

5 Croatia

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INTRODUCTION

This chapter covers 16 years of turbulence, with independence, war and destruction, mass forced migration and associated demographic change, and semi-authoritarian nationalist populism, followed by a kind of democratic catharsis and a delayed but now rapid Europeanization, in which Croatia has moved from a somewhat isolated and embattled semi-state into being a consolidated democracy. In this time, the ground upon which social policy operates and has effects has become much more fragmented and contradictory. Successive waves of reforms, and the presence and influence of different kinds of international actors always, of course, working in implicit or explicit alliance with national forces, have produced a kind of uneven welfare patchwork.

We explore contemporary Croatian social policy as a complex product of four historical processes/legacies and ideational frameworks/policy spaces which, while analytically separable, do, of course, contain overlaps, continuities and contradictions. The first is the longer-term legacy of a quite specific combination of Austro-Hungarian Bismarckian and Yugoslav Communist social policy which we address in brief. The second is the no less specific combination of independence, war, authoritarian nationalism with a democratic coating, and humanitarianism in a complex political emergency in a developed society in Europe in the first half of the 1990s. The third is the rather delayed and somewhat highly mediated period of attempts at 'structural adjustment' associated with neo-liberal globalization and, in particular, the influence of the World Bank and the International Monetary Fund. The fourth is the even more delayed process of Europeanization, in the context of democratic change, and, in particular, the emerging disciplinary impacts of the EU accession process.

Four aspects of the pre-1991 legacy are important for our purposes here. The first is Croatia's inclusion within a Bismarckian social insurance model and health-care system at the end of the nineteenth century, enjoying benefits on a par with those elsewhere in the Austro-Hungarian Empire (Belicza and Szabo, 2000; Puljiz, 2005). The second, as noted by a number

of authors on former Yugoslav states in this collection, is the long-standing legacy, since the 1950s, of professional social work education within the universities and, slightly later, the universal establishment of Centres for Social Work, regulated by law from 1961 and tasked with 'analysing social problems in the municipality, suggesting measures to solve them, undertaking professional guardianship work and solving other social problems' (Šučur, 2003: 8). Third, the advent of socialist self-managed introduced a high degree of decentralization and some tokenistic efforts towards participatory democratic control of social welfare. Fourth, in the context of crisis in the 1980s, new kinds of social movements and autonomous actors, notably women's organizations, began to claim a certain space for alternative forms of welfare activism and service delivery. The nature of this legacy differed considerably from the more limited attention to social problems in those states under the Soviet sphere of influence. Indeed, its success over many years is relevant in terms of the perception of a successful, well-developed system rather more than the converse side, which is its deep conservatism and overemphasis on professional power.

SOCIAL WELFARE IN THE CONTEXT OF WAR AND INDEPENDENCE: HUMANITARIANISM AND 'NEW WELFARE PARALLELISM'

Following Croatia's declaration of independence, war broke out in 1991 between a makeshift Croatian defence force, on the one side, and the Yugoslav People's Army, rebel Serbs in a self-declared Independent Republic of Krajina and various paramilitary groupings, on the other. The war, seen most dramatically internationally in the shelling of Dubrovnik and siege of Vukovar in late 1991, affected directly 56 per cent of Croatian territory with, at one time, 26 per cent of the country not under government control, and led to the deaths of 13 583 people. Croatian government figures estimate war damages to be in excess of US\$20 billion (Bošnjak et al., 2002: 7). At its height, the crisis of forced migration meant that some 15 per cent of the Croatian population were refugees or displaced persons, with some 10 per cent of GDP devoted to their care (Puljiz, 2005: 81). In March 1992, a UN Protection Force (UNPROFOR), numbering some 14 000 troops, was deployed in three United Nations Protected Areas or 'UNPA zones'. The force's mandate was revised in 1995 but, in effect, it merely served to maintain an unsustainable status quo. Following Croatian military actions in May and August 1995, which re-took occupied territory covering two of the three UNPA zones, some 300 000 ethnic Serbs fled Croatia, only 117 488 of whom had been registered as having returned by 1 July 2005 (OSCE, 2005).

