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Operational Programme" for Croatia**

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**Improving Information to the Croatian
Business Community — BIZimpact II
Review of Public Private Dialogue and
Recommendations**

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the
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Ministry of Entrepreneurship
and Crafts

BIZimpact

Improving Information to the
Croatian Business
Community



Pohl Consulting and
Associates GmbH



0.I. PROJECT SYNOPSIS

Contract Reference:	Country of Assignment:	Project Duration:	Contracting Authority:
EuropeAid/131132/D/SER/HR	Republic of Croatia	24 months	Central Finance and Contracting Agency, Ms Dunja Bonacci Skenderović
Project Title:		Reporting Period:	Report Submitted on:
Improving information to the Croatian Business Community — BIZimpact II		First period	18 September 2013
Contractor:		Project Director:	
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Project Partner and Main Beneficiary:		Project Manager:	
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Commission Representation in Croatia:		Project Manager:	
		N/A	
Brief Context of the Assignment:			
<p>The Overall Objective of the project is the: "Improvement of the business environment thus enhancing the competitiveness in the country" (ToR, p.8).</p> <p>The Project Purpose is threefold:</p> <ul style="list-style-type: none"> ➤ Further develop the capacity of policy makers and business organisations to identify, analyse and communicate future impact of key regulatory areas for business in Croatia; ➤ Improve the awareness of the business community regarding these key areas; ➤ Leverage the development of a stronger culture of entrepreneurship specifically focused on regional development. <p>The following Planned Results are anticipated:</p> <ul style="list-style-type: none"> ➤ Economic Impact Assessment (EIA) [for SMEs] developed and implemented; ➤ Consultation process/Public-private Dialogue with business community and awareness of the business community in key legislative fields improved; ➤ Dissemination of Information and Awareness-raising upgraded; ➤ Development of partners/regional capacities for information campaigns conducted. 			
Specific Objectives of the Assignment:			
Component 1: Economic impact assessment for SMEs			
Activities include:			
<ul style="list-style-type: none"> ➤ Developing a methodology for Economic Impact Assessment (EIA) for SMEs (measuring the economic impact of new laws and regulations), including an "SME test" in line with best EU practice; ➤ Publishing a Manual and providing training on EIA for SMEs procedures; ➤ Developing an EIA for SMEs information base; ➤ Developing a Virtual Centre of Excellence on EIA for SMEs; ➤ Organising study tours; ➤ Organising awareness-raising campaigns and events on EIA for SMEs. 			



Component 2: Development of consultation process/Public Private Dialogue with business community within the context of EIA for SMEs

Activities include:

- Evaluating current Public-Private Dialogue mechanisms and recommending improvements relevant to the EIA for SMEs consultation process;
- Developing the consultation process and an accompanying manual;
- Developing a Croatian Business Test Panel;
- Developing and implementing tools for e-consultation.

Component 3: Dissemination of Information and Awareness-raising

Activities include:

- Updating and republishing the existing seven Mini Guides for SMEs produced during the first stage of the project;
- Developing and publishing a new series of Mini Guides on new legislative areas, based on research of the needs of small businesses;
- Providing training to beneficiaries and other partners on the legislative areas covered by the new Mini Guides;
- Developing and publishing a newsletter and e-newsletter containing essential information for small businesses.

Component 4: Development of partners/regional capacities for information campaigns

Activities include:

- Assessing beneficiaries' communications activities and recommending improvements;
- Developing Communication Strategies and Action Plans for each beneficiary plus an accompanying manual relating to the awareness-raising campaigns and activities of the project;
- Organising national visibility events;
- Organising regional information campaigns and visibility events;
- Undertaking a survey of small businesses regarding their key information needs and priorities.

0.II. DIRECTORY OF KEY PROJECT STAKEHOLDERS

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The opinions expressed in this Report are those of the authors and do not necessarily reflect the opinions of the European Union or any other organisation mentioned. As a result, these will be verified before implementation of any of the recommendations contained herein.



Contents

0.I. PROJECT SYNOPSIS	2
0.II. DIRECTORY OF KEY PROJECT STAKEHOLDERS	3
ACRONYMS.....	5
1. EXECUTIVE SUMMARY.....	6
2. INTRODUCTION.....	7
2.1 Background	7
3. WHAT IS PPD?	8
3.1 Nature of PPD	8
3.2 Principles of Engagement with Stakeholders	8
3.3 Levels of Engagement with Stakeholders	9
4. PPD IN THE CROATIAN SME SECTOR	11
4.1 Introduction	11
4.2 Key Forms of Engagement in the SME Sector	11
4.2.1 Codex on Consultation	11
4.2.2 RIA Law	13
4.2.3 Enterprise Europe Network.....	15
4.2.4 IAENL Project (2012 - 2013).....	17
4.2.5 SMEPED Project (2008 – 2009).....	18
4.2.6 Economic and Social Council	19
4.3 Conclusions	22
5. GOOD PRACTICE IN PPD	24
5.1 Introduction	24
5.2 PPD Characteristics	24
5.3 International Good Practice	24
5.4 PPD and the SME Sector	26
5.5 Conclusions	32
6. SME DEMAND FOR CONSULTATION AND PPD	33
6.1 BINS 2013	33
6.2 Croatian SMEs and PPD	33
6.2.1 Consultation and Dialogue	33
6.2.2 Croatian Business Test Panel.....	35
6.3 Conclusions	35
7. OVERALL CONCLUSIONS AND RECOMMENDATIONS.....	36
7.1 Conclusions	36
7.2 Recommendations	37
REFERENCES	40



