CROATIA’S CAPTURED PLACES

Research report
Case Studies on the Quality of Local Governance in Croatia
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The research *Croatia’s Captured Places* was focused on *actors and mechanisms of governance* in which a system or parts of a system are *appropriated by powerful individuals, groups or networks to favour their own interests* in four local and regional government units in Croatia (Dubrovnik, Slavonski Brod, Zagreb and the County of Istria). Furthermore, we were interested in *whether citizens of these communities were aware of such practices and their attitudes towards them.*

On the basis of, for the most part, already publicly available information, validated by means of a combination of qualitative research methods, we *confirmed the presence of capture practices in each of the localities, albeit on a different scale, and adapted to local political contexts as well as to the nature and quantity of resources available.* Furthermore, the hypothesis on the astuteness of actors in combining formal rules and informal practices in order to achieve particularistic interests was confirmed.

Although the study was primarily focused on actors and mechanisms of capture identified in the localities, and not with the direct, specific, effects of capture, the analysis suggests that capture produces numerous negative outcomes. These range from *creating new or widening existing inequalities (access to jobs, access to business opportunities, possibilities of self-actualization),* through generating a sense of inability and pointlessness of public action all the way to political apathy and disinterest in politics on the part of citizens. On their own, each of these elements has a negative effect on the political and social development of local communities, while their combined effects are seriously detrimental to the further development of democracy.¹

The study identified *several policy areas “conducive” to capture in all chosen localities:* (1) employment/appointments; (2) communal construction works (3) spatial planning; and (4) social policy measures. Each of them has specific, multiple functions that enable or perpetuate capture, as shown in the Table below:

<table>
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<tr>
<th>MECHANISMS</th>
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<td>expanding networks</td>
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<td>exerting control over networks</td>
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<td>increasing quantity and value</td>
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Furthermore, the study revealed that *capture practices are enabled and supported by existing legal and institutional frameworks,* and that they are *developed in interaction between our identified agents of capture and the leading national parties* (HDZ and SDP). This allows us to form a hypothesis that the practices identified in the four case studies are occurring nationwide. Namely, *the formal aspects of governance, i.e. the existing laws can become enablers which contribute to the further*

¹ Despite their obvious deficiencies, these informal practices may certainly also produce positive effects, especially if formal procedures and practices substantially restrict the functioning of the system, or make it impossible. However, this aspect of informal practices was not addressed in this analysis.
development and sustainability of informal practices and in the end contribute to capture and serve to undermine the declared purposes of measures proposed to safeguard consolidated democracy.

In terms of shared elements across the four localities, the study has identified the *invisible hand of the political market* in all localities, although the modalities of “political trading” between local and national levels are highly contextualised. Other shared elements fall under the heading of captured control mechanisms – political opposition, media and civil society – where weaknesses of the opposition are again locally highly context specific. As regards the local media, they are financially dependent on local authorities, which constrains almost entirely any type of criticism, and consequentially impedes their working in the public interest. The situation is similar with civil society, which tends to be weak at local level, and in the rare instances when civil society acts as a corrective of local state authorities, CSOs face public defamation and “disciplinary” measures – including the withdrawal of funding and/or working space.

Since many of the identified practices do not represent a breach of legal norms, this, at least in part, explains the lack of serious and systemic attempts to restructure the country territorially. Namely, an “enabling” legal environment may be interpreted as a means to maintain the *status quo*, which facilitates power networks’ maintaining their position and status, thus increasing the amount of resources at their disposal. The power of the network largely stems from the value of the resources controlled, while the potential to increase that value in the future is a powerful motivation to uphold the *status quo*.

The short-term positive effects of sets of policy measures do not decrease the longer-term negative effects of local state capture on the part of power networks, especially if they are analysed from the perspective of their function – ensuring re-election of those who make sure that particularistic interests are satisfied.

Regarding citizens, the research showed that a significant part of them are aware of the mechanisms leading to capture, but that they consider them to be part of the “normal” and sometimes even “expected” behaviour of politicians. Namely, the starting point for most citizens is that politicians are corrupt. Thus, given that their integrity is not the *differentia specifica* on the basis of which they can make political choices, they seek an alternative point of difference between candidates. In our cases, citizens in elections opted for powerful, charismatic leaders with strong political instincts who build their image as “benefactors”.

Those citizens that vote for current political leaders in our localities offer interesting rationalizations of their choices: from “they are all the same, so we elect our own” (Istria), through “they all steal, but the mayor at least does something” (Zagreb) to accusations of smear campaigns on the part of their political opponents (Dubrovnik and Slavonski Brod). Since the dominant position is that political corruption is the starting point of Croatian politics, then voting for a “benefactor” creating multiple patron-client relationships is not a problem. It is precisely in the latter where the biggest danger to democracy lies – failure to “punish” the lack of political accountability in elections means that the key mechanism of representative democracy has been lost – the control and eventual political “punishment” of the governing by the governed, i.e. citizens.

The lack of interest in politics and voter apathy suit power networks, since the lower the turnout at elections the higher their chances of electoral success. Electoral success, in turn, ensures the maintenance and spreading of the network. What also contributes are the decisions of parts of the judicial system, which by making contradictory decisions in cases of prosecuting political corruption, with many acquittals often on ‘technical’ grounds, additionally confuses citizens and undermines their trust in the system, further increasing the political apathy of voters. Thus, an important empirical question for
further research would be the role of the judiciary, including lawyers, and the level of their involvement in networks producing capture.

Given the detected apathy and lack of interest of citizens and captured control mechanisms, the points of resistance to local state capture seem relatively weak, yet with a potential to be strengthened. As a form of contribution to this strengthening, we suggest two directions of possible action: (1) changes in the normative framework and (2) broader social engagement. Regarding changes in the normative framework, it should be stated that given the flexibility of power networks, the end result of normative changes might be limited to merely increasing the transaction costs of capture. Nonetheless, this risk does not decrease the necessity of these changes to take place. Indeed, if all the suggestions regarding the normative changes were implemented simultaneously, they would represent a revolutionary shock to the status quo. Thus, it seems that insisting on simultaneous changes to the legal framework needs to become the primary advocacy goal of actors working towards improving the system and quality of (local) public governance. Regarding broader social engagement, the recommendations aim to increase the level of political culture and raise awareness. Both sets of recommendations are elaborated in detail in the concluding part of the study.
INTRODUCTION
This report is the result of research conducted in the period September 2015 – January 2017 by an interdisciplinary team of researchers from GONG’s Research Centre in co-operation with researchers from the Faculty of Political Science of Zagreb University, Faculty of Law of Zagreb University and the Institute of Economics, Zagreb.

The goal of the research was to describe and analyse formal and informal governance mechanisms, the interaction between those mechanisms and the relationship between actors implementing them which could lead to local state capture in Croatia. The research should not be viewed, as an attempt to shed light on individual cases or examples of corrupt practices. Rather, its results, apart from contributing to a pool of knowledge on this under-researched topic in Croatia, should primarily be viewed as a base for evidence-based advocacy for all those interested and active in the improvement of the quality of governance in Croatia at local and national levels. It is our hope that they will find it useful in awareness-raising and activities advocating change. Additionally, we hope that policy-makers will also take it into account in future legislative activities, by ensuring that policy and accompanying legislation contains safeguards reducing the possibilities for capture of public resources and institutions on the part of particularistic interests and privileged social groups.

The research belongs to a tradition of applied research, with findings from observations deliberately and explicitly used to inform interventions for change. There is, hence, inevitably, a strong commitment to action, activist and advocacy research within the project. These three terms have been discussed together in a chapter on ‘Applied Anthropology’ in a recently revised Handbook of Methods in Cultural Anthropology, covering research which “is specifically directed toward identifying, critiquing and addressing imbalances in allocation of power, economic resources, social status, material goods, and other desired social or economic elements”. In other words, the purpose of the research is not, at all, disinterested, but is, rather, meant to inform advocacy actions by groups seeking to challenge local state capture, explicitly adopting a critical or ‘transformational’ stance to address the structural inequalities which lead to, and are reproduced by, local state capture.

In the wider sense, the research aspires to belong to an emerging tradition of political ethnography, based on “close-up … observation of actors involved in political processes”, as well as of supposedly ‘technical’ processes which may be removed from the domain of direct political oversight. As Baiocchi and Connor suggest, political ethnography is profoundly suited to the study of “the blurry boundaries between … formal institutions and informal politics” or “the ‘grey zones’ of … political activity”. Through four case studies we have attempted to get close to what Dorothy Smith termed ‘institutional ethnography’ that ‘makes visible’ the ways in which individual are “connected into the extended social relations of ruling and economy and their intersections”.

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2 GONG is a Croatian advocacy organization working on issues of good governance and integrity of public institutions and functions
3 The research team included Nives Miošić-Lisjak, Duje Prkut, Dražen HoffmaOfficial Gazette and Dragan Zelić (GONG), prof. Berto Šalaj (Faculty of Political Science), Paul Stubbs, PhD (The Institute of Economics) and prof. Siniša Zrinščak (Faculty of Law)
4 The term “local state”, for the purposes of this report, denotes both local and regional levels of government.
5 There is a plethora of public institutions, funded by public resources, set up specifically for this purpose.
7 Ibid., page 663.
9 Ibid. page 141.
In the research, we focused on governance practices and policy mechanisms in select local and regional governance units in Croatia in order to identify the nature, causes, principal agents and mechanisms of capture of sub-national government institutions and resources by various formal and informal actors from politics, business and other positions of power, for the purpose of fulfilling their particularistic interests. This particularistic capture can be achieved through policy design benefiting primarily these interests, but also through non-transparent processes of policy development as well as by the absence of clearly defined policies, thus opening up the space for discretionary decision-making. Capture can also, of course, occur in the process of implementing, whether fully or partly, or, indeed, not implementing, policy.

We focused on the local and regional levels particularly because these levels are often omitted from research addressing the quality of governance in Croatia. This is not surprising, given their numbers – 555 municipalities and cities (local government units) and 21 counties (regional government units). Although in terms of control of public resources, Croatia remains a highly centralised country by EU standards, the research points to problems of local capture, which if left uncontrolled, can be a serious impediment to effective and equitable decentralization in the future. Thus, the lack of research focusing on sub-national levels of government, but also the fact that “exchange relations” at regional or local level are relatively autonomous and not fully under the control of central agencies (or which are perpetuated with their tacit approval) represents a major impediment to further development of democracy in Croatia.

Our “units of analysis” were three cities - Zagreb, Dubrovnik and Slavonski Brod, and one county – Istria – analysed using case-study methods, starting from the assumption that the cases are sufficiently different from each other to allow for the exploration of different agents and mechanisms and to strike a balance between personalised and more institutionalised types of capture. Although as a method the case study approach does not allow for generalizations, our cases cover four very different Croatian regions with significant proportion of the total Croatian population (approx. 26%), so that, whilst not necessarily representative of Croatia as a whole, they are able to shed light on issues which are presumably more widely salient, and could be applied to other local/regional government units in Croatia.

Following this short introduction, in the next chapter we explain the key concepts used in the research and the methodology we applied, including its limitations. The body of the research report starts with an explanation of the “systemic/legal enablers” of capture as identified in the research, followed by the four case studies. Each case study is divided into (1) short political context (2) formal mechanisms of capture, (3) informal mechanisms of capture, (4) ensuring voter support and (5) other factors relevant to maintaining power positions. However, it should be noted that the separation between formal and informal mechanisms is not strict, as they often operate in conjunction, thus blurring the line between formality and informality. The concluding chapter flushes out similarities and differences between our case studies and reflects on puzzling voter behaviour given their awareness of capture-related governance practices which does not deter them from voting for those implicated in capture on many different occasions. The study ends with a set of recommendations targeting primarily change-agents, but also policy-makers.

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11 One of the rare exceptions is GONG’s longitudinal research LOTUS, carried out in 2009, 2011 and 2014 on the total population of local and regional government units. However, precisely because of the number of units, this research is limited to assessing the formal levels of adhering to norms related to openness and transparency, without the possibility of deeper insight into actual practices in the field. ([http://www.lotus.gong.hr/](http://www.lotus.gong.hr/))

12 More on the selection criteria in the “Methodology” section of the report.

13 It should be noted that the English versions of the case studies have been slightly abbreviated, excluding the quotes from respondents and focus groups participants referring to very locally relevant people, which add flavour to the connoisseurs, but are not crucial for the understanding of the processes and practices generally.
KEY CONCEPTS
Local State

Within a broad sociological understanding, it is important to see the local state as a distinctive set of sub-national political, economic and social arrangements. The local state, in a narrow sense, is also, of course, an administrative matrix of legally determined and discretionary powers. Importantly, the local state should not be conceived, primarily or exclusively, as a set of static, individually named, institutions. Rather it is also a site of dynamic social relations. Local and other sub-national arrangements operate with varying degrees of relative autonomy in relation to central or national state power and hegemony and, indeed, wider transnational forces and interests. The degree of relative autonomy varies across time and space, of course, but, in terms of the current project, it is important to understand that local state forms can (and do) operate according to their own logics and in the interests of some key local state actors, albeit overdetermined by the logics and interests of dominant actors and forces who may also operate at the (inter-)national level. Crucially, the local state is itself a site of contestation, conflict and struggle. This struggle may be condensed in terms of structural factors such as class, ethnicity, and gender; it may also be framed in terms of struggles between elites and ordinary citizens; and, above all, it is a struggle which may be about both the content and form of what is to constitute local or sub-national politics and policies. In a sense, the boundary between ‘local’ and ‘national’ states is less important than the extent to which they exert influences over the quality of life of citizens. Local states are, hence, far more important than merely reflecting governance at the national state level, as they make a specific, and significant, contribution to the lived experience and real effects of state practices.

Furthermore, local states are not exclusively territorially bounded administrative and institutional bodies but, rather, sites of the condensation of power relations. In Jessop’s terms, the state and the local state are “reproduced in and through continuous changes in the articulation of government and governance”. Through a re-reading of Poulantzas’ important conceptualisation of the state, we can explore the state and local state as an historical product of a multiplicity of forces, practices and struggles. In other words, what is in need of explanation is not an ‘abnormal’ or ‘malfunctioning’ local state form, but the causes, mechanisms and consequences of the rise of specific political communities and specific separations between, and combinations of, political, economic and social power in different times and places.

Although very few texts which explore the state in these structural terms address the local state as such, it is important to understand the ways in which practices of regulation and social relations also operate at sub-national levels. In this sense, the study of local state capture offers an insight into a particular form of “the continual restructuring of institutional practices” which are constantly being reformed, reworked and recalibrated by political actors.

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14 The authors are grateful to Dr. Eric Gordy for this suggestion.
There has been very little work exploring the role of political parties in Croatia with respect to different levels of governance: national, regional and local. We would assert that, although the two major political parties, the centre-right HDZ and the centre-left SDP operate within a formally centralised structure, there remains a great deal of autonomy for actors at the sub-national level. This is even more the case in smaller parties and, of course, amongst those whose main locus of operation is the regional level. In addition, of particular interest in Croatia is the rise of a personalised politics in which key charismatic politicians can create a large degree of autonomy for their activities. The recalibration of political authority, we would argue, occurs both within and across levels, and the case studies, as we note below, have been chosen in order to illustrate this in diverse ways.

State Capture

Building on the conceptualisation developed above, it is important to include political (actor) capture and regulatory (administrative) capture as elements of state and local state capture, often working together. These forms of capture involve situations in which a system or parts of a system are appropriated by powerful individuals, groups or networks to favour their own interests. In this sense, forms of capture blur the distinction between the ‘public’ and the ‘private’ as well as between ‘formal’ and ‘informal’ bases of power. Capture then is both a process and a set of outcomes. In terms of processes, capture can occur through the ability of powerful actors to shape institutions, the rules of the game and norms of behaviour in their own interests. In terms of outcomes, as noted above, these agents may gain control of institutions, employment, services, and/or resources, distributing these through a series of exchange relations based on criteria which may be illicit, non-transparent or a result of shaping the rules of the game according to particularistic interests. As such, then, the blurring of the ‘public’ and the ‘private’ and, in particular, of the ‘formal’ and the ‘informal’ are crucial drivers of influence, constituting part of what Janine Wedel has termed the growing importance of ‘flexible structures’ and ‘flex organisations’.

Capture may involve the provision of services, including the allocation of jobs and contracts, as well as granting access to benefits and resources allocated according to ‘particularistic ties or networks’, based on extended understandings of favours and obligations. In other words, state capture is not necessarily a totalising, and fixed, process through which a (national) political regime and its institutions are completely overtaken by a unitary identifiable force or assemblage of forces, including a hegemonic party, organised criminal interests, and/or the army. Rather than fixed, and total capture, what we were analysing is closer to that which Alena Ledeneva terms ‘sistema’ or a system, which at times appears totalising but is, in effect, an assemblage of non-transparent interests and network-based power.

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22 The authors are grateful to dr. Eric Gordy for this suggestion.
Informal practices

In avoiding a crude typology between ‘captured’ and ‘normal’ local states, it is important to address varieties, types and continua of capture. Capture is much more systematic and structural than ‘corruption’. It may also be much wider than corruption. Crucially, capture also encompasses, but is also much wider than, ‘clientelism’ which implies direct exchange relations between agents and elites who do the capturing and parts of their electoral constituencies, essentially trading favours and services for votes. Of course, insofar as capture is dependent on political power, then “the distribution of selective benefits to individuals or clearly defined groups in exchange for political support” clearly is an important part of maintaining formal political power. In terms of a ‘continuum of capture’, not unlike the much discussed ‘continuum of corruption’, there may be a range from limited, isolated and one-off acts of capture at one extreme, through to systemic, long-term capture at the other extreme. Semantically, isolated acts probably are insufficiently systematic and long-term to constitute capture so that capture, actually, begins further along the continuum. It is certainly the case that it is the structural and systemic dimension of capture which is of greatest interest, not least because it has the capacity to create the most harm. As noted above, it is the link between capture and informality and flexibility which is crucial. This research is less concerned with the abstract potential of capture, although aspects of the particular nature of institutions, rules and norms remain important, of course. Rather, the main concern is with what players actually do, or the specific practices of capture which can be observed in a particular time and place, as well as the relationships between practices of capture across space and time.

Informal practices

Although there are important distinctions between capture in Croatia and capture in Russia, the following quote from Alena Ledeneva’s path-breaking study How Russia Really Works provides crucial insights into the workings of informal practices and their importance in (local) state capture:

“In informal practices are regular sets of players’ strategies that infringe on, manipulate, or exploit formal rules, and that make use of informal norms and personal obligations for pursuing goals outside the personal domain. Such strategies involve bending of both formal rules and informal norms or navigating between these constraints by following some and breaking others where appropriate.”

Whilst the concept of blat, defined by Ledeneva as “the use of personal networks for obtaining goods and services in short supply and for circumventing formal procedures” may differ, semantically at least, from the Croatian-Serbian-Bosnian concept of veze, literally relations or connections, which

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27 Ibid., page 22.
28 Ibid., page 1
“enable people to flexibly adapt to different expectations and to invoke personal knowledge … when negotiating services and provisions”\(^\text{29}\), it is the reworking of the meanings of these concepts over time which matters. For example, not unlike the reworking of *blat*, reworkings of *veze* imply mutual obligations and the importance of shared disciplinary practices involving all those enrolled in a network. As Ledeneva argues, then, the informal becomes part of the formal rules in this way. Although the two may be linked, there is also a significant difference between the use of *veze* by disempowered actors within a bureaucratised system which creates manifest barriers to entry, and the use of *veze* by *elites* which tend to be “divisive in their implications, serving and sustaining insiders at the expense of outsiders”\(^\text{30}\), benefitting precisely those who have the expertise or ‘navigational skills’\(^\text{31}\) to move seamlessly between formal and informal rules.

**Power networks**

At the core of our approach to local state capture, then, is the importance of *network power*. There is abundant research on the ways in which existing informal elite networks were, in many ways, amongst the best placed to benefit from post-socialist transition\(^\text{32}\). What is also important, however, is the way in which different elite networks may compete for power. These older elites were, often, joined by what has been termed ‘*parallel power networks*’\(^\text{33}\), localised fusions of informal and formal social practices which involve *interlocking relationships between elites in* *inter alia* politics, business, law, security, the media and, in some cases, organised crime. Intertwined with economic, social, cultural and political capital, then, ‘*network capital*’, or “any type of personal network” including “long-term altruistic kin relations, balanced reciprocity, lasting and multipurpose patron-client relations, and instrumental barter, as well as corrupt exchanges”\(^\text{34}\), becomes increasingly important. Network capital, like all capitals, is *relational*, and may increase its power and effects the more members there are in a network, increasing their availability to each other and, crucially, increasing the resources they possess or have access to. At the same time, larger, more loosely structured networks may run a greater risk in terms of the difficulty of controlling errant members.

Network power, also, often involves ‘*intermediaries*’, sometimes termed ‘*strategic brokers*’\(^\text{35}\).


\(^\text{30}\) Ledeneva (2006), page 3.

\(^\text{31}\) Ibid.


“boundary spanners”\textsuperscript{36} or “transactors”\textsuperscript{37}. Brokers are often located in “‘hybrid’ or ‘interstitial’ spaces: in-between scales, organisations, discursive practices, knowledge systems and geographies”\textsuperscript{38}, utilising their “enablement skills” to “get things done”. In the process, they create and strengthen new alliances crucial to the survival and enhancement of informal power networks, and to the generation, occupation and transformation of “new and emergent spaces of power”\textsuperscript{39} and of capture.


\textsuperscript{37}Wedel, Janine (2001) \textit{Collision and Collusion}


Reseaching the process of capturing the local state is far from straightforward. The literature review showed that there is a “rich theoretical literature with relatively meagre empirical material to evaluate it”\textsuperscript{40}, excluding research carried out using quantitative methodology on a large number of cases. Namely, the practices employed are deeply rooted in the local (political) culture and thus highly contextualised, which, in the practical sense, means that the quantitative approach used in other research could not be replicated in ours, not least because our main interest was to understand the ways capture happens, the formal and informal relations among key actors and the scale of their influence. We therefore opted for an interdisciplinary approach, using primarily qualitative methods, merging insights from political science, sociology and anthropology\textsuperscript{41}.

The criteria for choosing the units of analysis included:
1. different political affiliations of holders of executive office – including different political parties and independent candidates;
2. executive functions are not held by representatives of the Croatian Democratic Union (HDZ) nor Social Democratic Party (SDP), since these two parties built the political system (predominantly HDZ) and/or supported, embraced and upgraded it (SDP);
3. geographic diversity;
4. diversity in types and quantity of public resources at the disposal of different units;
5. the longevity of holding executive office (all have been in power at least since 2009, some significantly longer. The year 2009 is relevant as it was the first time direct elections for local executive positions such as mayor were held).
6. individual research team members have some direct knowledge of local politics in each of the sites.

The second and the sixth criterion need elaboration in our view. As regards the second, since our starting assumption was that capture is more systemic, deeper and wider than corruption and clientelism, it is therefore structurally (institutionally) shaped and enabled. In other words, capture is indivisible from the system, rather than its aberration. It was therefore interesting, from the viewpoint of the research, to analyse how these mechanisms function in areas where the two main political parties are not in power. Regarding the sixth criterion, individual members of the research team have previous experiences of living in those localities, which meant that they at least sporadically followed the local political situation and already have some level of insight into local actors and their relations. We considered this an advantage, given the necessity of identifying persons to hold initial interviews with. It was also useful in creating the initial list of local contentious events (see below). At the same time, in order to avoid personal biases to the maximum extent possible, none of the researchers with personal connections to the localities examined conducted field work directly in that locality, nor participated in the writing of those particular case-studies (apart from fact-checking). The exception is the City of Zagreb, in which all researchers currently reside and work. Thus, the field part of the research in Zagreb was divided evenly between all researchers as was the writing-up of that case-study.

Based on these criteria, the chosen localities were:

1. **The County of Istria** - the regional government unit governed since 1992 by the Istrian Democratic Assembly (IDS). The party leader (1991-2014) and county prefect (2001-2013) was Ivan Jakovčić, currently a member of the European Parliament (ALDE). Istria is often publicly labeled an area of widely spread clientelistic networks.

2. **The City of Zagreb** – Croatia’s capital – run since 2000 by Milan Bandić, formally a member of the SDP (until 2009), then an independent, and currently the leader of the party Bandić Milan 365 – the


\textsuperscript{41} The research team consisted of five political scientists and two sociologists. At the same time one of the researchers, apart from holding an MA in political science, also holds a BA in ethnology.
Party of Labour and Solidarity. Bandić has more than 200 criminal charges pending against him, and during 2014 he spent six months in prison, during investigations for abuse of power. He is currently on bail, awaiting trial, having returned to the office of mayor upon being granted bail.

3. The City of Dubrovnik - run since 2009 by a member of the Croatian People’s Party (HNS) Andro Vlahušić, who despite a final court ruling that found him guilty of abuse of power, and for which he received a suspended prison sentence, managed to beat all his political rivals in early elections held in 2015.

4. The City of Slavonski Brod - run since 2005 by Mirko Duspara, formerly a member of the Croatian Party of Rights (HSP), then an independent, and since August 2016 leader of the party Duspara Mirko – Independent List. In the local community there are allegations of a discrete clientelistic network having been built.

As already stated in the Introduction, the aim of the research was to describe and analyse formal and informal governance mechanisms, their interaction, and the relations between actors implementing them, which might lead to local state capture. Therefore, our key research questions were:
1. What are the causes, principal agents and mechanisms of local state capture in Croatia?
2. What are the similarities and differences between local state capture in the four case study locations?
3. What is the extent of citizen knowledge of and interest in local state capture?
4. What are the sources and points of resistance to local state capture and how can these be strengthened?

The answers to the first and third questions are in the case-studies themselves, while the remaining two are addressed in the concluding part of this study.

Additionally, the guiding questions used during the desk review and interviews were:
1. Who are the key actors involved in local state capture?
2. On What does their power and influence depend?
3. How do the key actors define what is going on, understand contemporary realities and frame what they want?
4. What bodies do key actors establish or employ as their main vehicles of influence?
5. How and to what extent do key actors create a ‘culture of capture’ resistant to internal and external critique?
6. What is the relationship between formal and informal dimensions of capture?
7. To what extent do key players change their roles and motivations depending on the particular circumstances?
8. What is the larger context in which the key actors are embedded and how does this enable or constrain them in achieving capture?
9. How do key actors deal with significant threats to their survival?

By means of qualitative research methods – desk review of documents and media, semi-structured interviews with local stakeholders and focus groups with citizens – we endeavoured “to craft a minimal-ly sufficient explanation of a historical outcome in a specific case” with ‘sufficiency’ understood as “an explanation that accounts for all of the important aspects of an outcome”, or at least most of them.

42 These questions are based on a list of questions suggested for researchers examining political capture in Wedel, Janine R., Nazia Hussain and Dana Archer Dolan (2017 – forthcoming). Political Rigging - A Primer on Political Capture and Influence in the Twenty-First Century. Oxfam: America
44 Ibid., page 22.
The desk review (including local and national media pieces) served to reconstruct local contentious events, not to, as already stated, necessarily shed light on potentially unlawful practices, but to gain insight into the nature and mechanisms of local state capture. This was an iterative process, which enabled us to build “dossiers” of local governance practices and analyse how they fitted into the bigger picture. This kind of iterative process tracing is important in being able to “capture actor choice and the contingency of historical events”45 without losing sight of the wider ‘lessons’ which may be learned. Eventually, the dossiers served as a pool of examples from which we chose the ones that best depicted the practices we discuss. Additionally, we analysed some normative acts, which in the course of the research emerged as those that enable actors to legally capture the (local) state.

Semi-structured in-depth interviews with local stakeholders were at the heart of the field research, serving the purpose of clarifying elements from the desk-reviews. Additionally, they were crucial for understanding the relations between local actors. The first round of interviews in each locality was based on personal knowledge of their efforts on the part of one or more researchers, who at the end of their interview provided a list of names to be further contacted (snowballing). The interviews took place between April and October 2016, and were, largely, conducted in pairs consisting of one GONG and one academic researcher. The interviews were all recorded, after obtaining consent from interviewees, and transcribed, in whole or in part, for the purpose of analysis.

In total, there were 55 interviews: 16 with local politicians (8 in power and 8 in opposition), 12 with journalists following local politics, 8 with civil society/local activists, 7 with local public servants, 4 with representatives of local academia, 4 with former politicians holding executive or representative offices and 4 with representatives of local business communities. Here it is important to note that some of the interviewees (because of flexibility as a trait) “wear many hats”, so that their categorization is conditional. Furthermore, some of the interviewees are the protagonists of contentious events. Finally, in the local politicians quota, we were able to hold interviews with the mayors/county prefect in all localities, whose points of view were key to answering research questions pertaining to framing their actions and designing mechanisms and institutions creating a political culture resistant to internal and external critique.

Focus groups with citizens had a two-fold purpose: confirming and possibly deepening insights obtained through interviews, but more importantly, examining the extent of citizen knowledge of and interest in local state capture and how it reflects in voting behaviour. Namely, voter behaviour is somewhat puzzling, given that despite media scandals, arrests and court decisions confirming abuse of power, relatively large parts of the electorate still vote for those politicians, thus ensuring their survival in positions of power.

In the period 14-23 November 2016 a total of 12 focus groups were held – three in each of the localities. Citizens were divided into groups of abstainers in the last local elections, groups voting for opposition candidates and groups voting for elected mayors. Additionally, in each group three voters were aged 21-30, three were 30-65 and three were 65+. The latter served to assess, to the extent possible, whether there were any generational differences. The recruitment of focus group participants was outsourced to a polling agency IPSOS-Puls, ensuring that the research team had no influence over participants of the focus groups. Four scripts were developed for the focus groups, partly identical, partly reflecting the findings of the desk-review and interviews to be validated. The groups were facilitated by researchers themselves, again in pairs. All focus groups were recorded and transcribed for the purpose of analysis.

Finally, at the end of January 2017, once the draft version of the research report has been prepared, a
validation workshop was held attended by 30 participants from all over Croatia, of which approximately half included our interviewees from civil society and the rest were activists from localities studied and/or working within wider platforms advocating changes in governance practices in Croatia. Apart from fact-checking, the workshop provided an opportunity for practitioners to reflect on our findings, point to areas of the research report which needed additional validation or theoretical framing as well as discussing how these findings can be used in the future, including in awareness raising activities in the run-up to May 2017 local elections.

Here it is important to reflect on another important aspect. Given the socially and politically sensitive subject matter, common issues in most social science research, including gaining access to sites and respondents, gaining the trust of respondents, and protecting sources when writing up research, are all amplified. In the course of defining the methodological approach, as well as during the field part of the research we encountered quite significant ethical and tactical dilemmas and challenges. These included ensuring the trust of respondents, the necessity of protecting their identities, as well as the way we would present the goals and purposes of the research. The research is a typical example of ‘studying up’, involving “analyzing … powerful institutions and individuals of complex societies for purposes of understanding and contributing to public policy choices”\(^{46}\).

In writing up the results, we opted for an approach which protects their identities, excluding mayors who authorized their quotes in writing, during the analysis phase\(^{47}\). The identities of all other respondents are protected by attributing them neutral categories, such as “politician”, “journalist”, “activist”, “local civil servant”. In the Appendix to the report we endeavoured to describe in more detail each of the respondents, in order to provide information as to why we considered them relevant, making sure that we do not reveal too many details by which they could be easily identified.

Finally, when it came to presenting the subject matter to respondents and focus group participants, we used the terms “good governance” and “practices and mechanisms of governance”. Whilst respecting the idea that a crucial part of research ethics is to “represent ourselves accurately to our informants”\(^ {48}\), we opted for these more neutral terms for several reasons. Firstly, “state capture” as a term is relatively new and not widely known and understood in Croatia. Secondly, we wanted to avoid situations where respondents would not agree to talk to us or would become a priori defensive, given the connotations of the term “capture” (especially its Croatian translation). Thirdly, to the best of our knowledge, this is a first attempt at describing and defining “capture” in Croatia, so we did not want an additional burden on the research for which we did not know which conclusions would be reached. Finally, our initial understanding was that “state capture” was a direct opposite of “good governance”, i.e. the principles behind it: rule of law, transparency, participation, responsiveness, effectiveness, efficiency, coherence. Our conversations with respondents on the application of those principles in practice in the localities enabled us to gain insight into what we sought – policy areas where these principles were upheld and those that might be labelled as policy areas and practices displaying elements of capture.

