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Monitoring of the application of the European Charter of Local Self-Government in Croatia

Committee on the Honouring of Obligations and Commitments by Member States of the European Charter of Local Self-Government (Monitoring Committee)

Co-rapporteurs:[1] Gobnait NI MHUIMNEACAIN, Ireland (L, ILDG)
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Summary

This is the fourth report concerning the application of the European Charter of Local Self-Government in Croatia since the country ratified it in 1997.

The rapporteurs note with satisfaction the implementation of significant legislative amendments in the sphere of local and regional self-government in recent years. These include the delegation of administrative functions to the counties following the abolition of state administrative offices in the counties, ongoing tax reform, and incentives to encourage voluntary mergers. The process of consulting local and regional representatives, notably on financial and fiscal matters, has also improved in practice.

However, the report raises several matters of concern regarding the weakness of the administrative and revenue-generating capacity of the large number of small municipalities and cities, the inadequacy of financial resources available to local and regional authorities, the unclear delineation of responsibilities, and the lack of effectiveness of the financial equalisation mechanism. In addition, the central state administration and line ministries maintain extensive supervisory powers over local self-government, and there is still a need for a formally established consultation mechanism on all matters concerning local and regional authorities.

Consequently, it is recommended that the Croatian authorities continue supporting inter-municipal co-operation and providing incentives to municipal mergers, provide adequate financial resources for subnational authorities, revisit the conditions governing local taxation, explore opportunities to diversify subnational income sources, reduce earmarking of grants and transfers, and reconsider the criteria on which the equalisation system is based. The rapporteurs also suggest revising the legislation concerning supervisory powers to align it with the principle of proportionality. It is further recommended to clarify

1. L: Chamber of Local Authorities/R: Chamber of Regions.
EPP/CCE: European People's Party Group in the Congress.
SOC/G/PD: Group of Socialists, Greens and Progressive Democrats.
ILDG: Independent Liberal and Democratic Group.
ECR: European Conservatives and Reformists Group.
NR: Members not belonging to a political group of the Congress.

the division of responsibilities and to set a legal framework for consultation to render the consultation procedure binding and systemic.

Lastly, the government is urged to sign and ratify, in the near future, the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority (CETS No. 207).

RECOMMENDATION 508 (2024)[2]

1. The Congress of Local and Regional Authorities of the Council of Europe ("the Congress") refers to:

a. Article 2, paragraph 1.b, of the Charter of the Congress of Local and Regional Authorities appended to Statutory Resolution CM/Res(2020)1 relating to the Congress, stipulating that one of the aims of the Congress is "to submit proposals to the Committee of Ministers in order to promote local and regional democracy";

b. Article 1, paragraph 3, of the above-mentioned Charter, stipulating that "[t]he Congress shall prepare on a regular basis country-by-country reports on the situation of local and regional democracy in all member states and in states which have applied to join the Council of Europe, and shall ensure the effective application of the principles of the European Charter of Local Self-Government;

c. Chapter XVIII of the Rules and Procedures of the Congress on the organisation of monitoring procedures;

d. the Contemporary Commentary on the explanatory report to the European Charter of Local Self-Government adopted by the Congress Statutory Forum on 7 December 2020;

e. the Congress priorities set up for 2021-26, in particular priority 6b which concerns the quality of representative democracy and citizen participation;

f. the Sustainable Development Goals (SDG) of the United Nations 2030 Agenda for Sustainable Development, in particular Goal 11 on sustainable cities and communities and Goal 16 on peace, justice and strong institutions;

g. the Guidelines for civil participation in political decision making, adopted by the Committee of Ministers on 27 September 2017;

h. the previous Recommendation CM/Rec(2018)4 of the Committee of Ministers to member states on the participation of citizens in local public life, adopted on 21 March 2018;

i. Recommendation CM/Rec(2019)3 of the Committee of Ministers to member states on supervision of local authorities' activities, adopted on 4 April 2019;

j. previous Congress Recommendation on the monitoring of the European Charter of Local Self-Government in Croatia [Recommendation 391 (2016)];

k. the explanatory memorandum on the monitoring of the European Charter of Local Self-Government in Croatia.

2. The Congress points out that:

a. Croatia joined the Council of Europe on 6 November 1990, signed the European Charter of Local Self-Government (ETS No. 122, "the Charter") and ratified it on 11 October 1997. Croatia has not yet signed nor ratified the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority (CETS No. 207);

b. the Committee on the Honouring of Obligations and Commitments by member States of the European Charter of Local Self-Government ("Monitoring Committee") decided to examine the situation of local and regional democracy in Croatia in light of the Charter. It instructed Gobnait Ni Mhuimneacain, Ireland (L, ILDG) and Cecilia Dalman Eek, Sweden (R, SOC/G/PD) to prepare and submit a report on the implementation of the Charter in Croatia to the Congress;

c. the monitoring visit took place from 13 to 15 June 2023. The Congress delegation met representatives of various institutions at all levels of government. The detailed programme of the monitoring visit is appended to the explanatory memorandum;

2 Debated and adopted by the Congress during the 46th Session on 28 March 2024 (see document CG(2024)46-18, explanatory memorandum), rapporteurs: Gobnait NI MHUIMNEACAIN, Ireland (L, ILDG) and Cecilia DALMAN EEK, Sweden (R, SOC/G/PD).

d. the rapporteurs wish to thank the Permanent Representation of Croatia to the Council of Europe and all those whom they had exchanges with during these meetings.

3. The Congress notes with satisfaction:

a. the implementation of significant legislative amendments in the sphere of local and regional self-government. These include the delegation for decentralisation purposes of the administrative functions to the counties following the abolition of the state administrative offices in the counties and ongoing tax reform, aiming at increasing local authorities' autonomy in defining personal income tax rates;

b. the incentives provided in 2022 for the encouragement of voluntary mergers to improve the efficiency of the local and regional self-government system;

c. the improvement in the process of the consultation of local and regional representatives in practice, notably on financial and fiscal matters.

4. The Congress expresses its concerns on the following issues:

a. the weakness of the administrative and revenue-generating capacity of the large number of small municipalities and cities. This negatively affects the performance of basic public functions and the delivery of proper services, economic growth and development potential at subnational level, and hinders the strengthening of decentralisation;

b. the inadequacy of financial resources available to local and regional authorities, which they could use freely, in order to exercise their powers autonomously, and the significant use of earmarked grants, which makes them dependent on state financing;

c. the unclear delineation of tasks and responsibilities between the various levels of government leading to certain overlaps, and the attribution of delegated tasks to subnational authorities, without allowing enough discretion to adapt performance to local conditions;

d. central state administration and line ministries' extensive supervisory and instruction-giving powers over local self-government, which may limit local authorities' room for initiative;

e. the lack of a formally established consultation mechanism between the central, local and regional authorities and their associations in respect of matters, that concern them directly;

f. the lack of effectiveness of financial equalisation mechanism in fully correcting territorial disparities.

5. In light of the foregoing, the Congress requests that the Committee of Ministers invite the authorities of Croatia to:

a. continue supporting inter-municipal co-operation and providing incentives to municipal mergers, which will increase the population and territory of the new self-government units and promote decentralisation;

b. provide adequate financial resources for subnational authorities to enable them to regulate and manage a substantial share of public affairs under their own responsibility in practice;

c. further revisit the conditions governing local taxation and explore opportunities to diversify subnational income sources with the aim of strengthening subnational authorities' revenue-generating capacities and in order to move away from dependency on the state in this regard;

d. reduce earmarking of grants and transfers to increase subnational financial independence and sustainability;

e. revise the provisions of the legislation allowing the dissolution of the local representative body and dismissal of mayors or prefects without the previous judicial review, to align them with the principle of proportionality, set out in Article 8.3 of the Charter;

f. further clarify, based on consultation with subnational authorities and their associations, the division of responsibilities between various levels of government so as to avoid any overlapping of responsibilities, and allocate to subnational authorities more substantial powers;

g. set a legal framework for consultation of local and regional authorities and their associations on all matters that directly concern them to render the consultation procedure binding and systemic;

h. reconsider the criteria on which the equalisation system is based to make it more effective in correcting the inequalities between the local government units for the benefit of financially weaker authorities;

i. sign and ratify in the near future the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority.

6. The Congress calls on the Committee of Ministers and the Parliamentary Assembly of the Council of Europe to take account of this recommendation on the monitoring of the Charter in Croatia and the accompanying explanatory memorandum in their activities relating to this member state.

EXPLANATORY MEMORANDUM

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1. INTRODUCTION: AIM AND SCOPE OF THE VISIT AND TERMS OF REFERENCE

1. In accordance with Article 1, paragraph 3 of the Charter of the Congress of Local and Regional Authorities appended to Statutory Resolution CM/Res(2020)1 relating to the Congress, the Congress regularly prepares reports on the state of local and regional democracy in its member states and candidate countries. The monitoring missions of the Congress pursue the overall aim of guaranteeing that the commitments entered into by member states when ratifying the European Charter of Local Self-Government (ETS No. 122, the Charter") are fully honoured.

2. The present report on monitoring the application of the Charter in Croatia follows Recommendation 226 (2007) on local and regional democracy in Croatia which was adopted by the Congress on 20 November 2007 and Recommendation 391 (2016) on local and regional democracy in Croatia which was adopted on 20 October 2016.

3. The Congress delegation visited Croatia from 13 to 15 June 2023 to examine the situation of local and regional democracy in the country in light of the Charter. The Monitoring Committee appointed Ms Gobnait Ni Mhuimneacain, Ireland (L, ILDG) and Ms Cecilia Dalman Eek, Sweden (R, SOC/G/PD) as rapporteurs for local and regional democracy. The rapporteurs were assisted by Mr George Coucounis, member of the Group of independent experts on the Charter, as well as by a member of the Monitoring Committee secretariat.

4. During the monitoring visit, the Congress delegation, as a regular practice, met the representatives of various institutions at all levels of government. The detailed programme of the monitoring visit is appended to the explanatory memorandum.

5. The rapporteurs wish to thank all the interlocutors met during this visit for their availability and the information they kindly provided to the delegation. They also thank the Permanent Representation of Croatia to the Council of Europe, the Croatian Delegation to the Congress and the associations of local and regional authorities who contributed to the organisation of the visit.

6. According to Rule 88.3 of the Rules and Procedures of the Congress of Local and Regional Authorities of the Council of Europe, the preliminary draft report was sent on 2 October 2023 to all interlocutors met during the visit for their comments and possible adjustments or corrections (hereinafter "consultation procedure"). The present report is based on the comments received, which have been considered by the rapporteurs before submission for approval to the Monitoring Committee.

2. INTERNAL AND INTERNATIONAL NORMATIVE FRAMEWORK

2.1 Local government system (constitutional and legislative framework, reforms)

7. The right to local and regional self-government is guaranteed by the Constitution of the Republic of Croatia, and it is further regulated by statute, the main pieces of legislation being, *inter alia* the Law on Local and Regional Self-Government and the Law on Local Elections.

8. Such right is exercised through local and regional representative bodies composed of members elected in free elections held by secret ballot in direct, equal and universal suffrage. Citizens of Croatia, as well as European Union (EU) nationals, have the right to participate in the administration of local affairs directly, through the attendance of meetings, referendums and assemblies of citizens, as well as other forms of direct decision making, the voicing of complaints and the submission of proposals for the adoption of general acts, all in compliance with law and local ordinances.

9. The units of local self-government recognised by the constitution (as well as by law) are towns (also known as cities, whereby both terms are used interchangeably) and municipalities but other units of local self-government may be recognised by statute.

10. At a subnational level, the local authorities in Croatia are divided in municipalities, towns/cities, large cities and counties (in ascending order of priority based on the number of inhabitants of each unit).

11. The municipality is described in the law as a unit of local self-government that is "established, as a rule, for the area of several populated places that represent a natural, economic and social unit, and which are connected by the common interests of the population". The representative body of the

municipality is the municipal council and its executive body is the municipal mayor, as well as the deputy municipal mayor, both being directly elected by the citizens, performing executive tasks and representing the unit.

12. The city (also known as town) is described in the law as a unit of local self-government "in which the county is the seat and each place that has more than 10 000 inhabitants, and represents an urban, historical, natural, economic and society entity". The representative body of the city is the city council and its executive body is the mayor, as well as the deputy mayor, both being directly elected by the citizens, performing executive tasks and representing the unit.

13. The Law on Local and Regional Self-Government affords the status of large cities to units of local self-government "that are also economic, financial, cultural, health, transport and scientific centres of development of the wider environment and which have more than 35 000 inhabitants", whereas they can perform tasks within the scope of the county.

14. Regional self-government takes the form of counties and the capital City of Zagreb may be accorded the status of a county by law. A county is described in the law as a unit of local self-government "whose area represents a natural, historical, transport, economic, social and self-governing entity, and is organised for the purpose of performing tasks of regional interest". The representative body of the county is the county assembly and its executive body is the prefects well as the deputy prefect, both being directly elected by the citizens, performing executive tasks and representing the unit.

15. The territories of all units of local and regional self-government (hereinafter "the units") are established by law. As of 1992, Croatia is divided into a total of 20 counties plus the City of Zagreb. The counties are subdivided into 127 towns/cities plus the City of Zagreb and 428 municipalities. An outline of the number and population of units of local self-government is shown in Table 1 set forth below.

Table 1: Subnational levels in Croatia

Level	**Unit type**		**Number of units**	**Population/range**
First level	Towns	Ordinary Big	110 17	>10 000 and <30 000 >30 000
	Total number of towns		**127**	
	Municipalities	Small Medium Big	273 149 6	<3 000 >3 000 and <10 000 >10 000 and <30 000
	Total number of municipalities		**428**	
Second level	Counties (Zupanije) City of Zagreb		20 1	3 492 024 792 875
	Total number of counties		**21**	

16. The number of members that the representative body of each unit must have has to be an odd number and this is specified in Article 28 of the Law on Local and Regional Self-Government. This number gradually increases depending on the size of the unit's population and the type of the unit, as shown in Table 2, which presents data collected from the aforesaid article.

Table 2: Representatives per municipality, city and county, depending on the number of inhabitants

Municipalities and cities		**Counties**	
Number of inhabitants	Number of members of representative body	Number of inhabitants	Number of members of representative body
Up to 1 000	7		
1 001 to 2 500	9		
2 501 to 10 000	13		
10 001 to 20 000	15		
20 001 to 35 000	19		
35 001 to 60 000	21	Up to 60 000	27
60 001 to 100 000	27	60 001 to 100 000	31

Municipalities and cities		**Counties**	
Number of inhabitants	Number of members of representative body	Number of inhabitants	Number of members of representative body
100 001 to 200 000	31	100 001 to 200 000	37
200 001 to 300 000	41	200 001 to 300 000	41
More than 300 000	47	More than 300 000	47

17. Provision is made in the constitution for the management of local affairs by units of local self-government, as well as for specific matters that fall within the sphere of competence at both local and regional levels, further providing that such affairs have to be regulated by law, whereas when such matters are devolved, priority should be accorded to the bodies which are closest to the citizen.

18. Turning to the powers and the decision-making capacity of each unit, the Law on Local and Regional Self-Government grants municipalities, towns and counties the power to take decisions about tasks falling within their self-governmental scope in accordance with the Constitution of Croatia and the Law on Local and Regional Self-Government.

19. According to this law, as well as the relevant Articles of the Constitution, towns and municipalities perform the tasks of local importance which directly address the needs of citizens, and which are not assigned to state bodies by the constitution or by law, and especially tasks referring to: organisation of settlements and housing, spatial and urban planning, municipal economy, childcare, social welfare, primary healthcare, utility services, education and primary education, culture, physical education and sports, consumer protection, protection and improvement of the natural environment, fire protection and civil defence, traffic in its area and other activities in accordance with special laws.