ACRONYMS

Acronym/term	Meaning
BIZImpact II	Improving Information to the Croatian Business Community – BIZImpact II
BICRO	Business Innovation Agency of the Republic of Croatia
CFCA	Central Financing and Contracting Agency
CIPE	Center for International Private Enterprise
DFID	Department for International Development
EC	European Commission
EEN	Enterprise Europe Network
EIA	Economic Impact Assessment
ESC	Economic and Social Council
EU	European Union
EUR	Euro
GIZ	Gesellschaft fuer Internationale Zusammenarbeit
GLO	Government Legislation Office
HAMAG INVEST	Croatian Agency for SMEs and investments
HGK	Croatian Chamber of Economy
HOK	Croatian Chamber of Trades and Crafts
HSZ	Croatian Association of Cooperatives
HUP	Croatian Employers' Association
EIA	Economic Impact Assessment
IAENL	Administrative Efficiency at the National Level
IPA	Instrument for Pre-Accession Assistance
KE	Key Expert
MINPO	Ministry of Entrepreneurship and Crafts
NGOs	Non-Governmental Organisations
OECD	Organisation for Economic Cooperation and Development
PC&A	Pohl Consulting and Associates
PPD	Public Private Dialogue
RIA	Regulatory Impact Assessment
SBA	Small Business Act
SME	Small and Medium-sized Enterprise
SMEPED	SME Policy Enhancement and Delivery
ToR	Terms of Reference



1. EXECUTIVE SUMMARY

The existence of Public Private Dialogue (PPD) is widely acknowledged to be of critical importance in effective policy making in general. In the context of Small and Medium Sized Enterprise (SME) development, PPD also acknowledged to be an important building block in developing the appropriate institutional base for raising the levels of competitiveness and innovation in different countries.

However, the history of SME development in Croatia demonstrates that although PPD is regarded by policy makers as being of importance, it has not yet been accorded the necessary political emphasis to ensure that it is at the heart of policy making in the country. The most determined effort to establish PPD in the SME sector was during the period 2008-9, during which an initiative was undertaken, with European Commission (EC) funding, to establish PPD mechanisms. However, this short-lived experiment did not prove to be either effective or sustainable and few efforts have not been made in this direction beyond general provision of information and recent regional consultations with SMEs during 2012-3.

Indeed, there appears to be a degree of confusion among policy makers in respect to the difference between “consultation” and “dialogue”, which is symptomatic of the current situation in Croatia. But a reading of the literature and good practice in this area leaves little room for doubt in relation to the different levels of engagement between the public and private sectors, namely: level 1: information (one-way provision of information), level 2: consultation (asking for comments, views and feedback), level 3: dialogue (two-way communication built on mutual interests and potentially shared objectives to ensure a regular exchange of views), and level 4: partnership (shared responsibilities in each step of the political decision-making process).

An analysis of the current initiatives, such as the Codex on Consultation, Regulatory Impact Assessment Law, Enterprise Europe Network, Economic and Social Council, Ministry of Entrepreneurship and Crafts (MINPO) regional consultation initiatives illustrates convincingly that Croatia remains firmly in the consultation stage (level 2 out of 4) as far as engagement with the SME sector is concerned. Dialogue or PPD, let alone partnership, have not yet to be attempted, in a sustained manner, in relation to the SME sector.

The time is ripe for MINPO to proceed to the establishment of effective PPD for the SME sector, taking into consideration the experience of Croatia, as well as the well-established international experience and good practice which has been developed in Europe and elsewhere.

The report recommends that two forms of communication be established:

- PPD in relation to the SME Sector at the national level;
- Consultation in relation to Economic Impact Assessment for SMEs.



2. INTRODUCTION

2.1 Background

The “Improving Information to the Croatian Business Community” (BIZImpact II) project lasts for two years from March 2013 to March 2015 and is a follow-up to the first BIZImpact Project implemented in 2007-2009. It forms part of the “Regional Competitiveness Improvement Programme” funded by the European Union IPA Programme and the Government of the Republic of Croatia. The main beneficiary of the project is the Ministry of Entrepreneurship and Crafts (MINPO). Other beneficiaries include the Croatian Agency for SMEs and Investment (HAMAG INVEST), the Croatian Chamber of Economy (HGK), the Croatian Chamber of Trades and Crafts (HOK), the Croatian Employers’ Association (HUP) and the Croatian Association of Co-operatives (HSZ).

The overall Project objective is to improve the business environment, thus enhancing competitiveness in the country. The specific purposes of the BIZImpact II project are to:

- Develop further the capacity of policy-makers and business organisations to identify, analyse and communicate future impact of key regulatory areas for business in Croatia;
- Improve awareness of the business community regarding key regulatory areas; and
- Leverage development of a stronger culture of entrepreneurship specifically focused on regional development.

This report covers Component II (Public Private Dialogue), Activity 2.1 of the project, namely “Review of Public Private Dialogue,” with a focus on the following elements (see Inception Report, 2013):

- Identify the PPD mechanisms relevant to SMEs and EIA for SMEs;
- Report international good practice in relation to PPD for SMEs;
- Prepare recommendations for PPD.

Thus this report represents a review of Public Private Dialogue (PPD) in relation to the Small and Medium sized Enterprise (SME) sector. The reason for a focus on PPD is simple: it is increasingly recognised within the European Union (EU) countries and elsewhere that constructive relationships need to be established between public authorities, civil society or Non-Governmental Organisations (NGOs) and the private sector (large and small businesses). In this context, PPD is viewed as a precondition of effective efforts to reform the business environment. PPD has the potential to establish a two-way flow of information relating to economic legislation and policies, thus legitimating the government’s on-going SME development activities.

This report focuses on the following:

- What is PPD and why it is important in the context of SME development;
- What currently exists in Croatia in relation to consultation and PPD for SME development;
- What is the current state of good practice in relation to PPD for SME development;
- Recommendations for more effective PPD for SME development in Croatia.



3. WHAT IS PPD?

3.1 Nature of PPD

The starting point is to define what is meant by PPD, since it often appears to mean different things to different stakeholders. In the context of private sector development generally, an appropriate definition would be as follows:

“Public Private Dialogue” refers to the structured interaction between the public and private sectors in promoting the right conditions for private sector development, improvements to the business climate, and poverty reduction. It is about stakeholders coming together to define and analyze problems, discuss and agree on specific reforms, and then working to ensure that these ideas become a reality.” (World Bank, 2009, p.5, emphasis added - Review of World Bank Group Support to Structured Public-Private Dialogue for Private and Financial Sector Development)

PPD thus serves a number of general objectives that are relevant to the private sector in general, though this can also be applied on the small and medium-sized enterprise (SME) sector specifically. Among others purposes, PPD can be used to: i) determine policy priorities ii) improve legislative proposals iii) incorporate feedback into regulation as part of the impact assessment process, etc. It can help create or deepen the foundation for market-friendly policies that strengthen economic reform and enhance national competitiveness through SME and other forms of support. From a development perspective, an effective private sector, including the SME sector, contributing to PPD can enhance participation in policy-making, can improve the quality of business representation and can strengthen the performance of governmental institutions.