Table 5.1 Real GDP and inflation: Croatia, 1989–1995

Year	Index	Inflation rate	Registered unemployment rate
1989	100	n.a.	8.0
1990	92.9	609.5	9.3
1991	73.3	123.0	14.9
1992	64.7	665.5	15.3
1993	59.5	1517.5	14.8
1994	63.1	97.6	14.5
1995	67.3	2.0	14.5

Source: UNICEF (2006)

Some 150 000 ethnic Croats, mainly from Bosnia-Herzegovina and Serbia, have obtained Croatian citizenship since 1991. The third UNPA zone, the Eastern Slavonia region, was reintegrated peacefully into Croatia under the terms of the Erdut agreement, in January 1998, after a two-year UN interim administration. The changed demographic structure of Croatia is shown most clearly by comparing the 1991 and 2001 censuses. In this time, Croatia's population declined by 7.25 per cent from 4 784 265 to 4 437 460, with the ethnic composition also changing considerably, ethnic Serbs in particular declining from 12.16 per cent in 1991 to 4.54 per cent in 2001.¹ The decline in GDP, taking 1989 as the baseline was dramatic, accompanied by high unemployment and endemic inflation before a stabilization programme introduced in 1993 took effect (Table 5.1).

Viewing Croatia in the period from 1991 to 1995 as 'a case study in the problems of aid, familiar in the development studies literature, in a European setting' (Deacon et al., 1997: 178) captures only some of the complexities of the relationship between international actors in the context of rapidly changing modalities of development assistance and the rapidly changing internal political and social landscape of Croatia. The former was, certainly, framed in terms of the difficulties development agencies and their staff faced in understanding and dealing with their encounter with a complex emergency in a country with high levels of human development and a sophisticated and long-standing social welfare infrastructure. The latter was framed in terms of a late and complex transition involving the gaining of independence (state-building), war and lack of governmental control over part of the territory (state-destruction), and a renewed centralization of state functions in the context of a growing political authoritarianism.

Certainly, the first wave of international intervention can be seen as a kind of 'implicit social policy', involving large numbers of international

organizations (supranational and non-governmental) focused on emergency relief assistance to war-affected areas and to large numbers of refugees and displaced persons. As a number of commentators remarked at the time, this was a kind of substitution of humanitarianism for political action, in the absence of any clear international consensus on the causes of the conflicts much less on modes of resolution (cf. Duffield, 2001). To an extent, this was overdetermined by uncertainty regarding the political legitimacy of the Croatian state, only partly and formally overcome by international recognition, and the need to work in those parts of Croatia not under governmental control, combined with a wider concern regarding Croatian involvement in the war in Bosnia-Herzegovina.

Initially, UNHCR as the lead agency seeking to co-ordinate international assistance, tended to respond through its traditional implementing partners, mainly European or North American-based international NGOs specializing in relief, such as Cooperative for Assistance and Relief Everywhere (CARE) International, World Vision, Catholic Relief Services, the Scandinavian Refugee Councils, and so on. In terms of methods, techniques and, indeed, staffing, this was little different from interventions in crisis regions in the developing world. Apocryphal stories of medical kits containing anti-malarial tablets and other unnecessary and unusable medicines, water purification systems, and so on, abounded. The newly formed European Community Humanitarian Office (ECHO) also reacted in terms of a 'typical' humanitarian emergency, although later, in the context of encountering 'war in Europe', it embarked on supporting a programme of psycho-social assistance, targeted to those deemed to be suffering from 'trauma'. In itself not particularly problematic, this tended to be the main focus of intervention rather than more traditional social development concerns (cf. Stubbs, 2004). In addition, ECHO had a very clear policy of not channelling any of its support through governmental bodies, based on a somewhat simplistic notion of 'neutrality'. The UN agencies did have some level of contact with government but, on the whole, also tended to create their own structures and interventions or, at best, used networks of local institutions, including Centres for Social Work, merely as distribution hubs for assistance.