20. Large cities, that is cities with more than 35 000 inhabitants, may perform tasks pertaining to settlement arrangement and housing, municipal economy, childcare, social welfare, primary healthcare, upbringing, economic development, cultural, physical and educational sports, consumer protection, protection and improvement of the natural environment, fire protection and civil defence, traffic in its area, maintenance of public roads, issuing building and location permits, other acts related to construction and the implementation of physical planning documents, and other activities in accordance with special laws.

21. Counties perform tasks of regional importance, especially tasks which refer to education, medical care (health), spatial and urban planning, economic development, transit (transport) and traffic infrastructure, maintenance of public roads, planning and development of the network of educational, medical, social and cultural institutions, issuing building and location permits, and other acts related to the construction and implementation of physical planning documents the county is obliged to organise and the tasks that the county can perform.

22. The Law on Local and Regional Self-Government provides that special laws regulating the specific activities mentioned above may be enacted to determine the tasks which towns, municipalities and counties are due to organise, as well as the tasks that the county is able to perform, provided that the conditions for their performance have been ensured.

23. Since the last monitoring visit in 2016, Croatia implemented extensive legislative amendments in the sphere of local self-government, *inter alia* pursuant to a reduction in the number of local officials, the amendment of the mechanism for the dismissal of the executive bodies and/or the dissolution of the representative bodies, among others in the event of non-submission or non-approval of budget proposals, the abolition of the state administrative offices, and the review of the conditions of the ban on candidacy in local elections. Details of these legislative amendments are provided below.

24. Pursuant to an amendment to the Law on Local and Regional Self-Government in 2017 and for the purpose of avoiding the frequent recurrence of early elections for non-submission or non-approval of local budgets, the conditions to the dismissal of a unit's mayor or the dissolution of the representative body by reason of the failure to submit or approve the unit's budget, respectively, were amended. The aforesaid Law previously provided for the simultaneous dismissal of the mayor and the dissolution of the representative body in the event of a unit's failure to approve and adopt the budget within the deadline provided by law. Upon amendment, the act provides for a two-stage mechanism to ensure continuity in the operation of the unit. The amended act imposed the responsibility on the executive body to submit to the representative body for approval a proposed budget within a specific deadline, in

the absence of which the executive body is dismissed. In the event that a budget proposal is submitted in time but is not adopted by the representative body, the latter is dissolved while the executive body remains in office until the election of the new representative body. In the event that the newly elected representative body fails to adopt the budget within 90 days of being constituted, the executive body is dismissed and the representative body is dissolved simultaneously. Apart from the above, the 2017 amendments to the Law on Local and Regional Self-Government set out the requirements for the appointment and dismissal, as well as regulated the powers of the commissioner of the Croatian Government in local or regional self-government.

25. The Law on Local and Regional Self-Government was further amended in 2019 for the purpose of abolishing the state administration offices in the counties and the delegation of their administrative functions to the counties, with the exception of the administrative supervision and inspection of the legality of general acts which would be entrusted to state administrative bodies depending on the administrative area in issue. The aforesaid amendment was followed by an ancillary amendment to the electoral law, that is the Local Elections Act (hereinafter “LEA”), in 2019 for alignment and compatibility of offices purposes in the state administration system.

26. In June 2019, a new State Administration System Act (hereinafter “SASA”) was adopted and it entered into effect in January 2020. By promulgation of the new SASA, the country administration offices were abolished and their competences were transferred to the counties for decentralisation purposes, as well as for the purpose of reducing the number of state administration civil servants and bodies. Supervisory and inspection tasks were left to the central state administration and supervision procedures are currently set forth in the Law on Local and Regional Self-Government. Sectoral legislation was subsequently amended to align with the aforesaid amendments.

27. In addition, the outbreak of the Covid-19 pandemic in 2020 necessitated the amendment of the LEA to enable the postponement of scheduled early elections in light of the ban on assembly to prevent the further spread of Covid-19.

28. Lastly, the LEA was further amended in 2021 to replace the conditions to the ban on candidacy for offices in local elections. Before its amendment, the LEA provided that persons convicted of one of the specified criminal offences were banned from running for local elections. The amendments to the LEA replaced this ban with the inability of a person to run for candidacy in the event that such person was sentenced to at least six months imprisonment, or in the event that such sentence was replaced by community service or a suspended sentence, with the exception of convictions for negligence offences which prison sentence was replaced by community service sentence or suspended sentence.

29. From 2018 to 2023 the project “Optimisation of the Local and Regional Self-Government System” was implemented at the national level to establish a digital platform pursuant to monitoring the financial, administrative and personnel capacity of each unit as a means of measuring the operational and functional abilities of each local authority. The project was co-financed by the European Social Fund (85%) and the State of Croatia (15%).

2.2 Status of the capital city

30. Zagreb is the capital of the Republic of Croatia and the seat of various state institutions, ministries and state agencies.

31. Its status as the capital of the country is spelled in the constitution and set by law. The aforesaid constitutional provisions further enable the capital city to be accorded the additional status of a county by promulgation of law, hence enjoying the dual status of both, a city and a county. By operation of law Zagreb received the additional status of County whilst maintaining the status of the City of Zagreb.

32. The City of Zagreb has a two-tier sub-municipal organization; 17 districts and 218 local councils. Zagreb’s mayor acts as the executive head of the city and is assisted by two deputy mayors. As a Unit of local self-government, Zagreb is administered by the Zagreb Assembly, which is a representative body composed of 47+1 representatives.

2.3 Legal status of the European Charter of Local Self-Government

33. The Constitution of Croatia provides that international treaties, published and entered into force upon being concluded and ratified in accordance with its provisions, shall be part of the domestic legal order of the Republic of Croatia and shall have primacy over domestic law.

34. By 2008, Croatia had gradually ratified all the provisions of the Charter which it did not ratify initially in 1997 when the country ratified the Charter. Thus, the Charter was ratified in its entirety, hence being a component of the Croatian domestic legal order and having supremacy over domestic law.

35. In addition to the ratification of the Charter, the principles of the Charter are recognised by the Law on Local and Regional Self-Government, which provides that every unit shall be independent in deciding matters within their self-government scope, as well as that the units shall have revenues that shall be used freely in the performance of their scope of responsibilities and be proportionate to the tasks so performed Furthermore, both the Constitution of Croatia and the aforesaid act provide that units have the right of recourse to the Constitutional Court.

36. Furthermore, Croatia acceded to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities (CETS No. 106) on 7 May 1999. It was ratified on 17 September 2003 and entered into force on 18 December 2003.

37. Nevertheless, Croatia has not yet signed the Additional Protocol to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities (CETS Nos. 159, 169 and 206) and the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority (CETS No. 207), the latter currently being under consideration.

2.4 Previous Congress reports and recommendations

38. Periodic monitoring visits were organised by the Congress to Croatia as early as 1993, prior to the country's accession to the Council of Europe. The conclusions of these visits were adopted by the Congress Bureau in the report 1996 CG/BUR (2)101rev.21.

39. Croatia acceded to the Council of Europe on 6 November 1996 and ratified the Charter on 11 October 1997.

40. In 1998, the year in which the Charter entered into force in Croatia, the Congress adopted Recommendation 46(1998) on the state of local and regional democracy in Croatia, pointing to the low level of local democracy and systemic shortcomings of local self-government. In particular, the Congress called upon the Croatian authorities to ratify paragraphs 3, 5 and 6 of Article 4, paragraph 3 of Article 8, and paragraphs 5 and 7 of Article 9 of the Charter. Recommendations were also conveyed for the amendment of the procedure for the election of the mayor of Zagreb and country prefects, the definition of the criteria for the revocation of the local election results, the development of mechanisms for the constitutional protection of local self-government bodies and the clear delineation of the powers of local authorities.

41. The following Congress monitoring visit in Croatia was held in 2007 and resulted in the adoption of Recommendation 226 (2007) on local and regional democracy in Croatia. The report noted the Croatian authorities' apparent commitment to the establishment of real operational autonomy at local and regional levels. Nevertheless, the extension of the applicability of the Charter was not effected despite the previous Recommendation,[3] progress to afford local authorities complete independence from central authorities was not satisfactory, clear-cut delimitation of powers between various levels of local authorities was not achieved, legislative safeguard of consultation of local authorities in matters which concern them directly was deemed insufficient and the budgets of local authorities were considered as not independent.

42. Consequently, the Congress recommended to the state authorities of Croatia to undertake a general and more systematic review of the territorial organisation of local and regional government, investigate and report on the constitutionality of some of the new allocations of powers, procure the avoidance of sharing or concurrency of functions between local and regional authorities, and

2. Recommendation 46 (1998) on the state of local and regional democracy in Croatia.

significantly increase the local resources and budget independence of local authorities in accordance with the requirements of the Charter.

43. The last Congress monitoring visit took place in 2016 and resulted in the adoption of Recommendation 391 (2016) on local and regional democracy in Croatia. Recommendations were addressed to the Croatian authorities to review the division of responsibilities between central and subnational levels of government in order to avoid overlap, afford local authorities with sufficient financial resources commensurate with their responsibilities, review local taxation arrangements and revisit the 2015 law on the voluntary merger of local government units with the aim of rendering voluntary mergers more attractive. Lastly, the Croatian government was urged to sign and ratify, promptly, the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority (CETS No. 207).

3. HONOURING OF OBLIGATIONS AND COMMITMENTS: ANALYSIS OF THE SITUATION OF LOCAL DEMOCRACY ON THE BASIS OF THE CHARTER (ARTICLE BY ARTICLE)

3.1 Article 2 – Constitutional and legal foundation for local self-government

Article 2 – Constitutional and legal foundation for local self-government
The principle of local self-government shall be recognised in domestic legislation, and where practicable in the constitution.

44. As mentioned in paragraph 7 above, the principle of local self-government is extensively and explicitly enshrined in the constitution, whereas various facets thereof are further elaborated in other domestic legislation.

45. Citizens' right to local and regional self-government is explicitly guaranteed under Article 128 of the constitution, which further provides that such right shall be exercised through local and/or regional representative bodies, composed of members elected in free elections by secret ballot on the basis of direct, equal and general suffrage.

46. The principle of local self-government limits the principle of separation of powers to ensure the former's operation and implementation.

47. The Constitution of Croatia makes further provisions as to the principle of local self-government in Articles 129a-131, which pertain to the application of the principle and to the corresponding citizens' rights, all of which are relevant to other Articles of the Charter and they are further discussed in the subsequent sections below to avoid repetition.

48. Therefore, the rapporteurs conclude that Croatia is in full compliance with Article 2 of the Charter.

3.2 Article 3 – Concept of local self-government

Article 3 – Concept of local self-government
1. Local self-government denotes the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population.
2. This right shall be exercised by councils or assemblies composed of members freely elected by secret ballot on the basis of direct, equal, universal suffrage, and which may possess executive organs responsible to them. This provision shall in no way affect recourse to assemblies of citizens, referendums or any other form of direct citizen participation where it is permitted by statute.

3.2.1 Article 3.1

49. Article 129a of the constitution provides that units of local self-government "shall administer affairs of a local nature by which the needs of citizens are directly fulfilled" and records specific matters to which their scope of jurisdiction extends. *Mutatis mutandis,* Article 129b of the constitution makes similar

references to units of regional self-government and specifies the areas of counties' competence. Enumeration of such powers of both local and regional self-government units is set forth in section 2.1 above. Furthermore, Articles 129b and 130 of the constitution provide for the autonomy of local and regional self-government in managing affairs that fall within their own jurisdiction.

50. In light of the aforesaid constitutional provisions, the scope of such powers afforded to the local and regional self-government units by the constitution is argued to satisfy the requirements of Article 3.1 of the Charter in principle. This observation was also recorded in the report of the previous monitoring delegation which took place in 2016.

51. The previous report of the delegation's monitoring visit, issued in 2016, concluded that despite the existence of legislative provisions in place to satisfy the requirements of Article 3.1 in principle, in practice "local authorities" are not able to manage a substantial share of public affairs under their own responsibility by reason of the administrative and financial control exercised by the regional state administration offices over decision making at a local level, as well as by reason of the high involvement of the central government ministries in defining the limits of the usage of certain powers, contrary to the provisions of Article 3.1 of the Charter. Such observation followed Recommendation 226 (2007) on local and regional democracy in Croatia which called the Croatian authorities to procure the autonomous exercise of powers by municipalities upon clarification of different levels of government.

52. Since then, the institution of the state administration offices was abolished pursuant to a new SASA which entered into force in 2020 as above provided, and their administrative functions were delegated to the counties. This reform reduced the scope for institutional intervention of the central state to exercise the powers of the local and regional authorities and allowed the administrative and representative bodies of counties to exercise their powers more efficiently, hence contributing to an increase in the autonomy of the local and regional self-government units in the regulation and management of their public affairs, in the interests of their populations.

53. The aforesaid reform and act of administrative decentralisation constitutes positive progress that allows the functions of the counties and by consequence first-level units of local self-government to be exercised with lesser influence and intervention from the central government, under their own responsibility.

54. Despite the above-mentioned legislative progress, the financial constraints experienced in local and regional self-government units have been observed especially in smaller towns, which will be further elaborated under Article 9 of the Charter. These financial constraints limit the ability of subnational authorities (as opposed to their right) to regulate and manage a substantial share of public affairs under their own responsibility in practice.

55. The population of a large number of small municipalities (273 out of 428 municipalities have a population of less than 3 000 inhabitants) and relatively small cities is very limited both comparably and in absolute numbers, hence rendering the corresponding units unable to enjoy sufficient independent income-earning capacity to perform basic public functions, whereas their growth and development potential is severely affected. The administrative capacity of a large number of units is also relatively weak as such units depend on proceeds received from the central government. Although they are in need of structural re-organisations, they seem to show little interest in mergers despite the grant of incentives for this purpose in 2022 through legislative amendments. They have a reduced capacity to support local development, for example through strategic planning, capital investments and development of infrastructure, digitalisation, absorption of EU funds and use of advanced financial models.[4]

56. Furthermore, the central government maintains extensive supervisory and instruction-giving powers over the local self-government units ranging up to the dismissal of the executive bodies, the dissolution of the representative bodies, the grant of instructions to remedy deficiencies in general acts, and the suspension of the exercise of entrusted state administration acts and general acts pursuant to the relevant provisions of the Law on Local and Regional Self-Government, which are further elaborated below. The enjoyment of such powers by the state may limit the right of local self-government units to regulate and manage their own affairs under their own responsibility.

3. The World Bank (2022), *Municipal mergers and associations: international experience and reform options for Croatia*. Available at https://documents1.worldbank.org/curated/en/099509001122332474/pdf/IDU06ac7145c0e60e04df30bd5a0a7f77ce9ec16.pdf, accessed 18 October 2023.

57. To summarise, the rapporteurs consider that the Republic of Croatia has shown positive progress in complying with paragraph 1 of Article 3 of the Charter in light of the abolition of the state administration offices in local authorities, while maintaining key provisions in the country's constitution that enable the local and regional units in principle to administer those affairs of a local and regional nature, respectively, under their own responsibility. Nevertheless, financial constraints experienced by a large share of local self-government units (especially those smaller in population), coupled with the extensive powers of the central government allowing the latter to grant instructions to the units limit the ability of subnational authorities to perform such managerial functions in practice.

58. In light of the above, the rapporteurs conclude that the Republic of Croatia is partially in compliance with Article 3.1 of the Charter.

3.2.2 Article 3.2

59. Article 128 of the Constitution guarantees the citizens' right to local and regional self-government and provides that such right "shall be exercised through local and/or regional representative bodies, composed of members elected in free elections by secret ballot on the grounds of direct, equal and general suffrage".