In interviews and focus groups, apart from identifying “key players” and their “power networks”, we asked the respondents about policy areas which they regarded as successful and in the interest of the public, and policy areas or types of political decisions where mechanisms of capture could be detected.


\(^{47}\) Quotes from office holders in Istria were not attributed to, as there was more than one respondent, given that Istria is a regional government unit. Since those quotes could be anonymized, we did not ask for their authorization.

For the latter, we asked respondents to give examples of the most contentious events which best describe the local situation. In the case-studies and conclusions we only used those that were validated through multiple sources and by triangulating methods, which gave “plausible answers” as to who, what, where, how and when capture occurs.

Of course, every methodology has its limitations and shortcomings. In ours, we find the following four the most important. Firstly, given the subject matter and our approach, the question is whether we could have concluded that in some instances or for some processes that they do not fall into the category of capture, but rather a specific type of (non-captured) governance. Looking at them individually, the answer is probably yes, yet we opted to include them into capture as these practices work in synergy with other identified mechanisms. In fact, in our view, all four cases lie somewhere on a ‘continuum of capture’ although their precise position depends upon the aspects of capture which are being considered. Future research should both study these elements of capture in more detail and, through the accumulation of more cases, build a clearer analytical picture of the key elements of capture.

Secondly, as stated in the introduction, the case study approach does not allow for generalizations. Choosing sufficiently different cases has allowed us to describe and analyse diverse forms of capture but on the basis of this research we cannot make any wider claims about how representative these are across Croatia as a whole (although, the identified structural capture mechanisms allow this to a certain extent). This has been a preliminary research study which can be added to by ourselves and others in the future, adding comparisons within Croatia and perhaps with local state capture in other countries.

Thirdly, the choice of respondents was skewed towards critics of local and regional power structures, although the extent of this varies from place to place. Given the advocacy and activist nature of this research, whose primary purpose is to inform the actions of actors advocating for changes in governance practices, this methodological limitation may be less problematic. However, in more traditional academic studies, there would be a need to seek the views of as wide a range of stakeholders as possible.

Finally, two or three visits and 15 or so interviews over a 15 month period is, of course, capable only of scratching the surface. At the same time, the methodology has allowed us to explore notable cases within each case study and a feedback session allowed us to check the findings with key stakeholders. The balance or trade-off between depth and width in the context of a time-limited project may not have been optimal but, again, has enabled a set of relatively robust preliminary findings that would have to be built on through more in-depth political ethnography.

49 It should be noted that some potential interviewees rejected to take part in the research, and their viewpoints would have contributed to the “balancing” altogether.
LOCAL STATE CAPTURE IN CROATIAN PRACTICE
In this section of the report we describe the normative framework, as identified by our respondents, which creates an “enabling environment” for local state capture. It is quite possible, indeed, very likely, that there are more systemic enablers; however, their analysis was not the primary focus of this research project. This issue, as well as whether and to what extent such normative solutions are the “intended or unintended consequences” of national level political elites is yet another empirical question to be answered in future research. What emerged in this research, however, is that the normative solutions described below are profusely used by local actors, with certain, locally specific “creative” modifications in order to create, maintain or extend their power networks.

The normative solutions enabling the design and development of a governance system based on clientelistic relations are foremost embedded in the Law on Local and Regional Self-Governance51. Its 2013 amendments, according to some experts in the subject52, as well as our respondents, provided “pharaonic” powers to mayors when it comes to deciding on and managing material and financial resources of cities and municipalities. Such assessments relate primarily to their unrestricted, independent decision-making on appointments of members of the managerial and supervisory boards of public companies owned by the city/municipality and public institutions founded by the city/municipality (Art. 48, §1.6). Up until the amendments, such appointments were under the authority of local assemblies. Additionally, the amendments enabled mayors’ independent decision-making on disposing of assets and finances of up to one million kuna53 (135,000 EUR) and the discretionary powers to dispose with the so-called “budgetary reserves”.

Furthermore, Art. 35, § 5 of the same Law grants authority to local assemblies to “found public institutions and other legal entities for the purpose of providing economic, social, communal and other services” in the interest of the local community. In the localities where the mayor and the majority in the assembly come from the same political option, such a provision enables the founding of an unlimited number of legal entities, which can be used for the purpose of building and maintaining clientelistic relationships and networks. According to the database of public entities54, managed by the Croatian Information Commissioner, there are 3,119 institutions, public companies and other legal entities established by local or regional government units – on average 5.4 public legal entities per unit of local or regional self-government. Once such an entity is founded, it is very unlikely that it will ever be closed, even if or when a change of political power occurs.

52 Art. 48, §1.5 “…the municipal/city mayors and county prefects can decide on the amount of individual value of no more than 0.5% of revenues, excluding central budget allocations, in the year preceding the year in which the decisions on acquisitions or selling movable and immovable, as well as disposing of other assets are made. If that amount is above 1.000.000,00 kuna, the municipal/city mayor and county prefect can decide on the amount of up to 1.000.000,00 kuna, and if the amount is below 70.000,00 kuna, (s)he can decide on the amount of maximum 70.000,00 kuna. The acquisition and selling of movable and immovable assets as well as the disposition of other assets must be planned for within the budget of the local/regional government unite and executed in line with the Law.” [our translation]
53 http://tjv.pristupinfo.hr/?osnivac=2&sort=1&page=191
Since public companies are managed according to Company Law, there are no restrictions when it comes to hiring without public announcements, which is many cases used as a sinecure, as well as a means of sustaining or widening power networks. Unlike in public companies, employment in public institutions is mandated to be based on a public call, yet, in those instances, according to our respondents, preference is granted to persons connected to parties/holders of executive positions in local and regional governments. Additionally, mayors and prefects have the authority to appoint managerial and supervisory body members in companies and other legal entities owned by the local/regional government. The appointments are done completely independently by mayors, in their function of sole members of assemblies of such companies (or assemblies with a very few closely connected members). Such appointed positions are awarded by monthly appanage. In this way, Company Law and the Law on Local and Regional Self-government have a synergistic effect on capturing the local state.

The other systemic problem that our respondents referred to was the fact that the Law on Local Elections does not restrict in any way the number of terms in office a directly elected mayor can hold. This is in sharp contrast to the only other directly elected function in Croatia – that of the President of the Republic, whose number of terms in office is restricted to two consecutive terms. The unrestricted number of terms in office for an executive function is potential for further building and expanding clientelistic networks.

Furthermore, according to the Law on Elections of Members of Parliament, mayors can simultaneously perform the duty of members of parliament, which makes them prone to strong influences of national level politics in their functions as mayors. At the same time, it places them in a position where they decide on normative solutions which can benefit the fulfilment of their goals at the local level. This is a clear-cut case of conflict of interest.

Finally, the Law on Strategic Investments of the Republic of Croatia, enacted in 2013 by the SDP-led government under Zoran Milanović, can also be viewed as a systemic enabler of capture, since it grants potential investors the use of shortcuts and shortened deadlines for issuing the necessary permits and approvals on the part of state institutions. The decision that makes the project “strategic” is made by the Government, without public participation, and without Parliamentary scrutiny. The investor need not have a sound financial construction. What is more, the investor has 60 days to procure evidence on secured financing of a minimum of 10% of the project's value, while the investment itself must include an element of constructing buildings. At the same time, the Law annuls what, in other circumstances, would be the mandatory passing of more detailed spatial plans. It is clear that such a law may benefit speculators seeking an opportunity to quickly and easily make profit on construction-based projects on land whose value has significantly increased through the accelerated procedure of issuing building permits.

55 Official Gazette 144/12
56 Official Gazette 116/99, 109/00, 53/03, 69/03, 167/03, 44/06, 19/07, 20/09, 145/10, 24/11, 93/11, 120/11, 19/15, 104/15
57 Official Gazette 133/13, 152/14, 22/16
THE COUNTY OF ISTRIA
The main feature of politics and political processes in Istria County, ever since it was created in 1992, is the pronounced dominance of one political party – the Istrian Democratic Assembly (IDS). IDS was established in February 1990; the first party leader was Ivan Pauletta, but the party was not organisationally prepared to take part in the first Croatian democratic elections in the spring of 1990. In the summer of 1991 Ivan Jakovčić was elected as party leader, holding this position until February 2014. This means that he holds the title of the longest standing party leader in Croatia. Thus, Jakovčić was, in terms of longevity, the most important political actor in Istria for the past 25 years, with a series of indicators suggesting that he was successful in transforming the formal position into manifest political power and influence. Since 2014 Jakovčić is the honorary president of IDS and a Member of the European Parliament. One of the issues in current Istrian politics is the level of his continued influence on Istrian political processes, despite the fact that, formally speaking, the leader of IDS and Istrian political life is nowadays Boris Miletić, the current mayor of the City of Pula.

IDS formulated its political platform in 1991, which is still, after minor reviews, relevant today\(^\text{58}\). The key aspects of the platform include decentralization, antifascism, liberal democracy, European identity, and cross-border multiculturalism. At the time, IDS was positioning itself as a political antipode to the then dominant Croatian Democratic Union (HDZ) in the rest of the country. Running on this platform, IDS took part in national parliamentary elections of 1992 and won three seats.

Its biggest electoral success were the local elections of 1993, taking place after the new territorial system took effect, establishing counties (as regional government units) and cities and municipalities (as local government units). IDS won more than 70% of the votes for the County Assembly, securing 35 of the 40 mandates. Similar results were secured in almost all cities and municipalities in Istria\(^\text{59}\). Thus, the 1993 local election results are the basis for the hypothesis that they were crucial for IDS’ political dominance in Istria, as they enabled the successful “colonisation” of key political institutions. Although these results were never repeated in subsequent elections, IDS has managed to secure the position of maintaining political hegemony in Istria.

In his analysis of IDS’ development, political scientist and journalist Neven Šantić\(^\text{60}\) emphasizes the key role Jakovčić played, stating that his taking over the party divided by factions and organizationally underdeveloped in 1991 was a decisive moment in the political stabilisation and subsequent expansion of the IDS. Jakovčić’s political power and influence is perhaps best described through internal party clashes, which always rendered Jakovčić the winner\(^\text{61}\).

The political dominance of IDS is an interesting research topic, since assessments of IDS’ political activity range from credit for “Istrian particularity”, i.e. the fact that the County of Istria is socially more progressive and economically more successful than the rest of the country, all the way to assessments


\(^{59}\) E.g. in Buzet they won 70% of the votes, thus 24 out of 26 seats, in Labin 77% of the vote secured 24 of the 26 seats, in Poreč 67% of the vote and 23 of the 26 seats, in Pula 66% of the votes and 23 of the 26 seats - see [www.izbori.hr](http://www.izbori.hr).


\(^{61}\) The first one took place in 1994, the second in 1996, the most recent one in 2013.
claiming that IDS is the HDZ of Istria, implying that their governance is characterized by significant levels of corruption, clientelism and nepotism.

*The comparison that HDZ = IDS is absolutely true. If you take away the ideology... everything else is completely the same.*

(journalist-activist)

*What HDZ represents in Croatia, applies for the most part to IDS in Istria... Ideologically and rhetorically they have nothing in common, yet the continuity and the manner of governance is the same...*

(academic 1)

Today’s leaders of the IDS describe their political and economic platform as one promoting the politics of non-division, cooperation between the public and private sectors, simultaneous development of rural Istria and the coastline, with all policies rooted in the values of multiculturalism, multilingualism, gender and religious equality and antifascism. They believe that this is what enabled their biggest contribution – the quality of life in Istria which is “better than in the rest of the country”, given the economic policy targeting SME development, agriculture and tourism, which in synergy created added value and employment.

*IDS’ economic policy is targeting primarily medium sized entrepreneurs – from agriculture, small industrial sites to tourism, i.e. strengthening the middle class as the bearers of liberal ideas and attitudes. ... By strengthening the middle class we are strengthening our own political position.*

(politician 6)

*We were the first ones to start a development agency – all cities and the county together. No one could do it by themselves. It is the most successful development agency that allocated thousands of micro-credits at a time when money was scarce.*

(politician 3)

*Together with cities and municipalities we develop programmes facilitating economic development, so that we can be competitive and create new jobs.*

(politician 1)

They are convinced that it is precisely because of such policies that citizens continue to elect them, because “continuity of governance enabled reaching concrete measurable results”, without the usual four-year election cycle pressure. Therefore, they conclude:

*...the continuity and IDS’ dominance enables extraordinary levels of synergy and togetherness.*

(politician 3)

Through such policies, IDS worked on building its own social capital, resulting in their penetration into almost all pores of Istrian society, which is in turn the backbone of their political power. In the words of one of our respondents:

*IDS worked actively on building this social capital. It is a party that distributed benefits widely; they did not centralize the cash register or the business. Within the county, the network is very wide – many people today live on it, including...*
those who prospered through the revitalisation of inland Istria. It’s a network that’s mutually supportive. IDS spent 20 years building this social capital, and it’s the strongest foundation of their political power... I seriously doubt that at the local level there exists an alternative, since this is the one which is most deeply rooted.

(civil society representative 2)

Similar viewpoints were expressed by some focus group participants:

Given the longevity of their governance, what can be expected? They are so deeply rooted in all aspects of our lives... from the economy, tourism, education, everything... Istria is a state within a state.

(abstainee)

The following parts of the text, describing some of the formal and informal mechanisms of capture, will describe in more detail the ways in which this social capital was built, ensuring that IDS remains in power in Istria.

**Formal Mechanism of Local State Capture in the County of Istria**

The normative enablers that facilitate taking over control of a large part of local resources on the part of those holding executive office, are strengthened in the case of IDS by its 25 year long political dominance. Practically, it means that all public resources are under IDS’ control and that they are managed in a manner which ensures fulfilling the goals of the party. However, the benefits are widely distributed, albeit predominantly to party members, but also to a relatively large number of inhabitants and businesses. The latter depends on the policy area, which is an issue that will be discussed in more detail in the part of the text referring to ensuring voter support.

One of our respondents describes the governance features in Istria in the following manner:

One can observe the continuity from the county to city and municipal levels. Institutions are working legally, yet in the party’s interest. They are less open to the public to identify their needs or desires, viewpoints or attitudes. They stick to the idea that the legitimacy secured through elections grants the right to do whatever the winner sees fit. They ignore criticism, suggestions as well as the mobilized public trying to change something.

(academic 2)

According to our respondents, the main lever during the 1990s was the spatial planning policy; more specifically, the process of conversion of agricultural plots into plots designated for building purposes or developing tourism. A large quantity of publicly owned land was purchased by IDS’ political cadre holding executive or representative functions, without public tenders, but with insider information that the spatial plans were about to be changed.

... The spatial plans are the key to understanding the governance process in Istria. And it’s an organized plunder of the autochthonous population. They
Examples of such acquisitions and conversions are numerous in Istria and several have been questioned by the public and the media intensively. We will describe a few in order to illustrate the formal capture mechanisms as used by political and business elites in Istria.

The politically most exposed case of acquiring valuable real estate and land in Istria is the one involving Ivan Jakovčić’s purchase of real-estate in the small village of St. George. Jakovčić bought the real estate through direct settlement with the owner – the Municipality of Grožnjan. At the time, in 1996, Jakovčić was IDS leader, county prefect and IDS Member of Parliament. The Municipality of Grožnjan was also in the hands of the IDS. In December 1995, the municipal assembly in Grožnjan passed an ordinance enabling the sales of real estate without public tendering if it is in the interest of the local community. In the specific case, the interest of the local community was recognized in Jakovčić’s intention to invest in order to develop a business based on agrotourism. Although subsequent court decisions found that the purchase contract between Jakovčić and the Municipality was null and void, precisely because there was no public tender, Jakovčić was acknowledged for investments carried out in the meantime, so he legally “bought” the real-estate once more. Additionally, the County of Istria (led by Jakovčić at the time) and the Tourist Board of the Istrian County subsidized 1.5% of the interest rate for Jakovčić’s credit, since the purpose of the credit issued was the development of agrotourism. Finally, it should be noted that the first purchase contract was signed just a few days before the Law on Property and Other Real Rights entered into force. This is important since Article 391 explicitly ordered local governments to ensure that the sales of publicly owned real estate should be made through public tenders and at market prices, a fact of which Ivan Jakovčić, MP, was certainly aware.

Jakovčić’s case is by all means not the only one. In some instances, especially during the 2000s, formally the buyers of land were family members of renowned IDS members. This suggests that despite unclear legal provisions that did not forbid such practices, they themselves at least sensed that they are involved in, politically speaking, dodgy business. Such is the case of IDS’ former minister of tourism in the Milanović-led government, Veljko Ostojić. Ostojić is one of the few bearing political consequences – he resigned at the request of Milanović once the media discovered the story. Namely, the media discovered that while he held the function of County head of Tourism and Rural Development, his family made millions in a business-deal involving the purchase, conversion and sale of land in Bale. According to media reports, the agricultural plot of land was bought for approximately 115,000 EUR by Ostojić’s sister-in-law, and sold for approximately 3.3 million EUR after conversion. The same sources claim that Ostojić himself took part in sales negotiations. In the meantime, the State Office for the Prevention of Corruption and Organized Crime found that there were no illegal activities in this particular transaction, yet it still has a significance in terms of the aspect of political accountability.

Conversions are still one of the mechanisms employed in Istria, but on a significantly smaller scale in
comparison to the late 1990s and early 2000s. However, their key features, according to our respondents, remained – they are complicated and thus make little sense to citizens, while the legally proscribed public discussions take place in the summer months, when most of the citizens are busy working in the tourist industry.

I find the procedure problematic. The assembly decides based on a proposal of the competent city office/mayor. They are mostly requests made by entrepreneurs, and then a public interest is invented. Once the plans are made and enter the public discussion phase there is a problem, since discussion mostly takes place in the summer, when people have no time to come to the city hall and hear what is about to be changed. There are 10-12 people at these discussions, including journalists – and I don’t know to what extent citizens can follow the specific terminology used. There are no media reports covering the changes in spatial planning. This is a big problem.

(journalist-activist)

I, as a member of the opposition, have very little insight into the spatial planning policy.

(politician 2)

On the other hand, the few citizens and representatives of the interested public that follow this policy and participate in public discussions reflect on the way their suggestions are cast aside. In recent years, one of the most questioned cases of spatial planning was related to the Changes of the Spatial Plan of the City of Pula (May 2014). Despite numerous citizens organized in the “I love Pula” initiative, who objected to the planned changes, the City assembly adopted the changes that enabled the development of an exclusive tourist resort encompassing a large golf-course, within an 18 hectare former army complex, in the area called Muzil. It is a project that IDS leadership has been “pushing for” since 2003, together with national governments under SDP and HDZ alike. Although the initial intention of full privatization of the area has in recent years been reverted to the idea of a 99 year concession, an investor is yet to be found. However, the changes to the spatial plans increased the value of the land significantly, and opened the door for the speculative real-estate business, similar to the case in Dubrovnik and the planned golf-resort with accompanying real-estate development on Srđ plateau.

The model being pushed in order to use this resource is privatization on the part of one actor. They are trying to find an investor who would take over Muzil... and manage it. On the other hand, the public is trying to find a mixed management model. Since the City has to organise a public discussion, it is faked. The suggestions made by citizens are dismissed. The procedure came down to writing down on a piece of paper your suggestion, which was read by the head of the competent department. And then, the experts were supposed to say why they were opposing the suggestion. Hence, civil society or the public have their interest, which should be turned into a decision. But the practice is that the decision has already been made and it needs to be implemented... It comes down to an attempt to legitimize it through the public discussion, but when the public denies legitimacy, they move forward with the explanation that citizens are incapable of comprehending the big picture.

(academic 2)

Apart from spatial planning, one of the frequently used mechanisms in Istria is employment in public institutions and public companies owned by the local or regional government. According to our respondents, as well as citizens in focus groups, one cannot find employment in any such institution or company without IDS’ approval or even joining the party.
Evidently, this is a widespread mechanism, which part of our respondents further explained, stating that it is not necessary for everyone to be a party member to build a clientelistic network. Rather, it is necessary to show a certain amount of loyalty to IDS, which is secured by employing only one person in a family, which in turn controls the behaviour of the rest of the voters in the household:

There is a joke among my friends, which we put to the test. As a young person, when you submit your CV, put down that you are an IDS youth member [alongside other skills]... It's only a matter of time, when you will be called in for interview.

(abstainee)

There is this example of a young girl from [town in Istria] who couldn't find a job for a long time. She was told: “Join the party”. She joined and found employment immediately. In these smaller towns the pressure about who you are going to vote for is even stronger, and the ones at the bottom of the feeding chain are even starting to become a little paranoid. It’s sad, but it is how it is, a young person will either join the party or stay unemployed.

(IDS voter)

I recently... met a young man..., and he told me that he works in [a public company]. He was looking for a job, and... he said: “I was waiting for a long time, and until I joined IDS, I couldn’t get this job”.

(opposition voter)

I began working and after 2-3 months I was told that it would be good for me to join the party, because they cannot vouch for me as a non-partisan player. I didn’t agree to it, I stayed another 4 months and then I was fired.

(active citizen 1)

Where IDS is in power, it is absolutely true that you cannot find employment in public institutions... You do not necessarily need to be a party member, but you must show a certain amount of loyalty, in order to gain their trust.

(politician 4)

The entire family needn’t be in the party. One is enough, it means that you have the family votes. Because, that one owes you something.

(journalist)

If you calculate mathematically how many people are dependent on such policy, the amount is more than 50%. Those employed plus their families plus those who receive any type of budgetary allocations – e.g. local craftsmen and entrepreneurs, plus NGOs that depend on the budget, plus those who receive concession for the beaches, and so on.

(active citizen 2)

A structure has been developed, one where people in the network, sympathizers, either have personal relations with them or people in the structures and their families – they all form bonds. It is in their interest that the same government is re-elected. Even the person who has a concession for a sales booth – he too will vote for them because he knows if someone else comes to power, he might not be granted the concession. In this way he is secured.

(journalist 1)
Employment in public institutions is regulated by Article 17 of the Law on Local Civil Servants, proscribing public calls for such positions, but according to our respondents and focus group participants, preference is given to members of the IDS and persons connected to them. Additionally, it is not rare for jobs to be “invented” in order to “protect their own”:

...a person got a job I applied for. I was more qualified, yet she was in IDS. So, simply, it is the truth, I don’t know if it’s the same in other parts of Croatia, but it is so in Istria.

(opposition voter)

...Even if there were a need for this position, I am sure there were other people who should have been given a chance. [in reference to employing the mother of a highly positioned IDS member in a public company]

(journalist-activist)

The party takes care of its own, because if you leave one to hang dry, it scares the rest of them – loyalty gets lost.

(active citizen 2)

Situations where the law does not proscribe public announcements, yet IDS officials chose to make them, are especially interesting. Our respondents placed such behaviour in the context of fake transparency, given that it turns out that the positions are already reserved for IDS cadre. A typical example was the case of the appointment of the current manager of the Istrian Foundation for Partnership and Civil Society Development. A member of the IDS got the job, despite the fact that two persons with significantly stronger qualifications and experience applied. The two candidates sent an open letter to the county prefect, criticizing the practice of faking a public call for applications. The prefect never responded to the open letter, yet today, the leaders of IDS interpret the situation in terms of the need to appoint people they trust to leadership positions, in order to ensure that they deliver the results promised to voters at the beginning of the mandate:

Perhaps sometimes mistakes are made, although I don’t think this case is a big mistake, because I believe that for the positions of key associates... I have the right to appoint people I trust. Of course, everything needs to be within the legal boundaries, the procedure must be followed, but for key associates one needs to have people one really trusts, in order to have results at the end of the mandate... I will agree with you...it can cast a negative picture on the... political part. But, at the end of the story, people ask what you promised in your mandate, what you delivered or achieved. Here you need to be able to rely on your key associates.

(politician 3)

The omnipresent perception of clientelistic employment practices is recognized by leaders of the IDS as a latent danger stemming from the longevity of governance... which is not easily resisted, and continue to explain:

From personal experience, I believe it is true to a lesser extent and that it is our own fault that this is the perception of part of the public, including with persons

68 Official Gazette 86/08, 61/11
69 http://www.h-alter.org/vijesti/glavan-ipak-moze
Although explanations regarding the necessity of engaging “individuals of trust” to key positions can be considered valid to an extent, it is still unclear why the positions are being advertised if it is not legally binding. Furthermore, the explanation is completely unconvincing for low level positions – kindergarten teachers, janitors, parking-lot attendants and the like.

Further, what makes Istria stand out in comparison to other counties, cities and municipalities in Croatia, is the number of public companies and institutions founded and owned by the county. According to the Database of companies owned by regional and local government units\(^1\), maintained by the Ministry of Finance, there are 736 such companies, of which 74 (10\%) are owned by the County of Istria or one of the cities/municipalities in its territory. In comparison to the rest of Croatia on average there is one such company per 2,811 inhabitants in Istria, while the average for Croatia is one company per 5,821 inhabitants\(^2\). Although it could be claimed that this is precisely one of the reasons why Istria is economically the more developed part of Croatia, the numbers also corroborate the hypothesis that numerous companies and development agencies are formed in order to secure employment for party cadre and vassals. This is also something our respondents referred to:

> Each city has 3-5 companies that they own, and these have become employment agencies.

(active citizen 2)

> Those who climb up the party ladder are the ones Jakovčić trusts most, the others are employed in public companies and institutions and they work there for a meagre salary doing whatever the party tells them to do.

(politician 5)

The last quotation is nicely illustrated by the case of Istra Inspirit, which was, according to media reports\(^3\), a project started by the County in 2012, later presented as a joint project on the part of the County, the Istrian Tourism Development Agency (IRTA)\(^4\) and the Tourist Board of Istria. According to the same source, in March 2013, three employees of the county registered a non-governmental organization called Istra Inspirit, at the same address where IRTA works. The project is funded through county and local budgets, as well as through the Croatian Tourist Board, at the time headed by a member of the IDS. In March 2014, the NGO registered a company called Istra Inspirit simple Ltd. operating from the building where a number of county institutions and departments are situated. In

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\(^{1}\) http://www.mfin.hr/adminmax/docs/Baza%20trgovackih%20drustava%20vlasnistvu%20jedinica%20lokalne%20podrucne%20%20regionalne%29%20samouprave.pdf

\(^{2}\) Average numbers calculated by dividing the number of inhabitants (2011 census) with the number of companies (http://www.dzs.hr/Hrv/censuses/census2011/results/xls/Zup_01_HR.xls)

\(^{3}\) http://ipress.rtl.hr/istra/istra-inspirit-ili-prica-o-istri-privatni-projekti-novac-javniii-39032.html

\(^{4}\) IRTA is owned by the County and six hotel chains
March 2016, after the audit report, the county prefect, Valter Flego, decided that the management of the project would be handed to IRTA including the change of the management model and the budgetary funding through *de-minimis* support (up to 200,000 EUR in three fiscal years). The NGO is still active, according to the Registry of NGOs, while the company is being liquidated as of mid 2016. Even from such a short description, the blurry line between public and private is more than evident.

### Informal Mechanisms of Local State Capture in the County of Istria

The Istra Inspirit example can be viewed as an introduction to the informal mechanisms of local state capture, where key roles are played by persons in positions of power. However, unlike in the rest of the case studies, key players in Istria cannot be strictly divided into those operating in the private and those in the public sector.

Namely, the interviews did not confirm the dominant influence of powerful actors outside politics having an influence on policy formulation and decision-making processes, excluding the, in Croatia omnipresent, Ivica Todorić and his company Agrokor. The research, however, found that a part of IDS leadership successfully combines their political activities and careers in the highly profitable tourism-related businesses or as entrepreneurs. They either seamlessly transfer from one sphere to the other or are at the same time party officials, employed in leading management positions in the regional and local authorities and are the owners of companies, often in some sort of business dealings with authorities. These types of relationships were described by our respondents using the term “octopus”, denoting Ivan Jakovčić as its key architect.

An example of the porous membrane between politics and business is the case of Brijuni Riviera Ltd., which is even more interesting since it involved politicians operating at the national level. Brijuni rivijera Ltd. is a company owned by the Republic of Croatia (67%) and the County of Istria (33%). It was founded in 2003 with the aim of building an exclusive tourist resort and creating new employment opportunities. The visionary behind the project is Ivan Jakovčić, who, in the function of county prefect, signed the initial agreement with the then PM Ivica Račan. Jakovčić was for a while Minister of European Integration in Račan’s government. The first executive director in Brijuni Rivijera Ltd. was Veljko Ostojić, formerly the head of the county department for tourism, deputy minister for tourism in Račan’s government and minister of tourism in Milanović’s government. Up until 2008, Ostojić was the executive director of Brijuni Riviera Ltd., when he left to assume a managerial position in the hotel company Valamar Riviera. Valamar Riviera is one of the owners of the Istrian Tourism Development

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75 http://www.ypress.rtl.hr/istra/irta-preuzima-istra-inspirit-zatazanko-prelijevanje-javnog-novca-u-privatne-dzepove-43337.html 76 Brijuni rivijera Ltd. case is described in much more detail in the article publiche by journalist Maša Jerin “Brijuni rivijera d.o.o. i svi županovi ljudi, available at http://www.zelena-istra.hr/?q=node%2F1756. 77 Initially the project envisaged building of luxurious tourist apartments, golf-courses, exclusive hotels and nautical ports alongside 24 km of coastline in the demilitarized zones. Eventually, the number of locations was reduced to four: (the already mentioned) Muzil, and St. Catherine-Monuments in Pula, Hidrobase in Štinjan and Pineta in Fažana. Since 2003 there were several rounds of tenders seeking investors, but only one locality has been bought – the St. Catherine-Monuments in Pula. It was sold in 2012 to Danko Končar, Croatian entrepreneur. The investment, however, still hasn’t been realized. In the meantime, the whole project has been handed to the newly established Ministry of State Property.
Agency, and also one of the companies who filed an expression of interest for the concession over one location within Brijuni Rivijera. After resigning from Milanović’s government, Ostojić became the director of the company Karisma Hotels Adriatic, partly owned by Todorić’s Agrokor. At the end of 2016 he was appointed executive manager of Agrokor’s company Agrolaguna, based in the city of Poreć.

After Ostojić, the director of Brijuni Riviera Ltd. was yet another IDS member, Ratomir Ivičić, formerly the director of the Brijuni National Park, appointed when Ivan Jakovčić was member of the Managerial Board of the National Park. In 2013, Ivičić was deputy minister of tourism, while in 2014 he was appointed CEO of the Croatian Tourist Board, during the mandate of IDS’ minister of tourism Darko Lorencin. Lorencin was, for 12 years, the head of the Istrian Development agency (IDA), and after his ministerial mandate expired he joined the tourist company Maistra based in the city of Rovinj. Maistra is one of the co-owners of the Istrian Tourist Development Agency. Sanja Bežan assumed the position of executive manager of Brijuni Riviera Ltd., leaving her position in Maistra, which she joined after working in the Brijuni National Park. Going back to big business connections, it is worth mentioning that in 2012 Jakovčić started a joint venture with Todorić’s Jamnica to produce a non-alcoholic beverage, and since 2015 Jakovčić is a member of the managerial board of Afarak group, whose majority shareholder happens to be Danko Končar, so far the only investor into Brijuni Rivijera.

At a somewhat lower level, an indicative example, although by no means the only one, is the case of IDS member Tedi Chiavalon. Apart from a successful political carrier, Chiavalon also owns a successful business venture, based on IDS’ policy of agricultural development. Chiavalon was the secretary general of IDS, today he is member of the party presidency and a councillor in the county assembly. Apart from party-related functions, he was also the president of the oversight board of the county-owned Agency for rural development - AZRRI (2012-2014), the president of the oversight board of the county owned company MIH Ltd. engaged in adequate valorisation and recognition of Istrian produce, the deputy president of the oversight board of ACI corporation (2012-2016), and since 2014 he is also a member of the oversight board of the company Istrian Water Protection System Ltd., owned by the county and all local units in Istria. Besides party functions and functions in public companies, Chiavalon co-owns and is a managerial board member of a company called Chiavalon Ltd. (established in 2010), that in 2016 received an award as one of the companies producing the best quality organic olive oils in the world. He also co-owns a company called Agro Arsia d.o.o. (established in 2015) involved in wholesale of crops, raw tobacco, seed material and food for domestic animals.

