

Croatia

by Petar Dorić

Capital: Zagreb
Population: 4.4 million
GNI/capita, PPP: US\$18,780

Source: The data above are drawn from the World Bank's *World Development Indicators 2013*.

Nations in Transit Ratings and Averaged Scores

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Electoral Process	3.25	3.00	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Civil Society	3.00	3.00	2.75	2.75	2.75	2.75	2.75	2.50	2.50	2.50
Independent Media	3.75	3.75	3.75	4.00	3.75	4.00	4.00	4.00	4.00	4.00
Governance*	3.75	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
National Democratic Governance	n/a	3.50	3.50	3.50	3.25	3.50	3.50	3.50	3.50	3.50
Local Democratic Governance	n/a	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Judicial Framework and Independence	4.50	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Corruption	4.75	4.75	4.75	4.75	4.50	4.50	4.50	4.25	4.00	4.00
Democracy Score	3.83	3.75	3.71	3.75	3.64	3.71	3.71	3.64	3.61	3.61

* Starting with the 2005 edition, Freedom House introduced separate analysis and ratings for national democratic governance and local democratic governance to provide readers with more detailed and nuanced analysis of these two important subjects.

NOTE: The ratings reflect the consensus of Freedom House, its academic advisers, and the author(s) of this report. The opinions expressed in this report are those of the author(s). The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year.

EXECUTIVE SUMMARY

Croatia will join the European Union (EU) in July 2013, a milestone reflecting hard-won successes in the past two decades of democratic transition. However, events of 2012 clearly show the persistence of enormous challenges facing the government of Prime Minister Zoran Milanović, whose center-left Social Democratic Party (SDP) won 61 of 151 seats in the December 2011 parliamentary elections. Chief among these are a struggling global and national economy, compounded by the legacy of corrupt privatization and incomplete restructuring efforts. Many question whether Croatia's governing institutions are strong enough to meet current economic and social challenges.

The underperformance of rule of law institutions, in particular, is a major source of concern. The sentencing of former prime minister Ivo Sanader in November 2012 to 10 years in prison for corrupt practices is a first for the country and the region. However, the justice system as a whole is increasingly accused of selective corruption prosecutions and of operating under the strong influence of business and media interests. Domestic war crimes prosecution is still woefully slow and delivering questionable verdicts. The November reversal of the guilty sentence against two top Croatian generals at The Hague was welcomed, rather than challenged, by both the government and much of the public.

National Democratic Governance. The new government remains focused on the final push towards EU accession. However, the year saw little progress in addressing many outstanding institutional weaknesses. A sometimes-distracted leadership and uncooperative main opposition made the overall environment un conducive to successful reform. Accordingly, *Croatia's rating for national democratic governance remains unchanged at 3.25.*

Electoral Process. Croatia's January referendum on EU membership was assessed positively by monitors and resulted in a "yes" vote by over 66 percent of participants. During the year, the Ministry of Administration introduced a number of changes to electoral legislation addressing long-standing concerns, such as the out-of-date voter registry. Some of these changes are expected to be tested during the spring 2013 local elections. In the meantime, *Croatia's electoral process rating remains unchanged 3.25.*

Civil Society. Croatia's citizens increasingly respect and appreciate the civic sector's ability to advocate for their needs and interests. Reflecting two competing movements within society, civic sector organizations remain sharply divided between progressive and more conservative ideologies. The city of Split's second

gay pride parade took place under heavy police protection but without incident. *Croatia's civil society rating remains unchanged at 2.50.*

Independent Media. Citing the need to professionalize Croatia's national broadcasting network, the new government appointed a different general manager and new members of the oversight board. As print media continue to favor sensationalism over investigative reporting, most credible media outlets are now to be found online. *Croatia's independent media rating remains unchanged at 4.00.*

Local Democratic Governance. Decentralization efforts initiated in 2012 will give more power to mayors in 2013, despite the fact that local governance in Croatia's two largest cities has been particularly poor. Another proposed change seeks to address the absence of a clear legal mechanism for sanctioning mayors for poor performance. *Croatia's local democratic governance rating remains unchanged at 4.00.*