The complexity of the nature of the Croatian state in the early 1990s belies 'normal' distinctions between 'strong' and 'weak', or 'democratic' and 'authoritarian'. We argue that an understanding of the Croatian state as both 'weak' and 'strong', as having democratic legitimacy but with widespread authoritarian tendencies, is central to situating the encounter between the state and international organizations, generally and in terms of social policy. It would be wholly erroneous to describe Croatia as a war state, since significant parts of Croatia were never directly affected by war

and other parts existed in a part war, part peace limbo situation. As the Croatian sociologist Josip Županov noted, ethnicized conflict went alongside and, indeed, to a large extent was superseded by, a sharp increase in social solidarity and national homogenization (Županov, 2001: 46–7). In terms of values, processes of re-traditionalization and de-secularization occurred, and had a significant impact, but did not completely erode more ‘modern’, ‘secular’ values (Črpić and Zrinščak, 2005). Alongside this, the figure of President Tudjman himself, personalizing the office and the state, symbolized this semi-modernism but, always, had a kind of political legitimacy through more or less free and fair electoral victories, allied with his frequent changing of ‘technocratic’ prime ministers charged with steering the economy at a time when privatization clearly rewarded a new elite. Croatia, not unlike earlier transitions in Latin America, and akin to parts of South Eastern Europe and the former Soviet Union, developed a kind of ‘crony capitalism’ which was ‘characterized by the dominance of insider interests, extreme clientelism, non-market based financial sector allocation, and a close link of the state and government with entrepreneurs and the financial sector’ (Bičanić, n.d.: 1), leading to ‘a large institutional and democratic deficit’ (Bičanić and Franičević, 2003: 16).

While these meta-concerns may seem a long way from everyday social policy, they are relevant in terms of the legacy of a kind of ‘welfare parallelism’ throughout the period, particularly in the time of greatest social crisis as a result of war and endemic forced migration. On the one hand, Croatian institutions such as the network of state Centres for Social Work and the Governmental Office for Displaced Persons and Refugees, sometimes allied with older Croatian NGOs such as Caritas and the Red Cross, and newer nationally oriented NGOs sought to provide cash and services in the context of massive resource constraints. On the other hand, UNHCR, a network of INGOs and emerging new, often professionally led, service-oriented local NGOs offered a kind of parallel set of services, ignorant of, or distrustful of, state and pro-state bodies.

In these conditions, any thoughts of long-term social policy planning were put on hold as the government reacted through crisis management. Some social rights were cut back and the widespread use of early retirement as a way to respond to rising unemployment was promoted. This soon created enormous problems in the sustainability of the pension fund and, provided the grounds for the radical change in the pension system which occurred in the late 1990s. The government implemented an economic stabilization programme in 1993 which effectively ended a period of high inflation and stabilized the currency, advised by the IMF in particular as well as the World Bank. As one commentator has argued, the effects of this were stagnant growth rates, increasing unemployment and rapid social

differentiation (Teodorović, 2003: 213). When this is coupled with a non-transparent, nepotistic, privatization process, later slowed down in the face of public criticisms, then, the possibility of rational social policy reform was, clearly, limited. Beyond this, in any case, humanitarianism essentially substituted for longer-term developmental initiatives.

In this period there were, however, two major policy changes in broad social policy. The first concerns the recognition, albeit highly mediated, of new NGOs as legitimate non-state actors in social policy, themselves regulated within a 'humanitarian' paradigm making no distinction between international and domestic bodies. The second concerns health care, with a major reform as early as 1993 (Hebrang et al., 1993; Zrinščak, 2000). This health reform contained two aspects, centralization and privatization, which did not sit easily together. As in other social policy fields, the state reclaimed the ownership of key institutions which had been the 'property' of local communities under communism. The central state became the owner of clinical hospitals and some other central health institutions, while counties (a new regional tier of government) became owners of general and special hospitals, local health centres, pharmacies and all other health institutions. In some contradiction to this, health-care finance, from contributions and partly from the state budget, became highly centralized inside the newly formed Croatian Institute for Health Insurance, the governing board of which was almost completely controlled by the Croatian government.