A similar case is that of Oriano Otočan, who was also secretary general of the IDS (2000-2001), county assembly councillor (2001-2005), and since 2008 IDS’ Secretary for International Relations. Between 2001 and 2005 he was head of the county prefect’s office, in 2005 he moved to a position in the county office for international cooperation and European integrations, where he stayed until 2014 when he left to join Jakovčić in Brussels as one of his accredited assistants in the European Parliament.
Between 2009 and 2016 he was a member of the oversight board of the Istrian Regional Energy Agency – a company owned by the County of Istria. Like Chiavalon, Otočan is also owner of the company called Flanatica Ltd. (in liquidation since 2011) and as of February 2010 co-owner of the company Campo Marzio Ltd. (established by his brother in 2003). At the time he joined the company as co-owner, the share capital increased from 20,000 kuna to almost 2.3 million kuna, by entering real-state as part of the share capital. In 2011, the company signed a contract with the city of Pula leasing a public space for its restaurant.

Unlike highly positioned IDS members, according to one of our respondents, some “ordinary” members also have successful business endeavours, in public construction work. Such cases are for the most part not reported on in the media, and remain local anecdotes, but nonetheless confirm the hypothesis that the “party takes care of its own”:

...When this magnificent sports hall was built, the starting price was 60 million, in the end it cost more than 200 million... [The sports hall] has a large glass wall, which was constructed by our local glazier, a prominent local IDS member....

(journalist 1)

On the topic of the entanglement of political and business relations, focus group participants reflected in the following manner:

They are not incapable. They are very capable, for themselves.

(abstainee)

In the context of relationships between politics and the media, respondents referred to a controversial entrepreneur from Pula, Albert Faggian, emphasizing his acquisition of Glas Istre (the only regional daily) for 1 kuna, with secret deals about lending money from public sources to the financially drained newspaper.

In such a situation, Faggian, wise as he is, probably sat with Jakovčić and said: “if you need a newspaper, it will survive, but it will cost you...” The Utility company from Pazin lent money to Glas Istre. The Waterworks from Brtonigla also lent money. The Wholesale fish market in Poreč, which never became operational... it was built with EU and Ministry of Agriculture Funds... They had some amount of money in their accounts for equipment they didn’t need because the job was never finished... They lent this money to Glas Istre...I was told it was paid back, but how it went through the books, beats me. I think this was all happening in 2010 -2011.

(journalist-activist)

Citizens in focus groups also mentioned Faggian and his connections to politicians:

I would like to single out one man who destroyed this city, with the approval of the local government. It is Faggian who destroyed the entire industry in the city, from local grocery chains, to the newspapers – Glas Istre and Novi List and the

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91 http://www.glasistre.hr/vijesti/arihiva/delozirana-terasa-da-piera-ii--338123
Ensuring Voter Support in the County of Istria

Our research, especially the focus groups with citizens, suggests several elements explaining the continued and relatively stable voter support for IDS. Generally speaking, it is the result of a combination of socio-cultural, i.e. identity and socio-economic reasons.

The political mobilization of the regional, Istrian identity, amplified by the IDS in the early 1990s can be viewed as the party’s biggest political success. Leaders of the IDS perceive it too:

> The values and the commitment to the region are most important to us... The regional identity – I think we accomplished this outstandingly, politically speaking, although it was a long fight.

(ʻpolitician 1)"

On the one hand, this identity is based on the territory and the cultural and historic heritage, and on the other, on the values of antifascism, multiculturalism and opposition to nationalism. During the 1990s clashes with the national government in Zagreb were one of IDS’ key resources in creating this identity. In all other elections, including the most recent ones, IDS ran on the message of being the only true protector of Istrian identity.

The identity itself still represents a common denominator, enabling IDS to appeal to voters of different profiles. The common denominator is the idea of Istria, as a specific historic and cultural region that should be given wide self-governance authorities which would grant it the possibility to manage its resources independently.

> IDS has profiled itself as a party that appeals to the right and to the left poles of the electorate, unlike in the rest of Croatia. In such narratives it is always important – and that’s why it’s not only a political narrative – to portray the IDS as the architect of what was termed “Istrianity” in the 1990s, functioning as a type of deflection from the rest of the country. Istrianity as shelter for all those Different. IDS still strongly exploits this type of identity.

(ʻacademic 2)"

...the term Istrianity is strongly connected to IDS – to be an Istrian, generally means one is pro-IDS.

(ʻcivil society activist 1)"
The second important element explaining voter support to IDS is its successful economic development policy, with relatively widely distributed economic benefits. Of course, a part of the distribution is related to the clientelistic networks using formal and informal capture mechanisms, as already discussed. Yet, the distribution of economic benefits differs depending on the policy area being captured. Thus, for example, the benefits of employment practices are restricted to those employed, whereas the benefits of the agrotourism development policy spread to wider circles of the population. Our respondents had different opinions on the extent of the distribution of benefits – some are convinced they are still reserved for those close to the IDS; others think that after the first wave which focused on interest groups around IDS the circle widened; while the last group believe there was a trickle-down effect in several economic areas, resulting in benefits for those not directly involved in clientelistic networks. Whichever perception happens to be closer to the truth, the fact is that part of its voter support comes from the fact that IDS successfully attributes the relative economic well-being to its political action.

*IDS has done a lot here in Istria for the “little” man, the Istrian, it fertilized the land, increased its value several times over and this “little” man knows how to return the favour.*

(*active citizen 1*)

*In the 1990s IDS emerged as an opposition to HDZ. Voting for IDS meant voting against HDZ. As many scandals as they all had – the political parties – I think that IDS perhaps had less, and it definitely built the most successful county. From the perspective of business, tidiness of the county, business opportunities, creating new capital, turnover of money... I think we were better off with IDS than had HDZ been in power.*

(*abstainee*)

The economic sectors mentioned include: (1) tourism, which alongside strong hotels chains developed agrotourism successfully linking tourism and agriculture.; (2) agriculture, especially wine production and olive trees; (3) support to the development of SMEs; (4) active support and subsidies to large and very important industries employing thousands, e.g. the shipyard Uljanik in Pula or the Tobacco Factory in Rovinj.

Concerning tourism, it should be noted that some respondents think that given that Istria was better off before the war and that it had not been touched by war, it was in the position to develop the industry without obstacles. In their opinion, tourism would have developed without IDS’ policies and they are inclined to state that, in general, IDS slowed down this trajectory by enabling their members to get rich off it and by it.

On the other hand, most respondents, including those very critical of IDS, talked about wine production and olive tree growing as industries that were quickly developing and that enabled a decent living standard to a large number of people who were significantly poorer in the 1990s:

*Many families today make their living off wine making, olive trees and prosciutto production, and it’s a very good living. In the ‘90s the trend was migration from the inland to the coastline. We reversed that. The same is with the development of agrotourism. This also required policy.*

(*politician 3*)

*With the value of the land and the brands it creates, with strong tourism, increasing the value of wine and olive oil – which they made into a brand, and it cannot...*
Thus voter support is rallied from among a part of citizens who benefited from the “decentralized” distribution of benefits, alongside those directly involved in clientelistic networks. However, the interviews and focus groups suggest that the pool holds yet another group of voters. Namely, those who do not perceive to be benefitting directly or indirectly, but have a tendency to, at least occasionally, lend their support to IDS. Their voting behaviour can in part be explained with the importance of the Istrian identity, but also the perception of people that, in comparison to the rest of the country, they live a solid and relatively comfortable life, in a politically more “decent” part of the country.

In conclusion, focusing on the socio-economic aspect, a hypothesis to be tested in future research is that voter support for IDS comes from at least three groups of citizens. The “hard-core” group are the ones partaking in one of the numerous clientelistic networks (employment, spatial planning etc.) whose loyalty is unquestionable. The second, very important, group are citizens who benefited from IDS’ policy of decentralizing material and financial benefits, but not as a result of clientelistic networks. The third group, whose size is difficult to assess, are those without direct or indirect benefits from IDS’ governance, but who support IDS primarily based on the comparison of the economic status of Istria with the other parts of Croatia, as well as their Istrian identity.

Factors Contributing to IDS’ Continuous Governance in the County of Istria

Election results suggest that IDS and its political program had a huge voter support in Istria in the beginning of the 1990s. Similar results, although somewhat smaller, were achieved in subsequent elections in the late 1990s. Such domination enabled IDS to develop the political infrastructure which ensures that even with a significantly slower percentage of the vote it maintains political monopoly and hegemony.

Data gathered in this research suggests that one of the important factors, perhaps even the most
important one, is a very effective party organization.

In terms of the party, it’s very well organized, they know who is doing what, the party is superbly organized.

(politician 2)

They don’t work ad-hoc, everything is planned, they know the goals and they have good expert support. The ‘talking heads’ have nothing to do with the motor inside, which is compact, clear and knows very well what to do. The motor are the ‘old boys’, people who aren’t publicly exposed at all.

(civil society activist 1)

Several factors enabled such effectiveness. Firstly, given that the party is active in only one county, the leaders and the branches are relatively close, facilitating coordination, as well as enabling a stronger influence of the branches on the party headquarters. The party leadership mostly consisted of people who at the same time held public functions at the local levels of government and at the branch levels. Thus, there was never a clear distinction between branch leadership and the party leaders, unlike most other Croatian political parties. Secondly, in the organizational sense, Ivan Jakovčić played an extremely important role. Most of the respondents denote him as the most important and most powerful politician. It is interesting though that they could not agree on the levels of his current influence on the decision-making processes in Istria. Thus, one group of respondents think that Jakovčić is still behind all important business and political decisions in Istria:

Jakovčić is still the head of the octopus, there might be a smaller head growing alongside - Boris Miletić – but he lacks those intellectual capacities...

(journalist-activist)

The hierarchy and the processes that took part suggest that there is a pyramid. At the top of the pyramid is the eye which is hidden, but still functions. The fact that Jakovčić „withdrew“ to Brussels means – I am there to bring certain investors whose interest you know how to interpolate.

(politician 4)

...nothing passes without him. Poreč is his base and his feudal seat, although he controls the entire county. Valter Flego and Boris Miletić can do nothing without him.

(active citizen 1)

One part of the respondents think that it is more likely that Jakovčić withdrew, but only after he successfully transferred his vision to the current leadership:

His ideas and vision live on, i.e. IDS’ activities are on the same course.... his idea for Istria is golf courses. He insists on the idea that Muzil hosts a full-sized golf course, and his vision is still part of the party program.

(academic 2)

I don’t think Jakovčić has the time to pull all the strings, but he is certainly consulted on the big decisions...

(politician 2)
After Jakovčić became MEP, the party underwent a peaceful, carefully planned change of generations. Data from the research suggests that a large part of the new generation of IDS’ politicians can be described as “techno-managers” who are explicitly emphasizing economic development as the priority of their political activity. Respondents suggested the current party leader and mayor of Pula - Boris Miletić – as a typical example. The party is still very well organized, with clear goals and plans on how to achieve them.

*With his leaving, a techno-managerial, yuppie group of young IDS members took up those positions. They have a way of connecting their particularistic interests and the party, but I don’t know who is pulling the strings.*

*(journalist 1)*

The research suggests that most political decisions connected to national level politics are made by party president Boris Miletić and the secretary general - Giovanni Sponza, yet still with the strong influence of those persons active in Jakovčić’s era, namely Edo Kos and Tulio Demetlika. According to our respondents, they are the decision-makers in IDS, and are making sure the decisions are implemented on the ground.

On the other hand, it appears that regional and local levels (county prefect and mayors) have quite wide autonomy as long as they follow the party’s goals. Indeed, some party leaders think that the level of autonomy given to local branches resulted in the loss of elections in certain smaller towns in Istria, like Umag, for instance.

*Umag. It’s our own fault. The perception of Jakovčić being an autocrat proved wrong. Branches were given autonomy to decide on their candidates – Umag is an example. Citizens voted against our candidate, the party should have reacted, but it left autonomy to the branches.*

*(politician 3)*

The second important factor helping to explain IDS’ longevity in power is IDS’ strategy of dealing with the central government in Zagreb. This is a highly ambivalent relationship, and it seems that it is precisely this ambivalence that contributes to IDS’ longevity.

On the one hand, political clashes with central government are a permanent characteristic of IDS’ politics since the very beginning. The clashes took part regardless of which option was in power nationally. Indeed, the clashes took part even at a time when IDS was part of the ruling coalition nationally. These clashes were used by IDS to strengthen its political position in Istria and to clearly position itself in the Croatian political arena as an option strongly in favour of regional autonomy, as opposed to the strong centralist tendencies of the majority of Croatian political parties.

A typical example of IDS’ ambivalent behaviour is their resigning from the centre-left government in the summer of 2001, when Jakovčić resigned as minister of European Integration due to intra-coalition bickering. Nothing changed significantly, since IDS continued to support the Government from Parliament, but to their members and voters this move indicated that the interests of the region come first, whilst participation in national government is only a means to this end.
However, according to our respondents, this strategy of public clashes with national governments was complemented by tacit agreements with key national parties, the HDZ and the SDP - respondents emphasized the good relationship between IDS and HDZ, especially during the Sanader\textsuperscript{92} era. Apparently, the deal was that IDS would not stir trouble at the national level, as long as IDS can do whatever it wants in Istria.

Such seemingly paradoxical relationship with national governments is explained by IDS’ leaders in terms of the need to co-operate with central government on local projects which depend on government funding or national level decisions. They emphasize that their success as holders of executive offices is strongly dependent on co-operation with the central government, despite ideological differences.

Regardless of who is in power at the national level, they are all centrist when it comes to how the state should function. Therefore, we, who are in favour of decentralization, will always have latent conflicts or differences of opinion in that regard. In the relationship between Jakovčić and Sanader I make a distinction between the political part and the executive function. No county prefect enjoys the luxury of not co-operating with the prime minister, since it would mean working to the detriment of one’s citizens, regardless of how we may differ when it comes to ideology and values.

\begin{quote}
\textit{Jakovčić and Sanader or Flego and Milanović or Orešković and Flego – do not discuss ideologies and values – we are representatives of the executive power paid to work on concrete projects. Every executive function should work like this, we cannot afford the luxury not to secure credit for hospitals or retirement homes because of ideological differences.}
\end{quote}

\begin{quote}
\textit{If we are talking about the values behind IDS, then there are no compromises and we function as a membrane to ideas that are not supported in Istria. Such behaviour is perceived as fighting the “enemy” at the national level. If we are talking about projects and programs, given the legal framework, we must cooperate with the central government and we do. Our behaviour could be characterized as that of the “Merchant of Venice”, since IDS’ goal is very simple – living well on the basis of our own values.}
\end{quote}

The third important factor related to IDS’ stronghold is the weakness of the political opposition. On the one hand, HDZ’s program based on a combination of nationalist and conservative ideology was never an acceptable paradigm in Istria. Thus, support for HDZ, unlike in the rest of the country, is very weak in Istria. On the other hand, SDP, which is ideologically much closer to the majority of voters in Istria, displayed organizational and people-related weaknesses, proving detrimental to its positioning as a viable political rival.

\textsuperscript{92} Ivo Sanader was Croatian PM from 2003 until July 2009, when he left the PM position for reasons still unknown. In December 2009 he was arrested in Austria and extradited to Croatia to be put on trial for political corruption and abuse of power. The court rulings are pending in all cases.
There is no political opposition to IDS in Istria. For a while we thought SDP will be the opposition, but it all fell apart. SDP is no opposition. HDZ is weak, but unlike the SDP, they are at least organized. But they will never be a serious opposition in Istria.

(civil society activist 1)

SDP has been destroyed for years through their co-operation with IDS because they lost their membership base. SDP is divided – a part is with IDS, a part is against. HNS has been destroyed. There is no opposition.

(journalist 2)

On the ground, other parties have no people, and it is on the ground that things are assessed through recognizable candidates perceived to have some “weight”.

(journalist 1)

SDP has been buried in Istria for the past 20 years, because they are constantly “piggybacking” on IDS.

(active citizen 2)

The weaknesses of opposition parties is recognized by the voters too:

The quality of what the opposition offer is lacking.

(opposition voter)

There is no real opposition, no real choice. One’s hands are tied from the beginning.

(abstainee)

However, it seems that apart from the internal weaknesses or ideological unacceptability of opposition parties, IDS is also actively discouraging their emergence. According to our respondents, all opposition attempts are met with “disciplinary action” ranging from ad hominem attacks in the media or in the local councils, to material threats – loss of business opportunities, loss of working space, threats of pressures on family members and their opportunities:

When someone is critical of IDS, they are exposed to ad hominem defamation. In a small community such attacks are much more embarrassing, because there is no one to come to their defence. At the City Council in Pula there is very little debate on policy issues, very quickly insults begin. I bow with respect to anyone who is in any type of opposition.

(academic 2)

This political intimidation very often has material connotations... Pressures on opposition politicians are worse than those on journalists. For a while HNS looked promising, but the person leading it paid with her own business.

(journalist-activist 2)

Ad hominem attacks are used. The same is true for IDS dissidents.

(journalist 1)
Furthermore, a significant number of respondents emphasized that precisely because of the lack of a strong opposition, they do not expect change in the upcoming local elections. In other words, to a large part of the Istrian electorate, IDS is still the only acceptable political option, especially when HDZ with its nationalist and conservative ideology is in power nationally.

*There is no opposition. Local patriotism is very strong here. I also voted for IDS... not because I like them so much, but in order to prevent HDZ coming to power.*

*(IDS voter)*

*One does not vote for, but against. When we go to vote, we don’t vote for someone, but against someone and that is the biggest tragedy of all.*

*(IDS voter)*

These ‘political’ factors contributing to IDS’ dominance are complemented by the relative weaknesses of other actors – primarily the media and civil society, who are, at least in theory, expected to perform watchdog roles and act as corrective elements. Data gathered through the research suggest that there is a lack of truly independent critical media outlets in Istria. Exceptions are a few Internet portals (e.g. Ipress.hr), but respondents claim that their outreach is relatively weak.

Almost all respondents denoted the daily *Glas Istre* as the most important media outlet in Istria, but most also emphasize that they are failing to critically cover IDS. Some claim that the paper is an “IDS pamphlet”. The shift from one of the most outspoken critics of IDS to their “pamphlet” is related to the change in the ownership structure, according to our respondents, occurring when the paper was bought by Albert Faggian. Citizens in focus groups testified about their acquaintances; journalists employed in *Glas Istre* confirming such an editorial policy:

*The girl who worked as a journalist said that before she goes out in the field, she gets a list of questions she is permitted to ask.*

*(IDS voter)*

*That’s true. My friend worked for four years in Glas Istre and it’s true. They get a list of questions they must ask, and nothing else.*

*(IDS voter)*

Additionally, the county, cities and municipalities, as well as their companies buy advertising space in local electronic media, through which they control the editorial policy. Thus, according to our respondents, in the few media that operate in Istria, there is a media “don’t tell policy”:

*The whole governance structure realized that the media need to be controlled somehow. Glas Istre has arrangements with authorities on printing enclosures, and this is where revenue comes from... Radio stations and portals all receive advertising money from local authorities, so they are careful how they write.*

*(journalist 1)*

IDS’ leaders themselves confirm the practice of buying advertising space in local media, explaining that they have to explain to the citizens the activities and policies of local authorities. This explanation itself suggests that they do not quite understand the role of the media as a public information service,
However, judging from the attitudes of citizens in focus groups, they do not appreciate such an approach. Indeed, they are very critical of it:

... here in Istria there isn’t one newspaper, one media outlet, one journalist... to act as opposition... it’s a big problem. There is no public that would criticise the authorities, there are no opposition parties, there is no awareness, no civic education, nothing. That’s why it is as it is. Neutral subjects, and that’s it.

(opposition voter)

The data also suggests that the other potential actor, civil society, is also ineffective in mobilizing citizens to criticize the authorities. Our respondents state that there are a few NGOs active in the area of citizen mobilization, but emphasize that they are also incapable of mass mobilization. The largest proportion of NGOs in Istria is active in “non-political” sectors and are not directly interested in social or political processes. Our respondents believe that for a part of NGOs such “non-political” orientation was a choice in order to avoid the necessity of monitoring and criticising the authorities, since it enables them to compete in calls for proposals issued by the local or regional authorities.

It seems that, apart from pacifying the media and civil society, IDS also managed to pacify a part of the citizens, who employ a form of self-censorship, hampering their criticism of IDS:

I think people are afraid to talk. When it comes to politics I always think twice whether to speak up about something or not. I don’t think I will be promoted in my job... but I wouldn’t be openly critical because I would like to continue living in Pula... and there is always hope that I can advance professionally a little bit, so I wouldn’t openly talk. I can say that I don’t like their politics, but the things I said to you... I wouldn’t talk about them unless I was in close company.

(opposition voter)

The upcoming local elections will be yet another test of Neven Šantić’s conclusion from a few years back, which was corroborated by this research. According to Šantić “IDS will be able to play its games and win elections until the flow of money in Croatia is decentralized and regionalized, and they lose the excuse that it is state centralism to be blamed. Additionally, as long as IDS is capable of convincing most Istrian citizens that regardless of all scandals following Jakovčić and other party members in the past years, they are the stable guardian of values IDS has been advocating from its beginnings, capable to ensure that they can live a solid life in their region, comfortably and freely, regardless of their ethnicity”.

93 The same also come out as a result of research conducted in 2015, see: Miošić, Nives and Dražen Hoffmann (2015.): Područja djelovanja i kapaciteti civilnog društva u Istri, dostupno na: http://civilnaplatformaistre.org/index.php/hr/osdownloads?download=2:podrucja-djelovanja-i-kapaciteti-civilnog-drustva-u-istri
THE CITY OF ZAGREB
Political Context in the City of Zagreb

The importance of political control over Zagreb stems from its status – it is the capital of Croatia, home to almost 20% of Croatian inhabitants, with a budget higher than the combined budgets of all other local government units. Its status, size, material and financial resources make it one of the local government units most susceptible to particular interests – political, economic, but also those operating outside the boundaries of legality.

During the 1990s, Zagreb was tightly controlled by HDZ, assisted by the strong non-democratic support of the late president Franjo Tudman, which culminated in the so-called Zagreb crisis in the period 1995-1997. According to the Law at the time, the mayor of Zagreb had to be confirmed by the President, something Tudman refused to do on several occasions, because we cannot allow some kind of opposition situation in the capital that would disturb the stability of Croatia! Tudman thus appointed Marina Matulović-Dropulić as mayor, who was repeatedly rejected by the City Assembly until 1997, when HDZ secured a majority for her confirmation in the Assembly by “winning over” two HSS (Croatian Peasants’ Party) councillors, who nominally became independent.

This episode of Zagreb’s political history is very important in understanding current governance practices. Namely, according to some of our respondents, it was precisely in the era of Matulović-Dropulić (1996-2000) that clientelistic governance and political trading began, which was improved upon and upgraded under the current mayor, Milan Bandić.

Bandić’s model is not Bandić’s; it was inherited from former mayor Marina Matulović-Dropulić… He didn’t invent the model, he only improved it. (journalist 1)

It all began with Marina Matulović-Dropulić, former mayor, not with Bandić… Bandić took over a certain type of governance, then brutalized it and made it more primitive. In the time of Matulović-Dropulić, it [the system] was sophisticated, she was invisible; he is visible. (politician 1)

Since 2000, the mayor of Zagreb is Milan Bandić; up until 2009 he was an SDP member, and later independent, until he founded his own party in 2015. His political career started in 1993 when he was the secretary of SDP’s local branch in Zagreb. In 1995 he was elected to the City Assembly; in 1997 he became president of SDP’s Zagreb branch and a member of SDP’s Governing Board.

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95 On 20 October 2016, according to the Decision of the Zagreb Assembly on the amendments to the budget of the City of Zagreb for 2016, the budget increased from 7 billion to 8.85 billion kuna; together with the budget of the City-owned Zagreb Holding it amounts to approximately 13.8 billion kuna (http://www.zagreb.hr/UserDocsImages/financije/PRORA-CUN%202016/Phijedlog%20izmjene%20%20dopune%20proracuna%20za%202016.-NOVI.pdf).

96 The above mentioned two councillors became vice-presidents of the Assembly, one additionally became the director of the Gynaecological Hospital in Zagreb, and the other was appointed chief of the Zagreb Chamber of Trades and Crafts.

97 the biggest and most influential local branch
In early elections in 2000, together with its coalition partners, the SDP won a majority of 52% and Bandić became mayor. The same scenario happened in the regular elections of 2001, and Bandić was again appointed mayor. However, already in March 2002, Bandić was forced to resign under pressure more from the public than from SDP’s leadership, due to a scandal in which he tried to bribe a police officer, who caught him driving under the influence of alcohol and fleeing the scene of the accident. Deputy mayor Vlasta Pavić stepped in, as they changed places after the vote in the Assembly, but their co-operation was difficult, as Bandić could not face the fact that he was no longer mayor. The Pavić-Bandić clash became more public and culminated in a showdown in 2004. However, a truce was reached until the 2005 elections, as Bandić was successful in persuading Ivica Račan to let him be candidate for mayor of Zagreb again, in exchange for Zagreb’s local branch support in Račan’s SDP leadership contest. One of our respondents reflects on the period in the following manner:

SDP knew who Bandić was and what he did, but they didn’t do anything, because it wasn’t politically pragmatic. It turned out that they raised a monster that they couldn’t control later. The SDP is to be held to account – not Milanović, but Ivica Račan. Račan saved him. HDZ is accountable for the type of society that enables it, but SDP is accountable for Bandić.

(journalist 1)

Despite the fact that yielding to Bandić and his specific type of governance was damaging to SDP’s reputation nationally, they still made him their candidate for mayor in the 2009 election – this time under Milanović. Bandić won in the second round with 61.84% of the votes in direct elections against an independent candidate, Josip Kregar, who ran on an anti-corruption platform.

The “arranged marriage” between SDP and Bandić ended at the end of 2009, when Bandić decided to run in the election for President of Croatia as an independent candidate, thus formally ending his membership in SDP. In the second round of these elections, he lost to SDP’s candidate Ivo Josipović. In the next local elections in 2013 he won the mayoral race against SDP’s candidate Rajko Ostojić with 65.67% of the votes. In 2015, Bandić founded his political party called “Bandić Milan 365 – the Party of Labour and Solidarity”, competing in national parliamentary elections in 2015 and 2016.

Bandić’s mayoral terms are characterized by a part of the media and his political opponents as dominated by clientelism and corruption, which seriously took off after direct elections for mayors were introduced in 2009. His political era is labelled by his slogan “Let’s get to work”, but also investigations of corruption and hundreds of criminal accusations, some of which led to six months imprisonment pending full trial in 2014, under accusations of abuse of power and authority. In 2015, the Constitutional Court granted him bail in the amount of 15 million kuna (c. EUR 2m.), paid for by a lawyer Marijan Hanžeković. The Court of Appeal in Zagreb also decided on the issue of his competence to remain mayor, and granted him the right to resume office once he was out on bail.

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99 SDP President at the time, and Croatian prime minister (2000-2003).
100 Bandić also ran in the national parliamentary elections in 2011, but his independent list failed to pass the 5% threshold. In elections in 2015 he won 2 seats, and he repeated the result in the 2016 early parliamentary elections.
103 also the owner of the media group Hanza media, the publisher of 3 national dailies.
The public was confused by the fact that various instances of the courts had differences of opinion regarding his imprisonment and the possibility to continue to hold the office of mayor. A direct consequence of Bandić's appeals is the annulment of the thus far upheld practice of investigative imprisonment. The courts' differing opinions led to a further loss of trust in the judiciary and inflamed already existing rumours regarding inappropriate connections between the mayor of Zagreb and the judiciary.

Formal Mechanisms of Local State Capture in the City of Zagreb

Apart from the previously identified legal solutions conducive to capture, there are also by-laws to be considered. Namely, according to the Statute of the City of Zagreb, the mayor decides on how to use budgetary reserves up to an amount decided on by the assembly. In the following few paragraphs we describe the use of this mechanism between 2012 and 2015, as an interesting and illustrative example of Bandić's governance.

The agreed budgetary reserves were approximately 2 million EUR in 2012, 2.7 million EUR in 2013, 2 million EUR in 2014 and 700.000 EUR each for 2015 and 2016.\(^{104}\) The importance of budgetary reserves in the context of this study is in the mayor’s discretionary power to allocate these funds, without any obligation to explain the decisions in any detail and without proscribed criteria. Milan Bandić used this possibility to promote his policy of satisfying, in the political sense, a very wide array of actors, across the political specturm. The budgetary reserves were thus allocated to different actors, including often many associations of national minorities, human rights’ organizations, anti-fascist organizations, but also organizations gathering Homeland war veterans, religious organizations and numerous organizations preserving traditional culture. The practice of financing a wide spectrum of civil society organizations is not problematic per se, but it is very dubious when it is done by means of budgetary reserve allocation, as it breeds dependence on the mayor, while resources are allocated without clear and transparent criteria, and are not available to everyone on an equal basis.

Bandić’s strategy is clear through an analysis of resource allocation for 2013, when budgetary reserves amounted to 20 million kuna (2.7 million EUR). The amounts awarded ranged from 180,000 to 1.3 million

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\(^{104}\) Detailed data on the use of budgetary reserves are available at:
for 2012:
http://web.zagreb.hr/Sjednice/2013/sjednice_skupstine_2013.ns-
f/0/8E591587D087775BC1257B87034BF76/$FILE/02%20Godi%C5%A1nji%20izvje%C5%A1aj.pdf
for 2013:
http://web.zagreb.hr/Sjednice/2013/Big_Attach_2013.ns-
f/0/43CE3790DAF6DDA4C1257CEB0026C079/$FILE/Prijedlog%20Godin%njeg%20izvje%C5%A1aj.pdf
for 2014:
http://web.zagreb.hr/Sjednice/2013/sjednice_skupstine_2013.ns-
f/0/C1257B79004AC468C1257E5300417199/$FILE/godišnji%20izvješta%C5%A1aj.pdf
for 2015:
http://web.zagreb.hr/Sjednice/2013/sjednice_skupstine_2013.ns-
f/0/C1257B79004AC468C1257FA8003DCFAC/$FILE/02%20Godišnji%20izvješta%C5%A1aj.pdf
kuna, granted either on one or several (up to six) different occasions in the same year, and encompassing a wide spectrum of organizations from the “left” to the “right” and everything in between. Perhaps the most important element in the analysis are the explanations for these allocations. They are, for the most part, very general, i.e. “operating costs”, “activity costs”, “program implementation costs”, “financial support for 2013”, etc. Such explanations suggest that budgetary allocations are likely based on close relationships between the mayor and these organisations. As the amounts are considerable, they could have been allocated by means of a public call. In order to illustrate the importance of the budgetary reserve as a mechanism for awarding certain associations we contrast it here with the amount that the City of Zagreb granted to human rights’ organizations by means of a public call. In 2013, this amount was 230,000 kuna in total, distributed between 10 organizations who applied for the call. As is customary and appropriate in public calls, these associations applied with detailed activity plans and budgets. On the other hand, by his own discretionary decision, the mayor awarded only one organization with as much as 180,000 kuna.

Apart from budgetary reserves, the Statute also enables the mayor to appoint and fire the City’s representatives on the governing boards of public institutions, public companies and other legal entities. Additionally, according to the Principles on internal systematization and working in the City’s administrative offices\textsuperscript{105}, the mayor decides on the number of specific jobs within each department, as well as on job descriptions and job requirements. All these mechanisms are potentially fertile soil for developing clientelistic relations, as well as disciplining/degrading “disobedient” civil servants by increasing/decreasing the number of positions and/or arbitrarily changing job requirements. Namely, it is very easy to adapt these internal acts to the general requirements as they are proscribed in the Governmental Ordinance on the Classification of Positions in Local and Regional Self-Government Units\textsuperscript{106}.

Mayor Bandić himself, in his public appearances emphasizes that the job of the city administration is to be the “logistics to entrepreneurs and service to citizens”, while the job of the mayor he sees primarily as decision-making, appointing people who will implement those decisions and, ultimately, controlling what they do. In his view, the logic of such governance stems from legitimacy earned in elections, to be judged by citizens in the next election. The mayor’s specific understanding of the relationship between executive and legislative branches stems from such an understanding of democratic governance – the executive branch is characterized by a hierarchical “order-execution” principle, while democracy is reserved for the parliament/assembly.

\textit{The executive power is hierarchy and subordination – order – execution. There is no democracy in executive power, democracy belongs in parliament.}  
\textit{(Milan Bandić)}

Naturally, a hierarchical relationship is inherent to the executive, yet the issue is the extent to which the top of the hierarchy relies on the skills, competencies and professionalism of their subordinates or if they are circumventing them, unless they are part of the power-network. As will later be described, the latter is taking place in Zagreb.

