over time the anti-corruption campaign gained its own momentum and the state attorney's office and its specialized Ured za suzbijanje korupcije i organiziranog kriminaliteta (Bureau for Combating of Corruption and Organized Crime ,USKOK) branch were able to pursue high profile investigation independently of the Kosor Sanader conflict. Both investigations and indictments were raised against several executives of public enterprises and top politicians.

The first in a line of politicians to be accused of corruption was the former defense minister and member of parliament, Berislav Rončević of the HDZ. After the state attorney's office started to investigate whether he abused state funds in the procurement of vehicles for the military when he was minister of defense, the Croatian Parliament revoked his immunity and criminal proceedings were instigated. He was sentenced to four years in prison with the right to an appeal.

The second defendant was Deputy Prime Minister Damir Polančec of the HDZ. The most important of several criminal deeds attributed to him involves the sale of state shares in Croatia's largest oil company, INA, as well as an attempted hostile takeover of large food company Podravka, on whose governing board Polančec used to serve. Irregularities in the sale of INA involved other top state officials, so at one stage the former Prime Minister Ivo Sanader was also called to testify in a parliamentary hearing. In their testimonies, both Polančec and Sanader implicated the current Prime Minister Jadranka Kosor by saying that she was informed of all details pertaining to the sale of INA. In December 2010, criminal proceedings were instigated against Sanader. At the beginning of December, the state attorney's office requested that his parliamentary immunity be revoked, and on the same day he left the country for Slovenia and subsequently Austria. He was quickly apprehended by Austrian police forces and is now in custody in Salzburg. Before criminal proceedings were instigated against Sanader, a number of executives of state enterprises and the customs administration were investigated under that suspicion that Sanader extended them preferential treatment in business deals with the government, in exchange for which they illegally funded HDZ as well as, it is suspected, Sanader personally. Despite these investigations, some high ranking

Prosecution of
office abuse

6

HDZ officials still appear to be untouchable after publicly asserting their loyalty to Prime Minister Kosor.

Over the last two decades the Croatian legislature introduced an array of institutions with the mandate to safeguard human and civil rights. The first and foremost is the People's Ombudsman's Office, legislated by the 1990 constitution, followed by the Ombudsman for Gender Equality and the Ombudsman for Children in 2003, and most recently the Ombudsman for the Disabled in 2008. Despite developing an impressive legal and institutional infrastructure for the protection of human rights, implementation remains a big issue. There has been gradual progress on more sensitive issues such as the protection of national minorities and basic rights of returnees, but problems remain in relation to access to information and equal access to justice, while there have been serious challenges to freedom of assembly and freedom of expression in the last year. Furthermore, the effectiveness of the human rights mechanisms and institutions to effectively provide redress is limited, while the capacity and impact of human rights NGOs has decreased.

Criminal proceedings were held against individuals accused of war crimes. The most prominent case was against Branimir Glavaš, military commander of the city of Osijek during the early 1990s. Charged in 2005, in 2006 he was accused of war crimes against Serbian civilians. His defense was that the proceedings were politically motivated and directed by his former party boss, Sanader. In 2009, the county court in Zagreb sentenced him to 10 years in prison, with a right to an appeal. A few days before the sentence was announced Glavaš went to Bosnia and Herzegovina, where he had citizenship, and thus avoided prison. His appeal to the Supreme Court in summer 2010 resulted in the reduction of his prison sentence to eight years. After the sentence became final, Glavaš was arrested in Bosnia and Herzegovina, given the same sentence in a repeat trial and will serve his sentence in a prison in Bosnia. Glavaš issued a public statement saying that he would rather serve the sentence in Bosnia and Herzegovina than spend a single day in "Croatian dungeons" and that if he were truly guilty of the charges he should have received a much higher sentence. Some Croatian human rights activists agreed.

In December 2010, Tomislav Merčep, a war-time deputy minister of internal affairs, was arrested under charges of involvement in the disappearance of 43 civilians in western Slavonia in 1991. Even though for years some media have implicated him in war crimes, until this point, no proceedings had been instigated against him. The arrest of Tomislav Merčep came after Amnesty International and several Croatian NGOs issued a report highlighting certain war crimes cases that have not been investigated properly. Notable progress has been made in terms of processing war crimes cases over the last decade as well as, in the past two years, high profile corruption cases. However, it still seems that there are some top-ranking politicians who have not been the subject of serious investigation.

Civil rights

8

4 | Stability of Democratic Institutions

The most challenged democratic institution of the past two years was the government itself. The HDZ-led coalition government resisted in spite of a series of events that could have led to early elections. First of all, on 1 July 2009, Ivo Sanader completely unexpectedly resigned from the post of prime minister which he had held since December 2003, and as the president of HDZ, which he had held since 2000. He transferred both his mandates to his former deputy prime minister and vice chairman of HDZ, Jadranka Kosor. Considering the difference in leadership potential between Sanader and Kosor, as well as a deficiency of democratic legitimacy for the non-elected prime minister, at first it was thought that Sanader would remain the real leader, pulling the strings and creating a type of dual premiership. The fact that Sanader intended to “leave in order to stay” was confirmed when in January 2010 he attempted an unsuccessful intra-party coup by declaring his return to active politics. His formal justification for that attempt was the heavy defeat that the HDZ had just suffered in the presidential election. However, he was also aware that a number of criminal proceedings for corruption that were linked to illegal financing of HDZ and himself were underway. The reaction of the HDZ leadership was to denounce him and exclude him from the party.

In addition, police and court proceedings in the anti-corruption wave extended to many members of the political and economic elite, including the former deputy prime minister, former ministers of defense and internal affairs, state secretaries, the HDZ chief treasurer and others.

The Croatian Party of Pensioners (Hrvatska stranka umirovljenika, HSU) withdrew from the ruling government coalition, followed by the Croatian Social Liberal Party (Hrvatska socijalno liberalna stranka, HSLS), both of which were small coalition partners with three members of parliament and a deputy prime minister post between them. The HDZ-led government survived this splintering thanks to the loyalty of its chief coalition partners, the Croatian Peasants' Party (Hrvatska seljačka stranka, HSS), the SDSS and five other ethnic minority parliamentary representatives. The parliamentary opposition and the public accepted the fact that the government does have a majority and is formally legitimate, but dissatisfaction was voiced about its “substantial illegitimacy” due to the negative economic and social effects of government policies on the one hand, and the non-democratic way the new prime minister was inaugurated after Sanader abdicated, on the other hand. In these turbulent political and social circumstances other democratic political institutions such as the parliament and other political parties showed remarkable stability. The biggest advances were made in the increasing independence of the state attorney's office and the judiciary, evidenced through the initiation, and in

Performance of
democratic
institutions
8

some cases, closure of difficult court proceedings against top state executives for corruption and corporate crimes, as well as war crimes.