Judicial Framework and Independence. Reforms passed in the last several years have yet to produce meaningful improvements in the functioning of the judicial system. The trial surrounding the privatization of the Split-based construction company Konstruktor was indicative of the many failings still present in the system. *Croatia's rating in judicial framework and independence remains unchanged at 4.25.*

Corruption. In November, former prime minister Ivo Sanader was sentenced to 10 years in prison on corruption charges, making him the most senior official in the Balkan region to face jail time for graft. Meanwhile, the justice system as a whole is increasingly accused of selective corruption prosecutions and of operating under the strong influence of business and media interests. *Croatia's corruption rating remains unchanged at 4.00.*

Outlook for 2013. Though some citizens view EU membership as a kind of “end of history” for Croatia, events in 2012 indicate—and those in 2013 are likely to confirm—that membership will produce few tangible differences. As an EU member, Croatia will still be saddled with the baggage of inadequately reformed institutions like the judiciary that have yet to internalize transparent and democratic practices. Political will to tackle these problems exists, but it is likely that local elections and further offensives by the political opposition will dilute government efforts in 2013.

MAIN REPORT

National Democratic Governance

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
n/a	3.50	3.50	3.50	3.25	3.50	3.50	3.50	3.50	3.50

Croatia is counting down the last months before it obtains full European Union (EU) membership in July 2013. This is a notable milestone for a country that only twenty years ago emerged from a war of independence and existed under an autocratic and isolationist regime for ten years after that. However, the rapid and nontransparent transfer of economic assets following the war and the entrenchment of nationalist ideology in key state institutions such as the judiciary during the first decade of independence have yet to be fully addressed.

Since the year 2000, the EU accession agenda has been the key point of agreement among Croatia's main political actors,¹ driving numerous reform efforts. However, the last twelve months in the EU waiting room have been turbulent, due in large part to the financial crisis and years of apparent administrative mismanagement. Though the new government led by the center-left Social Democratic Party (SDP) that came to power after the December 2011 parliamentary elections continues to steer the country towards EU membership, the effectiveness of these efforts in the past year has been less than expected. To tackle the ongoing financial crisis, the state must address the legacies of bad policymaking and corrupt practices among high-level business interests, a tradition of overgenerous social provisions for major segments of society (veterans and pensioners, among others), and an ineffective, bloated administration. Many feel that the government's leadership in these areas has been weak or uneven.

The financial situation inherited by the new government in 2012 was worse than it had anticipated, leaving little space for improvisation. For at least the last eight years, HDZ-led governments had relied on loans or injections of cash through unclear financing methods, obscuring the nature and scale of their financial problems.²

The state of the government's finances in 2012 was compounded by what some perceived as poor leadership. After eight years in the opposition, Prime Minister Zoran Milanović's SDP found itself not fully prepared for an executive role. Even the government's most experienced economic strategist, Deputy Prime Minister Radimir Čačić of the Croatian People's Party (HNS), ended up losing more of the public's confidence than any other key government officials due to his handling of different government initiatives.³ Čačić was also distracted during the year by an ongoing trial against him in Hungary, where he had hit and killed two people while driving in thick fog in 2010. In November, Hungarian courts sentenced Čačić to 22 months in prison, in response to which he resigned as deputy prime minister; at year's end it was still unclear how this development would affect the government's coherence and composition.

One of the first major steps taken by the new government was to publish a list of tax-delinquent companies and individuals.⁴ The list confirmed rumors and suspicions that many prominent companies had collected large debts while benefiting from political protection and a privileged position in the market.⁵ Rather than increasing trust in the government or bringing in lost tax revenues, the release of the so-called “list of shame” merely angered the public and put the opposition HDZ even more on the offensive. For everyday citizens struggling in a difficult economy, evidence that previous governments had allowed tycoons and economic actors close to the state to escape tax payments for decades while simultaneously cracking down on comparatively minor tax delinquency confirmed a widely held belief that Croatia’s political class considers itself to be above the law. In general, the current government’s efforts to “clean up” tax abuse is supported by citizens, but any resulting gains in popularity were offset by unpopular initiatives like a new property tax on weekend homes and second apartments or the discovery of excessive public spending on government vehicles.

