



Public Administration Reform in Croatia: Main challenges and reform priorities

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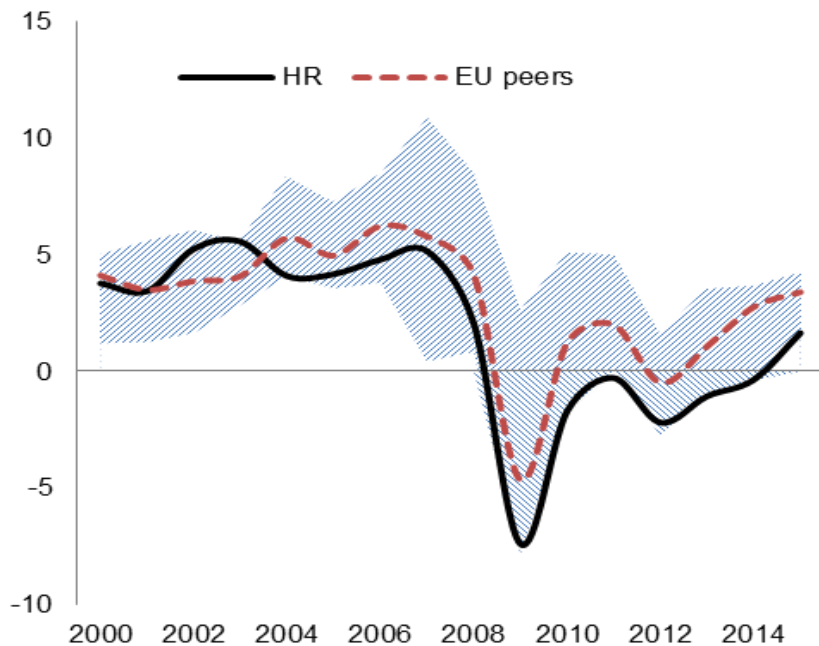
European Commission, DG Economic and Financial Affairs

Public Administration Reform – Perspectives and Challenges

Zagreb, 22 April 2016

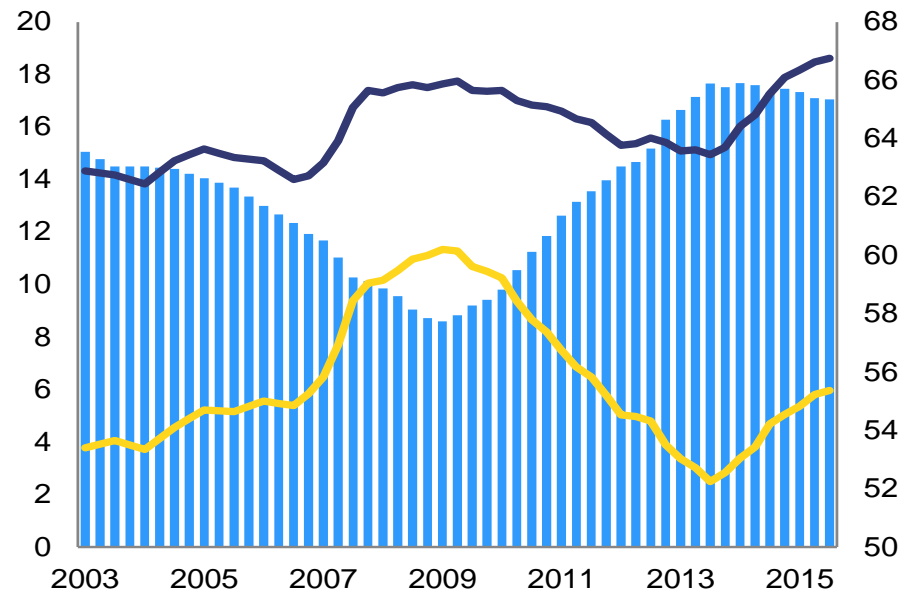
Growth and labour market performance

Real GDP growth (%p.a.) in Croatia and peer economies*



* Shaded area indicates min and max.