There are also counterproductive frictions between and within several democratic institutions. At regional and local authority level, the new law separated the elections for mayor/county prefect from the elections for the city/regional council. In many cases, this has led to cohabitation and in some to dysfunctionality. Finally, the national government continues to support (at the expense of others) in a direct and/or indirect manner, regional and local authorities where its party is in power. However, an interesting situation developed at national level following the selection of SDP candidate Ivo Josipović as president of Croatia in January 2010. President Josipović has made a concerted effort to become the president of a wider array of citizens and his support rankings have indeed been very high during the course of the last year. However, there have been conflicts between the president and the government related to several important issues such as: Making the registry of war veterans public; curtailing the informal powers of the minister of interior; the handling of anti-government Facebook protests. Up till now these conflicts have not led to more serious tensions, but there will be increasing potential for this to happen as the government continues to lose legitimacy and as the opposition becomes eager for power. Finally, in terms of economic policy, democratic institutions have not been able to perform effectively, with the notable exception of the Croatian National Bank (CNB).

All democratic institutions are accepted as legitimate by all relevant actors in a very broad sense even as, in this broad sense, the legitimacy of certain institutions (certainly, the government) is weakening. Associations of war veterans, the right-wing extremist Croatian Party of Right (Hrvatska stranka prava, HSP) and the parliamentary party of war criminal Branimir Glavaš, the Croatian Democratic Alliance of Slavonia and Baranja (Hrvatski demokratski savez Slavonije i Baranje, HDSSB) question the legitimacy of democratic institutions that prosecute war crimes or seek reconciliation with Serbia.

Commitment to
democratic
institutions
9

5 | Political and Social Integration

The Sanader Affair shook the ranks of the ruling HDZ on an almost daily basis, but did not cause visible parliamentary splits or divide the political party outside parliament. However, the party's remarkable organizational stability may also be due to its incumbency and will thus be jeopardized if the HDZ is forced into an opposition role.

Party system
8

In the December 2009 presidential elections, the SDP won a national election on its own for the first time since independence. The SDP candidate Ivo Josipović had been elected as the SDP presidential candidate through party primaries – the first

time a procedure of selecting candidates to high government duties was ever held within a Croatian political party. Croatia's political parties do not traditionally favor democratic procedures for intra-party candidate selection.

Josipović's main rival was not the ruling HDZ's candidate, but Milan Bandić, a former SDP member and longstanding mayor of Zagreb who led an aggressive right-wing populist campaign where he attempted to mobilize voters against parties, elites and the entire political establishment, as well as against ideological minorities, while advocating the traditionalist Catholic worldview against "red Croatia." The weak placement of HDZ's Andrija Hebrang, who won only 12% of the vote and did not enter the second round, indicated an erosion of the current government's political legitimacy.

The constellation of parliamentary parties is characterized by moderate pluralism and relative stability. The effective number of legislative parties, which was 3.1 after the 2007 parliamentary election, increased slightly because two parliamentary deputies of the HSLP Party declared themselves independent, one member of parliament established a new party and two members of parliament from SDP, one from HDZ and one from HSS left their parliamentary groups.

A potentially larger problem could evolve from the growing radicalization of the regional HDSSB, caused by the sentencing of its founder Branimir Glavaš to an eight-year prison sentence for war crimes in Osijek in 1991. The party's official response to this verdict was that it did not acknowledge the authority of Croatian courts, including the Supreme Court. If such rhetoric continues, HDSSB could turn into a small anti-system party.

Political parties have demonstrated a lack of ability to articulate and aggregate social demands, and have opened up space for other types of political actors. The new electoral regulation for local elections was first implemented for the regional and local elections held in May, 2009. The newly created space for various types of political actors as well as the new regulation, led to the victories of many independent lists, most of which had populist overtones.

During the last two years political life in Croatia was characterized in particular by political action by unions, agrarian interest groups, student forums and CSOs. Until recently, largely disjointed and ineffective union organizations were united and mobilized by the government's intention to amend the Labor Act, and specifically to reduce the power of collective labor agreements. In spring 2010, the unions initiated the signing of a petition to hold a referendum on amendments to the Labor Act. The petition was signed by 717,000 citizens in a short period of time, fulfilling the legal stipulations for holding a referendum. Taken aback by the success of the union petition, which was sometimes interpreted as an "anti-government plebiscite," the government abruptly abandoned the proposed amendments to the

Labor Act. Since the government and unions could not agree whether that constituted grounds to abort the referendum, the case was handed to the Constitutional Court. The court ruled that after the withdrawal of the government's legislative proposal for amendments to the Labor Act there was no foundation for holding the referendum.

Peasant protests were motivated by dissatisfaction with the government's agricultural policy, and specifically with the amounts and the speed of delivery of state subsidies to farmers. As a sign of protest, they blocked state highways through a series of "tractor revolutions." Student protests, which were largely concentrated around humanities and social sciences departments in several university cities, were motivated by the fight against the commercialization and "Americanization" of higher education. The main demand students put forth was for free higher education for all. Students took over several university buildings, blocked the teaching process and established forums as mechanisms of "direct democratic decision-making."

War-veteran organizations have remained a strong interest group in recent Croatian history. More than half of the war-veteran organizations are under strong influence from the government and the ruling HDZ party. Most of the other war-veteran organizations tend to be more nationalistic and radical in their methods, but practically all unite around nationalist slogans and are effectively political clients of the HDZ. The adversarial relationship between nationalistic war-veteran organizations and many other CSOs (human rights group, women's groups, youth groups, etc.) that marked the 1990s still recurs occasionally. The autonomous civil society which developed in the 1990s faces serious challenges as it struggles with decreased funding, limited capacities and limited citizen/volunteer participation. However, the recent social movement that has developed under the guidance of the NGOs Green Action and the Right to the City is an example of a new and innovative articulation of societal interests.

Approval of democratic norms and procedures is fairly high.

The actors in non-institutional protests and rebellions were advocating direct democracy to replace liberal representative democracy. However, in these protests mechanisms of direct democracy such as the referendum were not clearly distinguished from mass direct action or takeovers of university buildings as some form of academic squatting. Such actions surely contributed to a growth of skepticism among citizens regarding actors, norms and procedures of representative democracy.

On the other hand, research has shown that there is another problem among the general population that has gradually developed without any relation to the recent protests and rebellions: The problem of limited trust in institutions. Citizens trust

Approval of
democracy

8

the military and the police the most, the Church, the media and CSOs somewhat, and the judiciary and political parties least of all.

In February 2011, protests against government began in bigger Croatian cities. Croatian protesters demanded the resignation of the government because of its poor performance, but they were also dissatisfied with political parties and some organizations, like the Catholic Church. Nevertheless, protesters did not try to abolish democratic institutions but instead to force the current government to resign and to compel political and some social actors to try to achieve a fairer society.

In several cities, but most prominently in Zagreb, CSOs such as Right to the City and Green Action were protesting against devastation and commercialization of the historic downtown and against the “hijacking” of public space from citizens in the interest of big business.

If all of this is taken into consideration, it becomes obvious that various civil society actors have expressed dissatisfaction with a wide array of government policies, spanning from labor, social policies and farming, to education, health, ecology and urbanism. These protests challenged the legitimacy of political decisions and institutions that were responsible for implementing them.

Apart from these important yet recent phenomena, human rights organizations, women’s groups, environmental groups, youth associations and others continued to undertake important projects as well as advocacy activities. Citizens have started to use more unconventional modes of social self-organization like petitions, demonstrations and protests. The last survey of social capital in Croatia (2007) underscored the low level of social self-organization.