A series of small scandals involving members of the government seemed also to weaken its moral authority during the year. In June, Minister of Environmental Protection and Nature Mirela Holy resigned amidst accusations that she had abused her power to secure a job for a colleague’s spouse.⁶ The fact that the allegations surfaced soon after a public disagreement between Holy and Deputy Prime Minister Čačić over the need to balance state energy investments with environmental protection measures hinted at emerging rifts within the party.

New leadership of the now-opposition HDZ party also undermined the SDP government’s credibility and its ability to function effectively in 2012. In May 2012, former prime minister Jadranka Kosor was replaced as president of HDZ by Tomislav Karamarko, a seasoned political actor who began his career in the early days of President Franjo Tuđman.⁷ Karamarko’s more “traditional” HDZ positions have been less nationalistic than expected, but his leadership style in 2012 was nevertheless aggressive and highly resistant to compromise with “the communists” of SDP. As a result, one year into its mandate, the SDP government has been unable to rally enough parliamentary support to push through key reforms affecting the economy or even healthcare and education, which are traditionally less divisive issues in Croatia.

The government was also criticized during the year for responding slowly to efforts by local authorities and residents to stop Roma families from settling on land they had recently purchased in Northern Dalmatia, near the village of Škabrnja.⁸ Critics contrasted the delayed response, apparently the result of poor judgment within the ministry of interior, with the central government’s swift deployment of special police forces to break up a workers’ strike on Brač island during the same period. The government was more proactive in September when Roma children were barred from a local school in the Međimurje area.⁹

The EU progress report released in October 2012 shows the complexity of the tasks facing Croatia’s leadership and institutions. It is considered a fairly positive report and notes that the country is on the right track with its preparations for

membership. However, the key areas of concern are within previously negotiated chapters regarding market competition, justice, and fundamental rights—relating specifically to shipyard privatization issues; the backlog of court cases; conflicts of interest; access to information; border infrastructure and border police; migration strategy; the need to improve investment climate; and further continuation of regional cooperation and good neighborly relations.¹⁰

The victory of Tomislav Nikolić and his nationalist SNS party in Serbia's May 2012 elections visibly reduced enthusiasm on both sides for Serbian-Croatian bilateral efforts.¹¹ Awareness that Karamarko and HDZ would spin any moves towards deeper cooperation with Serbia as a weakening of principles on the part of SDP also seemed to discourage the Milanović government from taking initiative on this front. Meanwhile, Croatian president Ivo Josipović and the president of Croatia's Serbian National Council (SNC), Milorad Pupovac, became involved in a war of words as the result of corruption allegations against Josipović printed in the state-funded and SNC-published Serb minority weekly, *Novosti*.¹²

On 16 November 2012, the International Criminal Tribunal for the former Yugoslavia (ICTY) overturned its April 2011 convictions against Ante Gotovina and Mladen Markač, two Croatian generals accused of war crimes in connection with the 1995 "Operation Storm" military action. The final verdict came as a surprise to the country and the region, eliciting almost universal jubilation from Croatian citizens, as well as immediate condemnation from Serbia. Croatia's reaction to the verdict suggests a shift away from accepting responsibility for war crimes of the 1990s that does not bode well for future reconciliation efforts with Serbia or the diligent prosecution of remaining war crimes cases within the Croatian judicial system. Upon his release, General Gotovina made a number of public statements calling for peace and reconciliation—including a call for the return of the Karjina Serb population¹³—displeasing his ultranationalist compatriots.¹⁴

Electoral Process

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
3.25	3.00	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25

Parliamentary elections in December 2011 brought victory to the SDP, which formed a government with its preelectoral coalitional partners, the HNS and the Istrian Democratic Assembly (IDS). No elections were held in Croatia in 2012, but the country did hold a referendum on EU membership in January.