60. As mentioned above, the Law on Local and Regional Self-Government makes specific provisions for the establishment, election and organisation of the executive and representative bodies of each type of unit of local self-government, including the prefect and the county assembly in counties, the municipal mayor and the municipal council in municipalities, and the mayor and the city council in cities (including large cities). Furthermore, the LEA provides that "the right to vote is exercised at direct elections by secret ballot", whereby the free preference of voters and the secrecy of the ballot are guaranteed and that each person may vote only once at the same elections.

61. The members of executive bodies, that is county prefects, municipality heads, mayors and the deputies of the foregoing "are elected by a majority vote of all voters who cast their votes "to act for four-year terms, and the successful candidate is the candidate receiving 50% of votes of the voters (first round), whereas in the absence of such majority vote, a second round is held between the two candidates who received the most votes in the first round and the candidate who receives the higher number of votes is elected. In the event both candidates receive the same number of votes, a third round is held, according to the same rules as the second round and in the event that no candidate receives the required majority, the electoral process is repeated in its entirety.

62. The members of the representative bodies are elected pursuant to the "proportional representation electoral system, in such a way that the entire area of the unit comprises a single constituency", whereby "all voters who have a permanent residence (domicile) in the area of that unit and who cast their vote shall elect all the members of the representative body of the unit on the basis of the lists of candidates". The number of members of each representative body varies depending on the population of each unit and this is provided in the Law on Local and Regional Self-Government, as provided in Table 2 above.

63. Thorough procedures are provided in the LEA for the election of the units' representative and executive bodies, including the fact that generally the right to vote is exercised at direct elections by secret ballot, the setting up of election commissions, the organisation of polling stations, the opportunity to file complaints for irregularities, the oversight of the process by the Constitutional Court of the country and other provisions necessary for the smooth operation of the local election procedure.

64. Lastly, apart from the executive bodies mentioned above, the representative bodies are assisted by administrative departments and services established within the units for the purpose of performing tasks within the self-governing scope and tasks entrusted to them by the state administration.

65. In light of the above, the right of citizens to elect the representative and executive bodies freely, secretly, in direct, equal and universal suffrage in accordance with Article 3.2 of the Charter is adequately safeguarded by the constitution and the legislation of the Republic of Croatia, which is in full compliance with Article 3.2 of the Charter.

3.3 Article 4 – Scope of local self-government

Article 4 – Scope of local self-government

1. The basic powers and responsibilities of local authorities shall be prescribed by the constitution or by statute. However, this provision shall not prevent the attribution to local authorities of powers and responsibilities for specific purposes in accordance with the law.
2. Local authorities shall, within the limits of the law, have full discretion to exercise their initiative with regard to any matter which is not excluded from their competence nor assigned to any other authority.
3. Public responsibilities shall generally be exercised, in preference, by those authorities who are closest to the citizen. Allocation of responsibility to another authority should weigh up the extent and nature of the task and requirements of efficiency and economy.
4. Powers given to local authorities shall normally be full and exclusive. They may not be undermined or limited by another, central or regional, authority except as provided for by the law.
5. Where powers are delegated to them by a central or regional authority, local authorities shall, insofar as possible, be allowed discretion in adapting their exercise to local conditions.
6. Local authorities shall be consulted, insofar as possible, in due time and in an appropriate way in the planning and decision-making processes for all matters which concern them directly.

3.3.1 Article 4.1

66. The constitution includes explicit provisions as to the powers and responsibilities of each type of unit of local self-government, whereas the Law on Local and Regional Self-Government further regulates the management of such affairs which fall within their remit in accordance with Article 129a of the constitution, as provided in section 2.1. above, to which reference is made for the avoidance of repetition.

67. In addition, the Law on Local and Regional Self-Government makes further provision as to the possibility of special laws being promulgated for the purpose of both, extending the list of competences and regulating certain activities which are referred in the law in order to determine the tasks whose performance the units are obliged to organise and the tasks that the units can perform, hence bringing the Republic of Croatia in conformity with the provision of Article 4.1 of the Charter.

68. In light of the above, the Republic of Croatia is in compliance with Article 4.1 of the Charter.

3.3.2 Article 4.2

69. Despite the previous Congress Recommendation 391 (2016) pointing to the need for explicit provisions to be incorporated in the applicable laws and the Constitution of the Republic of Croatian in order to set in stone the right of local authorities to have full discretion to exercise their initiative with regard to any matter which is not excluded from their competence or assigned to any other authority, the laws of Croatia continue to remain silent on the matter.

70. The constitution and the Law on Local and Regional Self-Government do not provide for a broader right allowing the exercise of the discretion of local self-government units in respect of competences not explicitly excluded or assigned to other authorities but record a list of specific affairs and matters which fall within each unit's jurisdiction. Consequently, the laws of Croatia set the boundaries of the units' competence in a restrictive manner, as opposed to granting them the autonomy to manage their own local affairs with recorded exclusions.

71. The standard provision recorded in the legislation governing the competence of each type of local self-government unit subjects such extension of jurisdiction or exercise of initiative as to non-recorded functions to the fulfilment of the condition of enactment of special laws, hence rendering such enlargement of competence or exercise of initiative beyond the reach of local self-government units and within the control of the parliament.

72. This provides the local self-government units with merely a conditional right, not the discretion for the implementation of own initiatives with regard to any matter which is not assigned to any other authority. Apart from the legislative limitations observed in the wording of the applicable legislation of the Republic of Croatia, implementation of any local self-government initiatives is also subject to the enjoyment of access to adequate financial resources and shall not be carried out in the event that the

central state decides to intervene and suspend such initiatives, or alternatively exercise other forms of supervision which may not allow such initiatives to progress.

73. Therefore, the rapporteurs conclude that Croatia partially complies with Article 4.2 of the Charter.

3.3.3 Article 4.3

74. Article 4.3 of the Charter enshrines the principle of decentralisation, as well as the principle of subsidiarity, requiring public responsibilities to be exercised by those authorities closest to the citizen, that is in this case by local self-government authorities.

75. The dynamics of the interaction between the aforesaid two principles in the Republic of Croatia were explained by academic Mirko Klaric in the following terms: "One of the main issues is the question of capacity of local government units and ability to manage public tasks, which is one of the top questions in the process of decentralization. Organizational, financial or professional capacity of local self-government units are the crucial elements for implementation of principle of subsidiarity, as a main principle for decentralization. But according to this principle, central government authorities must provide support to local units in implementation and realization of local public task and services".[5]

76. Municipalities provide services to their citizens based on their means and available financial resources (which are usually analogous to their size). There is no universal standard of delivery of services in Croatia but rather disparities are observed in this respect which are attributed to the different levels of means and financial resources enjoyed by each local self-government unit. Large cities such as Zagreb, Rijeka, Split and Osijek have greater ability to organise their activities, perform their tasks and offer services and material support to their citizens compared to municipalities which are smaller in size and have less means and available financial resources.

77. A significant number of municipalities are weak in terms of administrative and fiscal revenue capacity, they do not have the ability, efficiency and finance to perform their tasks, promote development and well-being of their communities, or to provide for the needs of their citizens, deliver proper services and material support or exploit economies of scale due to their size, population and financial standing.

78. The responses given by a municipality in Croatia during the visit indicate the magnitude of the problem: at the moment, the biggest challenge for this municipality was the construction of a kindergarten, with an estimated cost of €1 000 000, without taking into consideration the National Recovery and Resilience Plan (NPOO)/EU approved funds. Since the construction of a kindergarten is the most important strategic project for the future of the said municipality, the plan is to use all available resources, in order to successfully complete this project under the circumstances.

79. The vertical administrative and territorial structure of Croatia according to the 2021 census in combination with available statistics as to the allocation of inhabitants in a comparatively significant number of cities and municipalities across the country, as presented in Table 3, reflects the true picture countrywide and speaks volumes in this respect.

Table 3: Vertical administrative and territorial structure of Croatia[6]

Tier	Units (2021)
Central government	1
Counties	21
Cities	128
Municipalities	428
Cities and municipalities	556

80. The number of local self-government units in the country (555 in total, plus City of Zagreb) seems relatively excessive and hindering the prospects of development of the local self-government sector. Such an observation is nowadays a lot more current, given the new challenges which lie ahead, including the need to focus on green energy, climate change, protection of the natural environment,

5. Klaric, M. (2021), "Local government in Croatia – continuity and change", *US-China Law Review,* Vol.18, No.3, pp.122-133. Available at https://www.davidpublisher.com/Public/uploads/Contribute/60e6b22038de9.pdf, accessed 18 October 2023.
6. The World Bank (2022), *Municipal mergers and associations: international experience and reform options for Croatia*. Available at https://documents1.worldbank.org/curated/en/099509001122332474/pdf/IDU06ac7145c0e60e04df30bd5a0a7f77ce9ec16.pdf,

digital transition, participation of youth in local projects and encouragement of young people to take part in local affairs.[7] The existing administrative structure, and more specifically the number and size of small rural municipalities, cannot cope with the aforesaid challenges.

81. As shown in Table 4,[8] there are 394 municipalities across the Republic of Croatia with less than 5 000 inhabitants and merely 34 municipalities with a population exceeding 5 000 inhabitants. Moreover, 55 municipalities have less than 1 000 inhabitants, while another 64 municipalities have a population under 1 500 inhabitants, summing up to a total of 119 small municipalities with a population of 122 582 inhabitants only.

Table 4: Population of municipalities in 2021

Inhabitants range	Municipalities	Population	% municipalities	% population
< 1 001	55	40 509	12.9	3.7
1 001 – 1 500	64	82 073	15.0	7.4
1 501 – 2 000	83	144 857	19.4	13.2
2 001 – 2 500	58	128 878	13.6	11.7
2 501 – 3 000	47	128 957	11.0	11.7
3 001 – 3 500	33	107 982	7.7	9.8
3 501 – 4 000	23	85 903	5.4	7.8
4 001 – 4 500	15	63 579	3.5	5.8
4 501 – 5 000	16	75 595	3.7	6.9
5 001 – 6 000	16	87 063	3.7	7.9
6 001 – 10 000	13	95 903	3.0	8.7
10 001 – 15 000	4	43 004	0.9	3.9
>15 000	1	16 015	0.2	1.5
	428	1 099 318	100.0	100.0

82. These numbers are indicative of the local self-governments' capacity problem that exists in Croatia, which is exacerbated by the decline and ageing of the population according to observed demographic data.

83. In the past several years, there seems to have been no extensive decentralisation of tasks to local self-government units and the fundamental problem for delegating basic functions (that is primary schools, permits, etc.) to the local level. This delegation seems to need to secure the prior consent of the county assembly. More basic functions must be transferred to the local level by operation of law, so that cities and municipalities can proceed freely and independently with the performance of all these tasks, within the scope of self-governance determined by the Constitution of the Republic of Croatia itself. It is suggested that local self-government units with larger capabilities should be allowed to undertake public functions from a higher level, without prior approval, if they are capable to perform these tasks with existing funds.

84. One of the reform measures envisaged by the National Recovery and Resilience Plan 2021-26 for the improvement of efficiency of the local and regional self-government system, is the co-financing model for functional and actual mergers of self-government units. The efficiency of the system is primarily dependent on the organisation structure of the system and not merely on the number of units. The emphasis was not primarily placed on the abolishment of units but on their functional integration, which could subsequently lead to an actual merger. There was no use of the measure and for this reason, the Government of Croatia in September 2022 introduced incentives for voluntary functional or actual merger of local self-government units, by granting financial assistance to the local units which will undergo voluntary functional integration, organising joint functions through a joint officer, a joint administrative department or service or through a joint company or institution. Particularly generous incentives are envisaged for voluntary actual mergers, whereby the territory of one local self-government unit will be annexed to another local self-government unit.

85. The merger of municipalities would help local self-government units to adjust to the new realities, cope with new challenges and perform their tasks efficiently, hence reducing observed disparities vis-à-vis other units, as well as the disparities in the standard of services enjoyed by the citizens of different municipalities. The rapporteurs note that the problem and negative externalities created by reason of

7. Ibid.
7. Ibid.

the excessive number of small municipalities is well-recognised in Croatia. In an attempt to resolve or curtail this problem, the government announced incentives for the voluntary actual or functional merger of local self-government units. During the visit, the rapporteurs heard that the interest exhibited on behalf of the local self-government units was lower than expected despite the financial incentives granted for voluntary functional merger with other municipalities. During the consultation procedure, the ministry of justice and public administration pointed to the involvement of 79 local self-government units in functional mergers and assessed this level as satisfactory.

86. The rapporteurs therefore consider that such mergers need to be further encouraged, possibly through the granting of additional incentives to allow for effective decentralisation; such measures would benefit both local communities and citizens. Under the current circumstances, the principle of subsidiarity and decentralisation in their true form seems to fall short of application. Taking into consideration the aforesaid, the rapporteurs conclude that Croatia partially complies with Article 4.3 of the Charter.

3.3.4 Article 4.4

87. Article 4.4 of the Charter promotes the avoidance of overlapping of competences which are exercised at a local self-government level to the extent not provided by the law so that local self-government units are empowered to exercise powers fully and exclusively, subject to the existence and exploitation of synergies that necessitate the promulgation of clear legislative provisions delineating each actor's jurisdictional scope.

88. The delegation observed that although the abolition of state administration offices in counties and the corresponding amendments to the legislation are considered a positive development in this matter and progress has been achieved since the previous monitoring visit in 2016, the issue of overlapping competences remains a challenge for the local self-government of the Republic of Croatia.

89. The competences of different tiers and types of local self-government units continue to be defined in the constitution and the law in broad terms and continued overlap is observed among different levels of local self-government.

90. During the consultation procedure, the ministry of justice and public administration disagreed with the view expressed by the rapporteurs about the existence of overlapping competences, asserting that their division is clear and that they are specified in special legislation.

91. However, primary healthcare falls within the local self-government remit of municipalities (and large cities) but at the same time, it is defined in the law as part of the medical care decision-making jurisdiction of the counties. The same is true in respect of spatial (town) and urban planning and education, which fall within the remit of cities and municipalities, as well as counties. Traffic in general is categorised as constituting a competence of cities and municipalities, as well as large cities but at the same time, a narrower head of transit (transport) and traffic infrastructure is considered as falling within the jurisdictional remit of the counties.

92. The aforesaid overlap between different tiers of local self-government allows room for conflict of competences, overshadowing of small municipalities or cities by counties, marginalisation of identical municipal/city competences and it marks a lack of clear delineation of competences required by Article 4.4 of the Charter. At the same time, issuance of building and location permits, maintenance of public roads and economic development was excluded from the ambit of the municipal and city competences, hence being limited to the jurisdiction of the counties.

93. Lastly, the mechanism of entrustment of powers to local authorities per se implies that the delegation of such powers depends on the acts of the central state, as well as on the availability of funding for such delegated tasks/powers as admitted by interlocutors with whom the delegation met during the monitoring visit.

94. In light of the above, the rapporteurs conclude that the Republic of Croatia is not in conformity with Article 4.4 of the Charter.

3.3.5 Article 4.5

95. Article 4.5 of the Charter provides that where powers are delegated to local self-government by a central authority, local authorities shall, insofar as possible, be allowed discretion in adapting their exercise to local conditions. The administrative structures of local authorities and their familiarity with local conditions may make them appropriate bodies to implement certain functions, the ultimate responsibility for which falls on supra-local authorities. It is important, however, in order that recourse to such delegation does not excessively impinge on the sphere of independent authority at the local level, that the latter should, when possible, be allowed to take account of local circumstances in exercising delegated powers. It is recognised, however, that in respect of certain functions, the need for uniform regulations may leave no scope for local discretion.