Social capital
7

II. Economic Transformation

6 | Level of Socioeconomic Development

Even though the impact of the 1991 – 1995 Homeland War is still reflected in some citizens’ attitudes towards the Serbian minority, overall the Serbian population in Croatia is no longer exposed to new forms of systemic social exclusion. However, members of the Serb ethnicity are not represented proportionally in the state and local administrative bodies, the police, courts and other public offices. In fact, ethnic Serbs went from systemic overrepresentation in the Yugoslav period to purges during the war and systemic underrepresentation ever since. Recently, there has been a concerted effort by the government to make improvements in this area, although this is largely the result of EU pressure. Furthermore, as in most countries,

Question
Score

Socioeconomic
barriers
8

Roma have been and, despite significant efforts, largely continue to be socially excluded. Croatia's non-Catholic citizens encounter no obstacles to improving their socioeconomic position. Social inequalities and forms of social exclusion stem primarily from differences in gender, age, education and geographic region. Women, older and less educated people, as well as those living outside Zagreb, Istria and north-western Croatia have fewer chances of getting a job, living above the state average or getting a job that matches their educational qualifications. These inequalities are in part historical, but primarily they are the product of the economic transformation and war legacy of the last 20 years. After 2000, the economy started to pick up and living standards were improving. Since 2009 and 2010, however, the overall economic situation has worsened. In 2008, the most recent year for which data is available, Croatia's Gini coefficient was 0.29, while in the two previous years it had been 0.28. According to the HDI, in 2010 Croatia ranked 45, with a score of 0.84. The Global Peace Index ranked Croatia at 49 (score of 1.74) in 2009, while in 2010 it was ranked at 41, with a score of 1.7. The improvement in ranking is attributed to three factors: Growth of political stability, improved relations with neighboring countries and the drawing to a close of accession negotiations with the EU.

According to estimates, in 2003 11% of the population lived below the poverty line, while in 2010 this share grew to 17%. Women are more disadvantaged because on average they are paid less for the same job. On average, women earned 88.9% of men's salary in 2008. The unemployment rate of women is also higher. During 2009 the ratio of unemployed women to men was 60:40. At Croatia's universities the share of female students is larger than that of male students. During the academic year 2008/2009, the ratio of those enrolled in their first year of studies was 55:45 in favor of women, and this imbalance was even stronger when observing the ratio of graduates. In 2008 the ratio was 58.7:41.3 in favor of women. The ratio of women enrolling in higher education in relation to men has been growing in recent years, and a similar trend can be observed in academic staff composition. This indicates a positive trend in the improvement of women's position among the higher educated, and their growing role in the domestic economy. Today's elderly population was severely hit by the economic crisis and unemployment as a result of decreased industrial activity during the 1990s. By the time of the 2000 economic recovery, this segment of the unemployed were no longer competitive on the labor market and were not able to either find employment or qualify for a state pension in the next ten years. At a general level, the deep and prolonged economic recession of Croatia has further exacerbated these problems.

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	59336.0	69911.2	63435.9	60851.9
GDP growth	%	5.1	2.2	-6.0	-1.2
Inflation (CPI)	%	2.9	6.1	2.4	1.0
Unemployment	%	9.6	8.3	9.1	-
Foreign direct investment	% of GDP	8.4	8.6	4.5	0.5
Export growth	%	3.7	2.2	-17.3	6.0
Import growth	%	6.2	3.3	-20.4	-1.3
Current account balance	\$ mn.	-4295.6	-6028.3	-3169.0	-918.5
Public debt	% of GDP	33.2	29.3	35.4	40.0
External debt	\$ mn.	-	-	-	-
Total debt service	\$ mn.	-	-	-	-
Cash surplus or deficit	% of GDP	-1.1	-0.8	-3.0	-
Tax revenue	% of GDP	20.2	20.2	19.0	-
Government consumption	% of GDP	20.1	20.2	21.5	21.5
Public expnd. on edu.	% of GDP	4.1	4.5	4.6	-
Public expnd. on health	% of GDP	7.6	7.8	7.8	-
R&D expenditure	% of GDP	0.81	0.90	-	-
Military expenditure	% of GDP	1.7	1.9	1.8	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

During 2009 and 2010, Croatia did not manage to remove obstacles that discourage foreign investment. Earlier attempts, such as the One Stop Shop initiative which was supposed to considerably reduce the waiting period for the issue of building permits or investment permits, did not produce the desired effects. Even though freedom of investment and free movement of capital are guaranteed, administrative barriers reduce overall foreign investments, which are lower than in other Central European countries. During 2009 and 2010, the government did not increase price

Market-based
competition
8

regulation. However, pressured by unions and employers' associations, it intervened to prevent the rise in gas and electricity prices. This move was interpreted as a social measure, especially since the price of these commodities is lower for households than producers.

Market competition in Croatia is regulated via the Market Competition Protection Act, as well as a number of bylaws. Croatia has incorporated anti-monopoly and anti-cartel provisions into its legislation. Since November 2010, the Croatian Competition Agency has been in charge of implementing leniency programs against cartels, following U.S., Canadian and EU models.

Anti-monopoly
policy
8

Throughout the last two decades, exports have continuously been a problem for Croatia's economic policy. Coverage of imports by exports is less than 50%; during 2008 exports amounted to €9.6 billion, while €20.8 billion was imported. Export of goods and services at the end of 2009 was 35.6% of GDP, while imports were 39.4% of GDP. During the last decade international trade has been gradually liberalized. Croatia became a WTO member in 2000, while in 2001 it signed an agreement with the EU that abolished all quota and quantitative limits on Croatia's exports of industrial goods. When another agreement with the EU came into effect in 2007, all quotas and quantitative limits were removed for exports from the EU to Croatia. In the same year Croatia joined the Central European Free Trade Agreement (CEFTA), signing an agreement with other participatory countries that stipulates a mutual liberalization of trade by 2010 at the latest.

Liberalization of
foreign trade
10

The Croatian banking system's performance has improved and shows increased stability over a ten year period. The CNB is independent from government and has a mandate to set and implement monetary and exchange-rate policy. Its independence is endowed by the constitution and has strengthened over the last ten years, with the bank's governor occasionally voicing dissonant opinions to those of the government. This dissent became especially marked during the last two years as a result of the economic crisis, during which the governor advocated a change in economic policy towards a reduction of public spending and in the direction of building a stable foundation for economic recovery. The CNB's monetary policy is directed toward controlling inflation as well as issuing credit for commercial banks. After surviving two serious crises in the latter half of the 1990s, the Croatian banking system is stable. All large banks are owned by foreign banks, and this has led to the adoption of corporate standards in the banking sector. The banking sector was also hit by the economic crisis, with the rate of uncollectible loans growing from 4.9% at the end of 2008 to 9.6% in mid-2010. In the last three years the capital adequacy ratio has grown from 15.2% in 2008, 16.4% in 2009 to 19% in the second quarter of 2010.

