

Executive summary

The *OECD Regulatory Policy Review of Croatia* assesses the country's regulatory management capacity by taking stock of regulatory policies, institutions and tools, describing trends and recent developments, and identifying gaps in relation to good practices. Improving the entire regulatory policy cycle will ensure that regulations are built on a foundation of solid evidence and public participation and are designed to improve the security, health and well-being of citizens at a reasonable cost.

The Government of Croatia has made great strides in improving its regulatory policy. Line ministries are required to use tools such as RIA and stakeholder engagement when developing laws and regulations. However, challenges remain in ensuring that they implement these tools effectively. Croatia should support good law making by strengthening analytical capacities and oversight of the regulatory process.

Key findings

- The Government of Croatia has introduced a set of useful and important reforms to strengthen regulatory policy, including a legislative framework for RIA and stakeholder engagement, and made a great effort bundling the fragmented legislative framework. A whole-of-government policy bringing together these provisions is still missing.
- A number of line ministries, centre-of-government offices and other institutions are involved in regulatory policy oversight. The Government Legislation Office is well-situated at the centre of government. However, the GLO's mandate allows for scrutiny of RIA for primary legislation only. As a result, high burdens stemming from subordinate regulations go unchecked.
- Implementation of regulatory policy remains a challenge. A lack of analytical capacities for regulatory quality in GLO and line ministries compromises the quality of regulatory management tools.
- The Croatian legal and policy framework has created conditions for efficient stakeholder engagement in regulatory policy and Croatia is comparing well even with many OECD countries. However, most institutions rely exclusively on online consultations rather than combining several consultation methodologies, including early-stage consultations.
- All the necessary elements of RIA exist for primary laws in Croatia. RIA starts relatively early in the process and looks at a wide variety of impacts. However, policy makers have not used RIA to its full potential in part due to a lack of expertise and the actual information provided in RIAs seems to be relatively underdeveloped. RIAs for burdensome subordinate legislation are not conducted.
- *Ex post* reviews of regulations have almost exclusively focused on reducing administrative burdens to business, government and citizens. Generally, these reviews have brought improvements to the procedures internal to government, but this focus neglects whether laws and regulations are really meeting their objectives in an efficacious way.

- The inspection framework in Croatia is going through a substantive reform in 2019 relating to the creation of the State Inspectorate. The new framework should enable better planning of inspections and therefore reducing burdens stemming from inspections for the inspected subjects.
- Croatia's regional governments have significant authorities to develop their own regulations in key economic areas. Many of the smaller local governments lack the capacities to effectively implement regulatory policy.
- Croatia has successfully put in place a structure for co-ordinating between the EU- and national level but focuses its efforts on the later stage of the EU legislative process and rarely uses regulatory management tools to inform the national position during the negotiation phase.
- Recent efforts have been made to enhance small business taxation. However, the tax system remains complex and tax compliance costs continue to weigh heavily on small businesses. Overall, the Croatian tax system generates compliance costs and distortions that may hinder the development of SMEs.

Key recommendations

- Overall, the government should relaunch Better Regulation to bring evidence-based policy back into focus. At the core of this effort should be the introduction of an explicit and binding whole-of-government regulatory policy with clearly identified objectives and a clear communication strategy.
- The scope of better regulation efforts should be extended by moving beyond the current focus on administrative burden measurement and reduction to the effective implementation of regulatory management tools.
- The Government of Croatia should promote oversight and quality control of regulatory management tools. The Ministry of the Economy could consider extending the scope of its scrutiny to regulatory costs other than administrative burdens to address the substantial burdens stemming from secondary legislation.
- A central part of the effort to improve implementation of regulatory management tools is the promotion of analytical capacities in line ministries. Croatia should further invest in targeted staff trainings and hire additional staff, in particular economists.
- Croatia could consider improving the co-ordination during the law-making process, for example by setting up an inter-ministerial conference.
- Consultations should take place more systematically earlier in the process, prior to a preferred solution being identified. This could be encouraged by providing guidance and training on how to establish working groups.
- Croatia could improve the quality of RIA by targeting RIA and analytical resources to those major legislative initiatives that will have a major impact on Croatian citizens. RIA should also be applied to subordinate regulations with significant impacts.
- The Croatian government should also strengthen stakeholder's engagement in reviewing existing regulation. To strengthen dialogue and address the high regulatory burdens for businesses, it could be considered to establish a permanent discussion forum between the administration and businesses.
- Croatia should conduct targeted *ex post* reviews focusing on the performance of regulations or particular sectors to improve the quality of regulations. Priority areas or sectors for those reviews must be identified in co-operation with stakeholders.
- Croatia should focus on successfully implementing the inspection reform in the following years and the use of risk-based approaches to enforcement should be bolstered.

- The national government should promote quality regulatory policy on the sub-national level by sharing best practices and encouraging the use of regulatory policy tools.
- Croatia should ensure that a proportionate analysis of impacts is carried out and relevant stakeholders are involved in the process of preparing national positions to draft EU legislation.
- Taxpayer services targeted at small businesses could be improved, for example by setting up an SME portal. Reforms of the taxation system of SMEs should focus on strengthening the exchange of information between public administrations.



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