96. According to the national delegation of Croatia to the Congress and national associations of local and regional authorities, the delegated competences have a firm set of rules (legal framework) which makes them difficult to adapt to local conditions.

97. It appears that the current delegation or decentralisation structure that is followed, along with the absence of financial autonomy, allows no significant discretion to be exercised by local authorities. Whether those delegated or decentralised powers are conveyed via statutory law or otherwise, the issue remains that local authorities, according to Article 4.5, should be allowed discretion to adapt those powers to local conditions. The tight financial control of local authorities also appears to be a serious hindrance of the exercise of that discretion.

98. In addition, as it will be observed later on in the issue of supervision (Article 8), it appears that there is no clear line between the central state and local authorities in the area of delegated or decentralised powers. The central state still remains in control of the local authorities' actions, and expressions of discretion on behalf of the local authorities are subject to direct review, not from the high administrative court of Croatia but from the central state itself, thus providing a potential prerogative/advantage to the latter to intervene and immediately suspend an act of the local authority as "irregular" and forcing the local authority to apply to the high administrative court for a review (and to continue or resume the exercise of the delegated power).

99. Therefore, in light of the above, the rapporteurs conclude that the Republic of Croatia is not in conformity with Article 4.5 of the Charter.

3.3.6 Article 4.6

100. Turning to the requirement for consultation of local authorities for all matters which concern them directly or affect them indirectly in a timely manner in accordance with Article 4.6 of the Charter, the delegation observed that such consultation is not formally established; it is conducted informally, hence rendering the Republic of Croatia in partial compliance with Article 4.6 of the Charter.

101. Drawing from the responses received during and after the delegation's monitoring visit, there seems to be no established framework for consultation between the central government and local and regional authorities.

102. As argued by the national delegation of Croatia to the Congress and national associations of local and regional authorities, the only channel through which local and regional self-government units can contribute is via the members of the parliamentary board for local and regional government of the Croatian Parliament who also serve as heads of their municipalities, as well as through the Croatian county association, the Association of Cities in Croatia and the Croatian union of municipalities. The opinion of these bodies is argued to be requested when pieces of legislation and regulations that concern them directly are pursued. Despite some influence being possible through the national organisations/associations, such influence is limited given that it takes the form of suggestions only. Public consultations with the general audience for a period of 30 days are also available pursuant to the provisions of the Freedom of Information Act via the central e-consultations' portal.

103. The Ministry of Finance carries out informal and formal dialogue with local and regional governments as well as the aforesaid associations on operational and legislative issues related to local governments, whereby input and insight is offered into financing and administrative matters of local governance.

104. Furthermore, the prime minister and key ministers have regular joint public meetings with all county prefects and presidents of local government associations (LGAs) throughout the year in different parts of Croatia to discuss regional and strategic issues of provision of public services.

105. Nevertheless, the above methods and channels of consultation are not based on a binding or established method of effective consultation of local and regional authorities in respect of matters which concern them directly. The rapporteurs are of the opinion that considerable improvement (or even a whole new approach) needs to be put in place in respect of the consultation between the central government and local regional authorities. A consultation framework between the central government and the local and regional authorities must be established, codified and clearly specified, for the purpose of securing transparency and accountability. In addition, any informal consultation dialogue conducted between the government and its ministries with local and regional governments, as well as local authorities' associations, on operational and legislative issues related to local governments must be codified in detail and then promulgated into law, hence rendering such procedure binding and systemic.

106. In light of the existence of informal, but not legally codified and established, channels of consultation between the central government and the local and regional authorities, the rapporteurs conclude that the Republic of Croatia is in partial compliance with Article 4.6 of the Charter.

3.4 Article 5 – Protection of local authority boundaries

Article 5 – Protection of local authority boundaries
Changes in local authority boundaries shall not be made without prior consultation of the local communities concerned, possibly by means of a referendum where this is permitted by statute.

107. Article 7 of the Law on Local and Regional Self-Government provides that: "[a]ny change in the area of a local and regional self-government unit will previously seek the opinion of the inhabitants of that unit. The opinion referred in paragraph 2 of this Article shall not be binding".

108. Reference to the act of seeking the opinion of the inhabitants of the unit whose area is sought to be altered satisfies the need for consultation of the relevant local community, whereas the non-binding nature of the result of such process falls within the ambit of the term "consultation".

109. In light of the above, the Republic of Croatia complies with Article 5 of the Charter.

3.5 Article 6 – Appropriate administrative structures and resources for the tasks of local authorities

Article 6 – Appropriate administrative structures and resources for the tasks of local authorities
1. Without prejudice to more general statutory provisions, local authorities shall be able to determine their own internal administrative structures in order to adapt them to local needs and ensure effective management.
2. The conditions of service of local government employees shall be such as to permit the recruitment of high-quality staff on the basis of merit and competence; to this end adequate training opportunities, remuneration and career prospects shall be provided.

3.5.1 Article 6.1

110. The administration of local self-government units is carried out by their representative bodies, as well as by their executive bodies, both of which are elected by the public in elections held in accordance with the law, as above.

111. In general, statutory provisions set forth in the Law on Local and Regional Self-Government determine the number of members that each unit shall consist of depending on the type of the unit and the number of inhabitants thereof, ranging from seven to 51 representatives, as well as the positions which make up the executive body of each unit; reference is made to Table 2 and section 2.1 of this report.

112. Apart from the aforesaid general provisions and in full compliance with Article 6.1 of the Charter, Article 129b of the Constitution of Croatia explicitly affords local and regional self-government units with the power to regulate their own internal administrative structures. The said article provides the following:

“Units of local and regional self-government shall have the right, within the limits provided by law, to autonomously regulate, through their charters, the internal organisation and jurisdictions of their bodies and adapt them to local needs and capacities”.

113. Turning to the conduct and procedure of the unit’s internal affairs, Article 33 of the Law on Local and Regional Self-Government provides that the operation of the representative body shall be regulated by the rules of procedure thereof in accordance with the said act and the applicable statute. The rules of procedure are adopted by a majority vote of all members of the representative body.

114. Beyond the above, part VI of the above-mentioned law provides for the establishment of administrative departments and services of local and regional self-government units, which are established for the purpose of performing tasks within the self-governing scope of local and regional self-government units as well as tasks entrusted by state administration.

115. Lastly, pursuant to Article 35 of the said law, the representative body is obliged and entitled, *inter alia* to establish working bodies, elect and dismiss members of those bodies, as well as regulate the organisation and scope of administrative bodies of local self-government units, whereas pursuant to Article 56 of the law, local self-government units ensure the performance of administrative and other professional tasks within their administrative bodies.

116. In light of the above, the rapporteurs conclude that Croatia complies with Article 6, paragraph 1 of the Charter.

3.5.2 Article 6.2

117. The Act on Salaries in Local and County (Regional) Self-Government Units regulates the standards for the salaries and allowances in respect of the salaries of the county prefects, municipal mayors and of civil servants and clerks employed in administrative departments and services of the local and regional units. However, the law does not resolve problems regarding the salaries of employees in local and regional units, the payment of which, due to their small size, depends on the financial assistance from the state budget. The Act specifies that the total fund for financing the salaries in local and regional units must be less than 20% of the operating income of the unit generated in the previous year, reduced by the income defined by the law on salaries in the corresponding local and regional unit.

118. In 2023, the Croatian Parliament amended the Act on Salaries in Local and County (Regional) Self-Government Units, hence regulating the budget restrictions on salaries for employees in municipalities, cities and counties. As a result, the wage budget allocated for the salaries of employees in local and regional self-government, which was 20%, should now not exceed 18% of the revenue of a government unit generated in the year preceding the budget year.

119. The ministry of justice and state administration stated on the amendment that it was in fact more favourable to municipalities, cities and counties, although it did not appear so. The 20% included the funds that are no longer included in the revenue of those units, so the allocation of 18% means that more funds are obtained in absolute numbers. The same limit is introduced in units that in the year preceding the budget year received fiscal equalisation resources from the budget and equalisation grants for decentralised functions which amount exceeded 20% of the revenue, while the amount paid for salaries exceeded 15%. The ministry also added that a comprehensive reform will only follow in the years ahead.

120. In the parliament, the rapporteurs were informed of the satisfaction with the change which makes it possible to increase the salaries of officials and employees in local units, which are increasingly difficult to attract and retain, due to high salaries in the private sector.

121. Article 56b of the Law on Local and Regional Self-Government provides that officials, that is persons which perform administrative and professional tasks within the scope of the body in which they work, must be encouraged to pursue continuous vocational training and training courses, seminars and education.

122. In view of the above and considering that the aforesaid act specifies the conditions of service of local government employees, the rapporteurs conclude that Croatia complies with Article 6, paragraph 2 of the Charter.

3.6 Article 7 – Conditions under which responsibilities at local level are exercised

Article 7 – Conditions under which responsibilities at local level are exercised

1. The conditions of office of local elected representatives shall provide for free exercise of their functions.
2. They shall allow for appropriate financial compensation for expenses incurred in the exercise of the office in question as well as, where appropriate, compensation for loss of earnings or remuneration for work done and corresponding social welfare protection.
3. Any functions and activities which are deemed incompatible with the holding of local elective office shall be determined by statute or fundamental legal principles.

3.6.1 Article 7.1

123. Article 18 of the Law on Local and Regional Self-Government provides that each municipality, city and county shall be independent in deciding in matters within their self-government scope, in accordance with the Constitution of the Republic of Croatia and this act. Therefore, the elected representative bodies, the municipal council, the city council and county assembly, as well as the executive bodies such as the municipal mayor, the town mayor and the county prefect, exercise their functions freely.

124. The rapporteurs heard no complaints on this issue during the visit.

125. In light of the above, the Republic of Croatia complies with Article 7, paragraph 1 of the Charter.

3.6.2 Article 7.2

126. The positions of executive bodies in local self-government units in Croatia, such as mayors, prefects and their deputies, are salaried positions. Pursuant to Article 90 of the Law on Local and Regional Self-Government, within eight days from entering into office, such persons choose in writing whether they will perform their duties professionally, hence being entitled to a salary and other rights from work pursuant to Article 90a of the same law (their time in office will also count as pensionable service), or voluntarily, hence being entitled to compensation for work. If no notification is received, it will be assumed that the office will be held on a voluntary basis.

127. The basic criteria for determining the salaries are prescribed by the Act on Salaries in Local and County (Regional) Self-Government Units, which stipulates that the salary of a county executive, mayor and their respective deputies is the product of the job complexity coefficient and the salary calculation base, increased by 0.5% for each year of pensionable service, up to 20% in total. The base and coefficients for the calculation of salaries are determined by a decision of the representative body of a unit at the proposal of its mayor/county executive. The act sets the upper ceiling, that is the maximum salary amounts including the coefficient and the base.

128. Persons who have served professionally for the last six months prior to termination of office are entitled to the compensation of salary and pensionable service period for six months following the termination of office, at the rate of the average salary they received during the last six months of service. Persons who have served professionally for less than six months prior to termination of office are entitled to the compensation of salary and pensionable service period following the termination of office for as many months as they served professionally, at a rate equal to the average salary they received prior to termination of office. Persons who did not serve in a professional capacity are not entitled to the compensation upon termination of office.

129. Members of the representative bodies are not entitled to a salary given that they are performing honorary duties but rather just financial compensation for the performance of their duties in accordance with the decision of the representative body and at the rate so decided.

130. The remuneration of the representative members is regulated by Article 31a of the Law on Local and Regional Self-Government on a net amount basis per member, setting a maximum amount depending on the population of each type of local or regional self-government unit, as shown in Table 5.

Table 5: Remuneration of members of representative bodies of local and regional self-government units

Counties		**Municipalities and cities**	
Inhabitants	Annual cap	Inhabitants	Annual cap
Up to 100 000	HRK 13 000	Up to 1 000	HRK 4 000
100 001 – 200 000	HRK 14 000	1 000 – 5 000	HRK 6 000
200 001 – 300 000	HRK 15 000	5 001 – 10 000	HRK 8 000
More than 300 000	HRK 16 000	10 001 – 20 000	HRK 10 000
		20 001 – 35 000	HRK 11 000
		35 001 – 60 000	HRK 12 000
		60 001 – 100 000	HRK 13 000
		100 001 – 300 000	HRK 14 000
		More than 300 000	HRK 16 000

131. Under the same Article, the compensation for the president of a representative body may be determined by an amount increased by a maximum of 50% and for vice-presidents (up to two) by an amount increased by a maximum of 30% of the corresponding compensation set forth above.

132. According to the written replies received by the delegation, political parties and independent councillors are regularly funded by the city assembly (which is fully digitised) and a relevant provision is made for this purpose in the annual budget, whereas to facilitate the work of the representatives, office space is allocated to them.

133. The rapporteurs heard from some interlocutors that taking into account the time expected to be devoted by elected representatives, inflation and the present living needs, the amount of compensation should be possibly increased, so that elected representatives are rewarded with adequate compensation for loss of income and be aligned with the salary and compensation levels in Croatia.

134. In light of the above, the rapporteurs consider that Croatia complies with Article 7, paragraph 2 of the Charter.

3.6.3 Article 7.3

135. Article 7.3 of the Charter seeks to achieve the specification of functions that are considered incompatible with the holding of a local elective office, by law.

136. Despite such incompatible functions not being specifically and individually determined in the Law on Local and Regional Self-Government, Article 30 of the said law provides the mechanism for the remedy of instances of conflict of interest. Specifically, the aforesaid law provides that: “[a] member of a representative body who, during the term of office, accepts the performance of duties which is considered incompatible according to the provisions of a special law, shall have a term of office idle during the performance of an incompatible office, during which time he is replaced by a deputy in accordance with the provisions of a special law” but this can only take place once during the term of office.

137. Specific instances of conflict of interest are found in the Act on Preventing of Conflict of Interest in Exercise of Public Office. Such instances include prohibited conduct of officials (term including prefects and the mayor of the city of Zagreb, as well as their deputies, and mayors, heads of municipalities and their deputies), such as receiving or soliciting benefits or a promise of benefits for exercising public office, obtaining or receiving a right if the principle of equality before the law is violated, misusing the special rights of an official which stem from or are necessary for exercising public office, receiving additional compensation for tasks stemming from exercising public office, soliciting, accepting or receiving something of value or a service for voting on any issue, or to influence a decision made by a body or a personal gain or the gain of a connected person, promising employment or any other right in exchange for a gift or the promise of a gift, exerting influence in obtaining jobs or contracts through public procurement, using privileged information about the activities of state bodies for personal gain or for the gain of a connected person and using an official position in any other manner influencing decisions of legislative, executive or judicial authorities in order to achieve personal gain or the gain of a connected person, privilege or a right, to conclude a legal affair, or in any other manner to receive benefits of personal interest or of interest to another connected person.

138. Furthermore, the aforesaid law prohibits the acceptance of another public office, the performance of any other activity for remuneration or to earn income in the event that the public office is exercised on a professional basis and the undertaking of directorships or membership in supervisory boards of private companies (subject to exceptions), and obliges officials holding more than 0.5% of the shares of a company to transfer such shareholding to a non-related person; such companies cannot enter into a business relation with a state authority or body in which the official exercises their office, nor can it be a member of a community of bidders or subcontractors in this business relationship. The Act on Preventing of Conflict of Interest in Exercise of Public Office provides a series of other obligations to the aforesaid office holders who fall within the scope of the law for the avoidance or resolution of instances of conflicts of interest.

139. In light of the above, the rapporteurs conclude that the Republic of Croatia complies with Article 7, paragraph 3 of the Charter.