Bandić justifies this approach through his election results, attributed to the voters’ perceptions of improvements visible in the city as well as in increased numbers of tourists in Zagreb. Additionally, he

\textsuperscript{105} Official Gazette of the City of Zagreb 17/2010, point 23.  
\textsuperscript{106} Official Gazette 74/2010 and 125/2014
refers to distributing small, yet tangible benefits\textsuperscript{107} to voters along the ideological spectrum, within the City’s social policy.

\textit{The secret of my five mayoral terms is that people acknowledge only results... I was different from everyone else. People remembered something. The City resembles a European metropolis – it is multi-ethnic, multi-cultural, multi-confessional. I am mayor of all citizens... I have the breadth, I can dig into the left, the right and the centre... Politics is not the art of the possible, but rather, the art of the accomplished.}

\textit{(Milan Bandić)}

The latter was confirmed by voters in all focus groups in Zagreb. They talked about cheaper kindergartens in comparison to other cities, an increase in the number of tourists in the summer and before Christmas, and social sensitivity towards marginalized groups, e.g. paving the roads in Roma settlements, social housing, care for the pensioners - subsidies for public transport, theatre and recreational activities. However, while Bandić’s voters express satisfaction with such measures, those voting for other candidates and those abstaining are more critical and perceive them as a form of vote buying which voters fall for:

\ldots with the money from all citizens, Bandić is targeting certain groups, thus buying their votes.

\textit{(opposition voter)}

\textit{Bandić is visible in these small areas and he is always among people, people recognize him. My daughter, who is young, says “Bandić is short, sassy”, to them it’s interesting... He gives away free public transport, free text books, but people don’t realize we are all paying for it through our taxes. People are unaware, most people don’t know, they only see the surface...}

\textit{(opposition voter)}

It should be stated that although social policy measures should target the vulnerable and marginalized groups, and are thus not an issue, the problem arises, from the viewpoint of good governance, if they are designed and implemented without needs analyses, evaluations of their effects as well as the lack of assessment of their longer-term negative effects. In the latter context, citizens in focus groups referred to the measure for mothers-educators\textsuperscript{108}. In order to obtain this status, mothers had to quit their jobs, which once their children are no longer of kindergarten age, will place them in a disadvantaged position in the labour market. At the same time, the measure was recognized by citizens to have negative effects on children’s socialization, as those children could not attend kindergartens, if their mothers obtained this status. It should also be noted that the measure was introduced in Zagreb during Bandić’s campaign in the 2016 early national elections, with the promise that if he became Prime Minister, he would introduce it nationwide.

Other interviewed respondents also spoke of measures satisfying everyone along the ideological spectrum, placing it in a negative context not only at the level of individual voters, but more importantly, at the level of political structures:

\textsuperscript{107} Examples include additions to pensions, free text books for all primary school age children regardless of the material status of parents, communal infrastructure repairs, etc.

\textsuperscript{108} Roughly, the measure amounts to paid stay-at-home moms.
“catch all” politics... gets its equivalent in the governance method, in a way that ensures that all political options are intertwined.

(civil society representative)

Given the legal framework, our respondents spoke of a number of mechanisms used in Zagreb: the arbitrary use of budgetary reserves, neutralizing criticism through employment in city owned legal entities, favouritism in public tendering, controlling the hierarchy in city administration and changes to spatial plans. The changes to spatial plans were mentioned in the context of further building or strengthening clientelistic relations, but also in the context of losing control over actors involved, given their interdependency. This interdependency, which could be termed “the captured capturers” was depicted by one of our respondents in the following manner:

Bandić is an ill-fated person... He is a tragic persona... He created a network which enslaved him... You can enter the dance floor at your own will, but you can leave it only when they let you – Bandić can no longer leave it.

(journalist 1)

According to our respondents, the key institution fuelling Bandić’s power position is Zagreb Holding. Zagreb Holding Ltd. is a company encompassing 15 former city-owned enterprises, and owning an additional eight companies and one public institution. Zagreb Holding Ltd. was founded in 2007, and employs more than 11,000 people. Although there are formally three members of its assembly - the mayor, the deputy mayor (Vesna Kusin) and the Head of City Department for Finances (Slavko Kojić), Bandić is de facto the only assembly member that makes decisions, as he is also formally “the joint representative of all assembly members”. In other words, he singlehandedly decides on the use of Holding’s budget, which in 2016 amounted to some 5 billion kuna (680 million EUR).

Our respondents argue that such highly centralized management practices enabled a higher level of control over public tendering, while voters of the opposition in focus groups referred to Zagreb Holding as a criminal organisation due to its governance structure whereby a company with multi-million EUR turnover is run by people according to party affiliations... without any sort of public calls.

Through Holding, Bandić controls who wins the tenders in the second biggest company in Croatia.

(researcher)

This is where his power lies. He turned the whole city into an interest group, an interest group whose central point is Bandić, who will ensure that big interests are served and that different groups in the city are turned into clients.

(civil society representative)

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110 http://www.zgh.hr/o-nama-7/profil-13/skupstina/136
In the context of a resource abused, our respondents also referred to jobs in city administration and in Holding, including employment for representatives of his political opposition, as a means of political trading, i.e. silencing criticisms. The prevalent viewpoint of our respondents is that such persons get high positions in Holding’s hierarchy, doing absolutely nothing. Unlike those silenced political opponents, according to our respondents, the lower level positions are secured by means of personal relationships involving various political parties’ connections.

_He [Bandić] has an incredibly strong instinct for it. Every time there is even a hint of a powerful criticism, he simply absorbs it. He gives them a job. Every time criticism was strong, his main instinct was to buy it – “great, this is what you advocate for, so go do it, here is a project for you”._

(researcher)

Similar statements were echoed in the focus groups:

_Everyone knows at least one person working in these companies... they can’t say it publicly, but privately they say they sit around all day, doing nothing, getting bored._

(opposition voter)

The second mechanism respondents spoke of were public-private partnerships, referring to them as extremely complicated legal arrangements for which the city administration lacks legal and financial expertise in order to protect the public interest even if it wanted to do so. The _Arena complex_ - sports hall and shopping mall - was given as an example. According to our respondents, precisely because of the lack of expertise in city administration it is the private investor that actually formulates the public interest, resulting in huge public expenditures on a yearly basis. Namely, contracts are said to be phrased in such a way that the local government is responsible for building and maintenance of the infrastructure, while the private investor collects the profit. Controversy over the _Arena Zagreb complex_ depicts such relations well. The complex is a public-private partnership involving the Government of the Republic of Croatia, the City of Zagreb and the Ingra construction company. There was not much debate, nor resistance from the public, as it was built for the purposes of the World Handball Championship in 2009. The harm to the public interest was recognized only a few years after it was built, following the Report of the State Audit Office, which demonstrated that the rent being paid to the private investor amounts to 7.2 million EUR per year – half of which is paid for by the City of Zagreb and half by the Government. Additionally, 50% of the turnover in 2014 was accrued through a manifestation called City days of the City of Zagreb111.

Furthermore, credits issued by the global financial markets are also relevant in Zagreb, according to our respondents. Credit was supposed to be used in order to renovate the city’s water supply network, but funds had been used to build a new settlement area in Jelkovec112. The necessity to pay back the credit in the future, may, according to some of our respondents, become an argument in favour of granting concessions for supplying water to the inhabitants. This, they also see as a form of “capture”, since the administration lacks capacities and interest to ensure that manipulation against the public interest is avoided in such contracts.

Speaking of specific local policies, our respondents felt that most of the policies are subdued to spatial

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112 eastern suburb of Zagreb
planning policy, even when there are no clientelistic or corrupt interests behind them. Namely, land is a source of income for the City, making it financially sustainable. The communal fee amounted to almost 13% of Zagreb’s budget in 2016\(^\text{113}\), and it is the source for financing communal works, which in turn serves as an incentive for a larger group of voters benefiting from a particular construction.

Within the corrupt spectrum of activities related to plots owned by the City of Zagreb, our respondents identified the two most efficient mechanisms: swaps of plots and changes to the City’s spatial plans regarding designated purpose, and changes to the ratio of construction to plot size for particular plots.

According to our respondents, plot swaps were done in the following manner: a court expert would appraise the value of the private plot at a much higher price than that of the public plot. The City would then swap its plot for a plot of a nominally higher value. The private person would then sell the swapped plot at market value\(^\text{114}\). One of the most visible examples is the so called *Krašograd affair*\(^\text{115}\), investigated by the Office for Corruption and Organized Crime\(^\text{116}\). In such cases paybacks are expected in the form of returning part of the profit, through, for example financing part of the campaign:

> An example of the most corrupt policy is the spatial planning policy in Zagreb. For example, the City is obliged to build access roads for investors: in some instances the investors were forced to sell the land to the City where the City built the access road; other investors sold the same land to the City, or swapped more attractive plots for the smaller plots necessary for the access roads. The mayor was the only one deciding on this. The biggest theft in Zagreb was done through spatial planning policy.

*(journalist 1)*

When it comes to changes to the Spatial Plan, respondents emphasized the example of the changed purpose of *Kulmerovi dvori* from a cultural good for public purposes (hotel) into the private residence of Ivica Todorić\(^\text{117}\), the owner of Agrokor, the largest company operating in ex-Yugoslavia, employing almost 56,000 people at the end of 2015\(^\text{118}\), thus, in Croatian terms, “too big to fail”. Although there are no official investigations against Todorić, the rumours of his financing Bandić’s campaigns go as far back as 2007\(^\text{119}\).

> Take a look at the Official Gazette of the City of Zagreb. There you’ll find numerous decisions relating to co-operation between the City of Zagreb and Agrokor, and all of them benefit Agrokor. The best example of Zagreb’s cooperation with big business is the swap of land, whereby his [Todorić’s] company got the plot of

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\(^{114}\) In part due to such or similar irregularities, in 2014 the Government adopted an Ordinance of the Appraisal of Real Estate (Official gazette 74/2014) and the accompanying Rule Book on the Appraisal Methods for real Estate (Official gazette 79/2014). According to the justification of the new Law on Appraisal of Real Estate (Official Gazette 78/15), both the Ordinance and the Rule Book were adopted due to the lack of “universal rules for appraising real estate, resulting in numerous irregularities in practice, as well as appraisals of the value of real estate in certain instances, e.g. expropriation or in disposing with real estate owned by local and regional government units.” *(emphasis added)* (http://edoc.sabor.hr/DocumentView.aspx?entid=18659)

\(^{115}\) In the *Krašograd affair*, Bandić’s close associate and at the time general manager of the Zagreb Holding, Slobodan Ljubičić, approved swapping of an attractive plot in the wider centre of the City for a plot located in far eastern suburb of Zagreb.


\(^{117}\) http://www.tportal.hr/vijesti/hrvatska/53076/Todorici-vise-ne-zive-u-hotelu.html

\(^{118}\) Agrokor, Annual Report for 2015 http://www.agrokor.hr/repository/files/0/f/0fbd2956526567ca2a9d553d9e02010f.pdf

\(^{119}\) http://www.lupiga.com/vijesti/lupigin-serijal-nedodirljivi-ivica-todoric-prvi-medju-nejednakima
land in Vukovarska street. In return, Todorić finances Bandić’s campaigns... Todorić controls the advertising industry, and newspaper distribution, so he can influence the media through their owners, not editors... If you put Bandić in jail, you’ll turn most of the media and Todorić against yourself.

(journalist 1)

Agrokor is Bandić’s strongest support.

(politician 1)

There are plots designated for schools... And what happened – location 1 – Konzum [Todorić’s supermarket chain], location 2 – Konzum, location 3 – Konzum. And there’s nothing you can do.

(local civil servant 2)

One of the citizens in focus groups also remembered his personal experience in the area of Zagreb called Müller’s hill, a project, which according to the media, is a joint venture of a renowned lawyer Ante Nobilo, and entrepreneurs Danko Končar and Miro Carić:

I don’t know if you heard of the Müller’s hill project. ... It’s a green plot bought by the thief Pripuz, Nobilo is their legal support, and I forgot who the third guy is. ... The whole area was a green zone, and a few years back the City Office for Spatial Planning decided that the whole hill will be turned into an area where construction will be allowed, on plots of 5000m² or more. I went there and wrote a complaint saying: “look, we don’t have 5000m²”. But, OK, I thought to myself, it will look nice, a red roof and a lot of green around it. That was springtime. By the end of the summer, there was another change, the 5000m² was reduced to 900m², meaning that half of the hill can be turned into concrete. Yet, for us, outside this particular plot, the limit is still 5000m².

(opposition voter)

Similarly, for the purpose of a private project of Bandić’s friend Tomislav Horvatinčić, the Spatial Plan was changed, allowing the construction of an underground garage in a pedestrian zone in the heart of the City. This construction additionally devastated the urban centre of the City, for the purposes of building an apartment and shopping mall complex. Despite citizens’ protests going on for years, including citizens’ disobedience and unlawful arrests of protestors, the mayor publicly states that he is extremely proud of the project, as it gives the City a European “feel”.

Our respondents also spoke of amendments to Spatial Plans as the main form of corruption, since they either change the designated purpose or the allowed ratio of construction on a plot.

Since they [the amendments] refer to specific plots, the mayor becomes the broker and dealer of plots, ensuring a voting machine for himself in the process.

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121 In August 2009 two historic buildings were torn down to make place for a shopping mall. The part of the project envisaging a public passage from the Square through the shopping mall to Gundulićeva street on the other side of the mall (to compensate for the loss of the pedestrian zone) was never built.
122 http://www.tportal.hr/hrvatska/223408/Otvoren-obnovljeni-Cvjetni-trg.html
It’s in the rational interest of each owner of a small agricultural plot to turn it into a construction plot, thereby increasing its value.

(researcher)

At the end of 2013, the Office for Corruption and Organized Crime initiated an investigation against Bandić’s associates in the city administration, because they allegedly unlawfully changed the Plan more than 200 times, increasing the ratio of construction to plot size on certain investors’ projects, and claiming these were typing errors.

Finally, respondents also mentioned issues arising from poorly done road reconstructions, either through the use of inadequate materials or inadequate quantity of material. This, on the one hand enables “solving the citizens’ problems”, and on the other hand, satisfies the needs of the “construction lobby”, as they get to reconstruct the same roads year after year, by means of direct settlement, rather than public tendering.

...road reconstructions, it’s a public secret that you put a thinner layer of asphalt and other materials, so the road cracks quickly, and then the same company reconstructs the road indefinitely. Poles along pathways are also a way of satisfying the needs of construction companies... There is no way for the public to control how much material was used in any reconstruction. It’s a much bigger octopus than that surrounding the [visible issue of] building fountains.

(researcher)

Voters in focus groups mentioned similar examples:

Without any consultations the mayor can sign off on construction projects up to a million kuna. So, he can arrange with his friends hundreds of small constructions... You say, for example, this road needs reconstruction, and then they come, scrape off a centimetre of asphalt, put down two centimetres and charge it as a full construction. And there’s so much of this going on around Zagreb lately.

(opposition voter)

Similarly, citizens from the abstaining group referred to media exposed examples of rigged public tenders calling them a farce, as it is always known ahead of time who will win the tenders. Pure clientelism.

Internal criticism is suppressed by bypassing civil servants or formally promoting, and actually demoting, them if they do not follow the mayor’s instructions. A recent example is a public declaration by the deputy head of the City’s Institute for the Conservation of Cultural and Natural Heritage, Zrinka Paladino. On her Facebook status she wrote: “There are instances when the Head of Department changes the formal decisions reached by his colleagues or assigns them to someone else to change them into whatever the mayor demands”. Additionally, she stated “... in the last six months there is an intensified level of significant projects which were never run by me. The Head of Department unilaterally changes or

123 http://vijesti.hrt.hr/226679/uskok-provodi-istragu-zbog-izmjena-zagrebackog-gup-a
124 http://www.nacional.hr/zrinka-paladino-nezadovoljna-horvatincive-im-terasama-i-stanjem-u-gradskom-zavodu/
assigns them to someone else, without my knowledge. Incidentally, this is a vivid example of hierarchy as understood by mayor Bandić, when he says that there is no democracy in executive power.

Criticism on the part of the political parties in the Assembly is dealt with by means of their appointments to high level positions in Zagreb Holding, and in the case of smaller parties, often accompanied by their joining the mayor’s political party. On the other hand, the tacit agreement with HDZ is, according to our respondents, most visible in their choice of candidates for mayors in the 2009 and 2013 elections, who had no chance against Bandić and who ran a campaign with only very mild support from their party. When it comes to SDP, as already stated, Bandić was formally their candidate in the 2009 elections, although Bandić himself claims that the real SDP candidate was his opponent in the second round, Josip Kregar. For the 2013 elections, SDP’s candidate was Rajko Ostojić, minister of health at the time, which suggests that after Bandić left, SDP failed to build a strong branch in Zagreb. Bandić’s dominance over SDP and HDZ in Zagreb is described in the following manner by respondents:

It’s very different for these two parties but they have one thing in common: a type of dependence on Bandić. SDP, or more precisely, most members in Zagreb, today cannot be the real opposition, and they are not even trying to be. They want to be close to the source of power and money. Furthermore, he created them and he has a much bigger influence on the base. Thirdly, they don’t have a charismatic leader. HDZ, on the other hand, has always sided with Bandić. Their candidates were pro forma candidates and they neglected Zagreb completely. Sanader had an excellent relationship with Bandić; that’s why he smothered the party locally, and allowed them to be a fictitious opposition. Kosor [HDZ’s PM after Sanader left abruptly] had bigger issues than Zagreb to deal with. Karamarko [HDZ president after Kosor] and Brkić [HDZ’s political secretary] nurtured a good relationship with him and counted on him in national elections, which proved correct.

(journalist 2)

Bandić created SDP in Zagreb through hard work, and Bernardić [current SDP leader] is actually Bandić’s man. Bandić is influential in SDP in Zagreb and some other cities, like Rijeka, for example. HDZ has been on Bandić’s side for the last 15 years. He had a deal with Sanader, with Kosor and especially with Karamarko. They always just pretended to be fighting Bandić.

(politician 1)

A similar perception of the lack of real opposition was observed in the focus groups:

I think that there is no opposition really. They are all an interest group. If Bandić feeds them what they want, they’ll vote “for”...

(opposition voter)

I, for example, never heard of an opposition... I have no idea who or where they are.

(abstainee)

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127 http://www.express.hr/top-news/bandic-uhljebio-sinove-i-kceri-palih-mocnika-7799#
I say there is no opposition, they always reach an agreement amongst themselves. They purposely put up weak candidates so that Bandić has no rival, because they all make these big deals with him.

(Bandić’s voter)

According to the respondents, there are instances in the Assembly when there are no consistent party votes, indicating that networks have nothing to with parties or ideology. An example was the Assembly vote for Spatial Plan changes in the above mentioned garage in the pedestrian zone, where parts of SDP and HDZ voted “for” and parts voted “against”.

This shows the size of the octopus and the number of people he [Bandić] managed to draw together – it’s important to them to keep him in a position of power, so that they can hold on to their status.

(researcher)

Civil society which has for years warned about the abuse of power on the part of mayor Bandić, is dismissed by the mayor in public, accompanied by his legendary slogan “let the institutions do their job”. At the same time, he is very successful in harnessing these institutions, as was most evident when 150 protesters were arrested in 2010 when they tried to prevent the start of the construction of the garage in Zagreb’s pedestrian zone with their bodies. The Minister of the Interior at the time was Tomislav Karađorđević (later president of HDZ), who together with Bandić’s Head of Department for Construction, Davor Jelavić, were members of the managing board of the Basketball Club Zagreb.

Informal Mechanisms of Local State Capture in the City of Zagreb

Our respondents testify that the system is designed in a way that the mayor decides upon all important aspects concerning the functioning of the City. They think that the system itself in Zagreb, apart from the authority deriving from the Law on Local Government, is also based on a very specific understanding of the role of mayor on the part of the mayor himself. The respondents claim that for Bandić, being in power equals solving problems, yet not systematically, by means of policy, but on a case-by-case basis, whereby the solution to the problem depends on their direct appeal to the mayor. In such a way, Bandić creates a sense of obligation to return the favour in the form of political support, campaign financing, or at the very least, votes. In other words, the end goal of political activity is not using local resources to fulfil goals in the pre-election or political program, but rather organizing the process and resources in order to maintain a position of power.

…it’s a one-man show. Each initiative and all final decisions are for the mayor to make, although there are more than 3,000 people in the city administration.

(politician 2)

The City of Zagreb is in the pre-politics stage of development, there are no systemic policy solutions.

(local civil servant 1)
The key issue in Zagreb is the concentration on one person. They are all subdued to him and that is the only system in place. A city of almost 1 million inhabitants should not change the thickness of asphalt, the width of roads or the colour of park benches at the whim of the mayor.

(journalist 2)

He has no vision, strategy, he doesn’t think things through…, he just thinks locally, in the moment …

(local civil servant 3)

There is no planning and governance in the City, it is run on an ad hoc basis. The power structure is hierarchical and pyramidal – the mayor has to OK everything. There is no professional autonomy in city offices.

(researcher)

The mayor is Number One in decision-making, and the power is distributed not vertically, but in concentric circles and through informal relationships built with the goal of practicing clientelism in policies.

(journalist 1)

The last quotation is corroborated by citizens in all focus groups, who apart from Bandić, attribute the decision-making to “tycoons” (Todorić), capital (Horvatinčić), friends and powerful lawyers (Šerić, Hanžeković, Nobilo, Prodanović).

Apart from the mayor, who has been a stable figure for the past 16 years, there are also a number of people who, throughout the years, made the “inner circle”, primarily through loyalty to the mayor as the main criterion by which one becomes part of and remains in the “circle”. They are or were entrusted with operational execution of his decisions. It is interesting, though, that those former closest allies, who over time tend to disappear from the inner circle\textsuperscript{128}, do not turn against the mayor. Respondents link this to their well-paid “invisible” positions or the assessment that turning against the mayor would mean implicating themselves in wrongdoings.

He, of course, has a circle of associates who are very loyal to him, especially before the indictments and the arrest.

(journalist 2)

Loyalty is very important.

(local civil servant 3)

The system is based on experts loyal to the mayor who do all the work, the clientelistic networks as well as the “purchasing” of other stakeholders by means of granting them working spaces for their enterprises, different donations and appointments in managing and oversight bodies.

(local civil servant 1)

\textsuperscript{128} E.g. our respondents mention the former Head of the City Office for Education, Culture and Sport, former Head of the City Office for Spatial Planning (...) or former Head of Zagreb Holding – the closest of allies, and allegedly the “brains” behind all financial operations, as those who were part of the innermost circle.
An exception in this sense is Bandić’s former deputy mayor, Sandra Švaljek, whom Bandić was unable to entangle in his network. During his imprisonment she successfully demonstrated that governing the City of Zagreb was not “nuclear physics”, which is why some of our respondents consider her to be the biggest threat to Bandić in the 2017 elections. The focus group with voters echoes this feeling:

...the few months when Mrs. Švaljek was in charge. As little as it was, she dared touch Holding and started doing something. She started filling positions by means of public calls, and other things, and then she was sacked, from Remetinec [the prison]... if that woman or people of her profile get a chance to govern the City, I presume they would not copy Bandić.

(opposition voter)

Additionally, there are public faces, and people who do the job in the “backstage”, making sure that decisions are legally sound. In this context, current persons, according to our respondents, include Miro Laco, Head of the Mayor’s Office, Ivica Lovrić, Head of the City Office for Education, Culture and Sport and Slavko Kojić, Head of the Office for Finance.

Regarding clientelistic networks, respondents identified two types of networks: the so-called “productive part”, encompassing members of the construction lobby, other entrepreneurs, financial and legal experts, and the so-called “protective part” encompassing police officers, public servants and lower level echelons of the judiciary, who feed him inside information.

The construction sector had a very important role in creating the need for space and for bribery. While they were expanding, they dictated the rhythm, not only because of communal fees, but also because it was a dominant process at the time.

(civil society representative)

There are several of these developers with whom Bandić is family or close friends with... and some other entrepreneurs who are campaign financers.

(researcher)

The mayor makes all the decisions, while a few “clients”, “entrepreneurs” have a big influence, especially those from the construction sector and those involved in waste management.

(local civil servant 1)

Bandić’s good relationship with the centres of trade and financial power is behind everything... [Additionally] Bandić has an excellent relationship with the middle-level management in the police, not the minister. He is interested in the one who is tapping him in the police department for corruption and organized crime... he comes to Bandić, because he is poorly paid. That’s how stuff leaks out from investigations...

(politician 1)

In depicting the image of the “hard working” mayor, local media play an important role. Respondents talked about absolute control of local media, which are, through financing by the City, in the service of creating “a cult of personality”. For instance, in 2016, three local TV stations and eight local radio stations
received a total of almost 10 million kuna (1.3 million EUR) based on a public call for the production and airing of locally relevant programs. Furthermore, 26 enterprises or non-profit media or associations received an additional 1.3 million kuna for the production of electronic media programs. Although the latter group included non-profit groups, including critical media outlets, the amounts they receive is significantly lower, as is their audience. The biggest amounts are awarded to local TV and radio stations, which is party justifiable as their production costs are higher. Nonetheless, on average they each received 908,000 kuna (122,000 EUR), while the internet portals, on average, received 50,000 kuna (7,000 EUR).

...he knows really well how to use them to send out his messages, and he knows how to use them to avoid answers to real questions. On a yearly basis he ensures some 15 million kuna for the media, buying himself non-critical media time and space. When he is faced with uneasy questions, he often turns to be aggressive towards journalists. The City administration is pretty closed, the flow of information controlled.

(journalist 2)

All media in Zagreb are bought, and they work as a PR machine for the mayor. In some cases, media outlets are founded, e.g. local radio and TV stations.

(local civil servant 1)

In each of the segments (entrepreneurs, media, NGOs) an interest-based network was built, whose purpose is to uphold the mayor’s popularity. He who is not part of the network and does not want to become part of it, will not get funding... In such a constellation your media outlet has no chance [of surviving]. At the beginning of 2000s the mayor didn’t really know how the media function and he underestimated them; at the time they were trouble for him. Then the City started financing the media and certain broadcasts, and then a local TV station was founded. Since there are no finances out there, the media... sell their credibility to him. Critical pieces have, over time, disappeared from the newspapers and TV.

(journalist 1)

When it comes to the national media, according to our respondents, Bandić attempts to control them, although less successfully, through his lawyer Hanžeković (also owner of the Hanza media group), Ivica Todorić (who makes all print media outlets dependent on his advertising and the news stand distribution network) as well as through the Catholic church in Croatia, with whom Bandić is very close, and which in turn has a strong influence on the conservative daily Večernji list.

...he spends about 10 million kuna on portals and local TV stations... that’s how the system works – the City pays them to inform the public on the mayor’s activities. With national media, there are other players – Hanžeković has an excellent relationship with Bandić, and this relationship is very complex and complicated.

(politicain 2)

The lack of criticism in local media is corroborated by a letter from Romano Bolković, journalist, co-owner

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and editor-in-chief of the local TV station OTV to the members of the Rotary Club Kaptol. The authenticity of the letter was corroborated by Bolković himself. The letter states that Bandić demanded that Bolković fire the editor of a show on his TV, since the editor wrote negatively about Bandić on his personal FB profile and was critical of him in a broadcast on national public TV. Bolković did not fire the editor, which resulted in the annulment of the contract between OTV and Zagreb Holding for sponsored shows whose goal is to “regularly and systematically inform the citizens on the activities, projects and news, i.e. systematic promotion of the publicity of the work of Zagreb Holding.”

OTV has for years, just like Z1 television, had contracts with Zagreb Holding, because we follow the work of the company. And that is now gone, it’s about half a million kuna per year. The contract is now gone. The reason is that Bandić is angry, and on top of that the money was also cut to Z1 television.

In the same letter, Bolković corroborates our respondent’s claim on the lack of critical media pieces:

...on my television, in the entire programming in the past 27 years... not a single negative word on Milan Bandić was said. Because, I as co-founder, co-owner and program director would not allow it. (emphasis added)

Finally, the mayor’s belated decision to fund local TV and radio stations in 2016 is viewed by respondents from a similar standpoint. Namely, the decision was dated as late as October 3, 2016 for the production costs in 2016, and allegedly only after the mayor was informed that the editor he wanted fired had found new employment and was leaving OTV. This example depicts how pressure on local media is exerted – not only is a “disobedient one” sanctioned by the withdrawal of finances, other local media are also collateral damage. This results in pressures and feeling of guilt among journalists, as well as having a feeling of personal responsibility for the livelihoods of colleagues working for other media.

Ensuring Voter Support in the City of Zagreb

In ensuring voter support, Bandić resorts to populist measures, especially within social policy, which is, according to our respondents, one of the most successful local policies in Zagreb, since there is a convergence of particularistic interests of the mayor and the actual needs of citizens. However, several respondents emphasize that there were “phases” within social policy which can be distinguished on the basis of the sincerity of the mayor’s intentions:

Bandić’s mandates need always be viewed in several very different phases during the 16 years. The way it works today and 10 years ago is not the same, although there are some common characteristics. On the positive side, the strong social sensitivity needs to be emphasized.

(journalist 2)

131 http://www.tportal.hr/vijesti/hrvatska/440860/Pismo-kao-dokaz-Bandic-vuce-konce-kroz-tajanstveno-drustvo-bogatasa.html
133 http://www.tportal.hr/vijesti/hrvatska/440860/Pismo-kao-dokaz-Bandic-vuce-konce-kroz-tajanstveno-drustvo-bogatasa.html
134 Ibid.
135 http://www.zagreb.hr/default.aspx?id=96891
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Kozari Bok [predominantly Roma settlement in Zagreb’s periphery] was an example of a true step forward in reaching out to a marginalized group in the beginning. Today it turned into populism and pure manipulation – it’s a part of media visibility being pumped up.

(civil society representative)

The needs of citizens are not in the focus, rather it’s the needs of the mayor and his power. Sometimes these needs converge and then it’s fine.

(journalist 1)

In the pre-campaign period, the “solving of the problems of ordinary citizens” approach is highlighted. The period is used to encounter citizens who point out problems directly to the mayor (unpaved or damaged roads, public transport issues, public lighting, etc.), which the mayor solves efficiently, building an image of a results-oriented achiever. The mayor himself corroborates this approach:

I can’t wait to start encountering citizens. In the next six months I’ll take a small electric car and just drive around the city and have coffee with people. It’s my best PR. I’ll have someone to write down the problems accompanying me. On Fridays, I will have the coordination meeting [of city department heads] and tell them to fix it.

(Milan Bandić)

The solving of those problems is enabled through the already discussed budgetary reserve, and the discretionary power to decide on anything up to one million kuna. Using public resources in the campaign is something civil society and the media pointed to in previous Bandić’s campaigns. These allegations were taken up by HDZ and SDP in December 2016, both announcing their intentions to vote against the proposed budget for 2017. HDZ’s official reason was that the budget was “not developmental enough” and SDP explicitly to prevent Bandić winning another election by means of using public funds. However, before the second reading in the Assembly, Bandić obviously struck a deal with HDZ, and ensured their support for the budget by including several of their amendments “weighing” 202 million kuna (27 million EUR).

A part of social policy is a measure implemented for years, and involves financial assistance to pensioners whose pensions are below 1.500 kuna (200 EUR). Yet, some focus group participants view this and similar measures targeting pensioners as a vote buying practice:

My Dad voted for him because he gets those 200 kuna [27 EUR].

(opposition voter)

100 kuna [13 EUR] Christmas gifts are given to pensioners.

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137 http://www.tportal.hr/vijesti/hrvatska/454819/HDZ-preko-proracuna-rusi-Bandica.html
138 http://vijesti.hr/363051/bandic-predlaze-155-milijuna-kuna-veci-proracun-za-zagreb
140 http://www.zagreb.hr/print.aspx?id=1949
There are Christmas gifts, and there are envelopes [containing cash] handed out, and there is a surge in voter turnout.  

(abortinnees)

The citizens who abstained in the last elections perceive the already discussed mother-educator measure similarly, emphasizing that it is a good move that will attract voters, but they are at the same time critical about the recognized lack of planning of this measure:

It is interesting that there was no budgetary allocation for this measure, yet the decision was made and is being implemented... This decision, alongside many others, was made hastily, without analysis, without preparation, without consultation with experts. I think this is a big problem, it may well be a sound decision, but it fell from the sky at a certain moment.