At the same time, a process of privatization was initiated, which can be seen in three different dimensions. First, all general practitioners (GPs), previously part of the public system, were forced to become private practitioners. Second, within public hospitals, senior medical professionals gained rights to establish their own private practice, in state premises and with state supplies, after normal working hours. Third, new private health institutions were legalized, although in reality very few emerged. In terms of the consequences, it can be argued that, for the first time, service users obtained rights to choose their GPs or an alternative service. However, in state hospitals, the public-private mix was unregulated, confusing and unfair. In addition, the practice of informal payments to medical professionals for services, already present in the communist system, became more widespread (Mastilica and Božikov, 1999). General practitioners, far from thriving under their new status, became constrained by financial and other regulations issued by the state-run Croatian Institute for Health Insurance. The reformed health-care system soon became, at least in financial terms, very unstable which contributed eventually to a series of health-care reform plans drawn up under the tutelage of the IMF and the World Bank.

CONTRADICTORY GLOBALIZATION: NEO-LIBERAL CROATIA IN THE MAKING?

The de facto end of the war and the guarantee of Croatian statehood did not usher in a period of greater international integration but, rather, renewed isolation as the Tudjman regime focused increasingly on 'enemies within'. The issue of the appropriate role and status of non-governmental organizations came to a head when a highly repressive Law on Associations was passed in 1997, at the height of a media-led campaign to paint NGOs as an anti-Croatian conspiracy, and after mass protests in late 1996 at the refusal to grant a new licence to Zagreb's independent Radio 101. Croatia's isolationism was compounded by a European Union decision to suspend Croatia's membership of the PHARE programme, agreed to just a couple of months earlier, in immediate response to the August 1995 military actions.

The field of social policy was marked by a process of 'post-war social claims making' (Puljiz, 2005: 83) or a kind of 'captured social policy' (Stubbs and Zrinščak, 2005). In the context of widespread perceptions of the unfairness of the privatization process and of increasingly visible social differentiation, groups such as war veterans and their families and, to an extent, pensioners, were able to press their demands on a populist regime. At the same time, the opposition parties began to make breakthroughs and hold power in some of the major cities, also offering somewhat populist visions of a new kind of 'welfare parallelism'. From 1998 onwards, cracks in the ruling party widened with a new moderate wing emerging pledged to reforms and, to an extent, committed to European integration. This period saw the establishment of a Governmental Office for Co-operation with NGOs, strongly supported by UNHCR and USAID, and new laws setting the basis of a reformed social protection system.

While the EU remained a rather absent presence, devoid of any real impact, the World Bank and the IMF consolidated their impact, particularly in the field of pension reform and, to an extent, in health-care reform. The most ambitious reform occurred in the Croatian pension system, in which the influence of the World Bank signalled a move towards integration into a neo-liberal global consensus. There is no denying the deep crisis which the system faced in the war years, marked by huge falls in GDP, a sharp rise in unemployment and the government's explicit use of early retirement as a strategy to avoid ever greater social problems caused by the bankruptcy of a large number of firms. Thus, the ratio of insured to retired persons fell from 3:1 in 1990 to 1.81:1 in 1995 and further to 1.38:1 in 1999. Pension expenditures dropped from 11.27 per cent of GDP in 1990 to 7.71 per cent in 1992, but rose further to 13.27 per cent in 1999 (see Table 5.2).

Table 5.2 Main trends in the Croatian pension system

Year	Dependence rate (pensioners/insured)	Ratio (insured/ pensioners)	Expenditures, % of GDP
1980	24.7	4.04	
1985	27.1	3.68	
1990	33.3	3.00	11.27
1995	55.2	1.81	10.84
1999	72.4	1.38	13.27
2000	73.8	1.36	13.30
2001	73.6	1.36	13.90
2002	73.3	1.36	13.20
2003	73.0	1.37	12.80
2004	73.0	1.37	12.60

Sources: Bagarić and Marušić (2004); Vuković (2005)

In the same period, the value of the average pension dropped to about 45 per cent of the average salary, itself falling. The rise in pension expenditures at the beginning of the 1990s was connected with the adjustment formula which adjusted pensions in line with rises in salaries. This was changed by a government decision in 1993 to restrict the rise in pensions, which was a part of the successful government programme to reduce inflation and stabilize the Croatian currency. However, the decision was undertaken without necessary changes in respective laws and subsequently caused a worsening of the economic position of pensioners. It is interesting to note that this decision soon became the hottest public issue, overshadowing all other aspects of reform. The Constitutional Court in 1998, in a sign of growing independence and separation of the judiciary from the state, labelled the government decision unconstitutional and ordered the government to pay back what became known as the 'pensioners' debt'.