Although it cannot be taken for granted that the existence of PPD will automatically deliver results, it can deliver substantial improvements over “closed” or purely “technocratic” policy-making processes. It can generate policy-relevant insights, validate policy and regulatory proposals, build consensus and momentum for change and secure ownership and participation by stakeholders. Both sides have something to gain through participation in PPD (Center for International Private Enterprise, 2011 - Making the Most of Public-Private Dialogue: An Advocacy Approach):

- Government: can gain input and insights on business conditions, bolster legitimacy, obtain support for government positions or extend its control over the economy;
- Private sector: can draw attention to issues, gain better representation, secure support for business development or streamline regulations. The business sector can cooperate with government in establishing an affordable, supportive and predictable business environment.

3.2 Principles of Engagement with Stakeholders

The Code of Good Practice for Civil Participation in the Decision-Making Process (2009) has established the main principles that should underpin engagement between government and the private sector, including NGOs. Those key principles are:

- Participation: stakeholders collect and channel views of their members, business associations and other bodies. This input provides crucial value to the political decision-making process,



enhancing the quality, understanding and longer term applicability of the policy initiative. A pre-condition is that the processes for participation are open, accessible and based on agreed parameters for participation;

- Trust: an open and democratic society is based on honest interaction between actors and sectors. Although NGOs, private sector representatives and public authorities have different roles to play, the shared goal of improving the lives of people can only be satisfactorily attained if it is based on trust, implying transparency, respect and mutual reliability;
- Accountability and transparency: acting in the public interest requires openness, responsibility, clarity and accountability from business representatives, NGOs and public authorities, with transparency at all stages;
- Independence: NGOs and business representatives must be recognised as free and independent bodies in respect to their aims, decisions and activities. They have the right to act independently and advocate positions different from the authorities with whom they may otherwise cooperate.

3.3 Levels of Engagement with Stakeholders

Currently, there appears to be some confusion in Croatia about the different levels of engagement with stakeholders, resulting in terms such as “consultation” and “PPD” being used interchangeably. However, the degree of involvement of stakeholders such as NGOs and business representatives, in the different steps of the political decision-making process varies according on the *degree of intensity of participation*.

Four distinct levels of increasing participation have been established: i) information (one-way provision of information), ii) consultation (asking for comments, views and feed-back), iii) dialogue (two-way communication built on mutual interests and potentially shared objectives to ensure a regular exchange of views) and iv) partnership (shared responsibilities in each step of the political decision-making process), as illustrated in greater detail in the Box below.

Box 1: Four Levels of Increasing Participation

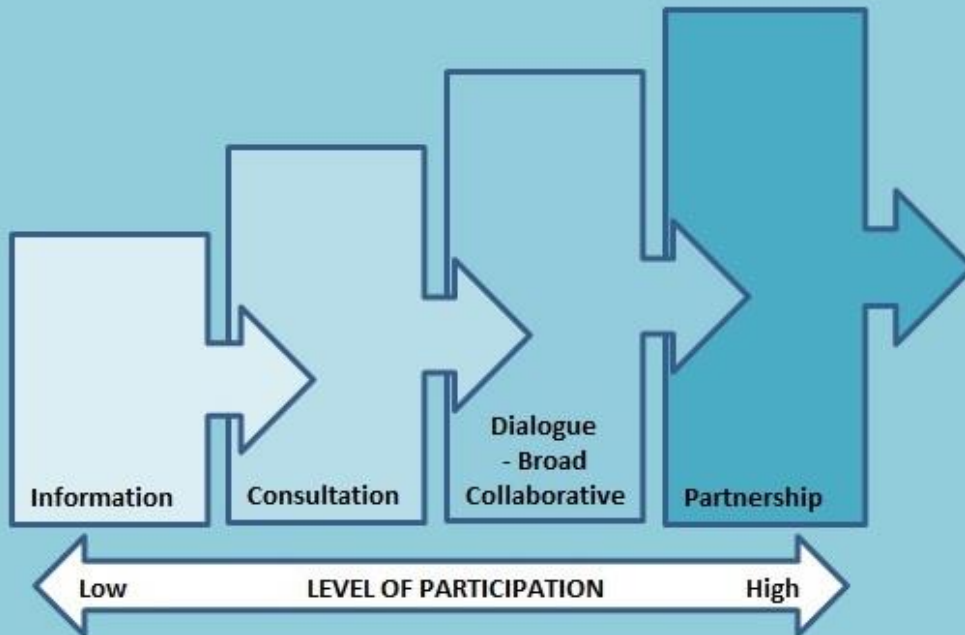
1. Information: Access to information is the basis for all subsequent steps in the involvement of stakeholders in the political decision-making process. This is a relatively low level of participation which usually consists of a *one-way provision of information* from the public authorities and no interaction or involvement with stakeholders is required or expected. Information is relevant for all steps in the decision-making process.

2. Consultation: This is a form of initiative where the public authorities ask NGOs and other stakeholders such as business representatives for their opinion on a specific policy topic or development. Consultation usually includes the authorities informing NGOs [and other stakeholders] of current policy developments and *asking for comments, views and feed-back*. The initiative and themes originate with the public authorities, not with the NGOs [and other stakeholders]. Consultation is relevant for all steps of the decision-making process, especially for drafting, monitoring and reformulation.

3. Dialogue: The initiative for dialogue can be taken by either party and can be either broad or collaborative. A broad dialogue is a *two-way communication* built on *mutual interests and potentially shared objectives* to ensure a *regular exchange of views*. It ranges from open public hearings to specialised meetings between NGOs [and other stakeholders] and public authorities. The discussion remains wide ranging and is not explicitly linked to a current policy development process. A collaborative dialogue is built on mutual interests for a specific policy development. The collaborative dialogue usually leads to a *joint recommendation, strategy or legislation*. Collaborative dialogue is more empowered than the broad dialogue as it consists of *joint, often frequent and regular, meetings to develop core policy strategies and often leads to agreed outcomes*. Dialogue is highly valued at all steps in the political decision-making cycle, but is crucial for agenda setting, drafting and reformulation.