3.7 Article 8 – Administrative supervision of local authorities' activities

Article 8 – Administrative supervision of local authorities' activities

1. Any administrative supervision of local authorities may only be exercised according to such procedures and in such cases as are provided for by the constitution or by statute.
2. Any administrative supervision of the activities of the local authorities shall normally aim only at ensuring compliance with the law and with constitutional principles. Administrative supervision may however be exercised with regard to expediency by higher-level authorities in respect of tasks the execution of which is delegated to local authorities.
3. Administrative supervision of local authorities shall be exercised in such a way as to ensure that the intervention of the controlling authority is kept in proportion to the importance of the interests which it is intended to protect.

3.7.1 Article 8.1

140. The limitation of the exercise of administrative supervision over local authorities to the extent provided in the constitution and the law pertains to the autonomy that local authorities should enjoy in administering affairs falling within their jurisdiction. Article 137 of the Constitution of the Republic of Croatia provides that in administering the affairs within their jurisdiction, units of local and regional self-government shall be autonomous and subject only to the review of the constitutionality and legality by the authorised national government bodies, which in the case of Croatia is the ministry of justice and public administration. Drawing on the aforesaid constitutional provision, the Law on Local and Regional Self-Government further regulates the scope of central state intervention and supervision through Articles 78 to 89.

141. The legality of the works and acts of local and regional self-government units is supervised by the ministry of justice and public administration, pursuant to protecting constitutionality and legality. In the event that irregularities are observed, the ministry decides on the matter accordingly by annulling the act in issue and declaring it illegal, without any right to appeal against such decision but subject to the entitlement of the affected local authority to bring an administrative dispute before the high administrative court.

142. The legality of general acts adopted within the self-governing scope of the representative bodies of local self-government units is carried out by the competent state administration bodies, each within its own scope, in accordance with a separate law and the procedure thereafter is specified in the act. All state administration bodies have the right to supervise the legality of general acts of local self-government units, each within their scope of competence. In the event that provisions of any general act of a local or regional unit are deemed to be in conflict with the constitution or the law, or in the event that it is decided that irregularities were committed in the process of enacting a general act, the representative body is called to remedy the observed irregularities.

143. According to Article 82, when the competent state administrative body adopts a decision to suspend, it shall submit to the high administrative court of the Republic of Croatia a request to assess the legality of a general act.

144. There is a distinction between general law and the statutes. Where there is a dispute regarding the legality of a general act or where irregularities are detected, the matter is brought before the high

administrative court of Croatia for review. Where the dispute relates to a statute of a unit, the matter is referred to the Constitutional Court of Croatia for review.

145. Upon triggering a suspension decision, the state administration is obliged to propose to the government without delay the initiation of a procedure before the Constitutional Court of Croatia for assessment of compliance with the constitution and the laws of the Republic of Croatia. In the event that no such proceedings are instigated within 30 days from the motion, the suspension ceases.

146. Prior to 2013, the Constitutional Court had jurisdiction over all local regulations but since 2013, it decides on the constitutionality of local statutes. By virtue of the Administrative Disputes Act which came into force on 1 January 2012, the high administrative court was conferred jurisdiction to review the legality of general acts of local and regional self-government, as well as of acts or omissions (executory acts) in the public domain.

147. During the visit, the rapporteurs have not been notified of the exercise of any supervision contrary or in non-compliance with the constitution or statute. In addition, the abolition of state administration offices in counties and the corresponding legislative reforms is a positive development which is relevant to the assessment of Croatia's compliance with Article 8.1.

148. Based on the above, the rapporteurs conclude that Croatia complies with Article 8, paragraph 1 of the Charter.

3.7.2 Article 8.2

149. Administrative supervision should normally be confined to the question of the legality of local authority action and not its expediency, with the exception of delegated tasks, where the authority delegating its powers may wish to exercise some supervision over the way in which the task is carried out. This should not, however, result in preventing the local authority from exercising a certain degree of discretion as provided for in Article 4, paragraph 5 of the Charter,[9] whereas the principle of proportionality in the supervision of the state should be respected.

150. Building on the observations of the previous Congress report, the Law on Local and Regional Self-Government continues to provide extensive and detailed provisions as to the powers of the central government to intervene in local affairs and exercise their supervisory functions in respect of entrusted powers. Compliance with Article 8, paragraph 2 of the Charter continues to be achieved by reason of the existence of detailed legislative provisions to this end but certain powers so provided in the law do not sit comfortably with the principle of proportionality which is set forth in Article 8, paragraph 3 (discussed below). Hence the rapporteurs' remarks of compliance in this report should be read in conjunction and under the light of the next section examining compliance with Article 8.3.

151. Supervisory powers previously held by state administration offices, that is heads of the offices, remained only with line state administration bodies once the offices ceased to exist. In particular, under the Local and Regional Self-Government Act, the authority to supervise the legality of the general acts adopted by the representative bodies of municipalities, cities and counties within their self-governing remit lies only with state administration bodies, which already had this authority prior to the 2019 amendments.

152. However, by way of a novelty in the supervisory powers provided in the law, the chairperson of the representative body of a local or regional self-government unit is obliged to deliver general acts to the competent state administration bodies. The competent state administration body may give instructions to the representative body if it finds any irregularities in the general act (previously done by state administration offices in the counties). This was envisaged in order to prevent a significant increase in the suspension of general acts from application, given that the supervision procedure is no longer divided into two tiers, that is the state administration offices no longer exist.

153. Article 83 of the Law on Local and Regional Self-Government deals with the supervision of the performance of administration tasks entrusted by the state; it provides that the competent state administration body exercising administrative supervision over the performance of entrusted

8. Congress of Local and Regional Authorities, *A contemporary commentary by the Congress on the explanatory report to the European Charter of Local Self-Government*, CG-FORUM (2020)02-05final, 7 December 2020, available at https://rm.coe.int/contemporary-commentary-by-the-congress-on-the-explanatory-report-to-t/1680a06149, accessed 18 October 2023.

administration tasks may give general and individual instructions to the administrative bodies of units, and take measures and actions established by law regulating the state administration system.

154. More importantly, the Government of Croatia has the power to dissolve the representative local and regional body pursuant to Article 84 of the Law on Local and Regional Self-Government at the proposal of the state administration pursuant to the 2012 amendments to this law, which were redefined by amendments to the law in 2017. Such power may be exercised in the following instances: (a) adoption of decision or act threatening the sovereignty and territorial integrity of the Republic of Croatia; (b) non-adoption of the statute by a newly established unit within 60 days from constitution; (c) frequent adoption of general acts contrary to the constitution, the law or other regulation due to frequent, serious violations of laws and other regulations; (d) permanent loss of the number of members necessary for work and decision making; (e) inability to make decisions within its scope for more than three months; (f) failure to call a referendum referred on the proposal of voters when it has been established that the permitted proposal has been submitted by a sufficient number of voters, in accordance with the provisions of this law and the law governing the calling of a referendum; (g) failure to call a referendum for impeachment; (h) non-adoption of a budget for the subsequent year during the currency of the previous year or after the expiry of the temporary financing period except as otherwise provided in the said law; (h) non-adoption of the budget within 45 days of the publication of the judgment of the high administrative court of the Republic of Croatia by which the budget was abolished in the procedure of assessing the legality of the general act, except as otherwise provided in the said law.

155. The powers of the state are not limited to the dissolution of the representative body. They extend to the simultaneous dismissal of the executive body and this power has been the subject matter of criticism in the previous monitoring report on the grounds of non-compliance with the principle of proportionality. Article 85a of the Law provides that at the proposal of the competent state administration body responsible for local and regional self-government, the Government of Croatia may simultaneously dissolve the representative body and dismiss the executive body of a local self-government unit (that is, the municipal mayor, the mayor or country prefect and their deputies) in any of the following instances: (a) in the event that after the dissolution of the representative body for failure to call a referendum for impeachment, the newly elected representative body does not adopt the budget within 90 days of its constitution; or (b) in the event that the representative body does not adopt the budget within 45 days from the date on which the executive head of the unit proposed it. In both cases, the unit is led to early elections and a commissioner of the government is appointed to perform the tasks of both the representative and the executive body of the unit in accordance with Article 85b of the Act.

156. Once such powers are exercised, the president of the dissolved representative body may file a recourse against the decision of the government on the dissolution and dismissal of the municipal mayor, mayor or prefect, within eight days of the publication of the decision. The high administrative court decides on the recourse and delivers its judgment within 30 days. Where the recourse is dismissed, the government shall call early elections for the representative body, within 90 days from the date of publication of the decision of the court in the Official Gazette.

157. Under Article 77b of the Law on Local and Regional Self-Government, supervision of the legality of individual non-administrative acts adopted by representative and executive bodies of municipalities, cities and counties within their respective self-governing remit is conducted by line state administration bodies depending on their respective area of competence, as laid down by special laws. In carrying out the supervision, the act gives the competent body the possibility to declare an individual non-administrative act null and void if the act was adopted by an unauthorised body, if a law, statute or other general act of the unit was violated in the procedure of adoption of the act, if the act concerns a matter which does not fall within the remit of the local or regional self-government unit, or if a law, other regulation or a general act was applied incorrectly. The competent body may adopt such a decision within one year of the adoption of the relevant individual act. A decision declaring an individual non-administrative act as null and void is not subject to appeal but an administrative dispute may be brought before the competent administrative court.

158. During the monitoring process, the delegation was informed of a practice conducted by the ministry of justice and public administration to send local authorities instructions as to how to proceed in the execution of specific regulations. For example, following the latest amendments to the Law on Local and Regional Self-Government and the LEA, the ministry of justice and public administration gave instructions on several occasions on how to apply the relevant legal provisions. The purpose of these instructions was explained as not being to intervene in matters falling within the scope of self-government but primarily to provide guidance to units on how to apply relevant legal provisions to avoid irregularities and illegalities.

159. Subject to proportionality reservations mentioned above and further elaborated below, the rapporteurs are of the view that the provisions which entitle the central state to exercise supervisory control over local self-government affairs with the right to intervene as above provided fall within the ambit of paragraph 2 of Article 8 given that the text of the law does seem to seek compliance with the law and constitutional principles, whereas supervision over the exercise of entrusted/delegated tasks is strictly speaking in compliance with Article 8.2 too, and the abolition of the institution of state administration offices in counties further supports the aforesaid conclusion.

3.7.3 Article 8.3

160. Article 8.3 of the Charter of Local Self-Government sets forth the principle of proportionality in the administrative supervision of local and regional authorities.

161. In accordance with Articles 85a, 85b and 85c which were incorporated into the Law on Local and Regional Self-Government following the amendment made in 2012 and contemplate the simultaneous dissolution of the local representative body and the dismissal of the municipal mayor, the mayor or county prefect continue to constitute a challenge for the compliance of the Republic of Croatia with the principle of proportionality set forth in Article 8.3 of the Charter.

162. The rapporteurs consider the aforesaid provisions strict in nature. The simultaneous dissolution of both the representative and the executive body of a unit of local self-government constitutes an act of strict supervision, which, in the opinion of the rapporteurs, is disproportionate to the importance of the interests that Articles 85a-85c seek to protect. During the consultation procedure, the ministry of justice and public administration explained that the simultaneous dissolution of the representative body and dismissal of the mayor or county executive occur in specific circumstances, such as the failure to adopt the budget. This happened in one unit only in a period from 2017 to 2021. The ministry considers that this legal possibility contributed to reducing the number of early local elections, which would otherwise have had to be called to solve the problem of non-cooperation between the representative and the executive bodies.

163. However, the rapporteurs believe that the necessity of ensuring that a local authority budget is in place and in a timely manner, as well as the necessity to call a referendum for impeachment (timely) do not justify the dissolution of the representative body and the dismissal of the executive heads at the request of the central state and they are considered as effecting a disproportionate response to the need to address such instances. Less intrusive and more proportionate measures should be taken in order to remedy such failures.

164. In addition, the aforesaid remarks of non-compliance with Article 8.3 of the Charter have already been raised in the previous monitoring report in 2016, albeit without proper remedy. The authorities of Croatia are urged to take further action for the purpose of bringing the Law on Local and Regional Self-Government in line with the principle of proportionality of administrative supervision.

165. The rapporteurs are also of the opinion that the power of the executive branch to suspend or annul acts of the local self-government units prior to the determination of their legitimacy by the judicial authorities does not sit comfortably with the principle of proportionality. Challenges to local authorities' acts should in principle firstly be heard by the courts and should they be deemed valid, any annulment or invalidation should follow, whereas no suspension or invalidity should be allowed to priorly apply upon such acts before the court issues a relevant verdict concerning these challenges (given the possibility of a negative response or dismissal by the courts of law).

166. The aforesaid observation becomes more relevant in the exercise of the strict power of the state to dissolve the elected local representative body and dismiss the municipal mayor or county prefect, without the previous review and approval of the high administrative court.

167. In any event, the existence of strict procedural deadlines for the issuance of the court's judgment on such matters does not justify the maintenance of the current process whereby the supervisory act precedes the issuance of the court's judgment on the matter.

168. The rapporteurs therefore conclude that the Republic of Croatia is not in compliance with Article 8.3 and call the relevant authorities to take necessary action for the amendment of the law and the procedure set forth therein.

3.8 Article 9 – Financial resources of local authorities

Article 9 – Financial resources of local authorities

1. Local authorities shall be entitled, within national economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers.
2. Local authorities' financial resources shall be commensurate with the responsibilities provided for by the constitution and the law.
3. Part at least of the financial resources of local authorities shall derive from local taxes and charges of which, within the limits of statute, they have the power to determine the rate.
4. The financial systems on which resources available to local authorities are based shall be of a sufficiently diversified and buoyant nature to enable them to keep pace as far as practically possible with the real evolution of the cost of carrying out their tasks.
5. The protection of financially weaker local authorities calls for the institution of financial equalisation procedures or equivalent measures which are designed to correct the effects of the unequal distribution of potential sources of finance and of the financial burden they must support. Such procedures or measures shall not diminish the discretion local authorities may exercise within their own sphere of responsibility.
6. Local authorities shall be consulted, in an appropriate manner, on the way in which redistributed resources are to be allocated to them.
7. As far as possible, grants to local authorities shall not be earmarked for the financing of specific projects. The provision of grants shall not remove the basic freedom of local authorities to exercise policy discretion within their own jurisdiction.
8. For the purpose of borrowing for capital investment, local authorities shall have access to the national capital market within the limits of the law.

3.8.1 Article 9.1

169. The starting point in the assessment of the country's compliance with paragraph 1 of Article 9 of the Charter are the provisions of the constitution. Article 131 of the Constitution does indeed provide that "units of local and regional self-government shall be entitled to their own revenues and to dispose of them freely in the performance of the tasks under their remit", hence mirroring the provision of Article 9.1 of the Charter to a significant extent.

170. Article 68 of the Law on Local and Regional Self-Government mirrors the aforesaid provision and goes on to record the following sources of revenues of local and regional self-government units: (a) municipal, city or county taxes, surtax, fees, contributions and fees; (b) income from property owned and property rights; (c) income from companies and other legal persons owned by it, that is in which it holds a share or shares; (d) revenues from concession fees; (e) fines and confiscated material gain from misdemeanours prescribed by itself in accordance with the law; (f) share in common tax; (g) funds of assistance of the Republic of Croatia provided in the state budget; and (h) other income determined by law.

171. As provided in the explanatory report to the Charter, the legal authority to perform certain functions is meaningless if local authorities are deprived of the financial resources to carry them out, whereas such funds must come from their own sources. The tasks and functions which the local authorities are obliged to perform have been outlined in previous sections of this report and reference is made thereto, pursuant to avoiding repetition thereof in this section.