(abstainee)

Apart from emphasizing existing or introducing new social policy measures, the pre-election period is also used to re-activate the announcements of large infrastructural projects: the reconstruction of the Cable car to Sljeme [Zagreb's skiing and picnic area], which has not been in function since 2007, while the reconstruction has been announced since the 2009 election; the reconstruction of Zagreb is biggest roundabout and site of most car accidents (announced in the 2013 election); the clean-up of Zagreb's waste dumping site (supposed to have been finished in 2005). The novelty for the upcoming election is the construction of a light rail connection between the City centre and the airport141. The citizens are however aware of the unfulfilled promises, judging by our focus group participants, who said that Bandić promises a lot, yet his promises take a long while to be fulfilled.

Every time before elections, it's the same story. In the meantime, a fountain or two is constructed to paint a picture, but it took seven years to build an extension of Branimirova street. Perhaps even longer. But, there is no systematic approach to urban development. Solving the traffic jam issue, taking it one thing at a time, instead of promising a million things...

(opposition voter)

He has been promising for years, but nothing has been fulfilled. You can promise once and fail, people will forget, but if it’s done constantly... the Sljeme cable car was supposed to be finished, the roundabout too....

(abstainer)

Apart from unfulfilled promises, all three focus group participants also resent the poor traffic policy not conducive to the use of public transportation, but actually encouraging congestion by building garages and lowering the parking prices in the garages in the centre. They were also unhappy with the price and the running schedule of public transport, as well as with construction of ornamental fountains instead of mending the sewage system, investing into kindergarten capacities and schools or improvements in their working conditions. However, while abstainees and opposition voters mostly blame the mayor for these shortcomings, Bandić’s voters are inclined to place the blame elsewhere – namely, in their view, on the ineffective city administration.

141 http://mreza.tv/bandic-pretvara-zagreb-u-veliko-gradiliste/
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Despite criticisms of a large part of the electorate, Bandić manages to maintain his dominant political position, which raises an interesting question as to from where his success derives. This and other factors enabling his “survival” are discussed in the final part of this case study, acting also as its conclusion.

Factors Contributing to Bandić’s Continuous Governance in the City of Zagreb

Apart from the identified and described systemic shortcomings that enable the development of a governance system based on clientelistic relationships, the research suggests that the longevity of governance of Milan Bandić (but also other mayors and county prefects) is contingent on other factors, especially the weak (or non-existent) political opposition and financial control of the local media, harnessed into building a “personality cult”.

In Bandić’s case, the relationship with the national level government also plays its role. It is based on a quid pro quo principle, since running in national level parliamentary elections provides Bandić with the necessary space for future negotiations locally. Recently, this was most visible in Bandić’s MPs’ support to HDZ’s candidate for PM – Tihomir Orešković – which enabled the formation of the national government in December 2015. The return of the favour was HDZ’s support to Bandić’s budget proposal for 2016.

Additionally, one of the factors respondents frequently mentioned was judicial credibility. Some of them pointed to the likelihood of central government relationships playing a part in protection from prosecution, given the widespread perception that investigations and prosecutions for highest levels of officials in Croatia only happen when they are “politically dead”. This feeling is echoed in the focus groups:

... Had he had a better result in these national elections, I’m sure that he would have never answered for anything, as it would have secured him political protection. Yet, his results were bad and I wondered... who will protect him and for how long?

(abstainee)

Apart from the politically opportune timing of prosecutions, in the context of judicial credibility, the respondents also spoke of other branches of the judiciary:

The Commercial Court in Zagreb is a disgrace and the biggest problem – there is so much talk of multiple deals taking place in this court. But it’s not only the Commercial Court. The Administrative Court is a problem too.

(researcher)

The City of Zagreb finances the Commercial Court, it maintains the building, allocates millions. The judges are all from Zagreb and Bandić found a way to get close to them... The same applies to the Constitutional Court.

(journalist 1)
For many years the mayor has been connected to different milieus in Zagreb and elsewhere, and in such a network there’s always someone he can call on for help... In each of the cases... one could write a dissertation on how the laws were interpreted differently. This cannot be a coincidence.

(journalist 2)

15% of the judiciary are extremely problematic cases, where you can find anything, including criminal wrongdoing. Bandić’s cases were handled scandalously, and the main problem is that he pressured witnesses to commit perjury in court. The lawyers are intermediaries and they do the work for Bandić, including towards the Constitutional Court... many witnesses changed their depositions... Why?! Generally speaking, the key issue is fixing verdicts in cases involving spatial issues and construction business.

(politician 1)

An additional factor that has not been discussed yet, but certainly plays a part, is voter behaviour. Namely, Croatia is a country with very low levels of democratic political culture on the part of citizens as well as officials. Thus, unlike in democratically more evolved countries, officials are not only able to hold office despite scandals, they are repeatedly voted into office, including those who have been found guilty of abuse of power in a court of law. Therefore, one of our research questions was focused on such cases, and in the case of Zagreb, we were especially interested in the viewpoints of Bandić’s voters, given the number of investigations and court cases pending. Below are Bandić’s voters’ viewpoints:

At the level of principle, one part of Bandić’s voters think that politicians with scandals should not be able to run for office, until proven innocent in court:

I would ban candidacy [in such case]... Indictments are raised for a reason, based on something, some proof, some indication and Bandić has them... No, I wouldn’t allow it, I’m not in support of his candidacy again. You have a burden, get rid of it first, prove you are innocent, and then get back into the political arena on behalf of the people.

Another part is against candidacy in principle, yet they rationalize their own voting behaviour in the following manner:

If it were up to me, apart from political, I would implement economic lustration as well. Thus, everyone who acted against the law on the basis of power they hold. If you hold office and do this and that, you can no longer hold the office, you cannot have the power to do it again, including our own Mr. Bandić or anyone else... So, I would not have their sins forgiven, because once they are in position again they will repeat them. [When it comes to voting for Bandić in the next election] I am strongly weighing my pros and cons.

Some of them think they are choosing a lesser evil, and though he might be stealing, he still does something for the City:

I voted for him... despite the indictment, it wasn’t that big of a deal... Of the two evils, you choose a lesser one... Everyone knows Bandić steals, OK, but he is also good... as much as he stole, he also did something. At least visually the city
has improved, perhaps also at the level of culture... So I think people vote for him because they know he will do something, while voting for the XY person, they can’t be sure (s)he will do anything... they know (s)he will steal, that’s for sure, but they don’t know that something will be done for the city.

Then there are those who interpret such voting behaviour through a cultural lens:

Regarding whether we will vote for Bandić or not because he was prosecuted... Our people do not think it’s such a bad thing... it just signifies whether they found their way around or not, if you can’t find a way around the system, then you are not worthy of the position, right? In our culture somehow, our culture says it’s normal. It’s normal to take a commission fee if you are in that kind of position. I don’t think people hold a big grudge against it.

Finally, there is a part of voters who think it is the case of a media smear campaign:

About Bandić, they say he is such and such... I have my own opinion, I think he is very hard working, the hardest working, and if he made a mistake, it wasn’t on purpose for sure, and nobody is sinless. All of us make mistakes in everything. He loves to work, that’s my opinion. I can see that other voters are influenced by the media... I think he is being framed. Maybe the papers add a few things, maybe there’s something, but amplified.

The behaviour of abstaining voters is the other side of the same coin. Namely, in election cycles between 2001 and 2013, on average almost 60% of the voters in Zagreb abstained. The decrease in voter turnout is especially visible between the first and second rounds of the mayoral race in 2009 and 2013\(^\text{142}\). Taking into account the number of votes cast for each candidate and voter turnout, in 2013 only 25% of the electorate decided that the mayor will again be Milan Bandić\(^\text{143}\).

The focus group with abstaining voters revealed possible reasons, i.e. suggests that the reason for their abstaining in 2013 elections lies in their assessment that their vote would have not made any difference:

Because we knew who would win and that nothing would change, right?

It’s always the same person that wins,... my vote wouldn’t have changed anything.

I didn’t vote not because I am not interested, but because I knew that Bandić will have a landslide victory, whether I vote for him or anyone else, nothing ever changes.

On the other hand, most participants of this particular focus group stated they would be ready to vote in the 2017 elections:

\(^{142}\) 2009: first round 41.69% - second round 33.62%; 2013: first round 44.12% - second round 38.30% - see: www.izbori.hr

\(^{143}\) In the second round the total number of votes cast was 259.974, out of which 170.798 for Bandić; the total number of registered voters was 683.573 – see: http://www.izbori.hr/2013Lokalni/rezult/informacija/Z21_GRAD_ZAGREB.pdf
I know who to vote for now, and who can change things.

[Now] there are more candidates.

It’s not only that there are more candidates, but people are really unhappy with the way things are... It’s been going on far too long and people simply began to express dissatisfaction, we will turn out to vote.

May 2017 will show whether their intentions will be mirrored in the “silent majority” of voters, thus ending Milan Bandić’s political career or it will be enough for Bandić that merely a quarter of Zagreb’s citizens conclude that it is acceptable “to vote for a lesser evil, even though he takes commissions” and they will not hold it against him “because it’s a part of our culture”, and besides – “one who works is also bound to make mistakes”.
Political Context in the City of Dubrovnik

The City of Dubrovnik is one of the most well-known Croatian cities because of its natural beauty, very rich and preserved cultural heritage, which is in large part under UNESCO protection, as well as its long tourist tradition. Tourism has traditionally been the most important source of revenues and its strongest development spur.

In the early 1990s a large part of the city’s architectural heritage was damaged or destroyed by the war. Throughout the 1990s the area was perceived as insecure, even after the war in Croatia ended in 1995, due to its relative proximity to the conflicts taking place in Kosovo. Thus, those were years of economic hardship. The year 2000 was a turning point, as it marked the rebirth of the City’s tourism and economy, whose growth has been unimpeded since. The years of intensive broadening of the tourist offer transformed Dubrovnik into one of Croatia’s wealthiest cities, making decision-making positions politically very attractive and prestigious.

Thanks to revenues from tourism, the City’s budget has been increasing every year, reaching amounts considered very large for Croatian circumstances. According to the data on budget expenditure of local government units in Croatia for 2015, in absolute numbers, Dubrovnik has the 4th highest budget in the country, and 7th highest per capita. This level of budgetary resources enables the authorities to deliver services of a very high standard.

Due to economic dependency on tourism, the political priority of the local authorities has been ensuring the preconditions for unhindered tourism-related development and accompanying increase in revenue. The advantage of tourism in Dubrovnik is that it is relatively non-seasonal, unlike in other coastal cities, thus with a vitality in the off-season, thanks to its cultural heritage. However, the general perception is that the city is still very much focused on the traditional summer season, when mass arrivals account for most of the revenues. These mass arrivals are labeled by the media as “cruiser-mania” due to the reliance on cruisers carrying large numbers of tourists who are in the city for a short period, but expected to spend lavishly.

Due to the dependency on tourism, a trend of continuous intensification and increase in tourist accommodation capacities is observed, both in the City and its surroundings, yet often at the expense of public space and green spaces. Secondly, the tourist “mono-culture” can also be viewed as a phenomenon labelled in the economics literature as “Dutch disease”, resulting in foreign currency inflows and local currency appreciation, increase in the prices of domestic production, cheap imports, a decline in other

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144 http://www.ijf.hr/upload/files/file/newsletter/108.pdf  
145 In spite of claims made by Vlahušić (http://www.dubrovackidnevnik.rtl.hr/vijesti/grad/realans-proracuna-glatko-prosoa-vlahusic-pricao-o-trudu-vican-se-nije-slozio-fotogalerija), Dubrovnik does not have the highest per capita budget of all the local units in Croatia.  
147 However, some analyses claim that this model generates significantly less revenues than what would be expected given the numbers of tourists: http://www.slobodnadalmacija.hr/novosti/biznis克拉纳k/id/156426/kruzeri-nam-donesu-53-a-odhesu-338-milibuna-eura-godisnje
Tourist results are expressed in number of arrivals and overnight stays, and it all sounds nice, but there is an erosion of the quality of life in Dubrovnik when cruisers disembark. Also, there is an imbalance between the number of people visiting and the people qualified to work in tourism to handle them. (journalist 3)

According to our respondents, the concept of continuous encouragement of growth of tourism was adopted in the era of mayor Dubravka Šuica (HDZ, 2001-2009), while her successor, the former minister of health (2001-2003) in Račan’s government, Andro Vlahušić (HNS’ mayor since 2009), ensured that this growth intensified. According to the Croatian Bureau of Statistics, between 2005 and 2015 the number of arrivals almost doubled (from 462,000 to 890,000), while the number of overnight stays increased by more than 50% (from 1.9 million to almost 3 million).

This growth, however, has serious limitations in terms of the capacity of the traffic and communal infrastructure to absorb such high numbers of people on an everyday basis. The Old City’s (the historic centre) centuries’ old sewage system is under significant stress handling a massive turnover of people daily, causing its erosion. Regardless of the negative effects of the excessive numbers of tourists and continuous erosion of the historic centre, in the past decade the local authorities made tourism the unquestioned strategic priority, resulting in almost all development capacities being poured into it:

Tourist results are expressed in number of arrivals and overnight stays, and it all sounds nice, but there is an erosion of the quality of life in Dubrovnik when cruisers disembark. Also, there is an imbalance between the number of people visiting and the people qualified to work in tourism to handle them. (journalist 3)

This focus on the development of tourism in the city is dominant and enjoys a strong political support on the part of the mayor, but according to the respondents familiar with the topic, complementary alternatives are also being considered:

It is clear to everyone that some more concrete development policies will need to be designed - where we want to go – and trying to achieve this through some kind of mini projects that would redirect the flow of tourists. There is a measure for alternative tours, planned to be intensified next year... The City is considering subsidizing those agencies ready to invent something new – like taking their guests into rural areas, the islands... yet, still, most people want the visit the Old Town (…) There are also cross-border opportunities. (public servant)

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150 currently MEP (EPP)
151 http://www.dzs.hr/Hrv/DBHomepages/Turizam/metodologija.htm
152 Recommendations of UNESCO’s monitoring mission dating from November 2015 state that historic part of the city can absorb a maximum of 8,000 people a day, as opposed to the 15,000 that visit it in certain periods of the season. The recommendations are available at: http://www.justdubrovnik.com/2016/05/unesco-published-its-report-preservation-of-dubrovnik-is-a-matter-of-priority/32732/
152 Even more so, since the mayor is, by proxy of this function, also the president of the Tourist Council of the Tourist Association of the City of Dubrovnik - http://www.zakon.hr/z/342/Zakon-o-turisti%C4%8Dkim-zaajedinarni-i-promicanju-hrvatskog-turizma Art 18 §2 of the Law on Tourist Councils.
Because of the size of its share in the overall Croatian tourism industry as well as global recognition (which is on the increase because of movies and series being filmed in the city in recent years, including Game of Thrones, Star Wars and Robin Hood), further development is of interest to every national government.

According to data from the State Election Commission, between 1993 and 2016 there were seven local elections held. Up until early elections held in 2015, HDZ-led coalitions had a relative and in one instance (1993) an absolute majority in the City Council. In the early elections of 2015, the relative majority was secured by the, conditionally termed, centre-left coalition comprised of HNS, SDP and HSU. However, the City Council never saw the dominance of a single party (including HDZ) and the seats were always divided between HDZ (since 2009 appearing in coalitions), the left-liberal coalitions (usually HNS-HSLS-SDP) and HSS (Croatian Peasants’ Party), the latter especially during the 1990s and early 2000s.

Apart from parties operating at the national level, each composition (excluding the one in 1997) of the City Council also had between one and three independent lists. Since 2013 a list that derived from the citizens’ protest initiative Srd is Ours! is present, which once it entered the Council unofficially branded itself through the name Srd is the City! Although it cannot be claimed that throughout the years all independent lists were an authentic alternative to local branches of national level parties, unlike in many other local governments, party affiliation in a major national party did not consistently guarantee participation in power in Dubrovnik, and independent actors have been able to voice their positions in the local assembly.

Since 2005, each seating of the local assembly also included another option – that gathered around Pero Vićan. In 2005 and 2009 it was an independent list, while in 2013 and 2015 it ran as a party called Dubrovnik Democratic Assembly (DSS). Pero Vićan himself ran for both the council and mayor, but was eliminated before the second round of elections for mayor against Vlahušić. According to numerous respondents, this local entrepreneur is connected to privatization processes of tourist companies in Dubrovnik and its islands – in some instances economically detrimental\(^\text{154}\) to the City – and was until recently a good friend of the mayor Vlahušić\(^\text{155}\).

The key feature of the last period of local politics (since 2013) is the so-called Dubrovnik Agreement – signed on the initiative of mayor Vlahušić by a majority of political parties represented in the Council. Its initial purpose was to create a political block that would vote for changes to spatial plans thereby enabling the realization of a mega development project – Golf park Dubrovnik, on a hill overlooking the Old Town. Critics state that the purpose was also to ensure mutual support for interests of various political options. According to media reports, the model was also in place in the Council’s working bodies, used for the purpose of appointments in management bodies of public institutions\(^\text{156}\).

The Agreement fell apart as the mayor’s proposal of the budget for 2015 did not pass in the City Assembly, which automatically led to early elections of both the mayor and the assembly. This implies that winning elections in Dubrovnik is a much more important goal than maintaining a tactical interest coalition.

\(^{154}\) http://www.dulist.hr/afera-vrtovi-sunca-besjedica-i-vican-nepravomocno-oslobodeni-optuzbi/317402/
\(^{155}\) http://www.slobodnadalmacija.hr/dalmacija/dubrovnik/clanak/id/104355/andro-vlahusic-iznenadit-cu-i-uskok
\(^{156}\) http://www.dubrovniknet.hr/novost.php?id=27847#.WFQhoX1jcw8
Some respondents think that the Agreement is still alive and that city politics will continue to be marked by the interest-based conjunction of political parties present in the City Council:

…the only opposition are still those Srđ people, constantly fighting the same fight (...) all other offspring of large national parties – SDP, HDZ – they always reach this Dubrovnik Agreement when they have to decide on big projects taking place in the City. And it seems that the citizens pay least attention to these big projects.

(journalist 2)


According to our respondents, the current model of governance started with the election of Dubravka Šuica in 2001. She won running on the message of bringing back prosperity and making Dubrovnik a tourist Mecca once again. In achieving this, she started by building up the City’s tourist capacities, and according to some respondents, utilized the fact that the City’s spatial plan had not been adopted, which facilitated a number of ad hoc conversions of plots from agricultural/public land into development plots or plots to be used for tourism development.

There was a mishmash of everything in spatial planning; during her entire first mandate Dubrovnik didn’t have a spatial plan, until many clients were satisfied. The garage has been built, but nobody cared that it was more than 10 million EUR overpriced and that an agreement was signed which is detrimental to the city budget.

(journalist 1)

The new Spatial Plan enabled a wave of more intensive construction development for tourism and attempts on the part of local authorities to commercialize the City to the maximum extent possible. The devastation of green areas is among the less discussed consequences, and according to our respondents, each change in the plan enabled yet another meadow or public space to be turned into a terrace of a cafe or restaurant:

We never really had a plan for managing the Old City – there was one – but it was never implemented. It contained different things, addressed balancing and smart management issues. Now we have the spreading of cafes and restaurants, each year there are new buildings, because there is no strategy, plan or scheme. But there is the Institute for Urban Regeneration which should lead in the implementation of the Strategy – this is something UNESCO has demanded.

(entrepreneur 5)

Furthermore, respondents claim that during Šuica’s second mandate (2005-2009) practices of encouraging excessive growth of tourism emerged, as well as at least one widely publicized case of suspicious favouritism involving a public-private partnership with questionable public benefits – the overpriced public garage refered to above by one respondent. Between 2005 and 2009 the City and the investor -

157 http://arhiv.slobodnadalmacija.hr/20031221/dubrovnik01.asp
158 The new spatial plan was adopted in 2001: http://www.dubrovniknet.hr/print_verzija.php?id=21908
Midia group\(^{159}\) built a public garage at a cost of 18 million EUR, raising suspicions about favouring the investor for the project which did not render financial benefits to the City, but rather accrued debts for years\(^{160}\). Namely, there is a provision in the partnership agreement, whereby the City, as the solidary debtor, guarantees minimal profit to the investor on the basis of yearly usage of the garage\(^{161}\). There are also claims that the investor Midia Group was chosen because it previously cooperated with the Dubrovnik Diocese, and the director of the company was linked to Šuica’s party colleague Miomir Žužul, former HDZ Minister of Foreign Policy, also very close to the Diocese\(^{162}\) and a key flex actor and broker in Croatian politics more widely.

Vlahušić’s 2009 mayoral campaign message focused on Šuica’s arbitrariness and favouritism of financial interests, depicting him as the antithesis to Dubravka Šuica. He was to be a politician restoring order in city management, especially spatial planning and economic growth. A very important part of his campaign was an explicit opposition to the concept of tourism development based on profiling the city as a destination for cruisers and the golf-course development project. He depicted Šuica to be the key promoter of such a vision\(^{163}\). Thus in the 2009 mayoral campaign, Vlahušić stated:

\[\text{Golf is fine, but golf will not prolong the [tourist] season. I think that the new city authorities and I as a mayor need to find ways to attract the middle class, to ensure private accommodation facilities are full, and only then start talking about cruisers and golf. Cruisers and golf are OK, but only after the people of Dubrovnik and only after destination management}^{164}.\]

Yet, quickly after he won the mayoral election, in June 2009 Vlahušić changed his attitude:

\[\text{I as mayor, and my deputies, fully support the project of golf development on Srđ, under three conditions: public participation, environmental impact assessment and benefits to the people of Dubrovnik. Dubrovnik openheartedly welcomes investors with open accounts}^{165}.\]

Ever since, the Srđ golf course construction project has been one of his strategic priorities:

\[\text{I look at golf as vegetation, unlike hundreds of others who see it as urban development (...) In all cities of the world where golf-courses were built in the last 50 years, they represent green oases, everything else turned into settlements.}^{166}\]

(Andro Vlahušić)

While it was expected that the choice of mayor, in the period when they were appointed by local assemblies, would depend on party agreements, the three cycles of direct elections for mayor indicate that Vlahušić did not have it easy to secure the popular vote. In the 2009, 2013 and early 2015 elections, he

\(^{159}\) http://www.tportal.hr/vijesti/hrvatska/8037/Dubrovnik-dobio-prvu-javnu-garazu.html

\(^{160}\) http://dubrovackidnevnik.rtl.hr/vijesti/afere/dorh-odbacio-jos-jednu-prijavu-u-slucaju-garaza-dubravka-suica-je-svetica

\(^{161}\) http://www.srd-je-grad.hr/garaza_ukratko/


\(^{163}\) http://www.index.hr/vijesti/clanak/suica-prodala-srdj-ispod-cijene-i-ostavila-gotovo-praznu-gradsku-blagajnu-/436666.aspx

\(^{164}\) https://www.youtube.com/watch?v=FU497GKARiY

\(^{165}\) http://www.dubrovniknet.hr/novost.php?page=1&id=6182#.WFkkxn1jcw8
was only elected in the second round, with very narrow margins in 2009 and 2015 – 53.9% and 50.1% respectively.

Early elections in 2015 were held because the City assembly did not vote for Vlahušić’s budget proposal, but his stability was undermined by his role in the so-called Šipan affair, where he was found guilty in court of abusing power. Namely, he secured a loan of 2 million kuna (about 270,000 EURO) from the city to the local entrepreneur and city councillor Pero Vićan, so that Vićan could buy a villa on the nearby island of Šipan. According to the Law, and the city bylaws, Vlahušić could have decided on an amount up to 1 million kuna. This is only one of the many scandals connected to mayor Vlahušić, but also the most visible, as it ended in a final court ruling finding him guilty of abuse of power, sentencing him to six months’ imprisonment, suspended for three years. In the same court proceedings, Pero Vićan was also found guilty and received a six-month suspended sentence. On the eve of elections in 2015, other affairs were also public – one with an indictment for yet another instance of abuse of power, and one regarding abuse of the Law on Public Tendering.

Although initially his party claimed that he would not be candidate for mayor in 2013, due to the court ruling in the first instance which found him guilty, he nonetheless secured the party’s nomination and surprisingly won with higher voter support (59.8%) than in previous elections. Such a result can be attributed to several factors: the failed citizen initiated referendum on the golf-course development project (as the threshold for the validity of local referenda is 50%-+1 of all registered voters) which added legitimacy to the mayor, the lack of a strong opposition candidate and the significantly lower voter turnout of only 45% in the second round, compared to 55% in the 2009 election.

In the meantime, in December 2016, changes to the Law on Local Elections were enacted, dubbed by many as Lex Vlahušić, prohibiting candidacy for persons who have been found guilty of abuse of power and sentenced to more than six months of imprisonment. Due to the obvious link between Vlahušić’s sentence and this provision, it has been interpreted by some commentators as a way to block his potential fourth mandate, while his party announced that it will send the Law to be assessed by the Constitutional Court. Their ruling is pending.

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166 https://www.dubrovnik.hr/uploads/20140528/Statut%20Grada%20Dubrovnika.pdf (Art. 41 § 3)
168 http://dubrovniknet.hr/novost.php?id=35494#.WHeXgX1jcw8
169 http://www.dulist.hr/potonule-tri-lade-nestao-nazareti-neobnovljeni/241827/
170 http://www.vecernji.hr/hrvatska/hns-nakon-presude-vlahusic-vise-ne-moze-biti-nas-kandidat-488495
171 http://www.vecernji.hr/hrvatska/most-opet-promasio-metu-lex-vlahusicem-1133259
172 http://www.dubrovackidnevnik.rtl.hr/vijesti/politika/izglasali-most-i-hdz-vlahusic-zasad-eliminiran-iz-izborne-utrke-prosao-lex-vlahusic
Formal Mechanisms of Local State Capture in the City of Dubrovnik

The key descriptor of the model of governance, as it has been profiled during Vlahušić’s three mandates, is “governance in the function of fulfilling the mayor’s vision”. Vlahušić has a strong tendency towards management models and management processes influenced by, if not wholly driven by, new information and communication technologies, and based on extreme marketization and commercialization of different aspects of life in Dubrovnik, especially public spaces and cultural heritage, all in the function of profitable tourism. His vision of the city’s development explicitly follows the concept of a smart city – an urban area extremely well equipped with ICT, networked and responsive to the demands of “users” (in the ICT sense of the word). The “users” are equally Dubrovnik’s inhabitants and those temporarily visiting. This concept, in combination with the historic and cultural heritage allows for a series of services – including the most common ones – to be charged at prices significantly higher than in the rest of the country.

Praising the City’s cooperation with investors, in his interview for this research, the mayor emphasized that during negotiations with investors he takes care of the benefits the City can enjoy. Thus, he claims that the costs incurred for high-budget film and TV productions are justified as the investment would be returned many times over by branding the City. A similar logic of recognition and uniqueness of offer is evident in his argumentation for opening up the city to other global enterprises:

*We are the smallest city in the world where Uber operates. I invited Mr. Kalanick [Uber founder] to Dubrovnik to promote the first Uber boat, because I am focused on the future. Kalanick and Elon Musk [director of Tesla Motors], movie and free-time industry, turning tourists into consumers...*

*(Andro Vlahušić)*

The mayor consistently articulates a managerial approach to governance – instead of using the city development paradigm, he speaks of managing a company and uses categories such as “tourists as consumers” and “industry of free time”, emphasizing the imperative of broadening the offer and increasing efficiency in delivering services that enable continuous spending on the part of visitors:

*In comparison to eight years ago, I increased the price of the entrance fee to the city walls three times. Actually, I aligned them to market prices, and for the first time in history, the money from the city walls’ entrance fee is part of the city budget... I am in court because I am in the business of pumping-up the budget. It’s not a problem for me to open up a discotheque in Revelin [one of the city’s fortresses], which is today one of the most renowned in this part of the world. It’s not a problem for me to put up a Christmas fair in Stradun [the Old City’s main street]. The others don’t have the guts, or they lack ideas.*

*(...)*

*New public management is called a society based on services, not property – it’s an Uber Society.*

173 HBO, Lucas Film
The mayors’ vision, as depicted through the quotes above, is actually the key driver of local policy. It informs budgetary allocations as well as relations in the local political arena, it brings money into the budget and defines spending priorities, predominantly focused on economic growth, yet with significant consequences on the quality of life. Commercialization to the maximum is understood as a necessity to keep up with the hyperlinked world in which the service industry and the free time industry are unstoppable:

*The classic definition of a tourist has changed, today we have consumers. A tourist is a person seen as a passive consumer, one that pays for full-board in a hotel, lies on the beach, and perhaps has an ice-cream. A consumer is a person ready to spend money 24 hours a day, if they are offered a product or a service for their money. (...) It’s not true that tourists do not spend much, rather Croatia lacks inventions, it’s a mess, cities aren’t producing, and today’s tourist – consumer makes an important difference – (s)he enables export of goods and services on one’s own doorstep.*

*(Andro Vlahušić)*

The continuity in the growth of the budget (apart from 2007-2010 – during the global financial crisis) is important, because it made visible the constant growth and development in a way that voters can relate to. It is also hard to fight numbers. Between 2010 (the first full year of Vlahušić’s mandate) and 2015, the budget increased by more than 30%, largely due to tourism-related revenues.

In response to the criticisms on the part of his political opponents and some citizens that despite the budget, his vision lacks long-term sustainability, Vlahušić says:

*I am sorry that they don’t understand, I can’t help them, and I am not really putting much effort into it.*

Yet, UNESCO has also recently warned of the necessity to incorporate fully the principle of sustainability, given the Old City’s vulnerability to excessive exploitation, including reference to the planned mega projects as potential sources of harm to Dubrovnik’s cultural heritage:

*The documents provided upon the request by the World Heritage Centre demon-*
strated that the large size of the development could have an irreversible impact on the property’s OUV. The [golf] development would eradicate the clear distinction that has historically existed between the urban complex of Dubrovnik, as a unique creation of medieval architecture and town planning, its landscape and rural environment setting.

At the same time, his development vision is being implemented without having satisfied several far more basic needs of the citizens. Namely, one of the long-term criticisms addressed at the local authorities is their failure to solve two burning communal problems with direct impact on the quality of life: lack of an adequate sewage system in the Old Town and the failure to build a water purifying facility, which leaves the citizens without drinking water after each heavy rainstorm:

> I mean, really, we have organized cisterns whenever it rains... in this day and age it’s a bit ridiculous.

(...)

>This purifier, this is the number one priority. (abstainees)

In many local communities in Croatia mayors use their mandated authorities in employment and appointment practices in the city administration or local public companies and institutions. Opposition politicians in Dubrovnik claim that during Vlahušić’s mandates employment in public companies and city administration proliferated. Yet, according to citizens in focus groups, this is a cross-party practice:

> …many of these public services, are, I think, always related to party affiliation... (opposition voter)

> For example, the mayor and his party employed... some 20 people... of course they will bow down to him and do as they are told. It’s normal. (opposition voter)

> I can’t get a job in this city because I refuse to become a member of any party. So I can’t get a job and that’s a fact. They all see me as opposition, which I am, and I will tell each of them they are liars. And I won’t get a job. (opposition voter)

> True, my son, my daughter… she applied for a job. I won’t name the company, but they said: “you would have been accepted had your brother joined the party, it’s your brother’s fault, he didn’t join the party”. (opposition voter)

However, according to interviews, Dubrovnik’s specificity lies in the Dubrovnik Agreement, which applies not only to strategic decisions, but also in the “dividing up the cake”, including employment and appoint-

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174 Outstanding Universal Value
176 http://www.dubrovnikpress.hr/index.php/component/k2/item/22080-frankovic-vlahusic-je-zaposljavao-cijele-obitelji
ments, i.e. the *quid pro quo* in the supporting vote in the council for the golf project:

*In big projects, the Dubrovnik Agreement is applied.*

(...)

*The richer the City is, the more people are “in the circle”.*

*(journalist 2)*

*That was the whole nature of the Dubrovnik Agreement - there’s cake for everyone, let’s split it up.*

*(civil society activist 5)*

Amongst important elements of formal capture in Dubrovnik stemming from the legal authority of the position of mayor are personal contacts with representatives of transnational capital potentially interested to invest (e.g. in the golf course or the terminal in Gruž harbour). On the other hand, there is influence on legislation enabling or facilitating the implementation of projects. Namely, according to many respondents, an important channel for strengthening Vlahušić’s position was his influence on legislation, achieved through successful lobbying of the leaders of his party\(^\text{177}\) to pass legislation facilitating starting-up and managing projects at local level. Three pieces of legislation were passed, of which two are still valid:

- The amendments to the Law on the Endangered Monumental Complex of Dubrovnik (2014)\(^\text{178}\)
- The Law on Cable Cars Transporting People (2010)\(^\text{179}\), and
- The Law on Strategic Investment Projects in the Republic of Croatia (2013)\(^\text{180}\).