4. Partnership: A partnership implies *shared responsibilities in each step of the political decision-making process* from agenda setting, drafting, decision and implementation of policy initiatives. It is the highest form of participation. At this level NGOs [and other stakeholders] and the public authorities come together for a *close cooperation* while ensuring that the NGOs [and other stakeholders] *continue to be*

independent and have the right to campaign and act irrespective of a partnership situation. Partnership can include activities such as *delegation of a specific task* to an NGO [and other stakeholders], for example delivery of services, as well as *participatory forums* and the establishment of *co-decision-making bodies*, including for *resource allocation*. Partnership may take place at all steps of the political decision-making process and is particularly relevant at the agenda setting or implementation steps.



Source: Code of Good Practice for Civil Participation in the Decision-Making Process (2009), emphasis added

Therefore, when undertaking this review of PPD, the focus is not on information provision. Although the focus is partly on consultation, particular emphasis is placed on the highest levels of participation, namely dialogue and partnership.

The next chapter of this report examines the main forms of engagement with SME stakeholders in particular in order to determine the level of engagement that currently exists. The subsequent chapter analyses aspects of good practice in PPD. This paves the way for the final chapter, which presents the conclusions and recommendations for the development of PPD in relation to the SME sector in Croatia.



4. PPD IN THE CROATIAN SME SECTOR

4.1 Introduction

This Chapter reviews the various instruments for engagement with the SME sector that currently exist in Croatia. Based on a review of list possible mechanisms, including discussions with project partners, the following have been identified as being of relevance:

- Codex on Consultation (2009) / Law on the Right of Access to Information (2013);
- Regulatory Impact Assessment Law (2011);
- Enterprise Europe Network;
- MINPO PPD Rounds (2012 and 2013);
- Economic and Social Council.

Each of the above forms of engagement is discussed in turn below.

4.2 Key Forms of Engagement in the SME Sector

The five main current forms of engagement with the SME sector are analysed below.

4.2.1 Codex on Consultation

Background

The Code of Practice on Consultation with the Interested Public in Procedures of Adopting and Implementing Laws, Other Regulations and Acts (the Code, 2009) establishes general principles, standards and measures for conducting consultations with the interested public, in the procedures of enacting laws and adopting other regulations and acts of state bodies which regulate matters and take positions of interest for public benefit.

The Code sets out a broad concept of participation by the interested public in the decision-making processes at four levels. These levels diverge little from those of the EC Code on Consultation (2009, see Box 1 above).

Box 2: Comparison on EC and Croatian Codex

EC Code of Consultation	Croatian Codex of Consultation
Information: one-way provision of information	Information: one-way process, National Gazette, websites, etc.
Consultation: asking for comments, views and feedback	Consultation: two-way process, solicit and receive feedback information in the procedure for enactment of laws and adoption of other regulations and acts
Dialogue: two-way communication built on mutual interests and potentially shared objectives to ensure a regular exchange of views	Involvement: higher level in the two-way process through which representatives of the interested public are actively involved in the creation of public policies, for example through membership in working groups for drafting laws, other regulations or acts



Partnership: shared responsibilities in each step of the political decision-making process	Partnership: highest level of cooperation and mutual responsibility of the Government and representatives of the interested public in the process of adoption and implementation of programmes, laws, other regulations and acts
Sources: EC Code (2009) and Croatian Codex (2009)	

The Codex also lays down the *minimum standards and measures* for engagement, namely:

- Timely information about laws and regulations: the public should be informed “in good time” about the plan to enact laws and adopt other regulations and acts through the publication of a single list of laws and other regulations being drafted and proposed for enactment and adoption in the calendar year, with a statement and the tentative time limit for drafting and enactment.
- Content of the consultation process: public announcement of drafts on websites or in another appropriate manner. Invitations to consultations about publicised drafts must be clear and concise and contain all information necessary to facilitate collection of observations.
- Time limit for Internet and other forms of consultations: invitations to conduct consultations about draft laws and other regulations and acts must contain a clearly designated time limit for observations from the interested public. It is desirable for this time limit to be “not less than 15 days” from the public announcement of the draft on the website.
- Feedback on the consultations: observations, as well as a summarised, unified explanation of the rejection of comments on certain provisions of the draft, shall be visible / announced publicly on the website of the body competent for its drafting, or in another appropriate manner.
- Harmonization of consultations: coordinators for conducting consultations shall be appointed as contact persons in all public bodies in order to monitor and coordinate the consultations.

Other *important provisions* of the Codex include the following:

- During the process of creating a draft proposal of a law other regulation or act, as well as during the monitoring of their implementation, consultation can include: i) involving experts from the stakeholders as members of expert working groups (based on a public invitation based on criteria such as expertise, contributions, qualifications) and ii) organising public consultations on the financial, economic, social, environmental and human rights impact of adopting particular laws and regulations.
- In *urgent circumstances* (e.g. related to EU accession process), the time period and the manner of conducting consultations may be adapted (e.g. the 15 /30 day time limit).
- The Code also applies to local and regional self-government in relation to procedures for adoption of regulations such as development of a settlement and housing, physical planning, communal activities and other public services, environmental protection, etc.).

Analysis

The implementation of the Codex on Consultation is monitored by the Office for Cooperation with NGOs (Government Office). Based on its latest report, the levels of compliance with the Codex vary significantly across the Expert Bearers (Report on the Implementation of the Codex of Consultation with the interested public in enacting laws, rules and regulations in 2012, Government Office, 2013):

- Expert Bearers conducted consultations on 144 laws and regulations;
- This represents a major increase compared with 2011, when 48 consultations were carried out;
- In 27 cases, the consultation lasted less than 15 days;



- The longest consultation in 2012 lasted 217 days, while the shortest was a one-day public hearing on certain regulations;
- 34 regulations received no comment, possibly because stakeholders were indifferent or had no objections (although there may have been other factors, such as insufficient time, etc.);
- In 2012, 4,786 observations were submitted on draft laws and regulations, which is a significant improvement over the 173 written comments received in 2011, though it should be noted that not all comments received in 2011 were recorded;
- The methods of consultation (apart from Internet) included: roundtables (9), expert meetings (28), public hearings (41), conferences (11), forum (1), presentations (13) and focus groups (4).