172. From 2001 onwards, the Republic of Croatia embarked on several waves of administrative decentralisation, hence entrusting tasks and functions to the local and regional self-government units, away from the central government.

173. From 2001 until 2003, fire protection, elementary and secondary education, social welfare and healthcare were delegated to the counties and those local governments which enjoyed adequate fiscal capacities.

174. Construction permit granting was decentralised to the counties and large towns in 2008. The grant of funding equal to the wage bill for decentralised construction permit granting was allocated to the counties and large towns at the time but was discontinued in 2012. In 2008, maintenance of public roads was also delegated to large cities and funding was secured by providing the latter with a share in the public roads' usage fee. In 2020, a number of state administrative functions were transferred to the counties, accompanied with a block grant equal to the wage bill of decentralised public servants.

175. As the Ministry of Finance admitted, an increase in service provision standards for local government functions or an expansion of competences of local public servants is not always accompanied by additional funding as there are no legislative guarantees that fiscal decentralisation has to match decentralised (delegated) administrative and service delivery costs.

176. The financing of the needs of local and regional self-government units in Croatia is heavily dependent on the sharing of personal income tax (PIT). According to the Ministry of Finance, local governments receive 74% of PIT collected in their jurisdiction, regional governments 20%, and another 6% of PIT revenues is allocated and earmarked to local and regional governments for the performance of decentralised (delegated) functions. Consequently, the rules governing PIT sharing also constitute an important segment of Croatia's intergovernmental transfer system.

177. Regarding income tax revenues, the new provisions of the regulations adopted by the Croatian Parliament in October 2023 shall enter into force on 1 January 2024. Regarding the budgets of local units, including the City of Zagreb, the Act on Amendments to the Local Taxes Act and the Act on Amendments to the Income Tax Act are of most importance. The most significant change is the abolition of the surtax and at the same time the authorization of local self-government units to independently determine the levels of tax rates for the payment of annual income tax. In other words, the Act ultimately allowed the surtax to be compensated by higher tax rates by setting the tax rates at the legally allowed maximum amounts and thus maintaining the current level of revenue generated from income tax and surtax during the previous years. The Ministry of Finance informed the delegation that this PIT reform was adopted to increase tax autonomy of local government units.

178. As further noted by the Ministry of Finance, an important revenue source for local governments is the communal fee which is not classified as tax although it has numerous tax characteristics. The communal fee rate is not capped. Its rate and exceptions are set by the units, it is collected by the units and base types are prescribed by law.

179. Another local self-government income revenue stream is the real-estate transfer tax at the rate of 3%, which constitutes a shared tax, that is shared among local and regional self-government units, whereas the delegation was informed by the Ministry of Finance that the remaining local taxes that the local and regional self-government units collect from the citizens are the following: inheritance and gift tax at a rate of 4%, motor vehicle tax, vessel tax, fixed tax on entertainment games, consumption tax ranging from 0% to 3%, second home tax and tax on use of public space (uncapped).

180. As noted in the previous monitoring report for Croatia – Recommendation 391 (2016) – as well as being evident from the responses received by the delegation in the course of the preparation of this report, the Croatian finance system is still over-centralised. There is still a strong reliance and dependency on PIT and how its funds are allocated between local government authorities, although certain attempts are made to alleviate the blunt application of the PIT allocation. During the consultation procedure, the Ministry of Finance asserted that local authorities could reduce the dependency on the tax sharing system by acting on their own source revenue, for instance by increasing surtaxes or setting maximum rates, and referred to a significant increase in local government revenues over the past decade.

181. Interlocutors with whom the delegation had the opportunity to meet during the monitoring visit, as well as responses received thereafter mark a common disquiet predominantly by smaller self-government units about the limited extent of financial resources that such units enjoy given their comparatively limited income-earning capacity, hence rendering the performance of their tasks and functions more difficult. This observation appears in the previous monitoring report on Croatia and it is evident that lack of adequate financing continues to constitute a challenge for local self-government units, especially units with comparatively less inhabitants. This does not seem to be the case in larger cities and the capital of the country, which enjoy a higher income-earning capacity and hence do not encounter financial difficulties in exercising their competences.

182. Lastly, as further provided below in the section on the level of compliance of the country with paragraph 7 of Article 9 of the Charter, a part of the revenues received by the local and regional self-government units are earmarked for specific projects, hence not freely disposable by the latter.

183. The inadequacy of financial resources in the hands of the local self-government units enhances the overdependency of the units on state/governmental grants. Such overdependency is also one of the reasons that fiscal decentralisation reform continues to be necessary and has to include the following:

redefining of the jurisdiction of the local and regional authorities through voluntary mergers, redefining of the tasks of central government bodies responsible for fiscal relations, further changes to the taxation system and introduction or changes to the fiscal rules for the lower-level units.

184. In light of the above, the rapporteurs conclude that the financial resources available to local self-government units in practice are not adequate for the performance of their functions and therefore, despite some progress noticed in this area, the Republic of Croatia is still not in compliance with paragraph 1 of Article 9 of the Charter.

3.8.2 Article 9.2

185. As contemporary commentary explains,[10] Article 9.2 enshrines the so-called principle of commensurability of local authorities' financial resources. This means that the resources available to local authorities should be sufficient and commensurate with their functions and tasks. It does not mean that all these tasks should be financed with their own revenues. This paragraph states that the revenues and mandatory tasks of local authorities should be balanced to ensure that the financial resources available to those authorities are satisfactory in comparison to the tasks assigned to them by law.

186. In Croatia, the competences, functions and tasks of the local and regional self-government units are fixed by law and save to differences between the various types of local self-government units (towns and municipalities, large cities and counties), such allocation does not seem to depend on either the financial capacity of each unit or the number of inhabitants thereof.

187. This creates a disparity which is evident between local self-government units of the same type and between different types of units, given the differences in their conditions, expenses, allocated income and inhabitants. During the monitoring visit, the subnational level interlocutors pointed to the inadequacy of the financial resources to cover the expenditure that goes with the transfer of new tasks and assignments to local authorities. The rapporteurs also heard that through changes to legislative framework regarding the delegated competences, local units receive more responsibilities while no extra funds are granted from the central government for their implementation.

188. In light of the above, the rapporteurs consider that the financial resources of local authorities are not commensurate with the responsibilities provided for by the constitution and the applicable law, hence rendering the Republic of Croatia in non-conformity with Article 9.2 of the Charter.

189. Hence there is a need for positive legislative and administrative steps to be taken for the review of the income-generating capacity of the local authorities, in such a way that would allow commensurability of financial resources depending on the responsibilities borne by the local authorities.

3.8.3 Article 9.3

190. As mentioned above, the PIT rate is not determined by the local authorities but rather by the state, and legislative proposals are under consideration pursuant to transferring the authority to determine the PIT rate to the local authorities. In this respect, the rapporteurs consider that the decentralisation of the PIT rates-setting authority, which took place after the monitoring visit, can be regarded as a positive development, but its effects on financial independence and sustainability of local government are still to be seen in the future. It is re-iterated that PIT proceeds constitute the most important income stream for local authorities.

191. The other significant income stream of local authorities is the surtax on PIT arrears but such obligation is expected to terminate in 2024.

192. The sum of the remaining taxes and charges imposed by the local authorities constitutes a relatively small percentage of the proceeds received by local authorities. To the contrary, the local authorities depend heavily on the grants and proceeds received from the central government regularly. County taxes are determined by the central government exclusively.

193. In light of the above, the rapporteurs conclude that at the moment the Republic of Croatia remains in non-conformity with paragraph 3 of Article 9 of the Charter.

10. A contemporary commentary by the Congress on the explanatory report to the European Charter of Local Self-Government, Statutory Forum, Report CG-FORUM (2020)02-05final, 7 December 2020

3.8.4 Article 9.4

194. This paragraph requires that the financial resources available to the local authorities should be of a sufficiently diversified and buoyant nature to enable them to keep pace with the real evolution of the cost of performing their tasks and functions.

195. Apart from provenly inadequate and insufficient, as well as heavily dependent on the state, the own income-generating capacity of the local authorities is contingent upon the PIT proceeds, which do not fluctuate as a result of changes to their costs.

196. In general, apart from the grants received from the state and EU grants to which the local authorities may become entitled for the financing of projects, the aforesaid financial resources are fixed, standard and unaffected, and/or unrelated to their costs and changes thereto, which gradually increase and necessitate higher degrees of dependency on state grants and subsidies.

197. On the other end of the spectrum, the categories of the local authorities' expenditure are defined by law and delegated by the state, hence being standard and specific throughout time.

198. In light of the above, the rapporteurs conclude that the situation in Croatia is not compliant with paragraph 4 of Article 9 of the Charter and emphasise the need for the implementation of progressive reforms to rationalise and enhance the income-generating capacity of the local authorities to bring them in line with paragraph 4 and generally Article 9 of the Charter.

3.8.5 Article 9.5

199. Article 9.5 of the Charter provides that the protection of financially weaker local authorities calls for the institution of financial equalisation procedures or equivalent measures which are designed to correct the effects of the unequal distribution of potential sources of finance and of the financial burden they may support.

200. According to Article 138 of the Constitution of Croatia, the state is obliged to provide financial assistance to weaker units of local and regional self-government in compliance with the law. Such process is managed through a fiscal equalisation fund (FEF). The financial equalisation system is based on collection by the central government of 17% of PIT revenues of self-government units which is then pooled in the special equalisation fund set aside for decentralised functions.

201. As noted in the previous monitoring report – Recommendation 391 (2016) – the distribution of the fund since 2014 is based on a new development index determined under the decision on the classification of units of local and regional self-government according to the level of development (Official Gazette 158/2013). This development index was used to calculate financial grants to individual towns, municipalities and counties using the following classifiers: unemployment rate, per capita income, local/county budget per capita income, population change and share of population with higher education aged 16-65.

202. According to the replies received from the Ministry of Finance in the course of the preparation of this report, by 2021 the FEF was funded by 17% of PIT collected and automatically distributed to the recipients on a daily basis, recorded as PIT. As of 2021, the aforesaid 17% share in PIT was allocated to local and regional governments as a compensatory measure for central government decision to reduce PIT rates. Due to this change, FEF is funded from central government revenues and recorded as a general grant as of 2021. Funding from FEF is allocated to local governments according to individual shares which are set in advance of the budget year. Local governments' individual shares are calculated as a difference between the (5-year average) target per capita PIT revenues and the (5-year average) actual per capita PIT revenues. The introduction of the FEF is considered to be a significant positive development given that it reduces disparities across local government PIT allocations, as well as increases the transparency and predictability of local government revenues. Nevertheless, recent changes to the source of funding for FEF have increased dependence of FEF to national government budgeting process, while little evidence is provided as to whether the criteria introduced in 2014 (which are majorly of a local, financial and social nature) are still taken into consideration upon distribution of the fund to the local authorities.

203. It is doubtful whether the new distribution system achieves the aim of addressing disparities between the population. In the name of simplicity and predictability, important social, economic, local and population factors are not taken into account prior to allocating FEF to local authorities. This entails

the possibility of allocating more funds to financially stronger and more capable local authorities and less funds to weaker ones which may be left without adequate funds to address issues relating to unemployment, ageing population issues, youth issues, under education and low-income population. The problem of sufficient financial resources to carry out tasks within their jurisdiction seems to be particularly present in municipalities with smaller budgets or a smaller number of employees.

204. The rapporteurs therefore conclude that the Republic of Croatia is still partially in compliance with Article 9.5 of the Charter and call the Croatian authorities to re-examine the criteria used for the allocation of the FEF to local authorities.

3.8.6 Article 9.6

205. Article 9.6 of the Charter provides that local authorities shall be consulted, in an appropriate manner, on the way in which redistributed resources are to be allocated to them.

206. The Freedom of Information Act requires all public bodies to exercise 30-day public consultations with the general audience using a central e-consultations' portal. Local and regional government units, as well as their associations (LGA), are invited to participate in public consultations, which they often do. Furthermore, the parliamentary board for local and regional government, key body for the review of all legislation related to local and regional governments, discusses legislation related to financial and administrative arrangements. The board has 13 members who are members of parliament, and nine members who are representatives of the four largest cities of Croatia, two counties and two municipalities and one lawyer. Although it is not mandatory, the LGAs are invited to participate in all sessions of the board. LGAs build policy consensus among most or all local governments of different political affiliations and economic power, and present or advocate for those policies in non-partisan fashion.

207. In its written replies, the Ministry of Finance stressed that in practice it carries out informal and formal dialogue with local and regional governments as well as LGAs on operational and legislative issues related to local governments, and that both sides offer input and insight into financing and administrative matters of local governance. Furthermore, the prime minister and key ministers have regular joint public meetings with all county prefects and presidents of LGAs throughout the year in different parts of Croatia to discuss regional and strategic issues to provide public services. However, there is no well-defined national legal framework for consultation of local authorities by other levels of government on all matters that concern them, including on redistribution of financial resources.

208. The rapporteurs therefore conclude that the Republic of Croatia is partially in compliance with Article 9.6 of the Charter. They suggest that the informal consultation dialogue the Ministry of Finance conducts with local and regional governments as well as LGAs on operational and legislative issues related to local governments, for the purpose of securing transparency and accountability, needs to be codified in detail in statutory law as a binding document of primary legislation.

3.8.7 Article 9.7

209. Article 9.7 provides that, as far as possible, grants to local authorities shall not be earmarked for the financing of specific projects. The provision of grants shall not remove the basic freedom of local authorities to exercise policy discretion within their own jurisdiction. According to the explanatory report on the Charter, it would be unrealistic to expect all specific project grants to be replaced by general grants, particularly for major capital investments, but excessive recourse to such grants will severely restrict a local authority's freedom to exercise its discretion with regard to expenditure priorities.

210. In Croatia, earmarked grants are used to a significant extent. As per the Ministry of Finance's remarks:

- There are two types of earmarked grants in Croatia, and they are both dedicated to financing the specific functions which the national government transferred to regional and local governments in the early 2000s, including primary and secondary education, social welfare, healthcare and fire protection.
- Some 6% of PIT revenues are earmarked to those regional/local governments that carry out the above-mentioned specific functions. Expenditure not covered by the 6% PIT allocation is funded through the equalisation fund for decentralised functions (EFDF), an earmarked grant funded by the state budget (approximately €260 million) and regulated legislatively on an annual basis in the national bylaws of line ministries. Funding from the EFDF depends on function-specific minimal standards determined by national bylaws, for example, for primary education the number of pupils, classrooms and school buildings.
- The Ministry of Finance admits that while the EFDF provides the majority of the funding for the decentralised (delegated) functions, it also makes local governments dependant on the national budgeting process and economic trends.
- In addition, during the consultation procedure, the Ministry of Finance informed the rapporteurs that in September 2023, the Central government instituted Fiscal Sustainability Fund for Preschool Education in order to provide additional funding to local government units for operational costs of kindergartens, based on Development Index.

211. As regards non-earmarked funding, the Ministry of Finance made reference to the distributions of the aforesaid FEF as being a non-earmarked fund of approximately €260 million established in 2017 and disbursed as of 2018. As of 2021, the aforesaid 17% share in PIT was allocated to local and regional governments as a compensatory measure for central government decision to reduce PIT rates. The Ministry of Finance admits that due to this change, FEF is funded from central government revenues and recorded as a general grant as of 2021. Funding from FEF is allocated to local governments according to individual shares which are set in advance of the budget year. Local governments' individual shares are calculated as a difference between the (5-year average) target per capita PIT revenues and the (5-year average) actual per capita PIT revenues.

212. In light of the above, the rapporteurs conclude that the Republic of Croatia is not in compliance with Article 9.7 of the Charter. Therefore, national authorities should re-examine in consultation with subnational authorities and their associations the issue of the increasing dependency of local authorities on the national budgeting process and economic trends sourcing from the degree of earmarking applied and how the local authorities could become more independent in this respect.