The purpose of these pieces of legislation was similar: providing a legal framework for economic exploitation of natural or cultural resources – primarily space – with regulations enabling expropriation, construction and commercialization. All these functions are necessary for the Srđ project, and apart from the Law on Strategic Investments, which is wider in scope, sound very much like they were passed having in mind the necessity to assist the local government in Dubrovnik:

*If Vlahušić can’t get what he wants locally, he goes to Zagreb to get it. And he was never ashamed to do so.*

*(entrepreneur 6)*

The amendments to the Law on the Endangered Monumental Complex of Dubrovnik are especially interesting in this regard. Namely, one of the important revenue sources for the City is the entrance fees to the City walls. The City walls have, since 1952, been entrusted to the care of a local association called the Society of Friends of Dubrovnik Antiques\(^\text{181}\). According to the periodically renewed contract with the City of Dubrovnik\(^\text{182}\), the Society transfers 50% of the revenues accrued through the entrance fees into

\(^{177}\) http://www.tportal.hr/vijesti/hrvatska/321215/Zbog-golf-terena-u-bescijenje-ste-dali-sume-i-vode.html

\(^{178}\) Official Gazette 19/2014

\(^{179}\) Official Gazette 79/07, 75/90, 61/11, 22/14

\(^{180}\) Official Gazette 133/2013, 152/14, 22/16


\(^{182}\) http://citywallsdubrovnik.hr/drustvo/?lang=en


\(^{180}\) Official Gazette 133/2013, 152/14, 22/16

\(^{181}\) http://citywallsdubrovnik.hr/drustvo/?lang=en

\(^{182}\) http://citywallsdubrovnik.hr/wp-content/uploads/2012/05/dodatak_o_upravljanju_i_gospodarenju_gradskim_zidinama.pdf
the City budget, while the fee itself is mutually agreed between the Society and the City. Yet, mayor Vlahušić disliked this agreement:

> Since I became mayor, the most valuable property per square centimetre creating value are the city walls. Imagine a mayor of the city giving it for free, unlawfully, to an NGO! I returned 50% of the entrance fee to the City and I got a verdict of guilty for doing so.

(Andro Vlahušić)

Namely, the purpose of the amendments to the Law were to return the management of the city walls, including the revenues of entrance fees, solely to the City, as evident from Art. 36 of the Law:

> With the enactment of this Law, the management of the city walls in Dubrovnik, as a public good is transferred to the City of Dubrovnik, thus terminating all rights of third persons that used or managed the city walls, stemming from any grounds (contracts, etc.). With the enactment of this Law, all legal acts concerning management and use of Dubrovnik city walls are null and void.

This article was successfully annulled by the Society in the Constitutional Court\(^\text{183}\). Nonetheless, this is an indicative example of how national legislation can be used to sort out a bilateral issue in the authority of the local community, to the clear benefit of the local authority.

The changes to the Law on Cable Cars Transporting People were also similar in purpose. They were enacted having in mind the cable car running up to Srđ, since apart from the cable car in the Zagreb hinterland which has not been operational for more than a decade, Croatia has no other cable cars. The amendments to the Law, among other things, decreased the maximum duration of concessions for cable cars and the scope of rights a concessionary has in managing it, including their right to file an application for expropriation of land the cable cars run over. These changes contributed to Vlahušić’s image-building locally, as he used the process to emphasize that the cable car brings no profit to the City, thus depicting himself as the “protector” of the City’s interests\(^\text{184}\).

Finally, the Law on Strategic Investment Projects is probably the most controversial, as it proscribes significant procedural benefits for investors, as argued in the section of the report referring to the legal framework conducive to capture. The timing of its passing is of relevance here (October 2013), since it was enacted at the time when Vlahušić’s party held the ministries of economy and construction in the centre-left coalition government, the former having prepared the Bill.

Although it still has not been placed on a list of strategic projects as defined by the Law, the already mentioned project of Golf-park Dubrovnik can be viewed as potentially the biggest case of local state capture in Croatia, involving national and international level politicians and business corporations. Namely, should the project be realized, it would represent a symbol and the peak example of harnessing local resources for the benefit of a private real estate development. It will thus be presented in more detail.

The project envisages the construction of an exclusive golf-resort on the hill Srđ overlooking Dubrovnik,

\(^{183}\) [http://narodne-novine.nn.hr/clanci/sluzbeni/2014_03_32_595.html](http://narodne-novine.nn.hr/clanci/sluzbeni/2014_03_32_595.html)

including luxury apartments. It is a result of the earlier established connections between local authorities in Dubrovnik and Maja Brinar Frenkel, the deputy minister of economy in Račan’s government (2000-2003), but also the wife of an Israeli businessman Aaron Frenkel, the alleged investor in Srd, through a company called Razvoj golf Ltd. (Golf Development Ltd.).

In terms of infrastructure, there is not enough water on Srd to cater for the needs of a golf course, so the minimal infrastructural demands include supplying the water up the hill and ensuring drainage and sewage. Both need electrical pumps, and the electrical infrastructure has already been provided for, through the investment of the public electricity company. Furthermore, despite earlier announcements that the costs of the access road building necessary for the future resort will be borne by the investor, the proposed city budget for 2017 envisaged a 25 million kuna (3.3m. EURO) expense for the access road to the future resort.

Our respondents are united in their assessment that the golf-resort is secondary to the project’s primary purpose – increasing the value of the land and creating preconditions for a real-estate development business in close proximity of the City, at public expense.

The preconditions for this development were secured during the mandate of Dubravka Šuica, by means of a political consensus, as evidenced by the ceremonial session of Sanader’s government held in Dubrovnik in November 2005. The Conclusion of the Government session declared support to the project and provided for a provisional end-date.

According to many respondents, the support to the project during Vlahušić’s mandates intensified. After, or perhaps because of, organized citizens’ resistance to the project, thus far unseen levels of political consensus became evident in the local council in the form of the already described Dubrovnik Agreement. The changes to the spatial plans necessary for the project were enacted, despite strong criticisms from experts, civil society and the public.

During the height of preparations of the project, in April 2013, the civil initiative Srđ is Ours!, which was formed in 2010 in order to oppose construction on Srd prior to public consultations, was successful in demanding a citizen initiated referendum on the development.

However, the initiative faced numerous obstacles, even after they gathered sufficient signatures demanding the referendum. Firstly, the City Council decided that the date of the referendum would be April 28, 2013, thus contrary to the logic of efficient public expenditure, it was held separately from the local elections (May 19, 2013). This was a successful tactical move on the part of the authorities to discourage voter turnout. Additionally, during the referendum campaign Vlahušić resorted to deterring the public by speaking of the possibility for the investor to sue the city for damages, stemming from breaches of the contract.
Furthermore, Maja Brinar Frenkel, speaking for the investor, discredited the referendum in a big interview for a national daily newspaper published on the day of the referendum, stating that it was a “referendum on nothing” and that the project will continue, regardless of the referendum result. The referendum results were 16% for the development, 84% against, but due to the fact that only 31.5% of registered voters took part, it was invalid – namely the threshold for local referenda to be valid is 50% + 1 of all registered voters.

Here, it is also important to note the simultaneous pressures by international actors taking place in the spring of 2013, including that of the then President of the European Commission, Jose Manuel Barroso, whose influence on the Croatian Government - just about to become the 28th EU member-state – had huge political weight. According to media reports, Barroso was used as an additional lobbying channel by the Israeli president Shimon Peres, unhappy with the blockade of the Israeli investment.

In September 2016, the project was again derailed by the ruling of the Administrative Court in Split, which annulled the decision of the ministry in charge of environmental protection accepting the Environmental Impact Assessment for the project, as it failed take into account the impacts produced by proposed building of luxury apartments. The ruling means that the EIA will have to be done from scratch. The project’s location permit has also been annulled by the ruling of the Administrative Court in Split in February 2017 (http://www.vecernji.hr/hrvatska/upravni-sud-srusio-lokacijsku-dozvolu-za-projekt-golfa-na-srdu-1148779). Thus, the saga continues.

Informal Mechanisms of Local State Capture in the City of Dubrovnik

The informal state capture mechanisms in Dubrovnik rely on the discretionary powers granted to mayors, as well as their personal influence and capacity to make and maintain close relationships with other elites.

It is interesting that in Dubrovnik, the study did not uncover many names involved in the capture structure. The few names mentioned are merely perceived as executioners of the mayor’s decisions, and are limited to respondents’ personal experiences. The name that came up with a certain level of consistency is that of the current deputy mayor Željko Raguž. Once a member of the Peasant’s Party, currently the president of the local party DUSTRA, he is labelled as the mayor’s confidant, also very active in solving the City’s problems. Raguž is, apart from Vlahušić, mentioned by respondents as the person who decides on important issues locally.

According to a number of respondents, the local administration has no autonomy, but functions as the technical implementer of orders. Although this might seem consistent with the functions of a professional...
administration, what seems to be lacking is the politicians’ reliance on their professional capacities. The mayor himself states that local administration in its traditional sense, does not play an important role in fulfilling his vision, and that it can in that sense become a burden:

Administration means nothing if citizens don’t have a service of good quality. In the new world, it is not administration that matters, algorithms matter. (...) Uber Society or Uber City is a city based on service and knows no employees.

(Andro Vlahušić)

However, our respondents spoke of loyalty as the main trait of the mayor’s closest collaborators:

His office is a state within a state – they are untouchable, at his disposal 24/7, extremely loyal... They enjoy every possible benefit that is in his authority. They are fascinated by him, and seem to be hypnotized.

(journalist 2)

Some of the respondents spoke of favouritism in local infrastructure building projects as a form of clientelism present in Dubrovnik. Additionally, the most frequently mentioned issue was that the mayor’s brother Mladen Vlahušić is the director of the construction company VIAM d.o.o., often carrying out construction works in Dubrovnik. However, it is interesting to note that construction companies allegedly favoured by the City differ depending on who is mayor:

The company of the mayor’s brother – VIAM – was bankrupt, and then became a very successful company. But the mayor doesn’t care that he is being called out for this. For example, VIAM was constructing an intersection... and the Srđ people confronted him with it at the session of the City Council, but he nonchalantly replied: “my brother is digging there 24 hours a day – is it a shame to be working?” And the people think this is OK. Before that, Vulix and Konel were two companies favoured by Šuica – they went bankrupt in the meantime, and VIAM took over their business.

(journalist 2)

Even though the family ties with VIAM are well known, including the fact that the mayor was one of its founders in 1995, his voters in the focus group stated that they do not find it problematic that his brother’s company engages in business deals with the City:

I think – if I had a brother in such a function, and if something needed to be done quickly, within a time-frame, within resources available and according to standards – in order not to prolong it and you have someone you can rely on – I wouldn’t oppose to it, not at all.

(Vlahušić’s voter)

The fact that there is very little paper trail of VIAM’s dealings with the City of Dubrovnik is explained by interviewees through a simple mechanism:

VIAM was always the company the job was outsourced to, if it wasn’t the company that won the tender.

(journalist 2)

196 http://www.portaloko.hr/clanak/viam-na-gradilistima-gradonaecnik-vlahusic-vjesto-izbjegava-sukob-interesa/0/37762/
197 http://dubrovniknet.hr/novost.php?id=50042#WHd0Qn1jcw9
Many respondents referred to ad hoc refurbishing of the City, as a form of pre-election campaigning. One of the most frequently mentioned examples was the relatively recent poorly done micro asphalt surface treatment of the roads\(^ {198}\), carried out just before the local elections in 2013:

*This micro asphalt treatment, when it became hot in July, August, the white line in the middle of the road turned into a snake. Where buses parked, there were waves in the road.*

(opposition voter)

*Just consider the asphalt issue... They treated it at 7 o'clock in the morning. By chance, I work in a company that produces micro-asphalt properly. What they did with the buses running from Mokošica [suburb of Dubrovnik] on this micro asphalt, waves appeared in the road immediately, women's heels punched holes and they left their shoes, continued walking barefoot, all because they needed an aerial picture depicting that all roads in the city are covered with asphalt.*

(opposition voter)

Vlahušić is also linked to several cases alleging favouritism towards certain entrepreneurs, to the detriment of public interest and public financial resources. The most publicized one is the already mentioned Šipan affair – resulting in a suspended jail sentence. Another one concerns the club Revelin. Vlahušić is indicted under suspicion that between 2010 and 2014, he favoured Lukša Franković in granting him the space in the fortress Revelin (part of the Old City’s fortification), to open up a night club. The indictment states that the City budget was used to cover certain costs incurred by the night club\(^ {199}\), but also that the club uses the entire space, rather than just a part of it, as specified by the contract\(^ {200}\). The court date has not been issued yet, and in the meantime, it was discovered that the vibrations caused by loud music are damaging the fortress itself\(^ {201}\). In 2012, the club was also the place of an incident when the local artist Slaven Tolj was beaten up and removed from the club by the club’s security personnel and owner\(^ {202}\) for wearing a T-shirt with the inscription *Srđ je naš*, also worn by the performers. Namely, Tolj was a founder of the Art Workshop Lazareti, and an open critic of the golf project and one of the founders of the initiative *Srđ is Ours!*\(^ {203}\) He has in the meantime moved to Rijeka, according to his own account, as he could not stand seeing the mayor’s exploitation of the City on a daily basis anymore\(^ {204}\).

Yet another case illustrates the excessive budgetary expenditures – the restoration of Lazareti - a complex of buildings just outside the City Walls, a valuable and attractive working space for the City’s NGO scene, including the humanitarian association “Deša”, Art workshop Lazareti, and the club “Lazareti”. Lazareti is a complex of 10 interconnected buildings, which underwent restoration in 2012, by a company that won the public tender. However, the City Council was deciding on increasing the amount for the restoration so that it could be finished. Namely, the unfinished restoration (7 out of 10 buildings) already significantly surpassed the original budget by a staggering 56%\(^ {205}\).

\(^ {198}\) http://www.dubrovniknet.hr/novost.php?id=25527&fb_comment_id=192368850396648_454782#.WHljQPH1jcw8
\(^ {201}\) http://www.vecernji.hr/hrvatska/dok-vlahusic-ceka-odluku-vrhovnog-suda-uskok-prokrenuo-novu-istragu-988852
\(^ {202}\) http://www.slobodnadalmacija.hr/dalmacija/dubrovnik/clanak/id/248008/dubrovcani-na-nogama-revelin-puca-pod-decibelima
\(^ {204}\) http://www.vecernji.hr/hrvatska/dok-vlahusic-ceka-odluku-vrhovnog-suda-uskok-prokrenuo-novu-istragu-988852
\(^ {205}\) http://www.vecernji.hr/hrvatska/dok-vlahusic-ceka-odluku-vrhovnog-suda-uskok-prokrenuo-novu-istragu-988852

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\(^ {205}\) http://www.net.hr/danas/intervju-tjedna-slaven-tolj-zele-ubiti-dubrovnik-da-lesinari-nesmetano-mogu-podijeliti-svoj-plijen/
\(^ {204}\) http://www.vecernji.hr/hrvatska/dok-vlahusic-ceka-odluku-vrhovnog-suda-uskok-prokrenuo-novu-istragu-988852
\(^ {201}\) http://www.net.hr/danas/intervju-tjedna-slaven-tolj-zele-ubiti-dubrovnik-da-lesinari-nesmetano-mogu-podijeliti-svoj-plijen/
\(^ {198}\) http://www.net.hr/danas/intervju-tjedna-slaven-tolj-zele-ubiti-dubrovnik-da-lesinari-nesmetano-mogu-podijeliti-svoj-plijen/

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\(^ {86}\) http://www.dubrovniknet.hr/novost.php?id=37328#.WF1mvLlbqMY
According to our respondents, the Revelin and Lazareti cases are each in its own way indicative of Vlahušić’s attitude and understanding of the City’s culture. On the one hand, the commercialization imperative lead to the excessive use of the Old City’s heritage for commercial purposes and at the expense of long-term structural damage. On the other hand, the position and treatment of the City’s independent cultural scene is also significant. Namely, as a stakeholder they are not part of the commercialization network, and are thus viewed as a potential threat. Since some of Dubrovnik’s artists around the Art Workshop Lazareti and Slaven Tolj were amongst the first critics of the commercialization concept which became part of the local policy, they themselves were exposed to pressures, including threats of losing their workspace in Lazareti206.

Ensuring Voter Support in the City of Dubrovnik

The elements of local state capture in Dubrovnik can be seen in local policies targeting several different groups: (1) citizens (voters), (2) local entrepreneurs and interest networks and (3) transnational capital. In this section we focus on the voters, as the latter two were described in the previous sections.

Regardless of power networks and the capacities to put formal and informal mechanisms of capture to use, in order to stay in power, one resource is crucial – voter support. Furthermore, despite the fact that all elections have an element of ideological differences, for the local level, socio-economic factors are perhaps more important. The possibility to implement public policies benefiting citizens is of crucial importance for mobilizing voter turnout.

The percentages of votes won by candidates only provide a partial picture of their public support. They need to be combined with turnout percentages for a clearer picture, as turnout indicates the level of success in mobilizing citizens around local politics. In the past three local election cycles, voter turnout in Dubrovnik was stable and within the average (low) turnout for local elections in the country. It amounted to around 49% in the first rounds and between 45% and 55% in the second rounds. The mayor of Dubrovnik was thus elected by a quarter to a third of the local electorate, depending on the cycle207. This data seems to suggest that a minority of voters in Dubrovnik are mobilized by local politics.

For local citizens, the benefits arising from local policies are connected to their ability to take part in tourism related revenues, by turning their real-estate into private accommodation facilities securing relatively high levels of income. Apart from tourists, Dubrovnik also hosts a large number of seasonal workers who rent from people whose facilities are less attractive for tourists.

Thus, according to many respondents, the key to securing voter support in Dubrovnik is in enabling a relatively high proportion of citizens to act as small-scale rent-seekers, by renting their property either to seasonal workers or as tourist accommodation, the latter often at very high prices. This possibility makes many of them stakeholders in tourist revenue distribution, which is extremely important for a city living off tourism.

207 In the second round Andro Vlahušić was elected with 29.7% (11.924 of 40.160) voters in 2009., 27.1% (10.294 of 38.030) in 2013. and 23.5% (9.059 of 38.468) in 2015.
The historic part of Dubrovnik is the biggest hotel in Croatia today, it has 3,000 beds and 5,000 seating places. People of Dubrovnik did that. They decided to move out of their homes, but they are not selling them, because renting them out makes their weekly income equivalent to that which they bought the entire property for.

(Andro Vlahušić)

The amounts at which apartments are rented for are unthinkable for any other part of Croatia. They go up to 200 EUR/day, and they are full 90-100 days [a year].

(journalist 2)

According to media accounts208, in 2016 the accommodation capacities in private accommodation surpassed those in hotels, which was enabled by a large number of private accommodation accreditations209. However, some respondents think that this amassing of private accommodation results in lowering the standards of Dubrovnik as a tourist destination:

I recently turned on the TV, and there was an exclusive from Dubrovnik, reporting that the number of beds in private accommodation surpassed the number available in hotels. And that’s, apparently, a big success. These renters – not all of them, of course, but many are of the “zimmer frei” type of the past…. He [Vlahušić] has already ruined the destination, and it will erode further. I don’t know when it could be reversed, it will be very hard.

(entrepreneur 3)

People in Dubrovnik live really well off tourism and it’s thus highly unlikely that the awareness of the poor governance will increase. Vlahušić gave a job to 250 taxi operators, caterers are little gods, as they make millions off public space. The number of tables and chairs is increased on a yearly basis. Too many people are bought this way, private accommodation increased painfully. Everything turned into apartments for rent.

(journalist 2)

It is far from the case that all citizens are rent-seekers. Actually, quite a few do not own real-estate that could provide additional income, yet, like everyone else, they cope with the burden of high prices, unsolved infrastructural problems (drinking water, sewage) and traffic collapses. Despite these issues, an argument in favour of the current city administration is the size of the budget and the quality of social policy210, which just may be a good enough argument for a larger proportion of the electorate.

A large number of respondents stated that Dubrovnik has various social policy measures targeting different groups and persons of varying socio-economic status. Examples include a supplement for those receiving lowest levels of pensions, textbooks for all school children in elementary education, gifts for

209 According to the catalogue of private accommodation of Dubrovnik’s Tourist Board, (http://www.tzdubrovnik.hr/news/gm_smjestaj/index.html), on January 4, 2017 there were 652 private accommodation facilities.
newborns, subsidies for apartment rental, scholarships for University students, subsidies for entrepre-
neurs, etc. Thus, a significant amount of voter support is secured through social policy measures, consid-
ered by many respondents one of the most successful local policies:

Andro [Vlahušić] has an excellent social program, true, in part inherited from his
predecessor – he pays subsidies for transport, living expenses, etc. Dubrovnik’s
social policy is one of the best in the country. There’s also education that Andro
finances, which is especially important for lower income families. However, the
children are not mandated to come back to Dubrovnik, once they complete their
studies. He also improved traffic and takes care of other communal issues. In
fact, he is a true communal mayor. And that’s good.

(politician 3)

Voter sympathy in Dubrovnik is gained through yet another policy measure. Namely, given Dubrovnik’s
geographic position on the far south of the country, that is isolated and separated from the rest of the
country by Neum (belonging to Bosnia-Herzegovina), air traffic is very important. Thus, the city intro-
duced a quite extravagant measure to unconditionally subsidize air travel to the nation’s capital211, as
well as subsidies of toll fees on the highway to Zagreb212. According to data available, in 2016, air travel
subsidies amounted to some 1.3 million kuna, or about 10,000 air tickets213.

Factors Contributing to Vlahušić’s Continuous
Governance in the City of Dubrovnik

Apart from policies, an important element in voter mobilization is the quality of candidates. However,
there seems to be a consensus among voters in Dubrovnik that the opposition is less than appealing. In
all focus groups in Dubrovnik, citizens stated that it is not easy in Dubrovnik to vote “for” anyone, as they
do not see relevant options:

I can’t fathom a person on the local political scene that could bring him down.
Only if they legally ban candidacy for those convicted of abuse of power, or the
investigations in Revelin and Lazareti finish, and they seem to have gotten lost
somewhere (...) I can’t see anyone dethroning him – he will be here forever.

(journalist 2)

Bad rivals. Desperately bad rivals.
…who discourage citizens...
Yes, and then there’s no one to vote for, so they stay at home.

(abstainees)

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211 http://www.dubrovniknet.hr/novost.php?id=22519#.WF1dtrlbqMY
212 http://dubrovackidnevnik.rtl.hr/vijesti/jeftinije-dubrovcanima-evo-kako-mozete-preuzeti-obrazac-za-subvenciju-cesarine
213 https://www.dubrovnik.hr/clanak.php?a=12378
In the absence of perceived political plurality, focus group participants voiced desires that the authority be handed over to someone who cares about the city and who will manage it properly (opposition voters). This primarily concerns the position of mayor, since public visibility of the local assembly is significantly lower, thus not considered as important in the minds of the voters. Yet even the voters of the opposition do not have a clear idea of who this person might be. On the other hand, many acknowledge Vlahušić’s charisma and resourcefulness:

**We are to blame. All of us who vote, we are to blame. How is it possible that in the first mandate and the second mandate everyone spoke against Vlahušić, everyone. And he got re-elected nonetheless. And in the early elections too. So, who’s crazy here? Not Andro, we are crazy. All of us who vote!**

(opposition voter)

...Vlahušić, I personally don’t like him, but I respect him, he is intelligent, he rules the masses, does a little something, works, knows how to present himself. Among all those others is the city council I don’t see anyone who would perform better than him, and I am not his voter nor his fan. On the contrary, he did me wrong. But I can’t see anyone. For example, I am OK personally with Mato [Franković, HDZ], we had a few coffees together and politically, I am more inclined towards Mato, but between the two of them, I prefer Vlahušić, do you get me?

(opposition voter)

**This brain will not easily retire, I tell you, he’s been working for years (...) It’s incredible, I mean, when you talk to the man, that brain really works incredibly fast…**

(abstainee)

Everything seems to suggest that the key actor in local capture in Dubrovnik nowadays is Vlahušić himself, albeit working on a foundation set by his predecessor. Vlahušić’s influence is crucial in local development policy design, and he relies on the loyalty of city councilors, secured through the Dubrovnik Agreement approach. Thus, political opposition is very weak.

When it comes to the other control mechanism, the local media – the scene is quite large considering the size of the population214, but also substantially financed by public funds. In the available Public tendering plans of the City of Dubrovnik215, data for 2014-2016 indicates that the City spends between 220,000 and 1.1 million kuna per year for advertising costs in the media. But, respondents claim, that apart from these direct expenditures from the City budget, the media are also financed by means of advertisements...

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214 There are three local radio stations, one local TV station and as many as 10 Internet portal, and numerous local print editions - http://www.e-mediji.hr/hr/
215 https://www.dubrovnik.hr/javna_nabava.php
of local public companies, effectively providing PR services for local policies (e.g. various subsidies for citizens). In this way, respondents claim, the amount the media receive from local government is significantly higher, and enables their effective control.

Thus it is not surprising that despite the relatively high number of local media, respondents did not list independence of local politics as one of the traits of the local media:

Šuica’s propaganda machine was perfected during Vlahušić’s mandates. Šuica had a huge media support, but then, at one point, they all turned against her.

(journalist 2)

Journalists have to get paid, and pay checks come through clicks and marketing, but even that cannot make up for what one can get from the budget. Dependence on the budget breeds self-censorship, one cannot write freely. That’s the problem in the whole country.

(journalist 3)

The third control mechanism – civil society – lacks capacity to mobilize the wider public on governance issues, according to CSO representatives, and this applies even to those who are more visible in the public. The independent cultural scene was one of the first which articulated criticism, and until Srđ je naš! initiative was in fact the only point of resistance. Part of the initiative entered the political arena, a part is still active on the civil society scene, yet wider support is proving difficult to obtain, given the relatively high level of living standards, the functioning social policy and the general disinterest in politics as evidenced by low voter turnouts to local elections and the Srđ referendum.

The actual voters, on the other hand, likely view Vlahušić’s mandates as a period of not especially problematic governance, which was at the same time accompanied by significant growth. In the minds of the voters, they are probably weighing this period against the one of his predecessor who was also involved in dubious deals (the Public Garage affair), but failed to distribute benefits as widely as Vlahušić did.

Additional elements that seem to be of relevance to the longevity of Vlahušić’s power in Dubrovnik, although perhaps more a result of the over reliance on tourism than local state capture itself, include (1) a new form of income for a new rental sector, (2) a high number of seasonal workers and (3) the local “brain drain”. The new rental sector derives from renting accommodation unsuitable for tourists to seasonal workers, often by their employees. Vlahušić’s development vision benefits them. The seasonal workers are for the most part young people from other parts of Croatia and the region, who spend a significant part of the year in Dubrovnik, employed on a casual basis in cafes, restaurants or hotels. Given the length of their stay, according to our respondents, they are actually changing the social structure of the City, yet they are ineligible to vote in Dubrovnik, as they are permanent residents of other local units. The third element to be taken into account is the often referred to “brain drain” of young educated people from Dubrovnik. These are said to be mainly people who attended higher education institutions outside of Dubrovnik but then found the cost of living, including the prohibitive cost of real estate, as a major barrier to their return. Importantly, these two trends involve young people who play no part in the political life of the city, not even as voters. The former since they are ineligible to vote, the latter, because they do not return, although they are eligible to vote in Dubrovnik.

Still, political instability played its role in Dubrovnik once again. Namely, in the latest development, the mayor’s budget proposal for 2017 was rejected in the City Council on December 21, 2016, as was his
Proposal on temporary financing a week later\textsuperscript{216}. Thus, Vlahušić lost his position of mayor, and the City Council was dissolved for the second time in two years. Until regular elections, in May 2017, the City will be managed by a Government appointed Commissioner\textsuperscript{217}.

However, as previous election results suggest, although the new “battle for mayor” is likely to be a tight one, it seems that regardless of who wins in Dubrovnik, capture practices are unlikely to decline. Namely, this case study demonstrated that almost all local political actors are involved, assisted by their national level headquarters as well as, when necessary, international political and business elites. This poses the question whether this could change after the upcoming 2017 local elections.

\begin{footnotesize}
\textsuperscript{216} http://www.slobodnadalmacija.hr/dalmacija/dubrovnik/clanak/id/460480/u-dubrovnik-stize-povjerenik-vlade-nije-prosli-odluka-o-privremenom-financiranju-buduci-povjesnicari-imati-o-cemu-pisati
\textsuperscript{217} https://vlada.gov.hr/vijesti/priopcenje-sa-zatvorenog-dijela-18-sjednice-vlade-republike-hrvatske/20064
\end{footnotesize}
THE CITY OF SLAVONSKI BROD
Political Context in the City of Slavonski Brod

The contemporary history of Slavonski Brod and its region is marked by deindustrialization, the legacy of war, and the absence of economic growth and development. Before the war of the 1990s, the modernization and urbanization of the region was based on the employment of thousands of workers in food processing and industrial facilities – Đuro Đaković alone employed 16,000 people\textsuperscript{218}. However, industry was decimated by the war and destroyed through the Croatian version of privatization. The main issue in the region is unemployment and the lack of adequate levels of economic development and growth. HDZ managed to secure permanent voter support precisely in areas that were struck by the war in the 1990s, when HDZ acted both as a movement and as a party, taking credit for Croatian independence. Thus, during the 1990s and early 2000s, Slavonia as a region and Slavonski Brod as one of the biggest cities of the region were politically unequivocally loyal to HDZ.

Up until 2001, the number of inhabitants in Slavonski Brod constantly increased; in Yugoslavia, as a result of urbanisation and industrialization; in Croatia due to war-induced migration from Bosnia-Herzegovina. Thus, in 1971 Slavonski Brod had about 40,000 inhabitants, in 1991 the number rose to 57,000, in 2001 it peaked at 64,000\textsuperscript{219}. However, the absence of effective regional development policy, resulting in negative economic trends initiated depopulation – in 2011 the number of inhabitants decreased to 59,000. Although the County has a very high unemployment rate of 36.1\%\textsuperscript{220}, in Slavonski Brod itself, the unemployment rate is between 10\% and 11\%, decreasing in the summer months due to seasonal work\textsuperscript{221}.

The recent political history of Slavonski Brod can be divided into the period before and after Mirko Duspara – the current mayor. During the last decade, Mirko Duspara walked the path from mayor as a compromise solution in the political agreement of right-wing local parties’ branches all the way to an independent mayor with strong voter support from all sides of the political spectrum. His political growth is marked by a gradual decrease in seeking the support of the party infrastructure, resulting in the development of a distinct, personalized, governance style.

Although in the 2005 election the SDP-led coalition won the highest number of seats in the local council (8), the majority in the council was secured by the centre and right-wing parties (HDZ-led coalition, including HSLS and HSP). Thus, they appointed Duspara as mayor (at the time a HSP councillor)\textsuperscript{222}. His opposition to HDZ, due to a specific set of circumstances, soon turned into a political fight against corruption – or at least, that was the impression that was created in the public sphere. Namely, the case of the resort in Korčula (a Croatian island near Dubrovnik) started with the demise of its owner – the association

\textsuperscript{218} http://lupiga.com/vijesti/propast-djure-djakovic-svedeni-na-sesnaestinu-broja-radnika-s-milijardom-kuna-minusa-od-samosnalnosti
\textsuperscript{219} http://www.dzs.hr/
\textsuperscript{220} http://nejednakost.cms.hr/ekonomija/
\textsuperscript{221} http://www.hzz.hr/default.aspx?id=10055 and http://www.sbplus.hr/slavonski_brod/gospodarstvo/ostalo/najvise_evidentiranih_nezaposlenih_starije_je_od_50_godina.aspx#
\textsuperscript{222} http://www.izbori.hr/2005Lokalni/rezultati/Z12_BRODSKO-POSAVSKA.pdf
that organized travel and accommodation for youth called Ferijalni savez. In 2000, the State awarded the resort to the City of Slavonski Brod, albeit with accompanying disputable financial obligations (including unpaid construction work). Soon after, the creditors filed suits against the new owner, the City of Slavonski Brod. Duspara refused to settle with the plaintiffs, and presented this as the main reason why he broke off the coalition agreement with HDZ. It is this case that enabled him to create an image as a protector of city property, also granting him a landslide victory over HDZ in early local elections in 2007. Duspara’s coalition (HSP-HSLS-HSS) won the same number of seats as HDZ and SDP combined, and the new majority in the City Council was formed by a coalition between HSP and SDP. Although this is a very peculiar coalition, SDP could defend it before its voters and headquarters, since the alternative was a HDZ-led local government or new elections. Ever since, the relationship between Duspara and SDP has been evolving and deepening, to the point where, in the 2015 national parliamentary elections, SDP seriously considered placing Duspara as an independent candidate on their list in this electoral unit. From the Korčula resort case onwards, Duspara’s fight with HDZ makes him HDZ’s number one political enemy, resulting in, apparently, a smaller number of centrally financed projects in Slavonski Brod. At the national level, HDZ’s corrupt practices under Sanader were gradually becoming more visible, while a similarly poor reputation accompanied Zdravko Sočković, at the time one of the most influential members of HDZ in Slavonski Brod. Thus, Duspara’s opposition to this kind of HDZ is perceived as a fight against corruption.