Banking system
9

8 | Currency and Price Stability

The gulf between the government's economic and fiscal policy on the one hand and the monetary policy of the CNB on the other has been growing during 2009 and 2010. Even though there were proposals by economic experts to depreciate the kuna against the euro and the dollar in order to encourage exports, the CNB kept the exchange rate of kuna stable. The justification for this exchange rate policy was primarily the avoidance of problems with the repayment of loans for Croatia's citizens, whose loans are tied either to the euro or the Swiss franc. Were the kuna to depreciate against either of these two currencies, monthly loan rates would grow, jeopardizing loan repayment as well as decreasing the standard of living. Even though the Croatian kuna is not officially pegged to any currency, the CNB always keeps fluctuations against these two currencies within set limits. Since 2001 the kuna-euro exchange rate has been kept at around 7.3:1. Inflation has not posed a problem in the last 10 years, while during 2009 and 2010 it has been low and stable. According to the constitution and relevant legislation, the CNB has authority over monetary policy independently of the government, but this has led to disagreements over economic policy. The government agrees with the bank's monetary policy, but the bank does not accept the government's economic policy. Fiscal policy and the state budget adopted for 2010 and 2011 in parliament were subject to the bank governor's criticism for excessive public spending. Because a significant cut to public spending has not occurred, in November 2010 the governor stated that he was wrong to oppose an agreement with the IMF.

Anti-inflation /
forex policy

9

From 2003 onwards, Sanader's government aimed to reduce the budget deficit in order to comply with European Union standards. However, since the outbreak of the economic crisis in 2008, the government has not implemented economic policies that would create preconditions to overcome the crisis. In 2009 there was a large budget deficit due to a gap between expected income and expenses, and the government's response was to introduce a crisis income tax and to increase VAT. This was received with widespread dissatisfaction by both citizens and the business sector since it produced a further downward effect on the standard of living. The crisis tax was abandoned in November 2010, but the positive effects of this measure have not yet materialized.

Macrostability

8

The state budget was revised twice in 2010. Neither of the revisions managed to significantly reduce public spending. Instead, the gap between revenue and spending was bridged by taking out loans on the international financial market. This increased Croatia's external public debt without helping the country climb out of recession. In 2009 the budget deficit was HRK 7.7 billion (€1.05 billion). External and internal debt grew by HRK 18 billion (€2.5 billion) between December 2009 and August 2010. The budget proposal for 2011 foresees a budget deficit of around

€ billion, while it is not clear whether the projected revenue will actually be collected. If the projected revenue falls short of predictions, the deficit will probably continue to grow since parliamentary elections are due at the end of 2011 or the start of 2012 and it is unlikely that the government will reduce public spending. A continuation of this government policy not only jeopardizes the country's macroeconomic stability, but also its international credit rating.

9 | Private Property

Legislation adopted over the last 20 years represents a break with the previous economic system that was characterized by "social ownership." That concept was abandoned in 1990 in favor of freedom of entrepreneurship and private property. Croatia's constitution stipulates that entrepreneurial freedom and property rights can be limited in exceptional circumstances related to the national interests and security of the Republic of Croatia, as well as in the interest of the natural environment and human health. However, during the last 20 years these rights and interests have been secured only partially because the HDZ political elite was advantaged during the privatization of previously publicly owned companies. In addition to this, during the privatization process the avoidance of legal stipulations or even the breaking the law by the privileged elite were tolerated. In a more recent case, the parliament passed a law on agricultural property that expanded the usual set of exceptional circumstances in which property rights can be limited. In a recent decision, the Constitutional Court annulled these provisions of the law, but the case shows that private property can still be brought into question by interest groups.

Property rights
9

After the communist system was abandoned in 1990, the state made efforts to privatize previously publicly owned companies. Private companies were envisaged as the pillars of Croatia's economic development, but at the same time the privatization process in the 1990s was non-transparent and often outside the law. President Tudman approved of private initiative but had a vision of 200 families running Croatia. Tudman was, at times, critical of a neo-liberal economic approach, preferring a state-centered market economy. After HDZ lost the 2000 elections, the new government promised a revision of the entire privatization process. However, this never happened. Only on occasion were court proceedings initiated for corporate crimes, but no government was prepared to undertake a through revision of the privatization process. During 2009 and 2010 several scandals broke out around suspect business transactions in public enterprises, in which high state officials were involved. The two cases that attracted most public attention concerned large state companies INA and Podravka. One of the amendments to the constitution passed in June 2010 proposed that criminal offenses in the transformation/privatization process can always be the subject of investigation and

Private enterprise
8

court proceedings. Today, there are still private companies that are privileged and receive political or administrative support.

10 | Welfare Regime

The Croatian social security system is largely public, financed by the state budget and local government budgets. A very small share of the overall system of social security is covered by other social organizations and the Catholic Church (through its humanitarian institutions). Social security covers unemployment benefits, benefits for pregnant women, those below poverty level, Homeland War veterans, as well as pension and health systems. The two largest parts of the social security system – pensions and health – have been causing problems for several years now. All employed citizens of Croatia are legally obliged to pay contributions towards health and retirement insurance, but these contributions do not suffice to cover current health and pension expenses. The public health system covers universal basic health insurance, but the level of expenditure it generates has been creating great pressure on the state budget. The introduction of patient participation fees was met with resistance, especially among the poorer sections of society. On the other hand, problems in the pension system were generated during the 1990s when many companies went bankrupt and a large number of people went into early retirement. Ever since then there is an unfavorable ratio between the number of those employed and those in retirement, which as a consequence has led to a relative reduction of monthly retirement benefits compared to average monthly salary in Croatia. After 2000, the situation improved in that the average monthly retirement benefit grew somewhat, but the model of financing the pension system is unsustainable. The 2002 introduction of second-pillar financing of pensions, which proposed financing via private investment funds to replace the pay-as-you-go system, did not produce the intended results. Several times during 2009 and 2010 there was public debate over abolishing the second pillar, which would mean nationalizing it.

Social safety nets
8

In the last couple of years Croatia has made advances in creating equal opportunities for its citizens in access to education, public services and employment. Women, ethnic and religious minorities are neither legally nor in practice systematically disadvantaged in accessing these services. One ethnic group that still suffers significant discrimination in access to public services and employment is the Roma population. All legal obstacles have been removed and a national program for the Roma was adopted in 2003. Croatia joined the Decade of Roma Inclusion 2005 – 2015. However, the Roma remain locked in a vicious circle of poverty, social exclusion and widespread prejudice. In terms of educational attainment, few Roma complete secondary school, while they reach tertiary education very rarely. Although gradual progress in this field ought to be noted, the recent economic recession has slowed down the pace of this progress in practice.

Equal opportunity
8

Finally, we should not forget members of groups that are even more marginalized such as people with intellectual disabilities, people with mental health problems, individuals living with HIV/AIDS, sexual minorities and asylum seekers. These individuals sometimes do not have the same opportunities as their neighbors because of the persistence of prejudice in some institutions as well as on a wider societal level.