In this context, it should be noted that on the 15th February 2013, the Croatian Parliament passed a new *Law on the Right of Access to Information* (Official Gazette 25/13). The Law on the Right of Access to Information also obliges public authorities to release to the public draft laws and regulations and provides a deadline for consultations “*as a general rule*” of 30 days. This requirement effectively supersedes the requirements of the Codex (i.e. 15-30 days).

Conclusions

The Codex sets a sound basis for consultation generally, including PPD. However, although implementation is improving, the situation is imperfect. Many Expert Bearers either fail to comply with the consultation requirements or fail to meet the consultation deadline of 15 days. The minimum requirement of 15 days set by the Codex has been superseded by the Law on the Right of Access to Information, 2012, which doubles the period to 30 days. Ministry of Public Administration carried out research on all 20 ministries in 2013 in relation to the implementation of RIA Legislation, as illustrated in the Table below.

Implementation of:	YES	NO
Publishing information on consultation process on their webpage	18	2
Publishing drafts of the Law/Regulation	17	3
Internet application for feedback	11	9
Reports on finished consultations (i.e. results of consultation on the web pages)	10	10

Source: Ministry of Public Administration, Directions for the creation of a single government internet portal, 2013.

However, it is not clear how many public authorities, at regional and local levels are either aware of and/or implementing these new legal requirements.

4.2.2 RIA Law

Background

One of the key goals of the Regulatory Impact Assessment (RIA) system is to increase transparency by opening RIA process to the stakeholders, interested public and public in general (see RIA Guidance, Government Legislation Office, 2012). The main points are illustrated in the Box below.

Box 3: Consultation and RIA

Consultation is a key part of policy-making as well as of Impact Assessment. It involves collecting the views and opinions of relevant and interested parties outside and inside government on policy proposals [...] Effective consultation is a key part of the evidence-based policy-making process. It helps in making better policy decisions since it provides information and evidence on the potential impacts of the policy options. It also contributes to more open government by improving the transparency and accountability of government. More specifically, consultation can:

- Provide wider sources of information, perspectives and potential solutions, and improve the quality of decisions reached;
- Alert policy makers to any concerns and issues that may not be picked up through existing evidence;
- Help to monitor the performance of current policies and whether there is need for change;
- Foster working partnerships between stakeholder groups and the Government in addressing issues and seeking solutions;
- Symbolise the Government's commitment to listening to the public and stakeholder groups when developing policy;
- Help to build public trust in government and the legitimacy of decisions reached.

Source: MINGORP, Impact Assessment Manual, 2009

The RIA Guidelines for the Stakeholders, Public and Interested Parties (Government Legislation Office, 2012) specifically states that: *“One of the goals of RIA is to increase transparency by opening RIA process to the stakeholders, interested public and public in general. Parties that are not state administration and are affected by regulations should have rights to participation in the process of adopting regulations.”* The Guidance stresses that there are three possibilities for the public to participate in the RIA process, as illustrated by the Figure below.

Figure 1: Three possibilities for participation of public in the RIA process



Analysis

The three opportunities for public engagement Croatian RIA system foreseen by the RIA Guidance for Stakeholders have a number of weaknesses:

- Information on the Proposal of the Plan of Normative Activities (min. 15 days during 1-30 September through websites): it is not clear how the feedback is used by the public authorities since it is totally up to the expert bearers to decide how to utilise feedback; they need to explain their reasons for acceptance / rejection of proposals only at the public discussion stage. There is no requirement to publish the Initial Impact Assessment (Initial IA) and neither the RIA Law nor the RIA Regulation defines the Initial step as a two way communication. The provisions of both regulations define the purpose of this step as being merely “in order to inform” the public. By contrast, the Guidelines for Civil Servants in the Government’s Legislation Office prescribe that the RIA Coordinator **may** publish contact information for feedback (i.e. it is not a mandatory requirement). Since the RIA Law and Regulation prescribe update of the Plan of Normative Activities as the next step in the RIA process, it is not clear what the basis for the changes to the Plan of Normative Activities is. To conclude, since there is no requirement to publish the Initial Impact Assessments, it is not mandatory to consul, it is not mandatory to provide contact details and there is not obvious mechanism for incorporating feedback received (if any), there appears to be a significant gap in the current feedback arrangements.



- Consultations on the Draft of the Proposal of RIA Statement (min. 30 days by the expert bearer): since MINPO has not undertaken any RIA Statements, it is not clear if this is adequate for effective consultation or not. Also, it is known that there is legislation that affects SME to a significant effect, however, since they are carried out under the Accelerated or Emergency Procedure (e.g. connected to the EU accession process), neither detailed impact assessment nor consultation may take place, or it may only occur in a rudimentary form.
- Public discussion on Proposal of RIA Statement and Draft of the Proposal of Regulation (min. 15 to 30 days by the expert bearer): this may need to be increased to 30 days to comply with the Law on the Right of Access to Information.
- Each expert bearer is free to undertake exercises relating to EIA consultation which are “over and above” the minimum recommended by the Government Legislation Office (GLO) through the RIA Law and Guidance but this is currently not the practice. However, at the very least, it would appear that all expert bearers will be required to increase each of last two opportunities for consultation to at least 30 days in order to comply with the Law on the Right of Access to Information.

Conclusions

The RIA legislation allows for three possibilities for “Stakeholders, Public and Interested Parties” to engage in the consultation process. The deadlines will have to be revised to at least 30 days. Furthermore, there appear to be gaps in the system which will need to be addressed over time, such as how to comment on the need or otherwise for RIA Statements (where expert bearers conclude otherwise) and how to ensure that all legislation, including that processed under the Emergency Procedures, are subject to PPD.

4.2.3 Enterprise Europe Network

Background

The Enterprise Europe Network (EEN) is designed to assist SMEs to make the most of the European marketplace. Working through a network of 600 member organisations across the EU and beyond, it assists SMEs to:

- Develop business in new markets;
- Source or license new technologies;
- Access EU finance and EU funding.

EEN covers some 50 countries and includes chambers of commerce and industry, technology centres, universities and development agencies. In the case of Croatia, HGK coordinates the network, which covers the following locations: Osijek, Rijeka, Split, Varaždin and Zagreb (3 branches).