3.8.8 Article 9.8

213. Article 9.8 of the Charter states that local authorities shall have access to the national capital market for the purpose of borrowing for capital investment, within the limits of the law. The possible sources of such finance will, however, inevitably depend on the structure of each country's capital markets; procedures and conditions for access to these sources may be laid down by legislation.

214. According to the Ministry of Finance, local governments obtain short-term and long-term finance, through domestic and foreign markets, subject to the approval of the government or the minister of finance, by taking credits, loans and issuing securities. The national borrowing cap for local and regional governments equals to 3% of total revenues of all local and regional governments. Local governments can borrow short term exclusively to bridge the gap caused by the different dynamics of the inflow of funds and the maturity of liabilities for a maximum of 12 months, without the possibility of further reprogramming or taking out new short-term credits or loans.

215. The Ministry of Finance informed the delegation that a local authority may incur long-term debt: (a) for an investment financed from its budget (expenditure for the acquisition of non-financial assets other than passenger cars) and other expenditure directly related to such an investment); (b) for capital assistance to companies and other legal entities majority-owned or co-owned by the local authorities for investments that are co-financed by the EU and for investments or projects prescribed by special regulations; and (c) for the financing of ineligible costs that were co-financed by EU funds.

216. Procedures and conditions are in place to access the loan market. The government or the minister of finance shall not issue prior approval for the borrowing of any sum if any such new loan obligation or liability exceeds the national cap or in the event that individual local government's annual repayment exceeds 20% of the actual local authority's revenue of the year preceding the year in which the

borrowing is undertaken. Annual repayment includes the amount of the average annual repayment for credits, loans, obligations based on issued securities, issued guarantees and borrowing approvals, as well as due obligations stated in the last available financial statement. Nevertheless, borrowing by the local authorities up to the amount of the total acceptable cost of the EU-funded projects and borrowing for investments in energy efficiency projects is excluded from this limitation.

217. Budgetary users can incur long-term debt for the same purposes as local government units, refinance and reprogramme the rest of the debt, with prior approval of the local government. Extra-budgetary users can borrow long term from an international financial institution, with prior approval from the minister of finance. In addition, a regional self-government may provide a guarantee to a local government in its territory upon the prior consent of the minister of finance. Local or regional self-government units may provide guarantees for long-term borrowing to budgetary and extra-budgetary users and legal entities majority-owned or co-owned by the unit, with the prior consent of the minister of finance. Guarantees are included in the scope of possible indebtedness of local or regional government in proportion to the value of the ownership share. The guarantee for borrowing up to the total acceptable cost of the project co-financed from EU funds is not included in the scope of possible borrowing of local and regional self-government units.

218. In the event that local or regional governments borrow or issue a guarantee without prior approval of the government or the minister of finance, such loan or the guarantee is considered null and void. Local governments are obliged to report to the Ministry of Finance within the budget year, quarterly and by the 10th of the month for the previous reporting period, on the repayment of debt and status of active guarantees. Local governments can refinance or restructure their debt if the total annual annuity and/or maturity is not increased.

219. The rapporteurs therefore conclude that the Republic of Croatia is in compliance with Article 9.8 of the Charter.

3.9 Article 10 - Local authorities' right to associate

Article 10 – Local authorities' right to associate

1. Local authorities shall be entitled, in exercising their powers, to co-operate and, within the framework of the law, to form consortia with other local authorities in order to carry out tasks of common interest.
2. The entitlement of local authorities to belong to an association for the protection and promotion of their common interests and to belong to an international association of local authorities shall be recognised in each State.
3. Local authorities shall be entitled, under such conditions as may be provided for by the law, to co-operate with their counterparts in other states.

3.9.1 Article 10.1

220. Express legislative provisions in the Law on Local and Regional Self-Government do indeed allow and provide for co-operation between local authorities and the formation of consortia for the performance of tasks of common interest.

221. Article 54 of the Law on Local and Regional Self-Government provides that two or more local self-government units may organise the performance of certain tasks within their self-government scope jointly, especially for the purpose of preparing projects for the withdrawal of funds from EU funds. For the performance of tasks within the self-management scope as above provided, local self-government units may establish a joint body, a joint administrative department or service, a joint company; alternatively, they may jointly organise their performance in accordance with special laws. The relations of local self-government units in the joint organisation of performing tasks within their self-government scope are regulated by a special agreement in accordance with the law, their statute and general acts.

222. Moreover, Article 54a of the law provides that representative bodies of local self-government units are entitled to decide on the establishment, organisation and scope of the joint administrative body that is established pursuant to the provision of Article 54. Upon the decision of the representative bodies, municipal mayors are entitled to conclude an agreement for the establishment of a joint administrative body, providing the agreement of the parties as to aspects of the financing, management, responsibility, status issues of officials and employees and other issues pertaining to such body that the parties may deem necessary to be agreed upon. Furthermore, Article 55 of the law provides that the statute of the

county may establish administrative bodies outside its seat for the performance of certain tasks within its self-government scope.

223. The above-mentioned legislative provisions, as well as information and responses provided by the interlocutors during the visit for the purpose of the preparation of this report suggest that the Republic of Croatia complies with Article 10.1 of the Charter.

3.9.2 Article 10.2

224. Article 12 of the Law on Local and Regional Self-Government recognises the entitlement of municipalities, towns and counties to set up their associations for the purpose of promoting and realising common interests. It is further stated that for the purpose of promoting common interests and improving co-operation, municipalities, towns and counties can establish their respective national associations. The national association of municipalities, cities and counties can join together in a national federation of local regional self-government units.

225. Article 13 of the Law further provides that special laws regulating the establishment and operation of associations of municipalities, cities and counties and federations of local and regional self-government units are appropriately applied to the establishment and operation of associations. The organisation, scope and method of financing the association or alliance is regulated by the terms of the act of establishment and the statute. National associations and the national federation may co-operate with appropriate international organisations and associations of local or regional self-government units in accordance with the law and join their international associations.

226. Municipalities, cities and counties have established their respective associations in accordance with the Law on Associations and the Law on Local and Regional Self-Government in Croatia: the Croatian Union of Municipalities, the Association of Cities of Croatia and the Croatian County Association. These associations are free, non-profit, voluntary and non-partisan associations, which operate to promote and pursue common interests and improve co-operation among the local and regional units of Croatia and the appropriate local and regional units of other states, in accordance with the law and international treaties. Their organisation, scope, activities and manner of financing are regulated by the act of establishment and the law. Each of the aforesaid three associations is regulated and enjoys the status of a national association, co-operates with appropriate international organisations and associations of local or regional self-government units and is a member of international associations.

227. According to written replies received by the delegation after the monitoring visit, no prior consent or approval by state administration bodies is required for the establishment of inter-municipal co-operation, whereas units may also co-operate informally (by holding meetings to exchange experience, co-ordinate activities, discuss topics of common interest). Most commonly, units co-operate in the field of utility services (collection, transport and disposal of municipal waste, water supply, public transport), firefighting and, more recently, in the field of development (development plans and projects, business zones, tourism).

228. In light of the above, the Republic of Croatia is in compliance with Article 10.2 of the Charter.

3.9.3 Article 10.3

229. As mentioned above, co-operation of local and regional self-government units with their counterparts in other countries falls within the powers of local authorities, *inter alia* pursuant to Article 13 of the Law on Local and Regional Self-Government.

230. As stated in the written responses received by the delegation after the monitoring visit, cities successfully participated in the European territorial co-operation programmes within the 2014-20 perspective, including cross-border and interregional co-operation programmes. In the current perspective of 2021-27, there are four transnational (Danube, Adrion, Mediterranean and Central Europe) and four cross-border co-operation programmes (Italy-Croatia, Slovenia-Croatia, Croatia-Serbia, Croatia-Bosnia and Herzegovina-Montenegro; Croatia is participating in two macro-regional strategies – the EU strategy for the Danube region and the EU strategy for the Adriatic and Ionian region, and Croatia is also a member of the Network of Associations of Local Authorities of South East Europe).

231. Nevertheless, the rapporteurs note that to date, the Government of Croatia has neither signed nor ratified the three protocols to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities.

232. In light of the above, the rapporteurs are of the opinion that the Republic of Croatia complies with Article 10.3 of the Charter.

3.10 Article 11 - Legal protection of local self-government

Article 11 – Legal protection of local self-government
Local authorities shall have the right of recourse to a judicial remedy in order to secure free exercise of their powers and respect for such principles of local self-government as are enshrined in the constitution or domestic legislation.

233. The Constitutional Court of Croatia is the guardian of the country's constitution, monitors compliance with laws, enjoys the power of engaging into the exercise of the interpretation of its text and protects the human rights and freedoms of citizens, which are guaranteed by the Constitution.

234. Article 125 of the Constitution provides that the Constitutional Court of Croatia has the authority to decide on constitutional complaints raised against individual decisions taken by state bodies, bodies of local and regional self-government and legal persons vested with public authority where such decisions violate human rights and fundamental freedoms, as well as the right to local and regional self-government guaranteed by the Constitution of the Republic of Croatia.

235. In the exercise of its jurisdiction of deciding upon the aforesaid matters, the Constitutional Court of the Republic of Croatia may repeal a law or regulation if it finds it to be unconstitutional, as well as in the event that the regulation in issue is unlawful.

236. In their set of written responses to the delegation, the Constitutional Court of Croatia emphasised that "Article 62 of the Constitutional Act guarantees the units of local self-government (city, municipality) under the prescribed conditions, the right to lodge a constitutional complaint if the state authority interferes with their self-government mandate, which also respects the principles prescribed in Article 11 of the European Charter of Local Self-Government. The units of local and regional self-government are entitled to lodge a constitutional complaint, but only provided that they seek protection against the unconstitutional encroachment on their constitutional right to local and regional self-government".

237. According to the provisions of the Constitutional Act, proceedings of the Constitutional Court can be initiated by an application in the form of a written request, a proposal or a constitutional complaint. If the representative body of the unit of local and regional self-government in the Republic of Croatia considers that a law regulating the organisation, competence or financing of units of a local and regional self-government is not in accordance with the constitution, it may present a request with the Constitutional Court to review the constitutionality of that law or some of its provisions. The Constitutional Court shall decide on the request, using an emergency procedure within a term of 30 days after the request was filed.

238. Apart from the above, with the enactment of the Administrative Disputes Act on 1 January 2012, the high administrative court was given the competence to review the legality of general acts of the units of local and regional self-government, legal persons vested with public power and legal persons performing public services. The high administrative court has jurisdiction to repeal a general act or some of its provisions with a judgment, if it establishes that it is not in conformity with law or the statute of the body of public law. Furthermore, local authorities do have the right of recourse to a judicial remedy when the ministry of public administration in the context of supervision decides to declare a session of the representative body null and void. In such a case, the council may file a recourse before the high administrative court to decide on the administrative dispute. Likewise, when the government decides the dissolution and dismissal of local bodies, the high administrative court has jurisdiction to decide on the legality of such action.

239. Evidently, since an act is a primary source of law, all regulations (decrees, ordinances, decisions, instructions, etc.) have to be in compliance with the law. Before the entry into force of the aforesaid act, the Constitutional Court had supervision over all local regulations; since 2013 it supervises only local statute.

240. Moreover, according to Article 36 of the Constitutional Act: "[i]f the representative body of the unit of local and regional self-government in the Republic of Croatia considers that a law regulating the organisation, competence or financing of units of local and regional self-government is not in accordance with the constitution, it made present a request with the Constitutional Court to review the constitutionality of that law or some of its provisions". A similar protection is afforded to every individual or legal person, thus Article 38 of the Constitutional Act provides that "every individual or legal person has the right to propose the institution of proceedings to review the constitutionality of the law and the legality and constitutionality of other regulations".

241. Local and regional self-government units have indeed used their right to seek judicial remedies from the Constitutional Court in recent years. From 2017 onwards until today, the Constitutional Court issued a number of decisions concerning complaints of local and regional self-government units that sought protection from the unconstitutional encroachment of the right to local and regional self-government, in the following cases: U-III-4868/2017 of 15 February 2018, U-III-3006/2019 of 18 March 2019, U-III-1734/2017 of 10 October 2019, U-III-273/2016 of 17 April 2019, U-III-6136/2016 of 17 September 2020 , U-III-6143/2016 of 22 March 2017, U-III-4846/2015 of 11 October 2018. Also, two decisions were issued concerning constitutional complaints of the City of Zagreb (U-III-6143/2016 of 22 March 2017) and the city of Delnice (U-III-4846/2015 of 11 October 2018).

242. Furthermore, the Association of Cities of the Republic of Croatia on various occasions submitted proposals to the Constitutional Court and requested the review of the constitutionality and legality of laws and regulations. The following decisions were issued: U-I-54182/2009 of 15 May 2012, U-I-1956/2016 of 11 July 2017, U-I-529/2020 of 4 May 2021, U-II-341/2020 of 23 March 2021.

243. Moreover, it is worth mentioning that the Constitutional Court explicitly referred to the Charter of Local Self-Government in the following recent decisions: U-I-5827/2013 of 24 June 2020, U-I-3198/2019 of 7 July 2020, U-I-529/2020 of 4 May 2021, and recently decision U-II-627/2022 of 7 February 2023.

244. In light of the above, local authorities in the Republic of Croatia have the right of recourse to judicial remedies and the rapporteurs conclude that Croatia is in full compliance with Article 11 of the Charter.

4. OTHER MATTERS RELATED TO THE FUNCTIONING OF LOCAL AND REGIONAL SELF-GOVERNMENT

Covid-19

245. In April 2020, the Croatian Parliament adopted the Act on Amendments to the LEA, which regulated the situation of holding early elections in the event of special circumstances, due to the fact that an epidemic had been declared on the territory of the Republic of Croatia, and measures had been established on the restriction of social gatherings and social distancing. The act provided for an extension of the deadline for holding early elections. Early elections initially called for in March 2020 in two local self-government units (the city of Orahovica and municipality of Otok), and scheduled to be held on 19 April 2020, were postponed to July 2020 because of the special circumstances caused by the coronavirus outbreak (Covid-19) and the emergency situation after the elections had been called.

246. In December 2020, amendments to the Local and Regional Self-Government Act were introduced, making it possible for representative bodies to hold meetings via videoconferencing in circumstances in which it was necessary to maintain physical distance.

247. Certain local units, within the scope of their powers, adopted a series of measures related to the exemption or reduction of the payment of tax on the use of public areas, communal fees, rent for business premises owned by local units and rent for public areas for the duration of the work stoppage measures, or to the reduction and postponement of payment in cases of performing business activities in reduced scope.

248. According to the State Audit Office, local units were given the possibility to take out an interest-free loan from the state budget, with a repayment period of three years, and the reasons for approving the interest-free loan were the reduction of certain revenues (taxes, residence fees and utility fees) in 2020 and 2021 compared to 2019.

249. In accordance with the provisions of the European Commission's coronavirus response investment initiative (CRII), measures were also taken in order to mitigate the negative impact on the healthcare sector caused by the Covid-19 pandemic in line with the direct award call "Preservation of the health system and public health in the Republic of Croatia in the fight against Covid-19" (May 2020) and in line with the REACT- EU initiative introducing the new thematic objective "Fostering crisis repair in the context of the Covid-19 pandemic and preparing a green, digital and resilient recovery of the economy" (2014-20).

Reception of displaced people from Ukraine

250. Local and regional self-government in Croatia hosted displaced people from Ukraine and provided them with accommodation, food, the possibility of attending preschool education programmes for children, the inclusion of school-age children in regular classes and free activities, the use of libraries in their native language, and some also provided psychological support.