11 | Economic Performance

During 2009 and 2010 the economic performance of Croatia was poor and did not build grounds for economic recovery. After the initial crisis in 2008 and the slowing down of GDP growth in the second quarter of 2008, GDP growth continued to fall throughout 2009. While the government projected a 2% GDP growth in its budget proposal for 2009, annual GDP declined 5.8%. The rate of consumer spending fell as well, reflecting a lower inflation rate than in 2008, of 2.4%. From 2002 onwards, public debt grew at an annual rate of €3-4 billion, reaching just over €43 billion and 95% of the GDP in 2009. After several years in which the unemployment rate was declining, it grew from 8.4% in 2008 to 9.1% in 2009.

Exports have become a serious long-term problem in Croatia's economy because no government in the 20-year history of the country has managed to balance exports and imports. Export trade deficit grew year on end, and by 2009 twice as much was being imported than exported. Since 2009 the trend has changed. While in 2008 the current payments deficit was €4.34 billion, in 2009 it was reduced to €2.47 billion. GDP continued to shrink in the first two quarters of 2010, but the fall slowed in comparison to 2009. There was a modest growth of 0.2% GDP in the third quarter of 2010. Economic experts say this is due to income raised during the tourist season, while the last quarter of 2010 will see another drop in GDP growth. The fact that in September, when the tourist season ends, unemployment grew, proves these estimates. After a period of positive trends in the labor market prior to 2008, in 2009 the number of employed was reduced by about 55,000. In September of that year the government proposed a budget revision which did not significantly reduce public spending. This was met with fierce criticism by the opposition, as well as economic experts and the CNB who all warned the government and the public that the current level of public spending was untenable. Macroeconomic indicators for 2010 were pessimistic, except for a slight increase in the current payments deficit and a stable inflation rate. Capital investments kept shrinking, and this was particularly observable in two areas: State investments in infrastructure (due to lack of funding), and private investments into construction and building (as a result of excess supply of real estate on the domestic market). In 2010 as a whole Croatia was one of a few transitional countries that were not able to achieve zero level of GDP growth.

Output strength

7

12 | Sustainability

Environmental Performance Index (EPI) for Croatia in 2010 is 68.7, ranking Croatia at 35. This makes Croatia above average compared to Eastern Europe and Central Asia. In December 2010 at the UN conference in Cancun, Mexico, the Croatian government agreed to reduce CO₂ emissions by 5% in the period 2013 – 2020. After joining the EU, Croatia will adopt the goal of 20% reduction in CO₂ emissions. Even though several NGOs in Croatia are active in advocating environmental protection, overall the population is unaware of environmental challenges. The use of renewable sources of energy is at a low level in comparison with Western Europe. However, the EU requires a rise in proportion of renewable energy sources as part of accession negotiations with Croatia. In 2007 the Croatian parliament adopted an act on environmental protection which obliged state and local government institutions to encourage sustainable development. In addition to this it stipulates measures against the negative effects of GM products. Bylaws state that polluters are required to pay annual compensation fees for CO₂, SO₂ and NO₂ emissions. During a public debate about tax reform in April 2010 the government announced that tax breaks and incentives would be introduced to support environmental protection and energy efficiency. However, this had not been done by the end of 2010.

Environmental
policy
8

A lion's share of primary and secondary schools in Croatia are public and the rest private. Tuition fees exist only in private schools. The literacy rate is 98.1%. Primary school is obligatory and the completion rate is close to 100%, while the secondary school completion rate is also very high. In higher education there is a steep dropout rate. Even though primary and secondary education system reform has been debated since the beginning of the 1990s, no comprehensive reform has been implemented. The reform would primarily impact the length of obligatory education. The proposal set forth in 2006 stipulated that secondary school should become obligatory. At the time, constitutional stipulations were mentioned as an obstacle to making secondary education obligatory. However, when amendments to the constitution were being made in 2010, the stipulation regulating length of obligatory schooling was not changed. There are seven public universities in Croatia, financed by the state budget and self-generated revenue, a large part of which is raised from tuition fees. The constitution guarantees universities' autonomy, but in fact this is limited because of their financial dependence on the state. University employees' salaries are paid from the state budget, and topped up from the institutions' own revenue. Some students pay no tuition fees, some pay only in part and some pay full tuition fees. During 2009 there were student protests at several universities in Croatia, in which students demanded free education for all. The government conceded to their claims in that it allowed free enrollment into the first year of university programs. Universities are conceptualized as higher

Education policy /
R&D
8

education institutions as well as research centers. Overall state investments into R&D have increased over 40% between 2006 and 2008, from around €300 (HRK 2.18 billion) to €420 (HRK 3.07 billion). In this overall amount, around 46% came from public funds, 36% from universities' own revenue and 9% from the private sector. During the academic year 2008/2009, 139,000 students were enrolled in higher education institutions, which represents around 3.14% of the total population. During 2008, around 25,000 students graduated, which is around 0.57% of the total population. Graduates of both university and professional studies often encounter problems with employability. The financial crisis and resulting loss of jobs on the market is one of the reasons behind this trend, while another might be the fact that enrollment quota are not well balanced. As a result there is a disproportion between graduates in certain fields and the demand for such profiles in the job market. For the first time last year, high school graduates took general final examinations that are meant to serve as one of the basis for university enrollment. The National Framework Curriculum, which is currently being developed, is supposed to present a more progressive framework for teaching at the level of primary schools although it remains to be seen whether and how civic education will be treated in practice. Furthermore, a set of education laws about the university and education policy is currently going through a tense debate process. The final outcome of this process remains to be seen.

Transformation Management

I. Level of Difficulty

Apart from the current government's insufficient reform potential and capacity, Croatia has long-term structural constraints which have been exacerbated by the financial crisis and stand in the way of deep social and economic reforms. These concern the primarily low educational qualifications of the work force as well as weak horizontal and vertical mobility, coupled with increased poverty caused by an increased rate of unemployment, an increased share of people employed but not receiving salaries, and an increased share of people who are employed but receiving minimum pay. These last two groups of workers are employed in the private sector where the government has for years tolerated illegal practices by employers who either do not pay workers or pay salaries minus health and social benefits. The state administration and government institutions have largely observed this illegal practice in silence. Croatian citizens share a widespread belief that this is due to corruption in public services as well as among state officials, and that such practices are the result of a corruption network that has formed a kind of parallel system to marginalize and replace legal, social and political institutions.

Structural
constraints
2

Another set of structural obstacles to reform can be found in an inherited non-democratic political culture and a weak civil society. Changes to the non-democratic political culture take place slowly, and its persevering value systems are transmitted to new generations. There were some traces of civil society activism in the Yugoslav period, especially in the late 1980s as well as strong, though mainly ethnically determined, solidarity among citizens in the face of military aggression in the early 1990s. Furthermore, during the 1990s a small, autonomous and yet influential civil society gradually developed in Croatia. However, it takes much more time to develop citizen participation. Although there has been progress in this field as well, one recent survey conducted at the end of 2010 among Croatian secondary school-leavers has shown a worrying lack of political education, widespread non-democratic political attitudes as well as elements of the "authoritarian syndrome." These results have helped spark public demand for the introduction of citizenship education and democratic political culture into school curricula. Some research has shown that the perennially low levels of social capital are being further eroded, which is especially the case with respect to the cultural

Civil society
traditions
4

dimension of social trust. According to the last available survey, only 9% of Croatia's citizens think most people can be trusted, which puts Croatia at the bottom among European countries.