The grounds for reform were established in these crisis conditions. Although the first discussions on reforms took place within a small circle of experts and state officials around the pension fund with some proposals for technical changes inside the system, war intervened so that these proposals were never completed nor implemented. The end of the war in 1995 together with the erosion of the pension system's sustainability opened the door for new reform steps. This coincided with the well-known World Bank study *Averting the Old Age Crisis* (World Bank, 1994; cf. also Wodsak, 2006). World Bank plans to transfer the Chilean pension model were welcomed by the political elite, and some experts in Croatia which, at the time, was looking for a fast solution for its endangered pension system.

In November 1995, a conference was organized by the Croatian government and the World Bank on pension reform involving senior bank experts and José Pinera, the Chilean Minister from Pinochet's government responsible for the privatization of the pension system in 1981. The Croatian Prime Minister announced a firm decision to undertake radical reform to solve almost all pension problems. In March 1997, the World Bank released in draft form, its first comprehensive study on Croatia, interestingly entitled: 'Croatia: The Peace Challenge', renamed in the final version published in December 1997 to *Croatia: Beyond Stabilization* (World Bank, 1997). The document emphasized the need to introduce, alongside the public pillar, a second mandatory pillar based on private savings in private pension funds. In February 1998, the government established a Committee for Pension Reform and new laws were passed in 1998 and 1999. The law from 1998, which became effective from January 1999, regulated changes in the existing public system, while several laws passed in 1999, and effective from January 2002, regulated the introduction of the second, mandatory, and third, voluntary, private pension fund pillars.

Analyses by the leading scholar of pension reform in the region suggest the importance of two preconditions: a crisis of the system and a preferred reform model (cf. Müller, 1999; 2001; 2002a; 2002b). Both preconditions were present in Croatia, as in other post-communist countries such as Hungary and Poland (Ferge, 1999; Fultz, 2004; Mácha, 1999; Müller et al., 1999; Schmähl and Horstmann, 2002). As explored above, the crisis of the system was profound, and the stabilization of the system was required as part of the stabilization of state finances. This explains the involvement of the international financial institutions (IFIs), both the IMF and World Bank. A preferred reform model was also in place, not least in the context of the World Bank's influence in terms of the spread of ideas of reform, of which *Averting the Old Age Crisis* was an early, and important, exemplar. In the end, although the Chilean privatization served as a kind of inspiration, pension reform in Croatia, as in much of Eastern Europe, took shape along the lines of the more modest Argentinean model which did not abolish the public system but combined it with new private pillars. In the context of a new dawn of democracy in post-communist Central and Eastern Europe, the political context of the Chilean reform, implemented during a right-wing dictatorship, perhaps proved problematic, although this was not a subject of debate in Croatia at the time.

The World Bank-led reform offered a kind of two-pronged solution for the future. The pension model with a reduced public pillar and more diverse private and occupational pillars is meant to be more robust and react better to demographic ageing. The model stresses the need for savings for the future as well as private responsibility for social security. In addition, since

private pension funds were an important new player on capital markets, the reforms were portrayed as stimulating economic growth and building the emerging markets of post-communist Europe.

A number of other factors are important in terms of understanding the reform. The first is the magical faith in proposed market solutions for pension financing problems. In Croatia, few questions were raised and opposition to reform plans was almost non-existent. The European Union, largely inactive in policy debates in Croatia, did not register any interest to become involved or take a position, other than for its macroeconomic division to concur with the IFIs on the need for financial stabilization. Other international actors, particularly the ILO, appeared able to exert an influence only in the absence of a financial crisis, as in the case of the Czech Republic and Slovenia (Müller, 2002b; Stanovnik, 2002). As a result, at the time of pension reform in Croatia, there was no ILO presence and no presentation of possible alternative reform options.