In the context of new laws and regulations, including stakeholder feedback, the EEN seeks to facilitate SMEs facing problems doing business in other EU country, finding it difficult to comply with EU law, etc. But its focus is external, rather than internal to the country concerned. The EC aims to improve its legislation in respect to SMEs, so seeks feedback on what impact its legislative proposals and initiatives are having on small businesses. When drafting proposed laws affecting SMEs, the EC uses the EEN to consult SMEs to make cut red tape and help SMEs make the most of opportunities in the single market.



Under the EEN, a number of consultation tools have been developed:

- **SME Envoy:** The SME Envoy objective is to establish a close, direct link between the Commission, SMEs and their representatives. SME interests and needs can be better identified at an early stage and highlighted to the relevant points of contact, thus ensuring that concerns are taken into consideration and that adequate and efficient measures are implemented and overall the EU and National Policy is more SME friendly, with a particular focus on the crafts sector, small businesses and sole traders. The SME panels (see below) are operated in liaison with the SME Envoy to ensure that the needs of SMEs are continuously taken into account in EU law-making;
- **SME panels:** these are organised to consult SMEs about forthcoming EU legislation and policies. The EEN partners select suitable SME participants, run the SME panels and provide the EC with the results, which are then used for preparing new legislative or policy proposals;
- **SME feedback mechanism:** allows the EEN partners to collect the views and feedback from SMEs on a broad range of EU policy initiatives, actions, legislation or programmes related to the internal market. Policy areas include the environment, sustainability, employment and social affairs, innovation support, taxation and customs and better regulation and simplification.

Analysis

Although MINPO has assigned the role of the SME Envoy to the Assistant Minister responsible for Enterprise matters, in reality, other than the occasional meeting in Brussels, the function of the SME Envoy does not currently appear to be implemented as anticipated by the EC.

Box 4: Examples of Recent EC / EEN Consultations

<u>Short name</u>	<u>Description</u>	<u>Start date</u>	<u>End date</u>
<u>SME rating</u>	SME rating	21-03-2013	17-05-2013
<u>Food label</u>	SME panel questionnaire about voluntary origin indication for foodstuffs.	21-01-2013	22-03-2013
<u>MCAD</u>	SME panel consultation about misleading marketing practices affecting businesses	18-12-2012	21-02-2013
<u>SME Feedback Contact</u>	List of SME feedback contact persons	01-11-2012	31-12-2014
<u>Transfer EU</u>	SME panel consultation on the cross-border transfer of registered offices of companies within the EU	29-10-2012	21-01-2013
<u>Fertiliser Market</u>	SME Panel questionnaire on possible harmonisation of the fertilisers market	11-09-2012	30-11-2012
<u>Ceramics</u>	SME panel consultation on new limits for the release of metals from ceramic materials and articles into food	10-07-2012	15-09-2012
<u>BSQ3</u>	Benefit Survey Questionnaire: 1st July 2010 - 31st December 2011	15-05-2012	07-09-2012
<u>Top10</u>	Top 10	14-05-2012	28-06-2012
<u>ADRB2B</u>	SME Panel questionnaire on business-to-business Alternative Dispute Resolution (ADR)	19-01-2012	19-03-2012

Source: EEN, Croatia

As far as the forward looking panels and the retrospective feedback mechanisms are concerned, the EEN Croatia network does appear to engage in this process. The EEN provides the EC with feedback from its client companies through a number of activities based on the 'Listening to SMEs process'.



The SME feedback tool allows SMEs to report any difficulties they face relating to EU legislation and policy. Business panels are used to gauge views on forthcoming rules and policy. The EEN staff collect data from the SMEs through questionnaires, which take place before a piece of legislation is adopted. The EC elaborates the survey, analyses the data and the results serve as a reference point for the EC in understanding whether it is necessary or not to pursue certain legislation. The Box below illustrates recent activities by EEN.

The experience thus far is that the EC provides the questionnaires and the EEN network identifies the appropriate target groups, send the questionnaire, collect the responses and forward these to the EC. This is a processing function and the response rate is currently low. Furthermore, it is not clear the extent to which the feedback is coordinated or communicated to the national SME policy-maker, namely MINPO.

Conclusions

The EEN is a tool principally for the institution that funds it, namely the EC. The focus is on EU legislation, rules, constraints, etc. that inhibit SME development and doing business across Europe. As such, although it is a tool for SME-oriented PPD, it is not necessarily used in relation to Croatia itself. Although the SME Envoy function is meant to be the intersection that connects the domestic (internal) with the EU-wide focus (external), this activity appears to be currently underdeveloped.

4.2.4 IAENL Project (2012 - 2013)

Background

Under the Improving the Administrative Efficiency at the National Level (IAENL) project, a set of five regional consultation initiatives were undertaken during December 2012 to discuss the draft SME strategy and draft "Impuls" programme, which is MINPO's SME support programme. The locations visited included Zagreb, Slavonski Brod, Rijeka, Split and Dubrovnik. A further five consultations was undertaken in May-June 2013 in Osijek, Varaždin, Šibenik, Karlovac and Pula. The particular topic of discussion during the second round was "the survey on administrative barriers for SMEs". MINPO plans to continue to hold these "PPDs" annually in the future, even if the IAENL project has now come to an end.

Analysis

We have previously discussed the four levels of stakeholder engagement, namely information, consultation, dialogue and partnership. On the basis of the analysis, the MINPO activities connected with the IAENL project generally and SME development specifically can only be considered to be a form of information and/or consultation (i.e. *asking for comments, views and feed-back*).

As things currently stand, even if it is maintained in the future, it cannot be viewed as being PPD per se since it is neither broad (i.e. *two-way communication built on mutual interests and potentially shared objectives to ensure a regular exchange of views*) nor collaborative (i.e. *joint, often frequent and regular, meetings to develop core policy strategies and often leads to agreed outcomes such as joint recommendations, strategy or legislation*).



Conclusions

The current efforts focus on information provision and a limited form of consultation (annual regional consultations). As things currently stand, Croatia lacks PPD for the SME sector. Various organisations, including the Organisation for Economic Cooperation and Development (OECD) and EC, have pointed to this notable gap in the policy making environment. This gap is directly connected with the requirements of the Small Business Act (SBA), which among other issues specifically seeks to “Make public administrations responsive to SMEs’ needs” and “Design rules according to the “Think Small First” principle” among other issues (“Think Small First” - A “Small Business Act” for Europe, 2008).