A majority of referendum participants (66.27 percent) voted for EU accession, and 33.13 percent voted against.¹⁵ Overall turnout was low at 43 percent, but observers assessed the referendum as fair and no serious violations were reported. Referendum results reflected a split between north and south as regards expectations of EU membership. The anti-EU vote was highest in the two southern counties (*županije*), Dubrovačko-neretvanska (42 percent) and Splitsko-dalmatinska (40 percent), where people expect to benefit least from joining the EU; in the north,

however, where expectations and perception of EU membership are largely positive, some counties voted 70 percent in favor of accession.

Electoral changes introduced in 2012 will be applied for the first time in May 2013, when Croatia holds its second-ever direct mayoral elections, its elections for county prefects and city and county assemblies, and possibly also elections for the country's first set of 12 representatives to the European Parliament. In 2012, the government prepared for these votes by beginning to update the national voter registry, particularly in the areas near the southern border with Bosnia and Herzegovina. This long-awaited process is a major undertaking and in some cases requires police visits to confirm voter and residence data in border areas. Additional changes have been announced on the restructuring of electoral units for future parliamentary elections, but these will not be made before the end of 2013.¹⁶

The 2013 local elections will be the first test for the SDP-led ruling coalition. Campaigning began as early as 2012, bringing to the surface numerous divisions within the SDP itself. In Zagreb, the two leading candidates for mayor are both from SDP. One survey projects that if the election goes to a second round, it will be a close contest between incumbent mayor Milan Bandić (who was the local president of SDP for many years), and Davor Bernardić (20.4 percent), the current local president of SDP.¹⁷ In Split, factions within the SDP are equally salient. In November, a prominent local SDP member publicly questioned the moral integrity of the SDP mayoral candidate, Ivo Baldasar.¹⁸

As in Zagreb, the HDZ did not have a serious candidate for the mayoral race in Split at year's end.¹⁹ However, the most popular candidate for the race by far is an independent MP, Ivan Grubišić. He has at least 10 percent more support than SDP's Baldasar or the second runner-up, Anđelka Visković, from Željko Kerum's Croatian Civic Party (HGS). Grubišić is a retired Catholic priest, whose liberal sermons and public statements have little in common with the Croatian brand of conservative Catholicism.

At the beginning of November, SDP had 27.3 percent support at the national level, followed by HDZ with 19.2 percent. The most popular politicians were President Josipović with 36.9 percent, followed by prime minister and SDP president Zoran Milanović, and ahead of the Labor Party's Dragutin Lesar.²⁰

Civil Society

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
3.00	3.00	2.75	2.75	2.75	2.75	2.75	2.50	2.50	2.50

Citizens' awareness and support of civil society continues to grow. In a 2012 study by the Ivo Pilar Institute of Social Sciences, 59 percent of respondents agreed that NGOs have an important role in highlighting and solving problems in society. The same percentage said NGOs are more effective in their work than five years ago, and 57 percent reported that NGOs greatly improve the quality of life in their

community.²¹ Declared membership in NGOs has doubled to 19 percent since 2007, with an additional 10 percent describing themselves as “active volunteers.”

Ideologically and thematically, civil society and the organizations it creates are divided into two broad groups or orientations. One group identifies as socially liberal and focuses on human rights, gender issues, labor rights, and the environment. The other bloc tends to be more conservative, including organizations affiliated with the Catholic Church, war veteran associations, and ethnically defined cultural groups. The influence of more conservative organizations on government policy was perceived as very significant under HDZ-led governments, and remains substantial (if slightly reduced) under the new center-left government. In fall 2012, Education Minister Željko Jovanović came under fire from Croatia’s conservative activists for attempting to institute a progressive health education curriculum they claimed would introduce homosexuality, atheism, and relativism into primary and secondary education.²² Conservative and socially liberal blocs clashed again over the 2012 LGBT (lesbian, gay, bisexual, and transgender) pride parade in Split.²³ Unlike the previous year’s festival of violence and intolerance, Split’s second-ever pride parade took place under heavy police protection—900 police to protect a few hundred marchers—but without incident.²⁴ The city of Zagreb’s 11th annual pride parade took place in June without the need for a heavy police presence.