A discursive link between the pension system and its alleged communist character, alongside evident financial problems, contributed to a loss of legitimacy and the impossibility of opposition to reform. As the following quote from one of the leading Croatian advocates of privatization shows, even the Bismarckian legacy could be criticized:

A Pension system with inter-generational solidarity is a recent phenomenon. It was introduced in the late 19th century by the iron chancellor Otto von Bismarck, and was spread later throughout all the countries of the developed world and to those less developed countries which underwent national and social revolutions, *in which both left-wing and right-wing populist movements, obsessed by the idea of national and class solidarity, played a pioneering role.* (Ostović, 2000: 313, emphasis added)

In this construction who could possibly be against pension reform?

In terms of the key actors involved and their positions in debates regarding pension reform in Croatia, we find that the picture resembles that in most other countries in the region, where opposition was weak and advocates of reform strong. In a sense, this was amplified in Croatia, as the opponents were even weaker, and reform did not become a pressing public issue, unlike the pensioners' debt question. The positions of key actors is presented in Table 5.3.

Table 5.3 shows that a critical stance towards the reform was formulated by only a few persons linked to some trades unions and some social policy scholars. These voices, urging restraint, had no influence on the pro-reform movement nor on the social democratic-led opposition. During technical negotiations, they had a limited influence on some aspects of the reform. Specifically in Croatia, the already mentioned so-called 'pensioners debt'

Table 5.3 Actors and their positions in the Croatian pension reform

Pro-reform voices	Oppositional voices	Neutral/no stated position	Concerned with 'pensioners' debt'
Government – ministers (without any internal conflicts)	Some social policy experts (urging restraint)	Other political parties	All actors (including the Constitutional Court)
IFIs (WB, IMF)	Some trade unions	Pensioners' organizations	
Domestic FIs		Some trade unions	
Experts (neo-liberal and technocratic economists)			

following the 1993 government decision to restrict the rise of pension benefits, overdetermined the public and political debates. This was the issue which opposition political parties and the trades unions found most attractive to mobilize around. In addition, the political authoritarianism of parts of the regime was also relevant. As noted above, the Croatian government had democratic legitimacy, coming to power in relatively free democratic elections, but faced many more problems in democratic development than other neighbouring Central European countries. Political debates were still framed by national security issues, and by issues that lend themselves to populist themes: the unjust privatization of state property; rising inequality and impoverishment; and the pensioners' debt. More sophisticated technical issues about the pros and cons of pension privatization had little realistic chance of reaching the public domain. Instead, the World Bank assured a continued influence on the reform by seconding a Croatian Bank staff member to be adviser to the government on the reforms (cf. Orenstein, 2005: 195). In addition, the ruling party effectively used pension reform as a way of demonstrating its willingness to implement market reform, its ability to stabilize the country's economy and its readiness to engage with international financial institutions. In short, all of the structural, political, institutional and agent-specific 'drivers of change' were working in one direction, in a rare example, in 1990s Croatia of a converging of the interests of the ruling regime with those of domestic and international financial institutions. Successful implementation, itself no guarantee of a problem-free future, of course, cannot be understood outside the particular, even peculiar, Croatian domestic conditions.

Contrary to the 'success' of the World Bank's involvement in pension reform, the health-care sector proved to be extremely resistant to comprehensive reform, although there were a number of initiatives and projects following on from the 1993 reform. While reforms had the goal of curbing health expenditures, unlike in the field of pensions, there was no overall reform 'package' which the World Bank was seeking to have adopted. The first project funded by the World Bank, which began in 1995, was somewhat low key, seeking to support the earlier health-care reform, and provide financing for computer hardware and software, medical equipment, fellowships, study tours, foreign and local training and expert advisory services, public education materials and incremental recurrent costs. The previously mentioned World Bank study from 1997 which argued for privatization in the pension system, argued that the health-care system would impose a significant burden on public finance unless the reforms of 1993 were continued and extended. The second reform project funded by the World Bank from 1999 to 2005 had the ambitious aim to enhance Croatia's capacity to achieve a more effective, efficient and financially sustainable health system. Very interestingly, one sub-component financed group practice pilots for GPs, ironically along the lines of the primary health-care system in health centres in communist Yugoslavia which had been abolished by the privatization process starting in 1993. A series of World Bank studies and publications followed regarding the health-care system and health-care financing. In April 2004 a special *Croatia: Health Finance Study* (World Bank, 2004) was published. All paint a similar picture of spiralling high costs endangering public finances and a lack of noticeable improvement following reform implementation. In a sense unlike the pension system, then, health care has proved to be a much more difficult issue, in part at least because of vested interests, notably from a politically strong doctors' lobby, in the status quo.