These social trends have deepened traditional cleavages between capital and labor, and strengthened the belief among many citizens that Croatia has developed "predatory capitalism," and that any capitalist system is socially unjust and hence unacceptable. Since in terms of economic development the country is divided between the more developed north and west, and the less developed eastern and southern parts, the economic crisis has further sharpened regional polarization and the center-periphery cleavage, which has economic, cultural and political dimensions. To these trends we should also add the strengthening of a third traditional cleavage between secular and religious segments of Croatian society. This cleavage has been enhanced by the ongoing efforts of the Catholic Church to incorporate its norms and values into as many segments of the secular state as possible. The Catholic Church has an undeniable influence on certain political parties and politicians in the ruling government coalition. It seems that after 20 years, the classical Western cleavage structure is recognizable in Croatian society. Social divisions are to a large extent expressed through the polarization between left and right: the left aligns with labor, the secular state and periphery, advocating regionalization and decentralization of the state, while the right aligns with capital, the Church and a centralized state.

Conflict intensity
3

II. Management Performance

14 | Steering Capability

The Croatian government has clear foreign policy goals. After joining NATO in 2009, the main foreign policy goal has been the conclusion of accession negotiations in 2011 and entrance into the EU as soon as possible. Since the inauguration of Ivo Josipović as president, who, according to the constitution, shares authority with the government over foreign policy, regional cooperation has become more prominent, especially the normalization of political relations between Serbia and Croatia. The president's regional policy is based on the conviction that Croatia gains more importance within the EU, as well as in the international community more generally, by playing an active role in the pacification and normalization of relations in Southeast Europe – and especially among countries of the former Yugoslavia.

Question
Score

Prioritization
8

Regarding home affairs, the government has only partially defined priorities and has often, especially during the course of 2010, opted for more secure short-term political benefits at the expense of real strategic priorities. Public policy reform is often not evidence-based or socially sensitive and hence encounters resistance among the concerned social groups.

One typical example of the government's limited success in implementing its policies is the labor legislation reform that the government abandoned under pressure from the unions. Similarly, the government abandoned pension system reform due to pressure from the unions and the general public. Protests from the HSS thwarted agricultural policy reform and the renegotiation of the inefficient system of state subsidies. Another example is the attempt to introduce tuition fees in universities, where the government again backed down when pressured by student protests. Science policy reform was met with opposition by the academic community and professional associations. Professional and political elites are now aware that the current development model (based on public debt as source of public investments) has been exhausted, but agreement on an alternative development model has not yet been found.

Implementation
7

Despite the fact that certain government ministers obviously lack the competence to handle the economic and social challenges the country is facing, the government has not gone through any major reconstruction. At the end of 2009, the former minister of economy and deputy prime minister was replaced following his indictment for corruption and other crimes. The former chairman of the Croatian Employers Association took his place. The government went through an additional change at the end of 2010 when four new ministers were introduced. The formal reasons put forth are the underperformance of certain ministers, but informally the suspicion is that ministers who were involved in corruption affairs shall be removed from office. In any case, it seems unlikely that this government reshuffle less than a year before the next parliamentary elections will have a significant impact on the government's overall performance.

Policy learning
7

15 | Resource Efficiency

There have been three major obstacles to more efficient use of resources: clientelism, corruption and an incompetent, inefficient public administration. Clientelism results in an abandonment of optimal ways of using existing natural resources in favor of the special interests of members of the governing coalition, or in other words their constituencies. This mechanism has been most obvious in the case of HSS, which obstructs agricultural reform (aimed at revoking subsidies to unproductive segments of the agrarian sector) because peasants form a large part of its voters. As a result, state subsidies to agriculture are awarded based on land size and not based on quality and quantity of production. The HDZ refuses to

Efficient use of
assets
6

thoroughly reform social spending for war veterans and their families, and denies public access to the Register of Homeland War Veterans which is considered secret although it should not be according to the relevant international standards. The HDZ claims that all information contained in the register must be protected, and does not want to find a way to reconcile data protection with the public's right to know. The HDZ refuses to seek a compromise on making the register public since war veterans constitute its traditional voter base. In budget plans adopted for 2010 and 2011, it was easy to identify expenses directed towards clientelist voter bases of governing parties, including the ethnic minority political parties that supported the government.

Widespread clientelism and corruption further weakened the competence and efficiency of the public administration. Civil servants are to a large extent recruited using party loyalty and not professional criteria, and this is especially the case when it comes to top public management positions. The government tried to reduce the cost of public administration by abolishing several public agencies, but this was mostly done by merging two or more old bodies into one. A high level of centralization in public administration also slows efficiency, since municipal, city and regional administrations are not genuinely self-governed. Instead they are characterized by low level of authority and a low level of financial autonomy.

The government mostly fails to coordinate between conflicting objectives. Different parts of the government tend to compete among each other, and some policies have counterproductive effects on other policies. There has been better coordination within the context of strategic objectives such as NATO and the EU, but on other issues constructive cooperative work is not encouraged effectively. In other words, those civil servants who avoid coordinating with others in order to limit their work for the most part get away with this. When substantive conflicts occur between different policy goals this is all too often resolved at higher levels.

Policy
coordination
6

Corruption is one of the gravest political, social and moral problems that Croatia is facing. The corruption web started to unravel with the "Fimi Media affair." Fimi Media is a small PR company which had reported annual earnings that were disproportionately high in comparison to its size and business reputation. The investigation that ensued revealed Fimi to have been an agency used by the HDZ to extract and launder money from large public enterprises and divert them into secret "black party funds" or the private pockets of chief party and state officials. Police and public prosecution investigations included the interrogation of executives and board members of some of the largest state enterprises (Croatian Forestry, Croatian Highways, Croatian Post etc.), state banks and agencies (Croatian Postal Bank, Environmental Protection and Energy Efficiency Fund) as well as ministries. Testifying for the investigation, they alleged that they were instructed by the former Prime Minister Sanader and his confidant Mladen Barišić who was head of the Customs Administration and HDZ treasurer, to award tenders to Fimi Media

Anti-corruption
policy
7

company. Money was extracted from public enterprises in three ways: By entering into direct agreements with Fimi Media, by falsifying calls to tender and by issuing fictitious invoices. The owner of Fimi Media, Nevenka Jurak, testified that, apart from taking a provision for herself, she forwarded millions of kuna to Barišić, who then handed the money over in “black bags” to either Sanader personally or into the secret HDZ fund. This money was used to bribe journalists and media, to buy shares in local media, finance electoral campaigns, top up ministerial salaries, buy clothes for top party officials etc. Public funds also trickled into HDZ indirectly. For instance, the Croatian Highways public enterprise financed ceremonial openings of completed sections of state highways just before or in the middle of the parliamentary election campaign in 2007 as well as the local elections in 2009. Since the lead roles in these events were played by the prime minister and other government ministers, such events in effect bolstered HDZ electoral campaigns. What was at stake was an elaborate corruption pyramid, with a patron at the top and various actors who were dependent on access to public goods, money and positions filling the bottom. Between them were political party brokers who directed jobs, money and patronage to clients, votes and a cut of the profit to the patron. This pyramid became an independent subsystem that in large part replaced and marginalized legal political institutions and strengthened a tendency towards a type of patronage democracy.