Although conservative and socially liberal blocs disagree on most issues, some organizations—including consumer protection groups and some environmentalist ones—do manage to attract a cross-section of support. Meanwhile, some organizations from the socially liberal bloc are becoming more mainstream, as illustrated in 2012 by the appearance of a well-known feminist organization’s spokesperson on the cover of Croatia’s most popular women’s magazine and in primetime television programming.²⁵ It is important to note, however, that organizations whose primary focus is the prosecution of war crimes still function primarily on the margins of society; their cause and public standing was certainly not advanced by the November ICTY ruling.

Funding remains a challenge for the civil sector, though humanitarian efforts have seen an upward trend in corporate sponsorship. With more politically charged issues, groups sometimes manage to make a strong impact without much funding. In the 2012 referendum, anti-EU organizations had none of the resources of those campaigning for EU accession, yet still managed to wage an effective visual campaign with graffiti and compelling slogans.

Independent Media

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
3.75	3.75	3.75	4.00	3.75	4.00	4.00	4.00	4.00	4.00

Croatia’s national broadcasting network, Hrvatska Radio Televizija (HRT), remains the most influential news source in the country. The development of private, nationwide television stations in the past several years has forced the television

branch of HRT to commercialize, but not necessarily to improve. HRT and its components are funded from a combination of viewer subscription fees (required of all television set owners), advertising revenues, and a regular state budget allocation. This hybrid financing method has been criticized for many years, but so far the new government has made no moves towards instating a new system.

In 2012, the government took steps to increase the professionalism of HRT, which still suffers from self-censorship, poor management, and other legacies of decades-long political patronage. In early 2012 (shortly after coming to power), the new government supported some personnel changes at HRT, including the replacement of its general manager. Some feel these changes have improved the journalistic standards of the outlet. Others argue that high-level personnel changes in the public broadcaster are an expression of political patronage, rather than a commitment to improved quality. HRT's new general manager, Goran Radman, held the same position many years ago, before Croatia's war of independence.

The quality of most print media remained low in 2012. A few publications still prioritize independent investigative reporting, including the Rijeka-based daily, *Novi List*, and SNC's *Novosti*, but sensationalism and partisanship dominate the mainstream press. In the last few years, media have taken to publishing original police and investigator statements concerning ongoing anticorruption investigations. These documents are mostly published without context or regard for the integrity of ongoing investigations. Often, they appear to have been strategically leaked to promote certain political or business agendas. The authorities made a half-hearted attempt to discover the source of leaked tapes in connection with the so-called "Croatian Watergate"²⁶ scandal of October 2012, which drew attention to the already well-known ties between Interior Minister Ranko Ostojić and print media owner Nino Pavić.

Increased economic difficulties have compounded the problems of quality journalism. The media landscape is characterized by poor management, complex ownership structures, and a tendency of owners to use media assets for other business dealings—all of which reduce the relevance of journalistic merits or reader-appeal in determining a media venture's survival. In early 2012, Croatia's oldest daily, *Vjesnik*, which was state-owned and heavily subsidized, was forced to close down due to unmanageable debts. This was not the only paper to close, but it is significant given its links to the state and the main print distributor in Croatia, Tisak.

Media owner Ninoslav Pavić is believed to control almost half of the market,²⁷ but the share may well be greater, as Pavić's business partners and connections are shrouded in mystery. Some believe he maintains close ties to Ivica Todorić, the Chairman of the Board of Croatia's largest privately owned company, Agrokor, as well as twice-convicted entrepreneur Miroslav Kutle. For at least a decade, these three gentlemen were connected through privatization and post-privatization scandals relating to media, real estate, and advertising ventures, mostly through secret deals that were never publicized. Jadranka Kosor's government called a session of the National Security Council in June 2011 to discuss the lack of transparency

in national media ownership, but the current government has shown markedly less interest in the subject.