DELAYED EUROPEANIZATION: GOVERNING AND REGULATING SOCIAL CROATIA?

The victory of the Social Democratic Party-led coalition in the January 2000 elections, following the death of President Tudjman, appeared to signal a new dawn of democratic politics coupled with economic growth for Croatia. The Croatian political scene became dominated by the push for EU membership, now part of a new political consensus encompassing the reformed HDZ (Croatian Democratic Union). A Stabilization and Association Agreement was signed in October 2001 and Croatia applied for membership of the European Union on 21 February 2003. Following a

positive *avis* (notification) in April 2004, Croatia obtained official candidate status in June 2004. However, at the European Council meeting on 16 March 2005, the start of formal negotiations, due the next day, were postponed, pending full co-operation by Croatia with the International Criminal Tribunal for the Former Yugoslavia in The Hague. Negotiations proper began in October 2005, following a positive report by the Tribunal's Chief Prosecutor. The arrest of fugitive General Gotovina in December 2005 added impetus to the negotiations. Most commentators predict Croatia's EU membership by 2010 or 2011 although external constraints, notably the EU's 'enlargement fatigue' and lack of a new administrative framework may conspire with internal problems, notably failure to tackle judicial reform in the context of more stringent EU monitoring of actual practice as well as laws and commitments, to put the date back.

Notably, the SAA contained hardly any provision concerning social policy, calling merely for general modernization and adaptation of the social security system. Therefore, two general paths can be traced in the period from 2000 to 2003 concerning EU influence on social policy. Contrary to the loose treatment of social policy in the SAA, the new political framework helped address issues that were already 'prepared' by the work of numerous non-profit organizations, mainly in the field of gender equality, family violence and children's rights. At the same time, the World Bank and the IMF remained as key actors dominating the overall policy framework. Indeed, it fell to the new government to complete, and fully implement, the second phase of pension reform, that is, to introduce the fully funded mandatory and voluntary pillars. In addition, under considerable pressure from the IMF and others, a new Labour Law was introduced, based on a critique of inflexible labour markets. The government also cut and restructured some social benefits (child and maternity benefits) in order to comply with conditionalities requiring the lowering of public expenditures.

A comprehensive social welfare reform project was also launched, led by the then Ministry of Labour and Social Welfare. It began in April 2002, with the first phase, lasting a year, financed by the World Bank, the UK's Department for International Development and the government of Japan. As perhaps one of the more dramatic examples of the problems of sub-contracting and the role of consultancy companies (cf. de la Porte and Deacon, 2002; Stubbs, 2003), no less than eight consultancy teams or companies were contracted to work on the reforms. In addition to work on the reform of social services, social assistance and labour market policies, one part of the project was devoted to the problem of monitoring poverty and, in particular, strengthening institutional capacities for measuring poverty. Very specific recommendations were developed and, in 2004, the Croatian

Bureau of Statistics for the first time issued data on poverty which included some, although by no means all, of the Laeken indicators utilized by the European Union in the fight against social exclusion.

The elections of November 2003 returned HDZ, the ruling party throughout the 1990s, to power, albeit reliant on the support of the Pensioner's party and the Serbian Democratic Party, an uneasy coalition of 'claims makers' which has, in fact, led to a costly decision to repay pensioners' debts from 1993 and 1994. One of the most important steps taken in terms of social welfare was the shift in responsibility, after the election, from the Ministry of Labour and Social Welfare to the medical-doctor and health-dominated Ministry of Health and Social Welfare and to the Ministry of Economy and Labour. In addition, a number of social policy responsibilities have been moved to the newly created Ministry of Family, Veterans and Inter-Generational Solidarity, such that social policy is now more institutionally fragmented than ever before, between three ministries. Significantly, the much delayed social welfare reform project, with a World Bank loan, was skewed rather more in line with the need for repairs to institutional care facilities and away from a dynamic new welfare mix.