Activity, employment and unemployment rate (%)



■ Unemployment rate (lhs)
— Activity rate (rhs)
— Employment rate (rhs)

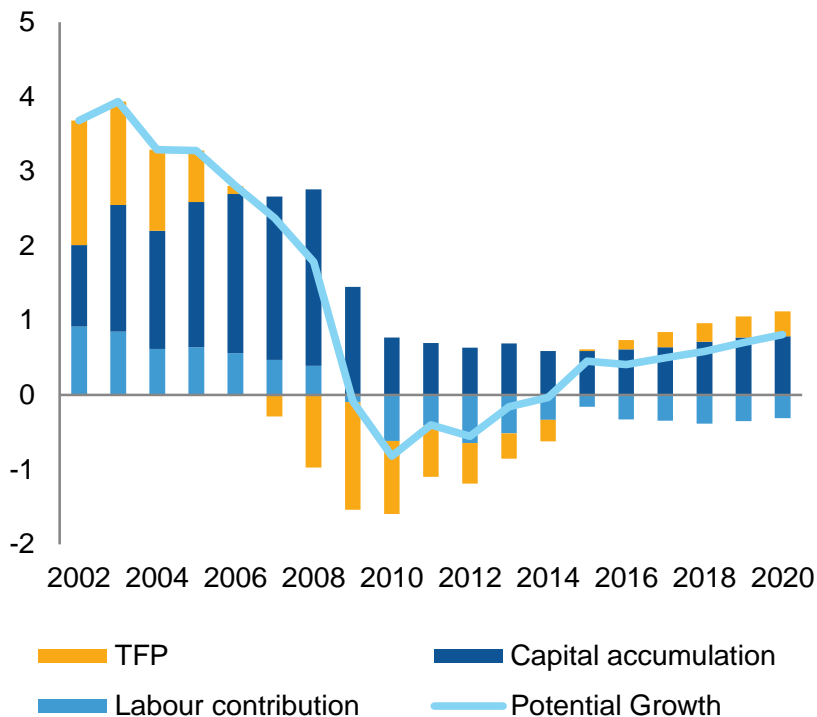
Main vulnerabilities

	Croatia	EU peers
Government debt (% GDP, 2015.Q3)	85.9	50.9
Corporate debt (% GDP, 2014)	80.2	48.8
External debt (% GDP, 2014)	88.0	60.9
Current account (% GDP, 2015)	5.1	0.8
Regulatory burden*	40	31
Non-performing loans (% GDP, 2015)	17.1	7.9
Unemployment rate (% , 2015)	16.3	7.4
Activity rate (% , 2015.Q3)	68.1	69.8

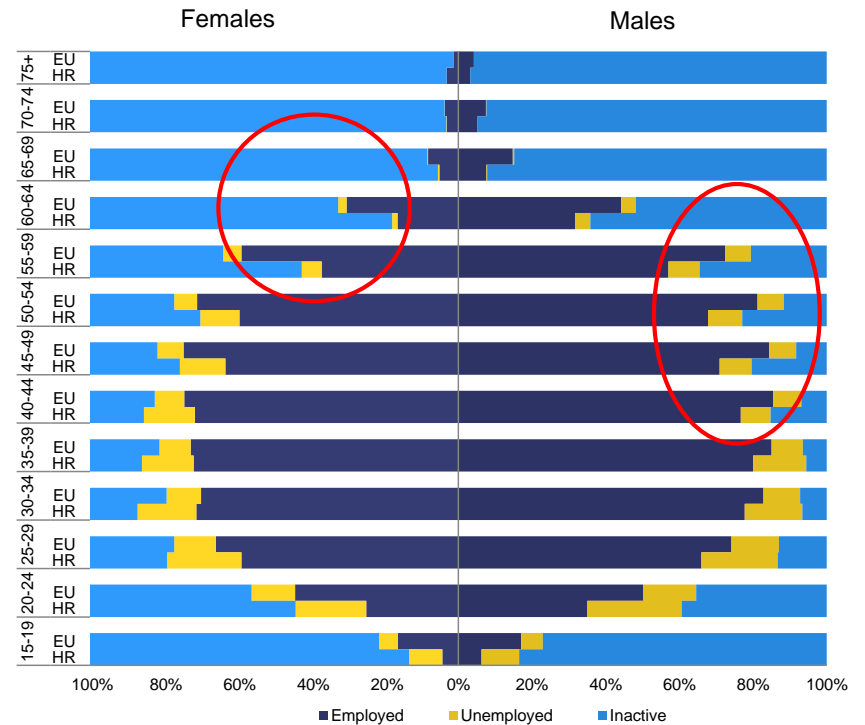
Source: Eurostat, ECB, World Bank, *Ease of Doing Business rank.
Peer countries: BG, CZ, HU, PL, RO, SI, SK.