The direct elections for mayor introduced in 2009 were a big risk, but also an opportunity for Duspara. He won outright in the first round with a narrow margin of 50.59% of votes. In the council, HSP – Duspara’s party - won 12 seats, the HDZ-led coalition won 7 seats, while SDP won 5. In the same year, the case of Korčula was revived – the city budget and city property to the value of 18 million kuna (2.5 million EUR) faced foreclosure. Duspara managed to stop the foreclosure in court, in a case which became a story at national level. This strengthened his image locally, depicting him as a person who stood up to private interests, and protected public property. While Duspara’s key HDZ opponents loyal to Sanader faded out politically, at the same time instability within Duspara’s party HSP rose, leading to instability of government in Slavonski Brod. Duspara entered into a fight with the party headquarters, lost control over some of the local councillors, and later found himself expelled from the party, but it was only at the very end of his term that he lost his majority in the City council. Thus, in 2013, he ran as an independent candidate, with an independent list for the City Council made up of persons from within his NGO called “Pravaš”. This time, in the first round, he only won 40% of the votes, and faced HDZ’s Davor Jelić in
the second round. Voter mobilization between the first and second rounds proved to be the key factor – turnout increased from 40% to 45%, and Duspara won with 53.26% of the votes. His list again won the highest number of seats in the council (10), and he again made a coalition with SDP. These results seem to indicate that otherwise left-oriented voters in Slavonski Brod, when forced to choose between HDZ and Duspara, opt for Duspara, as an anti-HDZ choice. In 2016, in order to avoid obstacles faced by independent lists in the election process, Duspara founded a political party called Duspara Mirko – Independent list.

The political circumstances described above enabled the development of a unique, personalized, governance style. Mirko Duspara managed to gain control over all governance processes in Slavonski Brod. The fact that he lacks a large party infrastructure is sometimes an obstacle, but also an advantage, as it enables control over the entire city. According to many respondents, Duspara governs with the assistance of a few very close and loyal persons. Ankica Majetić, the Head of the City Department for Economy was the name most frequently mentioned, as the person whom Duspara trusts most, and, again according to respondents, someone that makes sure that all decisions are legally founded. The other name respondents mentioned was that of Jerko Zovak, the owner of the allegedly most read internet portal in the City (SBPlus). Respondents also spoke of Duspara’s habit of removing people he does not need any more and occasionally brutally dismissing co-workers who oppose him, thereby losing his trust.

– He changes everything, changes parties, changes people and really brutally. His two deputies... through his vassals he forbade us to contact them... even while they were still deputy mayors.

(local civil servant 1)

Duspara’s distinct governance style is especially evident in his clashes with civil servants that always seem to end in a way that ensures his undisturbed governance – either by their transfer to a different position, firing them, or demoting them. The mayor’s discretionary powers are also recognized by respondents in terms of his influencing employments and appointments in local public institutions and companies, as well as his decisions on which communal and infrastructural works will take place. In this context it is also relevant that despite numerous official complaints to relevant authorities, Duspara has never been indicted, nor is there a formal court ruling against him. In the interviews, respondents often compared Duspara to Zagreb’s mayor Milan Bandić, both in terms of the distinctive style of governance unrestrained by the leading political parties, and in terms of the image of an open politician, in direct contact with the voters.

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232 https://registri.uprava.hr/#/stranka-detalji/8gLIAAEAAAECZgyAAFkdXNwYXLLhAAAAewEAAAAQEBb2niAgA
233 http://www.sbplus.hr/
Formal Mechanisms of Local State Capture in the City of Slavonski Brod

Just like in the other case study localities, the most important formal mechanisms stem from the authorities vested in the mayoral function itself. However, compared to the other case studies, Slavonski Brod has significantly fewer resources. As a consequence, control, influence and power are restricted to four areas: (1) employment policy (2) communal works (3) management of city property, and (4) the relationship with the local media. In the following pages we describe the locally contextualized model of building power networks and maintaining control over resources.

In an area where unemployment is emphasized as the biggest social problem, control over employment in the local public sector is an extremely important source of power. Since these are for the most part secure jobs, competition is tough, as due to limited resources the City and its institutions and companies only hire occasionally. Numerous respondents, as well as focus group participants (opposition and abstaining voters) emphasized the practice of employing one's own and those fitting not only in the city administration, but in a significantly higher number of instances in city-owned institutions and companies.

_They employ their own people. When there is an announcement... forget it, best not to send an application._

(abstainee)

_While we’re at it, I have a colleague who five years ago finished her kindergarten teacher education. The mayor told her, directly to her face, that if she joins his party she will get permanent employment. She didn’t join and she still only works as a substitute._

(abstainee)

_Duspara controls everything. SDP have 2-3 people employed and their wives were employed..._

(local civil servant 2)

_I know of a few cases where you needed veza [connection], where they openly told them to join the party or pay a certain amount of money._

(abstainee)

_The problem is that the mayor is the one employing people in schools, he controls everything!_

(opposition voter)

_...fake tests are taking place... everywhere where the city is the founder, employment is controlled by the mayor._

(journalist 2)

_I think there is no one who is not Duspara’s that is employed in the city. It is an NGO that managed to beat all competitors._

(entrepreneur 1)
The mayor himself states that he is aware of this perception of his control over employment processes, yet naturally, negates any personal influence. As an example he emphasizes the independent role of school boards in employing teachers and appointing principals.

You know how it works – there are job announcements and there are commissions – I don’t know who applies, and I am not interested in it. We are a small community, and it can always be claimed that there was favouritism... Most people who come and ask for a meeting with me, it’s either about housing or employment – that’s the problem. The prevailing perception is – you are all the same... We are the owners of elementary schools and I can’t explain to someone that it is out of my hands... that there’s nothing I can do – that the choice is made by the school board.

(Mirko Duspara)

However according to the law, three out of seven school board members are directly appointed by the founder, i.e. the City. It is thus plausible to assume that this group of three can easily secure a majority by winning over just one of the remaining members of the school board, either from the two representatives of employees or one representative of parents.

This practice is very similar to those observed in other localities; however, in Slavonski Brod respondents wanted to emphasize that it does not differ from the practices of employment in companies and institutions owned by the County, controlled by HDZ. An indicative example that was repeatedly mentioned by respondents and focus group participants was the latest round of employment in the county hospital, when allegedly all nurses who got positions had to have an interview with a HDZ representative:

Well, I heard that... Sočković... employed nurses in the hospital... and he is not Duspara’s man.

(abstainee)

In the hospital when they were employing 14 nurses, it was common knowledge that one went to HDZ for the interview.

(journalist 3)

Furthermore, it is very interesting that Duspara institutionalized political trading in a very transparent manner. Namely, every local company has two directors – one appointed by SDP and one by the mayor. The practice is perceived by those close to the governing structures as a form of the checks-and-balances system, while opponents view it as political corruption – the buying and selling of political support through employment.

All our local companies have two directors, so the management consists of two members, but there is no technical director... it’s a control system in order to prevent possible wrongdoings.

(politician 1)

How can you imagine that SDP and the “Right” are in coalition... this is how – you give your coalition partner a made-up position of director in each city owned company... each company has directors, management and oversight boards and assemblies. This is how he bought the loyalty of people in the city council... it’s pure political corruption, pragmatic corruption of coalition partners and buying
As already stated, Company Law applies also to companies founded by local and regional governments as well as those owned predominantly by the state. Thus, this law is a form of formal state capture, as it enables the mirroring of the management and control systems of private enterprises focused on profit in companies that should not be focused solely on making profit. Since they are owned by the local authorities, they should be at least indirectly democratically controlled, and effectively and transparently managed, given that their losses are covered by tax payers and/or result in a lower quality of public service. Company Law does not proscribe universal procedures for appointing members of managing and oversight boards, rather they are defined in the founding acts. While this freedom in defining the company structure is totally in line with the principles of the free market, it seems completely inappropriate for companies providing public services. Additionally, the Law on Local and Regional Self-government proscribes that mayors appoint and dismiss representatives of the local government in those companies which the local authorities founded. These two laws combined create one of the most powerful capture tools of local resources.

In the specific case, the three local companies owned by the City of Slavonski Brod have a two person management, i.e. two directors – and they both represent the company only if the other director is present or both have signed the papers. The unusual practice of appointing two directors, as well as the criteria and rules for their appointment, are specified in the founding acts of the companies. Furthermore, according to Company Law, the assembly of the company is made up of members of the company. In case the company is founded by a local/regional government, according to the Law, the mayor/county prefect appoints members of the assembly. In the case of Slavonski Brod, Duspara as mayor appoints Duspara as the representative of the company member (the City) into the assembly of the company. This formal mechanism enables mayors to take on the roles of assembly members, while assemblies appoint oversight boards, which then appoint the management, at the suggestion of the mayor. The key capture mechanism lies in the fact that the assembly is comprised of only one member representing the founder – the mayor. To illustrate – Mirko Duspara – the mayor submits, in writing, to Mirko Duspara – the assembly of the company - a proposition regarding the members of the oversight board of the company. The oversight board then appoints the manager, or in the case of Slavonski Brod, two of them. The level of independence of the oversight board in appointing the management is evident from the fact that these appointments always follow the political agreement between Duspara and SDP. Evidently, independent work of the oversight board is completely compromised. Namely, one cannot

(journalist 1)

This coalition [with SDP] is nothing more than interests connected... they have nothing in common other than SDP leadership in Brod reaping the benefits, no one else, just 2-3 men... employed in companies and institutions owned by the City. They were all unemployed before.

(local civil servant 1)

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234 Company Law, Section V - Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15
235 Law on Local and Regional Self-government – Art 48. § 6 – Official Gazette 33/01, 60/01, 129/05, 109/07, 125/08, 36/09, 150/11, 144/12, 19/13, 137/15
236 http://www.slavonski-brod.hr/index.php/gradska-trg-drustva
expect that this oversight board will monitor and question the work of the management, since they were all appointed by the mayor, in order to fulfil the wishes of the mayor. A system without control is created, one that is completely dependent on one person, resulting in feudal seats in companies that are supposed to work in the interests of the public.

During 2016, the State Audit Office audited the work of the oversight bodies of locally owned public companies in the County, including the three companies in Slavonski Brod. One of its findings was that the direct appointment of oversight bodies’ members “was not in line with the Decision of the Mayor on public announcements and requirements for oversight bodies in companies where Slavonski Brod has shares, whereby the mayor proposes members of the oversight boards to the assembly of the company only after a public announcement on the City's official web page”238. In this case, Duspara failed to make the public announcement, yet this can be easily circumvented in the future, as he has the authority to change the procedure for these appointments annulling the provision of public announcements. Furthermore, the companies have no written rules regarding the management of conflict of interest. The Audit emphasized that during 2015, honoraria to oversight members amounted to 386,000 kuna (c. 50,000 EUR), an amount that could have been decreased by 190,000 kuna (24,000 EUR) had they been paid by session rather than on a monthly basis. Finally, the independent external auditor was not selected on the basis of a public call – the company Brod plin only obtained one offer, while the selection was made by the assembly, i.e. the mayor. This is another example of how an oversight system can be turned into a farce.

It is somewhat surprising that one of the points of resistance to Duspara’s governance style is the local civil servants employed in the City. Their relationship is characterized by mutual accusations of mobbing, laziness, obstruction, abuse of workers’ rights, etc. According to our respondents, “bringing back order” is apparent in examples such as dismissals of a number of local civil servants (as redundant, followed by new employment allegedly temporary, for the purpose of finishing the process of legalisation of illegally built houses), changes to the systematization of positions in the city (nullification of positions for “trouble-makers”), and alleged controls of all phone calls and emails sent during working hours.

This is how things work – everything is in the function of one man. No one can do their job professionally. Everything is locked – the mayor is locked in with an alarm in his office... civil servants cannot come the the mayor’s office... information is passed down thorough heads of departments, who are loyal only to him.

(local civil servant 1)

The egoism of the mayor is probably best depicted in his relationship with the city employees... You should talk to them, and you’ll probably recognize that it is based on fear and it is “his way or the highway”. The pyramid is clear, if you do not submit, you’re out, someone else is in.

(entrepreneur 1)

After 3 pm [end of working hours] all phone calls are controlled, who received calls, whom did we call, there are CCTV cameras controlling who was in the hallways past 3 pm, who talked to whom... people don’t talk to each other there, they are afraid, it’s terror...

(local civil servant 2)

The most drastic example is the change of requirements for a position 108 minutes after one of the civil servants delivered proof that she fulfills the requirements for transfer, interpreted as a step towards her dismissal\(^{239}\). The latter serves as an example of system-enabled capture, since employment in local/regional administration is based on a Systematization of Positions which is the prerogative of mayors/county prefects\(^{240}\), thus holding the reins of the careers of all their subordinates.

While the mayor’s opponents see this as a way of disciplining those resisting his practices, there is also an argument that this is how the mayor fights with lazy civil servants, employed according to their political affiliations prior to his elections, thus obstructing him:

\begin{quote}
There is a general problem in local and state administration... each government [brings in and then] leaves behind their people... it's not that they cost money, they obstruct the work... It's the same in Slavonski Brod... with him [Duspara] it is especially visible because he is an individual... he is alone, he has no people from HDZ or SDP, no one is his there...
\end{quote}

(journalist 1)

\begin{quote}
When you talk to people working in city administration, they claim it's tyranny and that rare ones dare to oppose him. There is also the story that he is “cleaning up the house”... he is getting rid of people who are not inclined towards him, but in getting rid of people he has the citizens on his side, because people are [generally] allergic to [the number of] civil servants.
\end{quote}

(journalist 3)

In several election cycles, Duspara was also the leader of a political coalition, and part of the coalition agreement was that partners would appoint the deputy mayors. According to the Law, the deputies only have the authority which was directly handed to them by the mayor. However, according to our respondents, Duspara is not really inclined to relinquish part of his authority. On the contrary, our respondents state that continuous clashes with his political allies are one of the traits of his governance:

\begin{quote}
Everything goes through him, exclusively; whoever resists, they end up in the street. All his deputies are in the street [unemployed], from all previous terms... he is making sure that they stay unemployed.
\end{quote}

(local civil servant 1)

\begin{quote}
The mayor has already had 8 or 9 deputy mayors. No one is good enough.
\end{quote}

(local civil servant 2)

\begin{quote}
If you begin each new term with people whom nobody recognizes politically... it's clear how the vertical works. I dare say that the City is governed by an iron fist by a few individuals; the mayor is most often exposed, him and a few others.
\end{quote}

(entrepreneur 1)

\begin{quote}
When you benevolently point to problems and start offering solutions... you become an enemy. Former deputy mayors attempted to do so, none of them
\end{quote}

\(^{239}\) http://www.tportal.hr/vijesti/hrvatska/435096/Priznanje-Duspari-Reagirao-je-u-rekordnih-108-minuta.html

\(^{240}\) The Law on Public Servants in Local and Regional Self-government Units – Official Gazette 86/08, 61/11.
Apart from employment, network capital in Slavonski Brod is built by way of construction works, similar to the other localities in the research, yet in Slavonski Brod preference for this type of work is given to the city outskirts. An argument in favour of such prioritization is certainly the fact that construction and infrastructure is needed more in these parts of town, given the dramatic influx of inhabitants from Bosnia-Herzegovina during the war. However, issues surrounding procurement include suspicion and rumours about the discretionary selection of bidders and extracting funds, although these allegations never ended up in court.

“Breaking-up” public procurement into lower valued parts of goods and services, thus enabling the legal direct choice of contractors was often emphasized by the respondents as a mechanism in place. One of the latest media scandals involved the construction of the city’s swimming pools - the issue was officially investigated, yet Duspara came out clean, just as he did in all other cases. Other interesting examples mentioned by focus group participants include the construction of a public toilet which cost 95,000 EUR and the landscaping of the centre of the City’s roundabout, amounting to 68,000 EUR.

“There’s the roundabout, half a million kuna for landscaping.”

(abstainee)

Those are the things that shouldn’t cost that much, I think. Four flowers in the middle and that’s it.

(abstainee)

The interviewed respondents reflected very negatively on the practice of arranging lower-value procurements, and generally viewed the procurement system as an instrument to discipline the “disobedient” and award the “obedient”. However, they failed to indicate many specific examples, other than the already mentioned swimming pool, which was made public after a police investigation in 2014, and the public toilet.

“There was a rumour that while the swimming pools were under construction, the mayor built some apartments in Osijek, but nothing was proved.”

(journalist 3)

This is where his power stems from... it is based on a quid pro quo relationship. He loves concrete and concrete mixers... Public procurement is a big issue... If something surpasses the limits where he can decide on the contractors, it is broken up into 5 or 10 pieces of procurement.

(journalist 2)

There is an example of the public toilet. The agreed upon amount in the contract was 700,000 kuna, in the end it cost 1.5 million kuna, and there are testimonies of some people who claimed that they returned the surplus to him.

(local civil servant 1)

Furthermore, managing the city property, including leasing and renting of public spaces is also within the discretionary powers of local political elites. Respondents in Slavonski Brod sporadically mentioned
decisions on leases for the terraces of cafes or arbitrary decisions of communal monitors, as examples of petty favouritism\textsuperscript{241}, including an instance involving Duspara’s alleged friend Stipica Blatančić\textsuperscript{242}. With the permission of the City, Blatančić opened a coffee-shop/pizzeria in the City fortress – belonging to the category of the most valued monuments. Furthermore, in the process of its restoration, the City fixed up the area surrounding the cafe and removed the parking ramp; the latter resulted in completely inappropriate parking within the space of a valuable monument but also made the cafe more attractive for visitors. The owner of the cafe did not pay utility bills directly; rather, they were later invoiced by the City\textsuperscript{243}.

This case is also another example of Duspara’s volatile relationships. Namely, the friendship between Duspara and Blatančić allegedly ended, resulting in the closing of the parking ramp and subsequently the cafe itself. The case raises several issues. Specifically, if it were in the public interest to open a cafe in a monument and increase the chances of its success by subsequent decisions, how is it possible that the public interest evaporated overnight? Or is it that the City works contrary to the public interest in order to retaliate against the person that left the loyal circle? This case indirectly speaks of the value of network capital and the power relations within the network.

Like in other localities, a significant amount of influence is exerted through local media. Respondents in Slavonski Brod believe that there are media inclined to the mayor (Radio Brod, SBPlus) and those inclined to HDZ (Radio Slavonija, SBTV, Brodportal), while these inclinations are a direct result of financial support provided by the city and the county, respectively, as well as the media ownership structures. Several respondents emphasized that regional media fail to report events in the City relevant for the county, and vice versa, that media favouring the mayor fail to report on county news relevant to the inhabitants of the city. Subsidies for local media are awarded on a yearly basis, after a public call. In the last three years, Slavonski Brod awarded between 45,000 and 55,000 EUR per year to local media\textsuperscript{244}. One of the subsidized shows is the weekly contact-show aired on Radio Brod, where the mayor takes calls directly from citizens.

I noticed that he mostly works with one radio station... I think it is Radio Brod, he has a show on Wednesdays between 11 and 12 am. I don't think he communicates with others, because the other station, Radio Slavonija, is controlled by HDZ.

\textit{(politician 1)}

The media that are well paid... money produces miracles... if you were to follow SB portal, I would call it an official gazette of the mayor’s...

\textit{(entrepreneur 1)}

...he is a regular guest speaker on the radio answering to citizen’s questions... one can’t say that the radio is his, but they finance local media... the local media are in a terrible position and are barely surviving... thus, they always assume they

\textsuperscript{241} http://www.sbpplus.hr/slavonski_brod/politika/upravasamoupra- va/gradska_redarska_sluzba_omogucila_kradu_4.aspx#.WHYU8lPhCUk

\textsuperscript{242} http://www.sbpplus.hr/kolumne/manjinas/serija_skandaloznih_sudskeh_presuda_u_slavonskom_brod.pdf#.WHTzBFPhCUk

\textsuperscript{243} http://www.sbpplus.hr/zivot/medijsko_smece/ne_ostavljajte_vase_smece_u_nasem_dvoristu.aspx#.WHYbS1PhCUk

SBPlus is the city’s most read and most influential internet portal, owned by Jerko Zovak, financed by the city and the county budgets. A number of respondents pointed to Zovak, a former politician, as one of the persons controlling decisions made by the City, or having a strong influence on the mayor. They also often emphasized the wise manner in which SBPlus is critical of the mayor, whereby criticism can also be read as disguised praise of his work:

\[
\text{SBPlus is the most read portal in the city, run by Jerko Zovak... it is critical, but also inclined to the mayor, so each criticism is always wisely arranged... I am critical of you, yet I am praising you at the same time... The mayor is open to the media, he is always available if you call him... but if it is something unpleasant he puts his deputy up front, and after that the mayor arrives and solves the problem – the hero...}
\]

(journalist 3)

Additionally, the City of Slavonski Brod prepares and prints a free-of-charge quarterly public newsletter (19,000 copies), delivered to each household. It is a means of informing the citizens of the work of the city administration and projects under way. Furthermore, Duspara uses billboards depicting visuals of projects planned or still ongoing. Duspara uses visuals to depict his governance style based on strong investments in infrastructure. Through billboards and the newsletter he informs the citizens of projects which are changing the image of the City for the better:

\[
\text{There is a lot of it... I hope everyone gets a copy of the newsletter...when you see the schools, the kindergartens, the sports halls, the swimming pools - it was all done during Duspara’s mandates.}
\]

(Duspara voter)

\[
\text{I know of those sports halls, and schools and kindergartens. It's written there, and there is a “before and after” picture [on the billboard]}
\]

(Duspara voter)

\[
\text{... they depict what they are planning to do [on the billboards]}
\]

(Duspara voter)

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Informal Mechanisms of Local State Capture in the City of Slavonski Brod

Since becoming mayor in 2005, Duspara has continuously increased his independence from party structures. After the rift with HDZ, as a member of HSP he led the coalition in 2009, while in 2013 he ran as an independent candidate. After he left HSP, Duspara founded an NGO “Pravas”\(^\text{246}\), that actually formally gathers people who are part of his political infrastructure. According to our respondents, power is used and directed by a very small circle of people directly connected to the mayor, and are his vassals.

The public perceive him to be a mayor that singlehandedly runs the city, yet those better informed claim that his right hand is Ankica Majetić, head of the City Department of Economy, with the assistance of Jerko Zovak (owner of SBPlus portal). Majetić and Zovak share a history from a wood processing company Slavonija DI. Due to malfeasance, indictments against Zovak and Majetić (at the time the manager of the company) and Zovak’s son (an employee of the company) were filed. Ankica Majetić and Zovak’s son were acquitted due to lack of evidence, but Jerko Zovak was sentenced in the first instance to 3.5 years imprisonment\(^\text{247}\). Respondents also pointed to the fact that Zovak’s son is currently employed in the city\(^\text{248}\), which if it is not direct corroboration of Duspara’s controlling employment, certainly contributes to the widespread perception:

> Jerko Zovak’s son is employed in the city administration. His [Duspara’s] right hand is a lady who worked with him [Zovak] in Slavonija DI, she was his general manager... it is said that the mayor does nothing without her.

\(\text{(journalist 3)}\)

> He has a person – the Head of the Department for Economy - Ankica Majetić... she and Zovak, owner of SBPlus portal, they run the city... Jerko Zovak is there every day, collecting information.

\(\text{(local civil servant 2)}\)

> The power is exclusively in the hands of the mayor and I can name her... shadow mayor Mrs. Majetić... then there are people very close to Mrs. Majetić and the mayor. It’s no more than five-six people in the City making all strategic decisions... it’s a seasaw, I give you this, you give me that.

\(\text{(entrepreneur 1)}\)

> Jerko Zovak and his friend, Mrs. Majetić run the city, i.e. together they racketeer it... and they are untouchable. It’s their city... Ankica Majetić is the brains.

\(\text{(politician 2)}\)

Slavonski Brod is a local government unit lacking resources for big infrastructural investments. Thus, centrally financed projects are very important. However, Duspara’s opposing HDZ at the county level

\(^{246}\) http://registri.uprava.hr/#!udruga-detalji/0gIbAAEBAQGOdWrYdWdhlHBByYXZhsxEAAAAAAAABABFvaelCAeL3Bg

\(^{247}\) http://www.vecernji.hr/crna-kronika/sefu-sbplus-portala- jerku-zovaku-tri-godine-sokiran-sam-563901

\(^{248}\) http://www.slavonski-brod.hr/images/telefonski_imenik.pdf
resulted in “punishment” in the form of bypassing central investments during Sanader’s governments\textsuperscript{249}. Duspara emphasizes that in that period all national projects by-passed Slavonski Brod. Nonetheless, even without central government support, through credits, Duspara financed constructions of kindergartens, schools, sports halls and swimming pools, ensuring significant voter support. When the centre-left coalition won nationally (2011), the situation changed and state financed projects started pouring into Slavonski Brod. Among them, the most visible one is the underpass in the city. Duspara’s link to the top of the national government was the minister of agriculture Tihomir Jakovina, originally from Slavonski Brod.

\begin{quote}
We had a minister for the first time [Jakovina] and something came from the state level. We have never had enough powerful people in the top echelons of Government, who would transfer the money somehow.

\textit{(politician 1)}
\end{quote}

\begin{quote}
During this last mandate, most has been done thanks to the fact that the first minister ever in the recent history came from Brod – Jakovina... Never have we had such an influx of money in Brod. So, now, in this mandate of the city administration the most important strategic projects were either completed or initiated, primarily concerning traffic.

\textit{(entrepreneur 1)}
\end{quote}

\begin{quote}
We neither had, nor counted on, state level assistance... As regards the left coalition, I have this one mandate and the difference is huge both in the approach and the interaction and everything else... positive... it was much easier to get to any minister.

\textit{(Mirko Duspara)}
\end{quote}

State investments did not go unnoticed in Slavonski Brod on the part of the public. The value of state investments in local communities is one of the indicators through which voters assess their political leaders, in part out of ignorance, as they see no difference between state and locally funded projects. Those with an understanding are aware of how things work in Croatian politics, thus they assess the capacities of the mayor to “navigate” through informal relationships with Government officials, reflected in the number of local projects approved in Zagreb. While other analysed localities have relatively stable relationships with national governments, Slavonski Brod, due to the volatility of this relationship, depicts the level of influence that nationally sanctioned allocations have on strengthening the positions of mayors. While the lack of state projects during HDZ could be explained through Duspara’s clashes with HDZ, their influx after the change of government reflects the gradual deepening of Duspara’s relationship with SDP. What is worrisome in these explanations is the fact that decisions on state-funded projects are not made based on strategic analyses and locally and nationally detected needs, but are a manifestation of informal relationships between local and national authorities, and in some cases an illustration of relationships within political parties.

\textsuperscript{249} An additional reason might be the fact that investments in the county were not on the top of priority lists of those government, given that HDZ always had a strong and stable electorate in this unit. Thus, political pragmatism, at least in part, might have pushed large infrastructural projects into areas where their electoral victory was less certain.
Ensuring Voter Support in the City of Slavonski Brod

There are several key elements to explain the wide voter support for Mirko Duspara. He is a right-wing candidate supported by a some left-oriented voters, and strongly supported by immigrants of Croatian origin from Bosnia-Herzegovina. He is an independent candidate with a “spotless” image, he builds his image as an “ordinary” citizen vs. “political elites”, and continuously invests in communal infrastructure. Finally, he has no real political opposition at the city level. Each of these elements is elaborated in more detail in the following pages.

A distinct characteristic of Duspara’s is that he is a right-wing politician able to secure the support of some SDP voters, in situations when the alternative is HDZ. Furthermore, there is an unbreakable identity bond between Duspara and a large part of the electorate – Croats that emigrated from Bosnia and settled in peripheral parts of Slavonski Brod. Precisely these parts of the city were targeted areas of infrastructural investments - in part justifiably so, due to a sudden influx of people. It seems that the votes of these two groups of voters ensured Duspara’s victories. A more detailed analysis of results in 2013 lead to several interesting conclusions. In the first round of these elections Duspara as candidate for mayor won over 2,500 votes more than his independent list for city council. Both Duspara and Jelić, his rival from HDZ, managed to mobilize a significant number of voters between the two rounds. Namely, each won 4,000 new votes, and 2,500 more voters turned out. The turnout increased from 40.7% in the first to 45.2% in the second round. About 1,500 voters who voted for another candidate in the first round, opted for Duspara in the second. We can assume that at least a part of the 3,500 voters who voted for the SDP candidate in the first round, chose Duspara in the second. It seems that their votes were key in securing his mandates.

Furthermore, Mirko Duspara is originally from Derventa, a town in Bosnia-Herzegovina, close to the border with Croatia, and only 30 km from Slavonski Brod. Therein lies the unbreakable identity bond between him and immigrants from across the Sava river. They are also part of the group gathered in his NGO, now party. An analysis of election results by polling station supports this hypothesis. Namely, in one of the areas of Slavonski Brod which was virtually uninhabited prior to 1992, Duspara won far more votes than in other parts of the city. In the second round Duspara won 53.26% of all votes, yet in the three polling stations in the above mentioned area his results were 63%, 64% and 79% of the votes.

The respondents also spoke about this identity bond:

*Origin plays a part too. You know that many people settled in Slavonski Brod from Bosnia. The mayor originated from Derventa, so these populist moves that he does, they certainly helped him.*

*(journalist 3)*

*He is originally from Bosnia, many people from Bosnia live here... Many came*

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250 See: http://www.izbori.hr/2013Lokalni/rezult/informacija/Z12_BRODSKO_POSAVSKA_ZUPANIJA.pdf

251 https://registri.uprava.hr/#/stranke; ime stranke: Mirko Duspara – Nezavisna lista

252 See: http://www.izbori.hr/2013Lokalni/rezult/krug-2/rezultati.html - results by polling station
As an independent candidate, Duspara draws a part of voter support from clashing with mainstream political parties. Namely, trust in dominant parties is extremely low, and there is a general feeling of hostility towards parties and political authority. Thus, an independent position contributes to his success, especially because, generally speaking, he is not viewed to be corrupt nor abusing power. He has not been indicted either, and the City makes sure to systematically proactively publish official documents on its web page. Thus, Slavonski Brod is highly ranked in research on transparency, e.g. for five years in a row the City was praised by the Institute for Public Finance in its open budget research\(^{253}\). Additionally, the coalition with SDP did not harm his image as a right-wing politician, while his clashes with HDZ have been perceived as fighting corruption.