Print media and television are still the dominant information resources for the majority of the public, but internet-based journalism is growing in readership, offering a higher quality of reporting than most traditional media. A 2012 Eurostat survey reported that 66 percent of Croatian citizens have internet access,²⁸ while another survey from 2011 claimed 74 percent of internet users search for daily news.²⁹ Nevertheless, popular news portals like Index.hr³⁰ have been struggling to survive financially.

Local Democratic Governance

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
n/a	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75

Croatia, a country of less than 4.3 million inhabitants, maintains 426 municipalities and 20 counties (*županijas*). It has been suggested that Franjo Tuđman created this system to better control the country during the war years, but as time went on *županija* administration offices served primarily to consolidate the president's power and that of his party, the HDZ. Half of Croatia's 126 cities have populations of fewer than 10,000 people.³¹

Over the past decade, a stream of proposals for reorganizing this expensive and inefficient expensive system have been put forward by different experts and political parties, as well as by the EU, but the geographical shape of the country as well as local disputes between cities vying for regional city status present many political challenges. Additionally, reducing the number of municipalities is not popular among local populations. People generally prefer to have their villages called towns, as towns employ at least a few people in local administration, whereas villages do not get funding for these positions. In 2012, Regional Development and EU Funds Minister Branko Grčić advocated cutting costs by making administrative positions voluntary in the roughly 50 percent of municipalities unable to finance themselves.³²

During the year, the government prepared decentralization plans that will shift significant power and responsibility to local mayors and county prefects (*zupans*), probably in preparation for further fiscal decentralization. Mayors elected in 2013 will have more direct responsibility for public companies supported from city budgets, including the power to name their executives. This raises the stakes in next year's mayoral races.³³ Another proposed change seeks to create a clear legal mechanism for sanctioning poor mayoral performance by giving local councils the right to oust mayors who fail to produce acceptable city budgets every year. In the event of a protracted conflict between a mayor and his or her local council, both will face early elections. Additional decentralization reforms were under consideration at year's end.

Poor performance of mayors and is a chronic weakness of city governments, even in the country's most important cities. Split city mayor Željko Kerum

notoriously spends more time on his own business projects than in his mayoral office.³⁴ Moreover, some of Kerum's projects represent a clear conflict of interest with his role as city administrator. Kerum's two deputies, who run the council in his absence, proved ill-equipped to deal with the failure of public services during massive snowfall in February 2012, which resulted in hundreds of injuries from people slipping on ice.³⁵ In 2012, over 13.5 percent of Croatia's unemployed population was based in Split county.³⁶ The city is even at risk of losing its status as a UNESCO World Heritage Site, due to the mayor's office's approval of controversial urban building plans within culturally protected zones.³⁷ Opposition members in the city council regularly attempt to oust Kerum by calling for votes of confidence against him or his policies, but cannot muster enough votes.

Although Zagreb mayor Milan Bandić is a more engaged policymaker than Kerum, he is unable to balance his city's budget.³⁸ Disputes between Bandić and the SDP-dominated city council disrupted politics throughout the year.

Judicial Framework and Independence

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
4.50	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25

After a decade of judicial reform efforts, Croatia's court system remains the weakest of its institutions. Some progress is visible as a result of reform efforts and implementation. For example, administrative efficiency has increased, with the number of backlogged court cases decreasing by close to 50 percent since 2006.³⁹ In general, however, the system fails to demonstrate independence or initiative in handling politically sensitive cases or cases where powerful interests are at stake.

In 2012, the government advanced its goal of compatibility with EU laws by adopting a set of regulations and laws that were drafted under the previous government. In October, it made changes to the 2011 Criminal Code, the most significant of which decriminalized possession of illegal drugs for personal use. However, the legislation fails to specify the type or amount of illegal drugs to which this designation applies; these details are left for courts to decide onsite and on every specific case individually.

Political bias and corruption still pervade the court system. In some cases it has taken up to 20 years for a crime or allegation that was covered extensively in the media to result in a trial. When these cases do gain momentum, there is usually an ulterior motive, such as pleasing the public or EU observers. Some of these trials result in questionable sentences.