Potential output and labour participation

The drivers of potential output

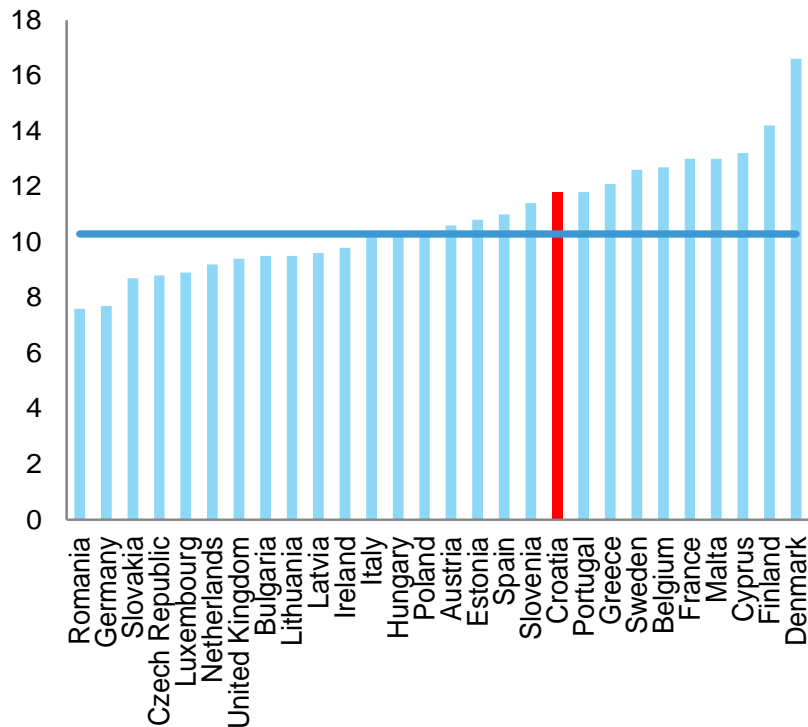


Employment, unemployment and inactivity rates in Croatia and in the EU by sex and age group, % of the population in the relevant age group