Taking all this into consideration, it is no surprise that the corruption index in Croatia remained high: In 2009 and 2010 it was 4.1; worsening from 4.4 in 2008. Since the exposed corruption scandals involved the illegal financing of HDZ, the Act on Political Party Financing that was adopted in 2006 became the center of attention. This act normatively regulated membership fees, public, private and anonymous donations from the country and abroad, and explicitly listed forbidden sources of financing and financing through third parties. At the same time, the act did not regulate the financing of electoral campaigns, or the financing of independent candidates and representatives. As a consequence, in November 2010, the government put forward a Draft Act on Financing Political Activity and Electoral Campaigning, which has in the meantime been passed by the Sabor. The proposal introduces restrictions on financing electoral campaigns and stipulates sanctions for violating the rules. The right to refund electoral campaign expenses from the state budget is precisely regulated, as are audit mechanisms and legal sanctions (for instance, loss of the right to refund electoral expenses from the state budget, as well as penalty fees proportionate to gravity of the misconduct). During the course of the last two years the police, prosecutors and special services have received additional powers through changes of several laws. Additionally, a political momentum has developed where the initial support for finding something against former Prime Minister Sanader eventually allowed the authorities to pursue

all sorts of investigations, although the issue of a few remaining untouchables is still out there.

16 | Consensus-Building

The political elite in Croatia managed to build and maintain a consensus around the foundational principles of the political and social system, as well as Croatia's place in the international community. The internal consensus refers to developing a democratic political regime and market economy, while the foreign policy consensus refers to membership in NATO and the EU. These basic principles were shaken but not seriously threatened even in the face of deep economic crisis and the related political tensions and clashes between government and opposition. During debates on constitutional reform in 2010, the government and opposition reaffirmed their commitment to the "Alliance for Europe," the name for their joint project of joining the EU, by consensually agreeing to reduce requirements for a positive EU referendum outcome. The two sides also reached agreement regarding minority votes in parliament and the introduction of a double voting right, although this will be reviewed by the Constitutional Court in the coming months. In addition, they reached an agreement regarding the diaspora vote, which had been the subject of fierce dispute ever since the 1990s. In November 2010, the two major parties, HDZ and SDP, unexpectedly reached an agreement pertaining to the new Act on Croatian Radio-Television (HRT) – an old source of strife. This act introduced two novelties. Firstly, the public segment is not financially and programmatically separate from the commercial. Program contents are now more precisely specified, as are mechanisms of management and control of public broadcasting (financed through monthly license fees). Secondly, the time slots reserved for commercial advertising have been reduced, which liberalized the media market and should have a positive effect on the development of private broadcasting companies. The act was met with opposition from interest groups and organizations dependent on HRT (such as associations of film directors, script writers, actors, musician and such). Even though their resistance was motivated by private and group interests, they used the rhetoric of public interest against the advancement of "light entertainment" and "easy money" of commercial broadcasting companies. These consensus decisions and compromises reduced the cleavage between political right and left, but were not able to fully bridge them.

In Croatia there are no powerful veto actors outside the constitutional system, and no relevant anti-system parties. Only small non-institutional groups on the far right and the far left fully reject the liberal democratic regime, while war-veteran groups can only in exceptional circumstances unite for some time and constitute a veto group.

Consensus on goals
10

Anti-democratic
actors
9

The general social consensus regarding development based in a market economy was challenged by continuous squabbling between the government, unions and employers regarding which model of development should be pursued. The economic crisis further deepened divisions between parties to this tripartite social dialogue, so the Economic Social Council meetings were broken off and sidelined several times by all parties, and most often by unions. The unions refused a comprehensive reform of labor, pension and social legislation – a necessary step from the perspective of employers to develop a competitive market. Caught in the middle between two extremes, the government publicly sided with the employers, but in effect conceded to the unions' demands. Concessions towards unions went as far as the government allowing the unions to partake in decisions concerning a "purely political question" when in November 2010 the government and unions signed an agreement stipulating the foundations of the new Referendum Act. They agreed to reduce the necessary number of signatures for initiating a referendum from 400,000 to 200,000. Cleavages also exist along ethnic and regional lines but the political leadership can prevent any serious escalation.

Cleavage /
conflict
management
8

After a successful referendum initiative through which the unions forced the government to abandon its proposal to amend labor legislation, the unions obviously realized that referenda might be a powerful force in strengthening their social and political influence. Occasionally other civil society actors were included in political decision-making, either by invitation of the government or a parliamentary committee, or as a result of their own initiative. The most influential CSO, GONG (the acronym stands for "citizens organized in monitoring elections") was actively involved in the drafting of new legislation on political party financing, and it usually takes part in public debate regarding all aspects of electoral policy. Transparency International Croatia took part in public debate regarding anti-corruption legislation and measures, as well as penal policy. Associations of journalists were involved in the debate on new legislation regulating Croatian Radio-Television and in media policy more generally. CSOs advocating women's rights and fighting against domestic violence were included both in gender equality policy and in amendments to penal policy. War veterans' and soldiers' associations are constantly involved in policies that regulate the rights of participants and victims of the Homeland War. However, despite the fact that the government passed a code regulating open and participatory processes, in practice this is often not the case. In fact, after some improvements in this field (the new draft penal code and new strategy of national security) in the recent months the government has gone ahead with a number of draft laws and important proposals without carrying out a proper consultation process (i.e., Law on Social Care).

Civil society
participation
7

Since taking up office, President Josipović has led a regional effort to advance reconciliation and provide additional impetus for the painful process of dealing with

Reconciliation
8

the past. The government of Prime Minister Kosor for the most part supports these efforts, but less publicly and with much less vigor.

In July 2010, Josipović visited Belgrade and his Serbian counterpart Tadić to try to promote reconciliation and cooperation between the two countries. In November 2010, the two presidents met in Vukovar. This was first visit by a Serbian president to Vukovar in the last 20 years.

17 | International Cooperation

The Croatian experience in the recent times has swayed back and forth between using international assistance effectively in order to implement certain long-term development strategies and using similar assistance less successfully.

Effective use of
support
8

Croatia's international cooperation has two major streams of involvement: in peace operations and missions of NATO, the UN and the EU on the one hand, and regional cooperation with Southeast European states on the other.

Credibility
9

The Croatian Armed Forces (CAF) have, with permission of the government and parliament, so far participated in 12 peace operations and missions of NATO, UN and the EU around the world. Mostly CAF has participated as administrative and logistic personnel, as well as military observers. The largest contingent of 320 people was deployed as part of NATO's mission in Afghanistan (ISAF). The second largest contingent, of 95 people, was deployed as part of NATO's mission in the Golan Heights (UNDPF), and the third largest, of 20 people, as part of a UN peace operation in Kosovo (KFOR). During 2010 there were 280 Croatian soldiers engaged in the International Security Assistance Forces (ISAF) operations, outnumbering many older NATO members such as Estonia, Greece, Latvia, Lithuania, Portugal, Slovakia, Slovenia and others. Croatia became a NATO member only very recently, in 2009. National strategic documents treat participation in international operations and missions that aim to establish "international peace" as an important element of the defense and security policy of Croatia. Apart from that, deploying Croatian soldiers to such missions is often justified on moral grounds. Since during the Homeland War international peace missions were deployed to Croatia, it is Croatia's moral duty to participate in similar international missions worldwide. In line with such reasoning and as a result of NATO's request, in December 2010 the Croatian parliament decided to enlarge the Croatian contingent in Afghanistan to 350 soldiers.