The system has continued to support and protect a network of "good old boys," particularly in cases and investigations of financial crime. Like many other former socialist countries, Croatia has never enjoyed a judiciary free from political patronage and influence, but there have been additional roadblocks to judicial independence in Croatia's case. Judges appointed during and after the independence war of the 1990s were often chosen on the basis of adherence to official political ideology,

which at that time was overwhelmingly ethno-nationalist in character. The legacy of this bias is still embedded in the system, and while overt ethno-nationalist bias has decreased in recent years, significant political will and judicial expertise will be required to address the decades of legal decisions based on such considerations.

In particular, the Croatian court system fails to adequately address the aftermath of a multitude of privatizations carried out in the 1990s that benefitted a small circle of individuals with government ties. These privatizations proceeded with the blessing of the judiciary but the public is now coming to understand them as a kind of legalized robbery, obscured by a blurry paper trail in the courts. The privatization of Konstruktor, at that time one of Croatia's largest construction companies, happened almost overnight in the early 1990s, resulting in huge gains for the company's top executives. However, only a minor portion of the privatization was challenged by the state prosecution. Despite the existence of a 2005 state auditing office report calling the privatization "improper," the trial that concluded in 2012 resulted in only a symbolic sentence for Konstruktor's chief executive, and no one else involved in the deal was convicted. The main defendant in the Konstruktor case, manager Željko Žderić, was amnestied because he had provided construction machinery to the Croatian army during the war.

Konstruktor was built and developed under the strong political patronage of several HDZ governments, and has won almost every public tender for large construction works in the past two decades. This, too, should prompt an investigation into unfair tender practices related to Konstruktor, for which there is ample documentation. However, the judicial system has turned a blind eye to evidence of other legal wrongdoing by the Split-based company popularly known as "the construction mafia." Former Konstruktor executive Božo Biuk has called for investigations into illegal activities by Konstruktor and its subcompanies for over a decade, though his accusations have not been investigated or verified.

Domestic war crimes prosecution remains a weak point of the judicial system, which moves slowly and displays an institutional bias in favor of ethnic Croat suspects. Political will to prosecute such crimes is low.⁴⁰ In October, five former Croatian soldiers involved in heinous acts of torture at the Kerestinec prison camp were sentenced to a combined total of eight years in prison.⁴¹ The court case did not answer the question of how many soldiers or civilians were detained at the infamous Kerestinec detainment center, nor did it establish who had ordered their brutal mistreatment.

Corruption

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
4.75	4.75	4.75	4.75	4.50	4.50	4.50	4.25	4.00	4.00

On 20 November, former prime minister Ivo Sanader was sentenced to 10 years in prison for accepting a bribe of €5 million from the Hungarian energy group MOL in return for guaranteed rights in Croatia's state oil company INA.⁴² Sanader is the most senior official in the Balkan region ever to face jail time for graft. Citizens

who a few days earlier had rejoiced in the acquittal of accused war criminals Ante Gotovina and Mladen Markač now celebrated the punishment of an economic crime, and many complained that the sentence against Sanader should have been harsher.

The EU accession process has transformed Croatia's fight against corruption into a high-profile project. While the EU acknowledges Croatia's progress in anticorruption efforts, it also identifies corruption and the judiciary as the two areas of main concern as the state moves toward accession. According to two recent surveys by the Ministry of Justice and the Zagreb-based NGO GONG, the Croatian public perceives corrupt politicians, judges, and policemen as society's most threatening criminals and the primary perpetrators of organized crime.⁴³

Sanader's initial arrest in 2010 was hailed as a sign that Croatian institutions were serious about the fight against corruption. However, the case also illustrates the slowness and difficulty of prosecuting high-profile cases in Croatia. The 20 November verdict is the result of a three-year investigation, and resolves only one of the five indictments against him at the time.⁴⁴ In December, Sanader was indicted on new corruption charges alongside a former HDZ agriculture minister over a 2009 real estate deal.⁴⁵