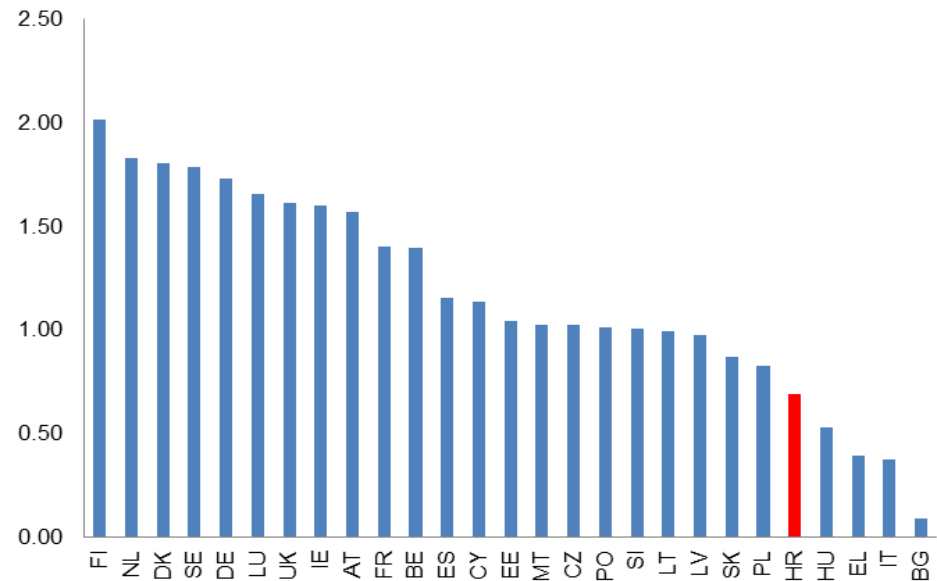


Wage bill and performance of the PA

**General Government Wage Bill,
(% of GDP)**



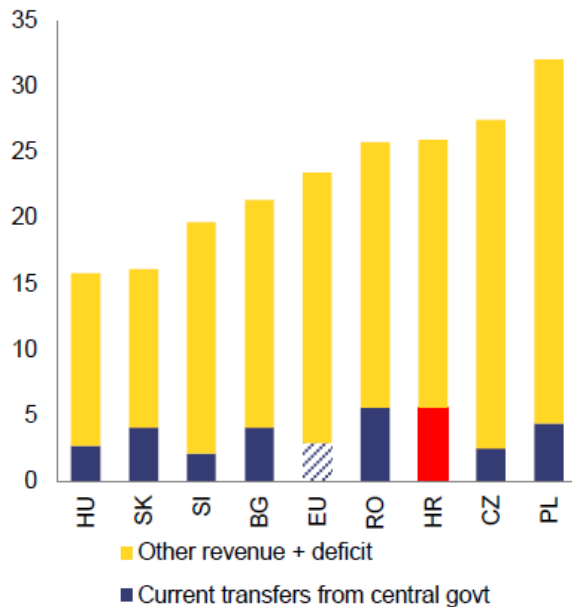
**World Bank Government Effectiveness Index
(2014)**



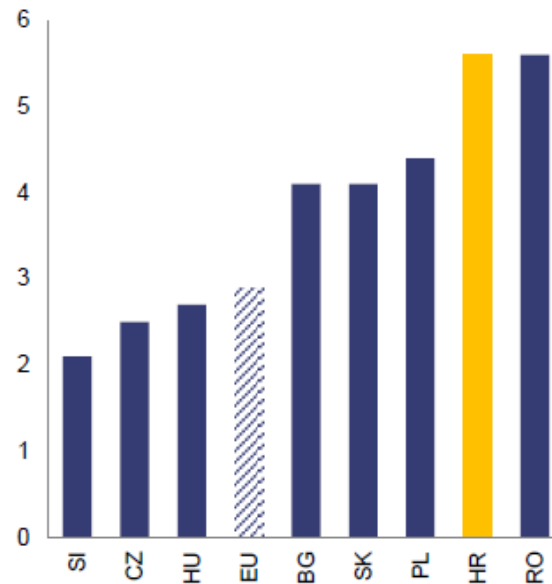
Reflects perceptions of the quality of public services, the quality of the civil service and policy formulation and implementation. The index ranges from approximately - 2.5 (weak) to 2.5 (strong) governance performance.

Transfers and expenditure of local government units

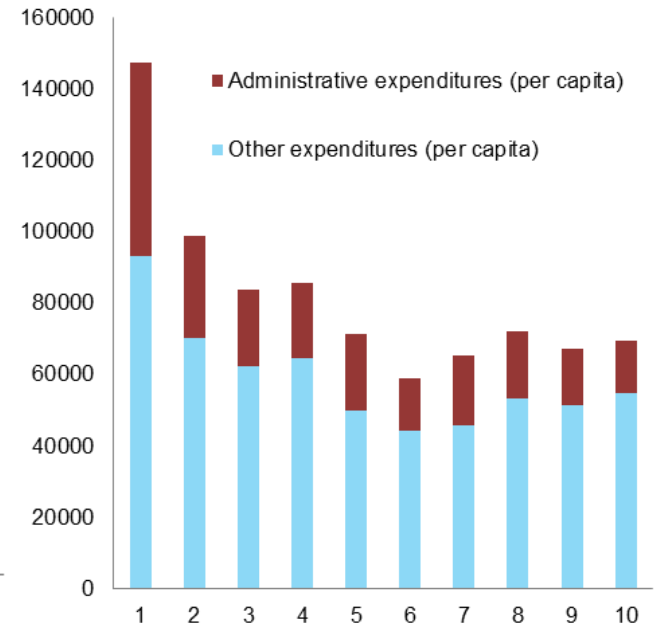
Financing of local government expenditure in 2014
(% of GDP)



Current transfers from central to local government in 2014
(% of GDP)



Expenditure by population size of Croatian municipalities (deciles)



How to improve the efficiency of the public administration

❖ **Comprehensive reform of the working practices**

- Simplification and modernisation of administrative proceedings
- Enhancement of the human resource management
- Harmonisation of pay systems
- Digitalisation of public services

❖ **Reduction of fragmentation in the state administration system :**

- Conclude a functional review of competences
- Strengthen the fiscal and administrative capacities of local units
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❖ **Reduction in the number of state agencies**