4.2.5 SMEPED Project (2008 – 2009)

Background

Under the SME Policy Enhancement and Delivery (SMEPED) project, efforts were made to develop an SME PPD mechanism in Croatia, run by the former Ministry of Economy, Labour and Entrepreneurship (MINGORP), with the involvement of HAMAG and various representatives of the SME community. Several meetings were held, including at the regional/county level. The SME PPD made policy proposals for MINGORP consideration during the lifetime of the SMEPED project (2008-2009), however, once the project came to an end, so did the SME PPD. The Table below illustrates the stakeholders involved in the SME PPD at the national level.

Table 1: SME PPD - National Dialogue

National Level: Stakeholders	Organisation / Person	Members
Former MINGORP	State Secretary; Director of SME Department	2
HAMAG	Director + Secretariat	3
Business Associations (National Level)	Chamber of Commerce (HGK); Chamber of Crafts (HOK); Employers Association (HUP)	3
Other Associations	Association of Women Entrepreneurs (KRUG); UMIS-SMEA	2
RDAs/Local Enterprise Agencies	Representative from each RDA	13
Financial sector	Bankers’ Association; Venture Capital Association	2
SME Think Tanks	CEPOR; IVO Pilar Institute; International Relations Institute	3
Education	VERN – Private Poly Technic; JJ Strossmeyer University; Katarina Zirinski, Vocational School	3
SMEs	Covering micro, small and medium	10

Source: SMEPED Reports.

The purpose of the county-level dialogue was to improve the “local business environment” for entrepreneurs, for example by reviewing the effectiveness of local government, the effectiveness of local licensing and similar. Underpinning the local dialogue was the notion that stakeholders should work together to improve the local business environment and develop solutions to local problems. The table below illustrates the stakeholders involved in the SME PPD at the county level.



Table 2: SME PPD - County Dialogue

County Level: Stakeholders	Organisation / Person	Members
County Administration	County Prefect; Head of Economic Department of County	2
Office of State Administration	Head of Administration; Others representatives	2
Municipalities	Head of SME development in Municipalities	2
Business Associations (County)	Chamber of Commerce (HGK); Chamber of Crafts (HOK)	2
RDAs / Local Enterprise Agencies	RDA; Enterprise Agencies	2
Other	Representatives from Enterprise Zones and Incubators	3
Financial sector	Representatives from SME lenders	1
Education	Representatives from Universities, Vocational Schools other schools implementing the entrepreneurship education	1
SMEs	SME owner / managers – a panel of say 10 representing the main industrial sectors in the county. Also chosen for their abilities to become representatives of the Small Business sector.	10

Source: SMEPED Reports.

Analysis

The SMEPED project established an SME dialogue based on a two-pronged approach:

- National Level Dialogue: various stakeholders engaging with government.
- County Level Dialogue: to improve the local business environment.

However, although meetings were held during 2008-2009 it is far from clear how much, if anything, was achieved by either the national or the pilot county level dialogue. The key point to note is that when the SMEPED project came to an end, the SME PPD was not continued by the former MINGORP. Since then, there has been little activity in relation to SME stakeholders, other than information provision and consultation initiatives, such as the MINPO regional road-shows in 2012 and 2013.

Conclusions

With the support of the SMEPED project, some attention was given the SME PPD at the national and county level (some of the counties), however, this was a short-lived initiative which terminated as soon as the project came to an end and achieved very little beyond initial meetings. If SME PPD is to become effective, it must be designed as a medium to long term initiative involving meaningful MINPO capacity to act in a secretariat capacity, rather than being project-driven.

4.2.6 Economic and Social Council

Background

Tripartite social dialogue is institutionalised through the Economic and Social Councils (ESC) which have been established at the national, county level and city levels. The ESCs are based on the concept of tripartite cooperation among the Croatian Government, trade unions and employers' associations, on solving economic and social issues and problems.



The ESC is composed of representatives of the Government, employers' association (Croatian Employers' Association - HUP) and trade union associations (four trade union confederations). The Government and the social partners have an equal number of representatives and each representative has a substitute. The ESC has a President and two Vice-Presidents who are appointed by members of the ESC to a one year. This role rotates among the tripartite members in the Council.

After the general elections in December 2011, the Government agreed a new Agreement on the establishment of the Economic and Social Council (signed on 3 February 2012 and then revised again on 5 July 2013) which is almost identical to the former one, apart from changes relating to the former Office for Social Partnership which was transformed into the Independent Service for Social Partnership within the Ministry of Labour and Pension System. It is not clear how this institution can be "independent", since it is part of the civil service. The ESC adopts its Rules of Procedure and the annual Working Programme, which determines in detail the content of work and procedures for the ESC, its committees, etc.

Box 5: Duties and Responsibilities of the ESC (Article 10)

- Promotes the idea of trilateral cooperation between the government, trade unions and associations of employers on reviewing and addressing economic and social issues and problems;
- Monitors and evaluates the impact of economic policy and economic policy measures on social stability and development;
- Monitors, studies and evaluates the impact of social policy and social policy measures on social stability and development;
- Proposes measures to conduct coordinated economic, social and development policies;
- Assess and comments on the measures to achieve macroeconomic stability, competitiveness of the economy and balanced economic and social development;
- Gives its opinion on the draft State budget;
- Investigates and evaluates the effects of changes in prices and wages to economic and social stability and development;
- Proposes to the Government, employers, trade unions and their associations and to the associations of higher levels a harmonized policy prices and wages;
- Monitors the situation in the area of employment, pension and health insurance, education and labour market adjustments with the safety at work, and proposes measures for their promotion and advancement;
- Gives opinions on draft laws in the field of labour, economic and social security;
- Discusses and can give opinions on draft laws and other regulations of public interest;
- Encourages the conclusion and application of collective agreements;
- Provides a reasoned opinion to the minister responsible for labour on all issues and problems related to the conclusion and application of collective agreements and the assessment of effects of enlargement of the collective agreement;
- Promotes peaceful resolution of collective and individual labour disputes;
- Establishes a list of mediators in collective labour disputes;
- Provides a rulebook on the election of mediators and mediation proceedings in resolving collective labour disputes;
- Gives opinions and proposals to the minister responsible for labour in connection with other matters regulated by the Labour law;
- Monitors the implementation of laws in the field of labour and social security;
- Monitors the execution of the protection of labour rights and social security, and proposes measures for its enhancement;
- Adopts the Report of the Council and its working bodies.