The Bureau for Combating Corruption and Organized Crime (USKOK), Croatia's primary anticorruption agency, continued to investigate corruption allegations in all sectors in 2012. One of the year's most publicized cases was an investigation into bribery of medical practitioners by pharmaceutical companies. In mid-November, USKOK arrested the entire board of the local pharmaceutical company Farmal, as well as many of its sales reps and several dozen doctors. The investigation, ongoing at year's end, may implicate hundreds of medical practitioners.⁴⁶

Chief Prosecutor Mladen Bajić says the State Prosecutor's Office (DORH) is making significant efforts to decrease its case backlog but struggles due to an insufficient number of educated personnel.⁴⁷ According to Bajić, the weak state of the economy has also produced an increasing number of incoming cases related to bankruptcy, debts, and loans, further slowing the domestic courts.

Existing prosecution methods may also bear responsibility for sluggish and flawed outcomes in corruption cases. Witness testimony forms the essence of the prosecution's strategy in anticorruption cases; witnesses offer details of their illegal activities in exchange for protection from prosecution. Many of the main witnesses who testified against Sanader in exchange for immunity are themselves key players (so-called "big fish") in Croatian corruption scandals. One might argue that it would have been more valuable to give immunity to Sanader—who, as a corrupt "jack-of-all-trades" is accused of involvement in an impressive range of illegal ventures—in exchange for incriminating evidence against a large and diverse network of alleged criminals. However, successful prosecution of a former prime minister was an important international demonstration of political will to enforce rule of law at the highest levels of (former) government. EU pressure to prosecute high-level corruption has been notable. Documents published by the whistleblower

website WikiLeaks suggest that Bajić regularly reported on the progress of the Sanader case to the local United States embassy, as well.⁴⁸

Throughout 2012, independent media and several whistleblowers accused Chief Prosecutor Bajić, who has held office for ten years, of deliberately turning a blind eye to certain cases.⁴⁹ Taken as a whole, the accusations—none of which has been officially investigated—paint a picture of Bajić as a selective and calculating gatekeeper who takes up cases only against individuals who have already lost their political power to respond. Some of their charges also implicate the prosecutor in war crimes at the Lora military camp in Split, as well as the associated early-1990s cover-up.⁵⁰

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- ¹ As noted in previous NIT reports, the two main Croatian political parties, the HDZ and the SDP, are part of a joint taskforce with a pro-EU agenda called Savez za Europu.
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 - ³ “Čačić od srpnja najnepopularniji političar” [Čačić the least popular politician since July], *Večernji List*, 5 November 2012, <http://www.vecernji.hr/vijesti/cacic-srpnja-najnepopularniji-politicar-clanak-472009>.
 - ⁴ The list and text of these laws is available at <http://duznici.porezna-uprava.hr/>.
 - ⁵ The list consists of around 130,000 names of companies and persons who, since the establishment of the Croatian state, have amassed a joint debt of around 51 billion kuna (approximately \$8.7 billion). Citizens owing less than 10,000 kuna (about \$1700) are not included on this list, nor are companies whose unpaid taxes amount to less than 300,000 kuna (about \$51,500).
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 - ⁷ The HDZ under Tuđman’s leadership was focused on developing the ‘Croatian nation’ and can be considered somewhat different from what has/had become the main stream focus/image of the party as a center-right European Christian party.
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- ¹² Though it is state-funded (as part of the minority print press), Zagreb-based weekly *Novosti* has become one of the few quality investigative print media in Croatia. In [MONTH?], *Novosti* published a series of articles alleging that President Josipović and his close friends had benefited from intellectual property rights legislation in the music industry. When the state prosecutor’s office refused to investigate *Novosti*’s claims, they entered into the political arena and caused tensions between Josipović and Pupovac. “Sto je Ivo Josipović rekao o Pupovcu” [What did Ivo Josipović said about Pupovac], H-Alter, 17 August 2012, <http://www.h-alter.org/vijesti/mediji/sto-je-ivo-josipovic-rekao-o-pupovcu>.
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