In the context of a large budget deficit, sections of the government, allied with liberal think tanks, and key international organizations, have continued to paint Croatia as a high social spending country. Using Ministry of Finance data, social expenditures as a proportion of GDP actually fell from 26.6 per cent in 2000 to 23.4 per cent in 2004. Nevertheless, the World Bank and IMF seem more concerned with social assistance benefits which have now been placed in a separate project detached from social protection reform, forming part of a Programme Adjustment Loan (PAL). The PAL commits the government to form an inter-ministerial working group and to formulate an agreed social benefit strategy, with the goal of reducing total spending on social benefits from 4.1 per cent of GDP to 3.5 per cent of GDP, while increasing the share of the best-targeted and means-tested social support allowance (World Bank, 2005).

The preparation of Croatia's Joint Inclusion Memorandum prior to EU membership, which began in autumn 2005, signalled a significant change in terms of a more active interest and involvement in social policy by the European Commission (EC). Four broadly positive aspects of the process can be discerned. First, the JIM has led to a greater harmonization of social statistics with EUROSTAT methodology and a clearer awareness of the gaps which remain. Second, there has been a process of stakeholder participation, through a series of conferences and meetings which, while far from perfect, represents an improvement on the previous practice of 'behind closed doors' strategy document preparation. Third, key social policy experts have been involved in the drawing up of the JIM, within a

clearer framework, supervised by the European Commission, in which policy measures, indicators and funding possibilities were more aligned than previously. Fourth, substantive comments from the Commission on aspects of social policy, particularly relating to issues around discrimination, active labour market policies and co-ordination of services, have added to the quality of debate. Of course, the JIM process has not significantly raised the profile of social policy within the accession process, nor, even more importantly, has it altered the marginal position of social policy in the government.

The World Bank and, interestingly, UNDP, have both positioned themselves as working with the government on social policy issues in the context of Europeanization. This has manifested itself, most recently, in ongoing work on the regional dimensions of poverty and social exclusion in Croatia, although the World Bank continues to merge quite objective analysis with normative recommendations for the cutting of all but the most clearly 'targeted' social benefits and for a greater emphasis on intra-regional labour market mobility. Crucially, the three key international agency players are all forced to call on the same small pool of social policy 'experts'.

CONCLUSIONS

In the context of a broad understanding of national-international agency interactions in countries in transition, we have noted in this chapter some of the commonalities and specificities of the Croatian situation in the past 16 years. In terms of commonalities, Croatia has seen a coalition of international and domestic actors united in an economic notion of the social as an unproductive, uneconomic 'burden', in need of radical reforms as part of a structural adjustment package, reducing expenditures, increasing efficiencies, and shifting the balance towards market mechanisms and new non-state actors. The debate has been dominated by the World Bank and IMF with EU influence much later and, to a large extent, sharing many of the macroeconomic assumptions of the IFIs. The fact that reform messages came after the experience of 'shock therapy' in parts of Eastern Europe, and in the context of the institutional legacy of a well-developed, if conservative, system noted above, has meant that, in reality, the impacts of changes have been rather limited and muted.

Crucially, the chapter has pointed to the specific conditions of a mix of war, nation state-building and humanitarian crisis in producing a particular kind of welfare parallelism in Croatia in the first half of the 1990s which still has impacts and effects today. In the absence of clear principles and outcome indicators at national level, a kind of ad hoc decentralization,

in terms of the proliferation of parallel, local, welfare settlements has emerged, prone to being captured by particular claim-makers. In addition, there remains an uneven playing field in which state agencies remain highly bureaucratized and reluctant to enter into partnerships with non-state actors existing on short-term, project-specific funding. 'Delayed transition' including 'late Europeanization' have worked together to limit reforms and to privilege a recommodification of welfare playing itself out unevenly in different sectors. Above all, the chapter illustrates the importance of the complex nature of the relationship between 'the international' and 'the domestic' in reform, and the importance of studying structures, institutions and actors in a historical context and frame.

NOTE

1. Census methodology changed in this period: the 2001 census did not count those absent from country for more than one year as the 1991 census had done. A recalculation of both censuses by leading demographers still suggested a decline of 7.03 per cent in the Croatian population from 4499 049 in 1991 to 4 203 831 in 2001 (Gelo et al., 2005: 19).

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