251. Subnational government has had to cope with the consequences of economic difficulties caused by the Russian aggression against Ukraine, coupled with the Covid-19 pandemic, climate change and the imbalance between supply and demand leading to a record rise in the prices of energy and products, especially food, and high inflation rates. The government has adopted a package of measures worth HRK 21 billion to preserve the standard of living of citizens, protect the public, non-governmental and non-profit sector, and ensure further economic growth and adequately respond to major global disturbances. The rapporteurs were informed that the measures related to local and regional self-government were adopted based on consultation with local and regional self-government.

252. The rapporteurs were informed that the recategorization of electricity consumption ensured cheaper electricity at the level of household services, namely kindergartens, schools, colleges, libraries, museums, hospitals, health institutions, homes for the elderly and people with disabilities, associations, religious communities, municipalities, cities and counties. Estimations made by the Association of Cities showed that without limits on price growth, energy costs could reach an amount that the local self-government could not compensate from internal savings and borrowing, and the regular work of some entities would be called into question.

Consequences of climate change

253. According to the ministry of regional development and EU funds, Croatia faces multiple risks including floods, droughts, extreme weather events that are aggravated by climate change. In addition, it is also at risk of earthquakes, forest fires, flooding, water scarcity and extreme heat.

254. To overcome climate change, an allocation of €407 million has been ensured for in the financial perspective 2021-27, intended to support investments in: a greener, low-carbon transition towards a net-zero carbon economy and resilient Europe by promoting clean and fair energy transition, the circular economy, climate change mitigation and adaptation measures, risk prevention and management, and sustainable urban mobility (support to environmentally friendly production processes and resource efficiency in small and medium-sized enterprises, clean urban transport infrastructure, cycling infrastructure). Besides a building design with the use of sustainable and environmentally friendly materials considering the circular economy, climate change and earthquake resilience, reconstruction and revitalisation will be promoted in the process of reconstruction of Sisak-Moslavina county, as part of its earthquake damage reparation.

255. The Just Transition Fund (JTF) is one of the EU's key tools to support regions in the transition towards climate neutrality by 2050. The JTF can be seen as a part of industrial transition, and is focused on two counties (chosen pursuant to Annex D of the Commission Country Report for Croatia 2020) – Sisak-Moslavina county and Istria County – which were identified based on their greenhouse gas emissions intensity and carbon intensity related challenges which require re-orientation of long-term investments towards innovative, climate-neutral technologies, while tapping into the potential of the local workforce. In Istria, the only territory in the country with an operating coal-fired power plant and a carbon-intensive cement industry, the investments will support the transition to renewable energy. These two Croatian counties will receive a total of €179 million from the JTF.

256. According to the ministry of justice and public administration, issues related to climate change are becoming important for all levels of government, including local and regional authorities in Croatia that are facing the consequences of climate change. Local self-government units are increasingly focusing

on resilience to climate change, quality of life, accessibility, healthy environment, food security, circularity, waste management, clean energy and sustainable buildings.

257. Local self-government units adopt strategic documents and plans for adaptation to climate change, or several cities enter into joint agreements, which determine various activities and measures, in order to increase adaptation to climate change. Also, the units organise certain activities in their area, such as energy renovation of buildings, application of LED public lighting, renewable energy sources, for example by installing solar panels.

Earthquakes

258. According to the ministry of regional development and EU funds, the 2020 earthquakes have negatively affected the projects financed by EU funds through the Operational Programme Competitiveness and Cohesion 2014-20 (OPCC 2014-20) in three counties affected by the earthquake in December 2020.

259. Projects affected were two regional competence centres in vocational education and training (VET) sector in Karlovac and Sisak in the education sector, the general hospital Dr Ivo Pedišić in Sisak in the health sector and the veteran centre in Petrinja in the social inclusion sector. In March 2021, the ministry of regional development and EU funds as managing authority issued a specific guideline to help all project beneficiaries in the three counties affected by earthquakes with the aim to ensure the completion and functionality of the ongoing affected projects. The guidelines presented the methodology to provide additional funding for projects co-financed by EU funds under the OPCC 2014-20 in order to compensate the costs for the damage caused by earthquakes.

5. ADDITIONAL PROTOCOL TO THE CHARTER ON THE RIGHT TO PARTICIPATE IN THE AFFAIRS OF THE LOCAL AUTHORITY

260. Croatia has not yet signed or ratified the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority. The Ministry of Justice and Public Administration stated in its written reply that the singing of the Protocol is under consideration while pointing out that the rights of the citizens to participate in local government affairs are safeguarded by other national legislation.

261. The opinion of the rapporteurs is that the relevant legislative provisions in force in Croatia, as well as current practice, appear to render the situation consistent with the requirements of this Protocol. Therefore, they invite the Republic of Croatia to conclude their deliberations and proceed in the near future with the signing and ratification of the Additional Protocol to the Charter on the right to participate in the affairs of a local authority.

6. CONCLUSIONS

262. Since the last monitoring visit in 2016, Croatia has implemented extensive legislative amendments in the sphere of local and regional self-government, inter alia pursuant to a reduction in the number of local officials, the amendment of the mechanism for the dismissal of the executive bodies and/or the dissolution of the representative bodies, among others in the event of non-submission or non-approval of budget proposals, the abolition of the state administrative offices in the counties and the delegation of their administrative functions to the counties, the review of the conditions of the ban on candidacy in local elections and ongoing transfer of the PIT rate-setting powers to local authorities. The government promotes inter-municipal co-operation and seeks, through various incentives in the spirit of the Charter, to promote voluntary mergers.

263. Irrespective of this legislative progress, Croatian subnational self-government still faces a number of challenges in respect of the implementation of the Charter.

264. The underlying issues behind the partial compliance with Article 3.1 could be attributed to the existence of a centralised system that remains strong, a large number of small municipalities with limited ability (as opposed to their right) to regulate and manage a substantial share of public affairs under their own responsibility, the lack of clear and unconditional attribution of powers and discretion to local and regional authorities along with their great dependence on central state funds and grants that connotes lack of autonomy.

265. Although the legislative framework technically allows local and regional authorities to take over tasks from the state, through statutory law and through delegations of tasks, the central state retains significant control via the implementation of a model of delegation of powers rather than a model of attribution of powers to local authorities which connotes the need to ensure that the powers entrusted to local authorities should be full and exclusive. The powers entrusted to local authorities, in many respects, appear to remain conditional on the decision of the central state and its willingness to provide local authorities with adequate funding as well as discretion on how to use that funding.

266. The division of powers between local and regional authorities remains vague, even in cases where the powers are not attributed to any authority. It is still unclear why units of the same status but of different size are vested with powers of different scope and have certain powers transferred to the county level.

267. In any event, the rather extensive supervisory powers of the central government allowing the latter to suspend or annul an act of a local authority without prior judicial review or ruling, dissolve representative bodies, dismiss the executive representatives and grant instructions to the units in local affairs appear to be a potential hindrance to the autonomy of the local authorities.

268. As mentioned above, the financial autonomy of local and regional self-government bodies remains weak. Municipalities, in particular smaller ones, remain strongly dependent on the funding received from the state.

269. As regards the new equalisation system and the method of attributing financial support to the local authorities, its functioning appears simplistic and inflexible for the sake of certainty. It is based on quantitative criteria (population numbers) rather than on qualitative criteria employed in the past (unemployment rate, per capita income, population change, share of population with higher education aged 16-65). The new system appears to favour and promote the most populated municipalities to the detriment of less populated municipalities which may well need more financial support due to their locality or population needs.

270. Despite some improvement in the consultation process in practice, in particular on financial matters, a more formal, codified and institutionalised procedure is required. As underlined in the previous report, wide public consultation is not sufficient for the purpose of meeting the requirement of the Charter to hold consultations with subnational self-government bodies “in a timely and appropriate manner” on all questions directly concerning them, including on financial matters. The Freedom of Information Act may be a step forward but it appears that it is not a holistic solution capable to establish a coherent consultation process between the central state and local authorities.

271. Voluntary municipal mergers should be further encouraged with the aim of addressing municipal fragmentation that adversely affects the local government capacity to fully carry out its functions and provide high-quality services. Inter-municipal cooperation should be actively promoted. The fiscal decentralisation should be further implemented to provide more freedom to local self-government bodies in generating their own revenues and determining spending priorities. The administrative supervision of local self-government should be relaxed to meet the requirement of proportionality. To this end, the process of dissolution of the elected local representative body and dismissal of the municipal mayor or county prefect without prior judicial review and permission should be re-visited.

272. Finally, the rapporteurs refer to the previous Congress Recommendation and encourage the Republic of Croatia to sign and ratify, in the near future, the Additional Protocol to the Charter on the right to participate in the affairs of a local authority.

APPENDIX – Programme of the Congress monitoring visit to Croatia (13-15 June 2023)

Congress monitoring visit to Croatia
***Zagreb, Čakovec*, *Varaždinske Toplice, Rakovec* (13-15 June 2023)**

Programme

Congress delegation

Co-rapporteurs

Gobnait NI MHUIMNEACAIN	Rapporteur on local democracy Chamber of Local Authorities, GILD-ILDG[11] Member of the Monitoring Committee Member of the County Council of Cork, Ireland
Cecilia DALMAN EEK	Rapporteur on regional democracy Chamber of Regional Authorities (SOC/V/DP-SOC/G/PD) [12] Member of the Current Affairs Committee Member of the Regional Council of Västra Götaland, Sweden

Congress secretariat

Svitlana PEREVERTEN	Co-secretary to the Monitoring Committee

Expert

George COUCOUNIS	Member of the Group of Independent Experts on the European Charter of Local Self-Government (Cyprus)

Interpreters

Tanja ŽAKULA
Irena MARKOVIĆ

The working languages, for which interpretation is provided during the meetings, will be Croatian and English.

11. GILD-ILDG: Independent Liberal and Democratic Group.
12. SOC/V/DP-SOC/G/PD: Group of Socialists, Greens and Progressive Democrats.

Tuesday 13 June 2023
Zagreb

Joint meeting with members of the national delegation of Croatia to the Congress and national associations

National delegation[13]

- **Ms Antonija JOZIĆ**, Head of the Delegation, Prefect of Pozega-Slavonija county
- **Mr Ivan HANZEK**, Deputy Head of the Delegation, Mayor of Zabok
- **Ms Anamarija BLAŽEVIC**, Mayor of Pakrac
- **Mr Ernest PETRY**, Prefect of Lika-Senj County
- **Ms Iva PINTAUER SMIT**, Secretary to the delegation

Croatian County Association

- **Ms Melita PAVLEK**, Office Co-ordinator
- **Mateja TOMAŠEVIĆ**, Advisor, Požega-Slavonija County

Association of Cities of the Republic of Croatia

- **Mr Željko TURK**, President, Mayor of Zaprešić, Zagreb County

- **Ms Nives KOPAJTIĆ ŠKRLEC**, Office Co-ordinator
- **Mr Marko ERCEGOVIĆ**, Advisor

Youth delegate

- **Ms Tea BABIĆ**

Zagreb city

- **Mr Tomislav TOMAŠEVIĆ**, Mayor
- **Mr Joško KLISOVIĆ**, President of the City Assembly

- **Ms Martina JURIŠIĆ**, Head of the Office of the Mayor
- **Ms Vera MARELJA**, Head of the City Office for Internal Audit and Control
- **Mr Željko MATIJAŠEC**, Head of the City Administration General Secretariat
- **Ms Mirjana LICHTNER**, Head of the City Assembly General Secretariat
- **Ms Ivana KRIŠTO,** Assistant to the Head of City Office for Local Self-Administration, Civil Protection and Safety
- **Ms Nera PAVIĆ,** Assistant to the Head of City Office for Economy, Environmental Sustainability and Strategic Planning
- **Ms Renata ARAR**, Head of the Department for International Relations
- **Ms Ljiljana KLAŠNJA**, Head of the Department for Ethnic minorities

13. As of April 2023.

Parliament of the Republic of Croatia

- **Mr Marko PAVIĆ**, Chairman of the Committee on Regional Development and EU Funds
- **Ms Marijana BALIĆ,** Member of the Committee on Regional Development and EU Funds and Head Delegation to the Parliamentary Assembly of the Council of Europe
- **Ms Anamarija BLAŽEVIĆ,** Member of the Local and Regional Self-Government Committee

- **Mr Mile ŠTEFANEC,** Secretary to the Local and Regional Self-Government Committee
- **Ms Ana PERIĆ,** Secretary of the Delegation to the Parliamentary Assembly of the Council of Europe
- **Ms Ana FAVRO ŠABAN,** Secretary to the Committee on Regional Development and EU Funds

Ombudswoman

- **Ms Tena ŠIMONOVIĆ EINWALTER**, Ombudswoman
- **Ms Tatjana VLAŠIĆ**, Deputy Ombudswoman

Wednesday 14 June 2023
Zagreb

The State Audit Office

- **Ms Nada SVETE,** Assistant Auditor General for auditing local government units
- **Mr Božo VULETIĆ-ANTIĆ**, Assistant Auditor General for performance audit
- **Ms Mirela BELANČIĆ VICAN,** Assistant Auditor General for auditing public enterprises
- **Ms Lidija PERNAR,** Assistant Auditor General for international relations

Ministry of Justice and Public Administration

- **Ms Vedrana ŠIMUNDŽA-NIKOLIĆ**, State Secretary
- **Ms Anita MARKIĆ,** Head of Directorate for Political System and General Administration
- **Ms Katarina SERDAR,** Head of Sector for Local and Regional Self-government
- **Ms Željka TROPINA**, Head of Service for Supervision of Local and Regional Self-government

Ministry of Regional Development and EU Funds

- **Ms Spomenka ĐURIĆ**, State Secretary
- **Ms Zrinka RAGUŽ**, State Secretary
- **Mr Domagoj MIKULIĆ**, State Secretary
- **Ms Sanja SLUNJSKI**, Director
- **Mr Lovro NOVOSELAC**, Head of Sector
- **Ms Anamarija PROTEGA**, Head of Sector
- **Ms Željka ZAGORAC**, Head of Sector
- **Ms Jadranka ŠEGODA**, Head of Sector
- **Ms Tatjana ŠPOLJARIĆ**, Head of Service

Ministry of Finance

- **Ms Danijela STEPIĆ**, Chief State Treasurer
- **Mr Dario RUNTIĆ**, Special Advisor to the Minister
- **Ms Nevenka BRKIĆ,** Sector for Supporting the financing system of local and regional self-government units
- **Mr Stjepan JUSUP,** Sector for Supporting the financing system of local and regional self-government units

Constitutional Court

- **Dr Mato ARLOVIĆ**, Judge
- **Ms Ksenija PODGORNIK**, Head of Office

Thursday 15 June 2023
Čakovec, Varaždinske Toplice and Rakovec

Međimurje county

- **Mr Matija POSAVEC**, Prefect
- **Mr Dragutin GLAVINA**, President of the County Assembly

- **Ms PETRA VADLJA**, Head of Prefect's Office
- **Ms TAMARA BLAGUS**, Head of Department for Assembly General Administration and Legal Affairs

Čakovec city

- **Ms Ljerka CIVIDINI**, Mayor
- **Mr Josip VARGA**, President of the City Assembly

Varaždinske Toplice city

- **Ms Dragica RATKOVIĆ**, Mayor
- **Ms Ljubica NOFTA**, President of the City Assembly

Rakovec municipality

- **Ms Brankica BENC,** Mayor
- **Ms Martina ŠMAR,** Deputy Mayor of Rakovec Municipality and member of Rakovec Municipality Assembly

- **Ms Ana VINCEK**, Responsible for Rakovec Municipality Administration Affairs