Croatia's foreign policy in 2009, and especially during 2010, was marked by intensified regional cooperation with the countries of Southeast Europe – specifically Slovenia, Serbia and Bosnia and Herzegovina. The most important of these efforts was the initiation of cooperation with Slovenia to solve a border dispute. After the breakdown of Yugoslavia, several border disputes surfaced among secession states both on land and at sea. It turned out that the dispute over the maritime border between Croatia and Slovenia, which concerned the Bay of Trieste area that Slovenes call the Bay of Piran and Croats call the Bay of Savudrija, was the most contentious. Croatia demanded that the border be set in the middle of the bay, resulting in an equal share for both countries, but Slovenia claimed sovereignty over the entire bay. Croatia invoked international legal acts and lobbied for the dispute to be settled before the International Tribunal for the Law at Sea or the International Court of Justice. Slovenia on the other hand invoked a “historical claim and other special circumstances” and argued either for a bilateral settlement or some sort of international arbitration. Since bilateral talks were held unsuccessfully for several years and neither party wanted to change its position, in 2008 Slovenia blocked Croatia's accession negotiations with the EU. Its formal objection was that Croatia wrongfully claimed its maritime territory in documents sent to the EU as part of its accession negotiations. In Croatia this was interpreted as political blackmail par excellence. Tense political relations between the two countries did not subside until 2009. After Prime Minister Sanader resigned from office – claiming as the chief reason of his resignation the fact that he was unprepared to “trade Croatia's territory” in exchange for entering the EU – and coupled with clear pressure on the side of the US, the two prime ministers re-started negotiations. This round resulted in the signing the Arbitration Agreement in November 2009. This then led to the unblocking of Croatia's accession negotiations with the EU. The agreement envisages the establishment of a five-member arbitration court, with three members nominated by the EU, Slovenia and Croatia nominating one member each. The court will start procedures after Croatia completes the accession negotiations, and its ruling will be binding for both sides. The Arbitration Agreement was ratified by Croatian parliament, while the Slovenian parliament ratified the agreement only after it passed a referendum vote in June 2010. Even though neither side is fully satisfied with the agreement and is apprehensive about the court's ruling, the agreement did reduce political tension between the two neighboring states and cleared the way for Croatia's entry to the EU. It is worth mentioning that the maritime and land border between Croatia and Montenegro in the south Adriatic remains open, and that the two states agreed to turn the decision over to the International Court of Justice in The Hague.

During the last two years, and especially since Ivo Josipović became president, cooperation between Croatia and Serbia has intensified in almost all areas. The 2010 agreement on mutual extradition of nationals for criminal proceedings or imprisonment in areas of organized crime and corruption (within an emergency

deadline of up to four months) is considered one of the more important achievements of this renewed cooperation. This agreement is intended to thwart organized crime groups from operating across the two countries, and it was interpreted in the public debate of both countries as “an end to Balkan mafia.” Immediately after the signing of this agreement, Croatia extradited Srećko Kalinić to Serbia. He is one of the members of the infamous Zemun Clan in Serbia, sentenced in Serbia to 30 years in prison for taking part in the assassination of Serbian Prime Minister Zoran Đinđić in 2003, and to another 30 years for taking part in 19 different murders and other crimes. Clashes among former members of the Zemun Clan spilled over from Serbia to Croatia, so Kalinić was caught near Zagreb after assassinating Miloš Simović, who was also sentenced in Serbia to 30 years in prison for taking part in the assassination of Đinđić. Furthermore, Croatia signed an agreement with Bosnia and Herzegovina stipulating obligatory criminal proceedings against citizens who have committed crimes or were sentenced, but who managed to avoid serving in prison due to dual citizenship of the two states. Here the infamous case is that of Branimir Glavaš, who was sentenced to eight years in prison for war crimes against Serbian civilians in Osijek back in 1991. During the time his case was on trial, he applied for and received citizenship of Bosnia and Herzegovina based on the fact that he was born there. Right before sentencing, he fled to Bosnia where for a while he lived as a free man, and even ran a regional Croatian political party (HDSSB) from there. Thanks to this agreement between the two countries, there was a repeat trial and sentencing in Bosnia, and Glavaš will, according to his own choice, serve his sentence in Bosnia and Herzegovina.

Strategic Outlook

In the forthcoming period, Croatia's social development will be marked by two key events. In foreign policy this will be the completion of accession negotiations in 2011 and the expected entry to the EU in 2013. These processes depend primarily on successfully closing chapters on Justice and Fundamental Rights and Market Competition, which have proven the most problematic to negotiate. Successfully closing the Chapter on Justice and Fundamental Rights hangs primarily on convincing the EU that the judiciary is independent and efficient in prosecuting corruption and war crimes. Closing the chapter on Market Competition depends primarily on solving open questions regarding the restructure of the shipbuilding sector in Croatia. Several shipbuilding companies in Croatia survived due to state subsidies and guarantees, and the EU insists that this practice must be stopped. Shipbuilding in Croatia is not only an important export sector that employs thousands of workers and cooperative industries, but a key component of the social and cultural identity of Adriatic cities and national tradition more generally. Therefore this issue is not seen entirely as economic in Croatia, but also as cultural and emotional. It is also possible that Croatia might encounter problems in the ratifying process with some member states of the EU. In Slovenia the right-wing political opposition, which might come into office after the 2012 parliamentary election, was openly opposed to the Arbitration Agreement and agitated for a negative outcome of the arbitration referendum, which passed with a very narrow majority. The outcome of Croatia's referendum on entering the EU is increasingly brought into question, despite the fact that the constitutional changes in June, 2010 made a positive outcome more likely. Some events might influence a negative outcome for the referendum, such as the trial against three Croatian generals who are being tried for war crimes before the International Tribunal in The Hague. Sentencing is expected in April 2011, and a guilty verdict, especially in the case of Ante Gotovina, will not be taken well in Croatia. In addition to that, a series of "bankruptcies" of EU member states such as Greece, Ireland, Hungary, Portugal, Spain or Italy may also contribute to a high level of Euroskepticism. These events contradict Croatian politicians who claim that the EU is a "shield" against these kind of financial disasters and that "no member state of the EU has ever experienced anything bad happening to it."

The key event in domestic politics will be the parliamentary election in 2011. Two large political blocs will probably cross swords at this election. The left bloc, led by SDP, and composed of HNS, IDS and HSU, was formed in November 2010 under the name Alliance for Change as a proto-formal electoral coalition. The right bloc, led by HDZ, is not yet formed and has not made any formal announcements. The HSS would surely side with HDZ, and probably some other parties as well, at least in some electoral districts. According to recent public polls, the left bloc has a strong lead, so the seventh parliamentary election should bring a third turnover.