\(^{253}\) http://www.ijf.hr/transparentnost/gradovi/

Duspara is not really facing serious scandals concerning his governance. Despite rumours, investigations, and inspections, there is nothing so far that can seriously endanger his position. All his decisions that have been questioned in public seem to be based on formal rules and have been made in accordance with the proscribed procedures.

\[\text{[on political competition] \ldots his [Duspara's] competition is that criminal Zdravko Sočković, notorious criminal, local HDZ chief for the past 20 years... On the other side, there's SDP – a swindler. In such a constellation – criminals on one side and swindlers on the other, and if you already have an image that you are not a thief...}\]

\[\text{(journalist 1)}\]

\[\text{The mayor is quite popular in town, I have to admit that... by inertia people vote for the same people, because the mayor solved the Korčula problem successfully...}\]

\[\text{(journalist 3)}\]

\[\text{During the war and inhabited the suburbs which had no water supply, sewage system, electricity or asphalt... He built these areas and secured votes... he controls the ring around the city centre.}\]

\[\text{(politician 1)}\]

\[\text{Regardless of which option they belong to... they vote for him... because he is theirs, Bosnian, Mirko. And he favours them.}\]

\[\text{(local civil servant 2)}\]

\[\text{Regardless of which option they belong to... they vote for him... because he is theirs, Bosnian, Mirko. And he favours them.}\]

\[\text{(local civil servant 2)}\]

\[\text{Precisely because of what Ankica is saying, because we have daily controls here, we work according to what the Law and to what the good Lord says – that's the only thing that can save you in this.}\]

\[\text{(Mirko Duspara)}\]

\[\text{[in reference to the Korčula case] Not only from the judiciary, people shook my hand, stating I was the only one who had ever done something like this... I shook up the judiciary, I overturned the ruling of the Supreme Court, and all other courts [in Constitutional court]}\]

\[\text{(Majetić: We are constantly under the microscope of the State’s attorney office. Nothing has ever happened here without the state attorney seeking documentation... because the mayor is neither HDZ’s nor SDP’s)}\]

\[\text{Precisely because of what Ankica is saying, because we have daily controls here, we work according to what the Law and to what the good Lord says – that's the only thing that can save you in this.}\]

\[\text{(Mirko Duspara)}\]
Duspara is not only independent from mainstream parties, but as his slogans say: he is *One of us* and *Alone, against everybody,* and he builds this image with the assistance of PR companies:

> During campaigns he frequently engages renowned PR companies to help him, last time it was Mr. Macan, he organized his campaign…

(journalist 3)

> Today, you can do anything if you have money... the strongest PR companies, from Macan onwards, just name it, whatever you want... Everything is legal, just the decision needs to be made.

(entrepreneur 1)

Duspara takes on the responsibility for the entire city and solves individual citizen’s problems. He is omnipresent in the city – he lives with it, knows every street, hole and pole. As long as the problems are within the scope of communal infrastructure, Duspara solves them:

> Duspara has a virtue that no one else in the city has – he walked the entire city on foot, he knows every little street, every house, every hole in the asphalt... and when those grandmas call on the radio and ask about something, he says, is it by this and this house... He talks to them like they are neighbours, like they are friends.

(journalist 1)

Duspara’s distinct style is additionally depicted in one of his most visible affairs – that involving the PR company Moira. Truthfully responding to a question posed by a city councillor, Duspara stated that 58,000 kuna (8,000 EUR) of public funds were spent in order to secure a two pager in the national weekly *Globus,* and a weekly show on the national public TV that reported on the Korčula case. He added that the daily political talk show on national public TV still had not aired, because of other important issues taking place nationally.254

The results of Duspara’s governance are tangible. Many respondents emphasized that the city has been given a face-lift. Additionally, there are measures that citizens assess very positively: free public transport for pensioners, scholarships for university students, the city’s cash register where they can pay bills without transaction costs:

> The kindergarten was built, and there’s a contract for the construction of a new one... The communal policy gets a positive assessment – things are getting done, 150 roundabouts were built... Swimming pools, underpasses... when he leaves he will be able to brag about his results, but it’s hard to say if the city as a whole is advancing.

(journalist 3)

> Generally, cities and municipalities come down to communal policy. All mayors are trying to win elections on small projects... they usually fail on big ones.

(politician 1)

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254 TV report on the affair (includes a video response to councilors question)
https://www.youtube.com/watch?v=UlK68lAZ1wg
Factors Contributing to Duspara’s Continuous Governance in the City of Slavonski Brod

In the concluding part of this case study we attempt to answer a rather complex question – how did Mirko Duspara succeed in maintaining his position of power in different political circumstances. It would seem that, in his case, stable voter support played a more important role than formal and informal capture mechanisms, although these two elements are intertwined.

Indisputably, Duspara has a strong political instinct, a capacity to assess adequately the political timing for the decisions that enabled his political rise, although they could have, just as well, ended his political career. His refusal to make a deal with the plaintiffs in the Korčula resort case, meant that his political partner, HDZ, resented him strongly. It also meant that he took on an uncertain legal battle worth millions of kuna. Both could have proven detrimental, even fatal, to Duspara’s political career, but his assessment that the voters would reward his defying HDZ and that he had a chance in court proved right. Without hesitation, Duspara took on a much stronger political opponent that was at the time backed by the national level government, and won. This was the first formative element.

The second was his assessment that he could afford to engage in internal party disputes, despite the possible instability of his position in Slavonski Brod. HSP kicked him out and brought down the majority in the City Council. Yet again, Duspara’s assessment was correct – he became an independent mayor. The story of his political ascent contributed to his anti-establishment image. His communication style and
his behaviour as well as the road he chose in politics all depict a picture of a politician that has more in common with ordinary people, then with the political elite, of which he is most certainly part.

Duspara’s independence and distinctiveness is visible also in his governance style. He runs the city without the ballast of party expectations and needs of the rank-and-file. In his NGO, and later in his party (literally his, as it bears his name), he gathered a narrow circle of people, who are a pool of vassals he can always dip into. Yet, very few of them are the ones he completely trusts. All the rest are treated as expendables – useful in a certain moment.

Furthermore, it seems that the political opposition’s weakness is also a contributing factor. The left, SDP, became a surprising coalition partner to Duspara. The local SDP has an image as Duspara’s junior partner with rather frugal appetites, and is not in any way a threat to Duspara. The right opposition, HDZ, is marked locally by the Korčula case, at the county level by Sočković symbolizing a clientelistic network, and Sanader at the national level. It was not until 2013 that HDZ managed to produce a good enough candidate, but Jelić only succeeded in making Duspara run in the second round. Smaller political parties locally have, with time, lost their momentum – the number of parties and lists passing the electoral threshold decreased, as has the number of parties represented in the city council. In the last elections, only three lists passed (Duspara’s, SDP’s, and the HDZ-led coalition list). In such a political context Duspara is perceived by the voters as a better choice than HDZ or SDP – or in the words of one of our respondents, “criminals” and “swindlers” respectively.

At the same time, other independent candidates are not able to pass the threshold, nor have we identified any possible source of grassroots resistance. Active civil society organisations are mostly focused on humanitarian issues and social service delivery, and are few in numbers. The watchdog arena, reserved for civil society in democratic systems is barren in the case of Slavonski Brod. The only visible citizens’ initiative is one focused on the issue of air pollution, but it speaks only to national level government, since their focus is a cross-border issue involving a refinery in Bosanski Brod, across the Sava river. A problem identified by CSO representatives in Slavonski Brod is also the widespread practice of local media charging organizations for reporting on their activities.

Slavonski Brod is transparent when it comes to finances, the mayor is available to the media, and citizens are informed about what is going on in the city administration. It sounds ideal, yet, it needs to be pointed out that this is also a means of self-promotion at the expense of taxpayers (billboards, radio show, newsletter, financing of local media). It seems that Duspara is aware of his ambivalent relationship with the media. Namely, in answering a councillor’s question on using public funds for newspaper coverage and appearing on national public TV he stated: This is my promotion and self-promotion.

Opposing HDZ and the image of the protector of public interest enabled Duspara to ensure a one-off political support of the voters on the left of the spectrum, in specific circumstances – the second round of direct elections. Additionally, he has a faithful electorate in immigrants from Bosnia who are entangled in his (para-)political structures, benefiting from communal construction works. Furthermore, the wider support comes from his focus on reconstructing the city. In the latter sense, Duspara’s results are visible, tangible, and indisputable. His stake in each new election campaign is a list of objects built and reconstructed infrastructure. Even those who oppose him, do not deny results achieved by allocating resources to improve the outlook of the city. The ones that are more critical question such allocations due to the lack of any type of policy formulation processes, including the city’s longer term development policy.

According to our respondents, it is particularly difficult to present to the voters the potential benefits of a
different approach to resource allocation, based on the participatory design of local developmental policies. Politics as understood and implemented by Duspara evidently wins voter support, but a big question is whether it has the capacity to adequately respond to the key issues of this local community – a shortage of employment opportunities, lack of sustainable economic activities and a relatively low living standard.
CONCLUSIONS AND RECOMMENDATIONS
This study has attempted to validate for the most part already publicly available information, by means of a combination of research methods, and place them into a theoretical framework, which, in our view, also provides an insight into the outcomes of the practices examined. Although the study was primarily focused on actors and mechanisms of capture identified in the localities, and not with the direct, specific, effects of capture in the chosen localities, the analysis suggests that capture produces numerous negative outcomes. These range from creating new or widening existing inequalities (access to jobs, access to business opportunities, possibilities of self-actualization), through generating a sense of inability and pointlessness of public action all the way to political apathy and disinterest in politics on the part of citizens. On its own, each of these elements has a negative effect on the political and social development of local communities, while their combined effects are seriously detrimental to the further development of democracy.

Furthermore, some sets of measures implemented have positive effects (e.g. social policy measures), but at the same time serve to divert attention from the fact that in other policy areas, within power networks, transactions of much higher value and more valuable resources take place, producing long-term negative effects. Thus, the positive effects of such sets of measures do not decrease the longer-term negative effects of local state capture on the part of power networks. They also, of course, help to ensure the re-election of those who promote particularistic interests.

Referring to the theoretical concepts presented in the Introduction, this part of the study attempts to address the research questions pertaining to similarities and differences between localities – despite the limitations of the methodology – along with the extent to which citizens are aware of and interested in local state capture and the capacities of potential “points of resistance” to local state capture.

Starting from the concept of the *continuum of capture*, we can conclude that each of our localities can be found somewhere along the imagined continuum, albeit that the position of each depends on the nature and amount of resources available as well as the specific mechanisms in question. Namely, the research suggests that the more resources there are the larger the scale of capture. At the same time, the higher the value of the captured resources the lower the number of captors. An example for the former is the County of Istria, and its larger scale of capture, while the latter is confirmed by the commercial value of the cultural legacy in Dubrovnik or public sector employment in Slavonski Brod, given its scarcity.

Moreover, it seems that some areas of capture, as well as the power networks involved, are more porous than others. Thus, benefits of lesser value – *peripheral benefits* – are open to a larger number of actors (e.g. construction works of relatively small value), including “ordinary” citizens (e.g. benefits stemming from social policy measures). Conversely, benefits with a higher “return on investment” are considerably less open and are generally “reserved” for the tightest group within power networks (e.g. large pieces of valuable spaces in Zagreb, Muzil in Pula or Srđ in Dubrovnik). As the examples suggest, this tightest group operates at diverse scales, locally, nationally and internationally.

What are the key similarities between localities? The research identified several policy areas prone to capture in all of them. These include spatial planning policies, public construction works, employment and appointments and social policy measures. Each of these areas has specific functions, including securing political support of other political options. Of course, as noted above, social policy measures need to be treated with caution, and need not be problematic *per se* but only insofar as they enable particularistic interests to survive within normal electoral processes.

**Employment and appointments to management boards** serve a threefold function: it **controls and**
expands the network, it distributes resources and increases chances of re-election. Different mechanisms are put in place, including “inventing” jobs, appointments into managerial or supervisory bodies of public institutions or public companies as well as founding new public companies/institutions to be filled by “appropriate” personnel. Additionally, in Slavonski Brod two specific mechanisms have been identified: appointments of two managing directors in each public company and ad hoc changes to job descriptions. The latter serves the function of disciplining “rebels”. Employment and appointment policies on the part of local authorities is the most robust result of our research, since it has been mentioned as a mechanism by almost all respondents, barring politicians in power. Additionally, a number of focus group participants also emphasized this practice as a negative trait, including, interestingly, those voting for the current mayors.

Spatial planning, although present to a lesser extent in Slavonski Brod, has the function of increasing the quantity and value of resources by changing spatial plans and the designated purpose of particular plots of land, in order to gain significant profit. Confirmations of this are especially evident in Dubrovnik and Istria, where narratives of changes to spatial planning and related investments include international capital with ties to international politics.

Public construction works have a threefold function: they increase and widen the resources of the network, they control members of the network and they increase the chances of re-election. Through them, the appetites of construction entrepreneurs connected to local politicians are satisfied, with frequently mentioned elements of “insider trading” and breaking up the value of the works. However, different authorities use different approaches to actors in these networks. In Istria, the motto is “a little to everyone”, thus distributing economic benefits to a relatively wide circle of entrepreneurs. In Zagreb and in Dubrovnik, the circle is much smaller and depends on who holds political power at any given moment. Concerning the function of increasing the chances for re-election, construction works are, for the most part “cosmetic” in nature, and carried out usually just before local elections. Examples include the micro asphalt surface treatment of Dubrovnik’s public roads and speedy “patching” of minor deficiencies, either called for directly by citizens or noticed by politicians themselves (walkways, public lighting, partial road reconstruction) in Zagreb and Slavonski Brod.

Social policy measures primarily serve the function of increasing chances for re-election, through a careful building of an image based on social sensitivity. They in fact serve as a means of attracting voter support, especially in Zagreb, Dubrovnik and Slavonski Brod. Again, it is important to emphasize that in principle, insisting on social policy measures is not negative per se. However, the design and implementation of these measures in all localities (with minor exceptions in Zagreb) is carried out without a thought-through strategy or clearly defined target groups (e.g. free textbooks for all children, subsidies for flights or toll fees for everyone travelling, etc.). Additionally, the measures are not aimed at the causes of social deprivation (to the extent possible, given the socio-economic framework in which they operate), but are an attempt to deal with the consequences in an ad hoc manner, which corroborates the hypothesis that capture can also take the form of authorities deciding not to decide or not having a public policy with clearly defined goals, measures and expected outcomes, thereby paralleling many processes at central level, of course.

The similarities in policy areas and mechanisms of capture suggest that the functions of power networks (increasing and widening the scale of captured resources, control over the network, increasing chances for re-election) are achieved in all localities in the same broad policy areas. However, the policy areas, as well as specific practices can vary, depending on resources available and the local political context. Given that these mechanisms have been identified in areas where neither HDZ nor SDP are in power,
we can assume that in areas where mayors or prefects come from these parties, thus enjoying direct support from the national level, the mechanisms and practices are used on an even larger scale, since they are backed up by legal and institutional frameworks. The latter is corroborated by the fact that such practices are indeed developed in interaction with the leading national parties, as elaborated further in the text. In other words, although the case studies do not allow for generalizations, based on the results of our research a hypothesis that capture is happening all over the country can be formed. Furthermore, many of the identified practices do not represent a breach of legal norms, which, at least in part, explains the lack of serious and systemic attempts to restructure the country territorially. Namely, an “enabling” legal environment which makes possible a “constant restructuring of institutional practices”\textsuperscript{255} and their improvement and adaptation to local contexts can also be interpreted as a means to maintain the \textit{status quo}, which facilitates power networks’ maintaining their position and status, thus increasing the amount of resources at their disposal. One should not forget that the power of the network largely stems from the value of the resources it controls, while the potential to increase that value in the future is a powerful motivation to uphold the \textit{status quo}.

The research has confirmed the assumption of the local context being the key factor influencing which policy areas and types of resources will be captured, which types of networks will emerge and which type of relationship between political and economic elites will develop. Furthermore, the local context determines the type of relationship with the national level government (i.e. HDZ or SDP). Namely, the study has made visible the \textit{invisible hand of the political market} in all localities, although the modalities of “political trading” between local and national levels are highly contextualized. Thus, IDS “trades” both with HDZ and SDP, justifying such an approach by the need to implement projects important to the inhabitants of Istria, regardless of ideological differences. At the same time, IDS strives to preserve its image as the protector of regionalism and the Istrian identity. On the other hand, Milan Bandić “trades” primarily with HDZ at the national level, by providing political support to HDZ in the Croatian parliament, but also by employing HDZ’s rank-and-file in city owned companies he controls. Mirko Duspara, on the other hand, “trades” primarily with SDP, since his political carrier took off once he established himself as an antipode to HDZ. He ensures employment for local level SDP members and provides implicit support to SDP in national elections. Andro Vlahušić uses the deal between SDP and HNS nationally, where his party – when they are the junior ruling coalition partner – controls those ministries important for “heavy-duty” projects that Vlahušić implements locally. The flip side of this coin, i.e. the support Vlahušić receives from HNS and SDP can be interpreted as a wish on part of the left-liberal coalition to politically control Dubrovnik, given the size of its budget, its reputation globally, but also the projects planned for the future.

Furthermore, the common elements identified in all localities fall under the denominator of \textit{captured control mechanisms} – the political opposition, the media and civil society. The weakness of the political opposition is again highly contextualized. Thus, in the County of Istria HDZ is weak, as they cannot secure support for their ideology in that part of the country. On the other hand, SDP, although ideologically close to most of the voters, falls short in terms of Istrian identity. Additionally, SDP has not invested resources in order to systematically build capacities of its local branches in Istria. In Dubrovnik and Slavonski Brod, as places that were controlled by HDZ for a long time, voters decided to bring down the corrupt practices of HDZ through options more in line with their ideological preferences. Thus, they elected Vlahušić and Duspara, respectively. The weakness of the opposition in Dubrovnik is evident from the emergence of the “Dubrovnik Agreement”, through which the opposition agreed to Vlahušić’s projects.

To what extent these attitudes are historically and culturally conditioned is an issue that this report has not addressed. The authors would like to thank Dr. Tea Škokić for pointing out this aspect of capture resilience.

CONCLUSIONS AND RECOMMENDATIONS

(primarily the spatial plan necessary for the golf-resort on Srđ) in exchange for appointments to managerial and supervisory bodies of city-owned institutions and companies. In Slavonski Brod, the weakness of the SDP is evident through its coalition with an extreme right candidate, in exchange for the party’s subsistence in an area dominated by right-wing political options. Finally, in Zagreb, the weakness of the opposition manifests itself in a lack of strong candidates from both HDZ and SDP, where additionally, SDP proved itself incapable of admitting its mistake of politically backing Bandić until 2009. Thus, it failed to mobilize and motivate its voters to defeat Bandić politically, although many voters in Zagreb are ideologically close to (at least the idea of) social democracy.

In the local media, their silence, self-censorship or eulogies for those in power is ensured primarily by their dependence on public financing - either through local budgets or the budgets of locally owned public companies. This type of financing leads to a patron-client relationship, effectively disabling the media and journalists from working in the public interest. Additionally, in Zagreb, Slavonski Brod, and especially in Istria, the research detected intertwined relations between media ownership and political and economic elites.

Civil society initiatives in the function of controlling the government are relatively weak and sporadic, with the exception of Zagreb, where most organizations are focused on the national level of governance. On the other side of this spectrum is Slavonski Brod, where such initiatives are almost non-existent. In Dubrovnik and in Istria, the few that are critical towards their local governments tend to be ignored, silenced, publicly shamed or disciplined through withdrawing financial support or office space.

In relation to citizens, the research showed that a significant part of them are aware of the mechanisms leading to capture, but that they consider them to be part of the “normal” and sometimes even “expected” behaviour of politicians. Namely, the starting point for most citizens is that politicians are corrupt. Thus, given that their integrity is not the differentia specifica on the basis of which they can make political choices, they seek an alternative point of difference among candidates. In our cases, citizens in elections opted for powerful, charismatic leaders with strong political instincts who build their image as “benefactors”.

Those citizens that vote for current political leaders in our localities offer interesting rationalizations of their choices: from “they are all the same, so we elect our own” (Istria), through “they all steal, but the mayor at least does something” (Zagreb) to accusations of smear campaigns on part of their political opponents (Dubrovnik and Slavonski Brod). Since the dominant position is that political corruption is the starting point of Croatian politics, then voting for a “benefactor” creating multiple patron-client relationships is not a problem. It is precisely in the latter where the biggest danger to democracy lies - failure to “punish” the lack of political accountability in elections means that the key mechanism of representative democracy has been lost - the control and eventual political “punishment” of the governing by the governed, i.e. citizens.

Such attitudes and voter behaviour, on the other hand, work well for power networks, as do the low levels of political knowledge and interest, and the high levels of apathy and short-term self-interest, which were also identified in the course of this research. The latter is especially true of young citizens, and to an extent among those in the middle-age group, which suggests that these power networks have been successful in turning citizens into mere consumers of public services, satisfied with “crumbs” in terms of material benefits, such as social services or rent-seeking, which deters questioning or criticising the actions of government.

256 To what extent these attitudes are historically and culturally conditioned is an issue that this report has not addressed. The authors would like to thank Dr. Tea Škokić for pointing out this aspect of capture resilience.
Furthermore, lack of interest and voter apathy suit power networks, since the lower the turnout at elections the higher their chances of electoral success. Electoral success, in turn, ensures the maintenance and spreading of the network. What also contributes are the decisions of parts of the judicial system, which by making contradictory judgements in cases of prosecuting political corruption, with many acquittals often on ‘technical’ grounds, additionally confuses the citizens and undermines their trust in the system, further increasing the political apathy of voters. Thus, an important empirical question for further research would be the role of the judiciary, including lawyers, and the level of their involvement in networks producing capture.

Given the detected apathy and lack of interest of citizens and captured control mechanisms, the points of resistance to local state capture seem relatively weak, yet with a potential to be strengthened. As a form of contribution to this strengthening, below we offer two directions of possible action, to take place simultaneously.

The first involves changes in the normative framework, which is currently mostly enabling of state capture. It is precisely the legal framework that contributes to the further development and sustainability of informal practices. The end result of such a framework undermines the declared purpose of suggested measures and normative solutions. At the same time, one should bear in mind that, given the flexibility of power networks, the end result of normative changes might be reduced to merely increasing the transaction costs of capture. Nonetheless, this risk does not decrease the necessity of these changes taking place. Indeed, as was pointed out in the validation workshop, if all the suggestions regarding normative changes were implemented simultaneously, they would represent a revolutionary shock to the status quo. Thus, it seems that insisting on simultaneous changes to the legal framework needs to become the primary advocacy goal of actors working towards improving the system and quality of (local) public governance.

Our recommendations include (but are not limited to):

- decreasing the amount and level of authority and discretionary decision-making powers on the part of elected mayors/county prefects by means of:
  - balancing the levels of authority between executive and legislative branches in local and regional self-government units;
  - decreasing the value of resources independently disposed of on the part of the executive;
- proscribing identical job descriptions and job requirements for civil servant positions in local authorities and annulment of the authority of executive functions to independently define the numbers of positions and job requirements in the local administration;
- proscribing public calls for positions in public companies owned by local authorities, with strict adherence to the principle of meritocracy for employment;
- annuling the authority of mayors and county prefects to directly appoint members of management and/or supervisory bodies of locally owned companies;
- democratisation of managerial and supervisory bodies of public institutions and publicly owned companies by means of changing the Founding Acts, to include:
  - proscribing that these appointments are based on public calls for persons with adequate competencies for those functions;
  - proscribing a multi-sectoral composition of these bodies, including representatives of political options represented in local/regional assemblies as well as the interested public – the academic community,

The authors are grateful to dr. Eric Gordy for this suggestion.
CONCLUSIONS AND RECOMMENDATIONS

professional associations, trades’ unions, the local business community and civil society;
• proscribing an obligation for an independent needs assessment prior to founding new public compa-
nies/agencies; the assessment should clearly identify that no similar public company/agency with over-
lapping competencies already exists at the level of local/regional self-government;
• restricting the number of mandates for direct elections of executive positions, in line with the restrictions
imposed on the other directly elected function - that of the President of the Republic;
• proscribing the incompatibility of functions of mayors and members of parliament;
• proscribing the incompatibility of holding public office for persons found guilty of abuse of power and/or
political corruption, until the period of rehabilitation has expired;
• annulment of the Law on Strategic Investments in the Republic of Croatia;
• proscribing transparent procedures and criteria for financing local media from local budgets, and intro-
ducing independent multi-stakeholder commissions deciding on funding;
• strong institutional support and protection mechanisms for whistleblowers in cases of abuse of power
and/or political corruption;
• less restrictive provisions concerning referenda initiated by citizens at the local level, as a means of
challenging executive decisions;
• stronger sanctioning of insider trading with political information (e.g. information on planned changes to
spatial planning policy or planned new legislation), benefitting bearers of political functions and connect-
ed persons, in line with those proscribed for insider trading offences in stock markets;
• an analysis and identification of other normative solutions conducive to capture, which have not been
detected through this research.

Besides changing the legal framework, broader social engagement is also necessary, and should include
at least the following:

• Continuation and widening the scope and depth of activities aiming to increase the level of political
culture among citizens. The key role in this regard must be taken on by the education system, with the
support of organized civil society and through expanding the few existing, yet very important, indepen-
dent (non-profit) media outlets;
• Introducing the practice of systemic transfer of information and, where possible, engaging in joint activi-
ties between activists and investigative journalists, with the aim of recognizing practices of capture and
mobilizing citizens to stand up against such practices;
• Strengthening the capacities and increasing the autonomy of local initiatives resisting practices leading
to capture. This includes technical assistance and logistical support of organized civil society with proven
capacities for social change to local initiatives and working on developing philanthropy among citizens
and SMEs – the losers of capture.
APPENDIX 1 – DESCRIPTIONS OF INTERVIEWEES
## The County of Istria

1. active citizen 1 – former journalist, following and regularly commenting on cultural and political occurrences in Istria  
2. active citizen 2 – follows issues of governance quality nationally and in Istria  
3. journalist-activist – experienced journalist and CSO activist – follows governance issues in Istria  
4. journalist 1 – experienced Istrian journalist – follows issues of governance quality in Istria  
5. journalist 2 – journalist and editor of a local portal in Istria – amongst other topics follows governance quality in Istria  
6. politician 1 – one of IDS leaders, holding executive office  
7. politician 2 – representative of IDS coalition partner locally in the current mandate  
8. politician 3 – one of IDS leaders, holding executive office  
9. politician 4 – opposition councillor in one local council in the current mandate  
10. politician 5 – opposition councillor in the Assembly of the County in the current mandate  
11. politician 6 – one of IDS leaders, holding a managerial position in one of Istrian cities  
12. academic 1 – works at the University of Pula  
13. academic 2 – works at the University of Pula  
14. civil society representative 1 – follows local policies and the quality of governance in Istria  
15. civil society representative 2 – active in the area of participatory democracy in urban planning

## The City of Zagreb

16. researcher – studies public good management policies in Croatia and abroad  
17. local civil servant 1 – has a mid-management position in one of the City’s offices in Zagreb  
18. local civil servant 2 – held a number of top management positions in various City offices in Zagreb  
19. local civil servant 3 – held a position at Zagreb Holding and in one of the City’s offices in Zagreb  
20. journalist 1 – experienced journalist in a national daily; follows Zagreb regularly  
21. journalist 2 – experienced investigative journalist, wrote for numerous dailies and weeklies, follows quality of governance issues in Zagreb regularly  
22. politician 1 – local councillor in Zagreb Assembly in 2009 and 2013 mandates  
23. politician 2 – local councillor in Zagreb Assembly in the current mandate  
24. politician 3 – local councillor in Zagreb Assembly in the current mandate  
25. civil society representative – active on issues of quality of local governance in Croatia  
26. Milan Bandić – mayor of Zagreb

## The City of Dubrovnik

27. journalist 1 – experienced journalist and editor, follows economy and governance issues in Dubrovnik  
28. journalist 2 – experienced journalist and editor in a local electronic media outlet – follows culture and local politics
# The City of Slavonski Brod

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>29.</td>
<td>journalist 3 – works on a local internet news portal, follows local and national politics</td>
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<tr>
<td>30.</td>
<td>local civil servant - manager in one of the public companies</td>
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<tr>
<td>32.</td>
<td>politician 2 – former mayor of Dubrovnik</td>
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<tr>
<td>33.</td>
<td>politician 3 – former deputy mayor of Dubrovnik</td>
</tr>
<tr>
<td>34.</td>
<td>academic 1 – works at Dubrovnik University</td>
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<tr>
<td>35.</td>
<td>academic 2 – secretary general of a higher education institution in Dubrovnik</td>
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<tr>
<td>36.</td>
<td>civil society representative 1 – works in culture and arts</td>
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<tr>
<td>37.</td>
<td>civil society representative 2 – works in social service delivery</td>
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<tr>
<td>38.</td>
<td>civil society representative 3 – works in environmental protection</td>
</tr>
<tr>
<td>39.</td>
<td>civil society representative 4 – works in culture and arts</td>
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<tr>
<td>40.</td>
<td>civil society representative 5 – activist in Srđ is ours! initiative</td>
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<tr>
<td>41.</td>
<td>entrepreneur 1 – representative of a professional organization</td>
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<tr>
<td>42.</td>
<td>entrepreneur 2 – experienced manager and consultant in tourism</td>
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<tr>
<td>43.</td>
<td>entrepreneur 3 - representative of a professional organization</td>
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<tr>
<td>44.</td>
<td>Andro Vlahušić, mayor of Dubrovnik</td>
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<tr>
<td>45.</td>
<td>politician 1 – representative of a coalition partner, member of local council in current mandate</td>
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<tr>
<td>46.</td>
<td>politician 2 – representative of the opposition, a veteran of local politics</td>
</tr>
<tr>
<td>47.</td>
<td>politician 3 – representative of the opposition</td>
</tr>
<tr>
<td>48.</td>
<td>politician 4 – representative of the opposition, was not elected in the current mandate</td>
</tr>
<tr>
<td>49.</td>
<td>entrepreneur – local entrepreneur</td>
</tr>
<tr>
<td>50.</td>
<td>journalist 1 – local journalist and editor, follows local politics</td>
</tr>
<tr>
<td>51.</td>
<td>journalist 2 – editor of a local non-profit internet portal</td>
</tr>
<tr>
<td>52.</td>
<td>journalist 3 – local journalist, follows local politics</td>
</tr>
<tr>
<td>53.</td>
<td>local civil servant 1 – local civil servant</td>
</tr>
<tr>
<td>54.</td>
<td>local civil servant 2 – former local civil servant</td>
</tr>
<tr>
<td>55.</td>
<td>Mirko Duspara – mayor of Slavonski Brod, together with Ankica Majetić, Head of City Department for Economy</td>
</tr>
</tbody>
</table>

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Institute for Ethnology and Folklore Research, Zagreb

GONG’s research team, together with prof. Berto Šalaj (Faculty of Political Science, Zagreb University), Paul Stubbs, PhD (The Institute of Economics) and prof. Sima Zrinskić (Faculty of Law, Zagreb University) conducted research on the practices and quality of governance in Zagreb, Slavonski Brod and Dubrovnik, and the County of Istria. These local government units were chosen as examples to explain the concept of the local state intertwined by political, economic and social relationships. Analysing those relationships is crucial to understanding the political phenomenon of state capture as well as to identifying the formal and informal practices which perpetuate capture.

The case studies point to at least two aspects of local governance in contemporary Croatia. Firstly, the continuous renewal and maintaining the position of political power on the basis of a wide network of horizontally and vertically intertwined interests. Secondly, the case studies pinpoint the “grey zone” in which key political actors operate while disposing with local resources, identifying the “grey zone” in the sphere of illegitimate and informal, rather than illegal and formal. Namely, navigating between formal and informal norms, rules and practices, individuals or groups in power or close to it, ensure their political longevity, attain private benefits and satisfy their own, particular interests, thus capturing the public interest and public resources. Hence, the specific value of this applied research is its focus on capture as a specific form of a “system error” of the local state, often registered neither by the media, nor by the judiciary, nor among activists and the electorate.

The focus on the local level, accompanied by a remarkable methodological triangulation, resulted in insights of the, thus far, unexplored formal and informal state capture mechanisms in Croatia. The descriptions of mechanisms, gathered primarily through interviews and focus group discussions, provide an answer as to how voter support and political longevity is ensured. Furthermore, the descriptions are an explanation as to why the synergistic relationship between administrative and political capture is deeply rooted in the cultural matrix and socially acceptable behaviour in Croatia.

(excerpt from the review)

Eric Gordy, PhD.
School of Slavonic and East European Studies, University College London

The principal methodological contribution of this study is to provide depth in places where much of the existing literature provides breadth. Adding to a body of quantitative studies that compare state capture on the top level of the state globally, here rich insight is offered into the processes of policy (mis)direction at the local level. This is a meaningful application of the principle that research should focus not only on broad processes but also on the details of how these processes work.

This study offers insight into the operation of particularistic interests in a way that is both theoretically innovative, and which opens the door to focus on heretofore unexplored levels of analysis. The focus on local government provides a substantive contribution in the sense that the local level is often underrepresented in a body of research that tends to concentrate on state-level decision-making, while much of the activity that concretely affects the lives of citizens (such as regulation of property and trade) in fact takes place at this level.

The study also meaningfully enriches understandings of «network capital», permitting it to be viewed in the context of multiple networks which sometimes overlap or compete with one another. Taking local government in Croatia as an example, it provides a framework and strategies of analysis that are transferrable to cognate cases both in the region and internationally.

(excerpt from the review)