The committees of the ESC are established as permanent tripartite expert bodies of the Croatian Government and social partners, and take part in the formulation of public policies in the areas for which they have been established. They also monitor the implementation of public policies and the application of regulations. They may make proposals for the improvement of such policies and regulations and focus on various issues of interest with a view of achieving social consensus as a means of guaranteeing respect (implementation) of adopted regulations, as well as of generating social progress. The ESC Committees discuss and adopt opinions on draft public policies



(coordination of economic, social and development policy) and regulations submitted in line with the ESC Working Programme, as well as of their own initiative.

There are five committees within the Economic and Social Council:

- Committee for wage policy, tax system and living standard;
- Committee for social policy;
- Committee for employment, education and harmonization with labour market;
- Committee for legislation, collective bargaining and protection of rights;
- Committee for sustainable development, promotion of economy, energy and climate change.

Analysis

Despite its title, the Independent Service for Social Partnership is actually a part of the Ministry of Labour and Pension System and is primarily responsible for coordinating the activities of the National ESC and the five Committees. It currently has three staff members and this may need to increase in order to cope with its significant role in the social dialogue. The degree of intensity of the meetings has decreased over time; currently some 10-11 meetings of the national ESC are held per year.

The national ESC discusses with the social partners the priorities for the coming year, which are typically based on the regulatory initiatives of the government, with scope for regulations to be added as required. Once these are known, the Independent Service for Social Partnership coordinates a process involving the initiating ministries providing drafts of regulations, which are circulated to the members of the national ESC / Committees. However, because of the relatively limited staff among the four trade unions and HUP, the members of the national Council and the five Committees tend to be broadly the same. Nevertheless, all social partners appear to be committed to the ESC and prepare detailed comments on each of the laws and regulations put up for discussion. During 2012, some 80 draft laws were examined by the national ESC / Committees.

Although technically ESC members are supposed to be involved in the process of drafting legislation as part of the Working Groups, in reality this is the exception rather than the rule. It is mainly the Ministry of Labour and Pension System which appears to consistently establish such Working Groups, such as for the labour law, pension reform, etc. The fact that it is responsible for the ESC may explain the current situation. They are normally sent drafts for comment. These are circulated to the social partners and efforts are made to consult with members. The detailed comments, proposals, suggestions, alternatives, etc. are discussed at the Councils / Committees. At the end of the sessions, the ESC issues Conclusions / Opinions / Decisions; these variations do not have an obvious legal or other meaning. The Ministries may or may not respond to these Conclusions / Opinions / Decisions and there is no duty on the Ministries to take-up the ESC Conclusions / Opinions / Decisions.

The focus on the national Council has hitherto been on laws, rather than policies, strategies and similar. However, the intention is that in future, the national Council will focus on strategic matters, while the detailed analysis of laws and regulations is left to the Committees. Furthermore procedures will need to be established to handle EC-level activities, such as Directives; these appear to be a gap in the system which is accentuated by the fact that the government's position appears to be often established in closed governmental sessions.



There are theoretically a further 21 county level ESCs, however, in reality only about half are operational and meeting on a regular basis. It is not the role of the Independent Service for Social Partnership to coordinate these and unless a bottom-up commitment exists, these do not work particularly well. Although city level ESCs can be established, only a few such as Zagreb and Osijek appear to exist at present, with varying degrees of effectiveness.

Finally, the ESC has a very broad focus, which in turn means that SME development is not prioritised. The closest that it comes to this is through possible use of HUP's SME Association for specific input.

Conclusions

The ESC is theoretically a partnership oriented organisation. In reality, the social partners are rarely involved in the working groups. Rather, they are typically involved in the process of developing legislation once the Ministries have prepared a draft law that is circulated for comment. By this stage, many opportunities for influencing potential laws and regulations, including the possibility of doing nothing and selecting non-regulatory options, have passed. Although social partners prioritise the laws and regulations to be considered by the ESC and expend considerable effort in commenting on the drafts, in reality the ESC Conclusions / Opinions / Decisions may simply be ignored by government. In this sense, the ESC is more a consultative body than a true partnership-based institution where decisions and work takes place jointly between government and the social partners. The regional and city level ESCs offer potential in terms of spreading the process of dialogue and partnership, but they are in need of reinvigoration if they are to perform the role that is envisaged of them.

4.3 Conclusions

This chapter examined the key forms of PPD in Croatia that connect with the SME Sector, namely:

- Codex on Consultation;
- RIA Law;
- Enterprise Europe Network;
- MINPO PPD Rounds (2012 and 2013);
- Economic and Social Council.

Based on the discussion, the existing tools offer various opportunities for cooperation, however, are currently mainly geared towards two forms of engagement with stakeholders, namely:

- Information provision: numerous sources of on-line and other information exist and it is up to stakeholders to access and use these.
- Consultation initiatives: a "top-down" process where government decides whom it will consult on which issues. Consultation serves mainly the public sector's need for information, while opening up channel for the expression of opinions. This is clearly more valuable than mere information provision, but consultation remains a limited form of engagement which does not permit a fuller expression of stakeholder's points of view (CIPE, 2011).

To conclude, the accent of engagement with SMEs is very much on information provision and consultation, rather than PPD with the SME sector as such. Consequently, there is a need for MINPO to develop an effective tool for PPD with the SME sector in the future.



The subsequent chapter examines aspects of good practice in PPD. This prepares the ground for the final chapter, which presents a series of conclusions and recommendations for the development of PPD in relation to the SME sector in Croatia.



5. GOOD PRACTICE IN PPD

5.1 Introduction

Although much has been written about the value of PPD in general, in practice, there is relatively little by way of structured advice and models of PPD in the context of SME development. This chapter examines the existing good practice in relation to three themes:

- PPD characteristics;
- European good practice;
- PPD and the SME sector.

The above leads to a set of conclusions regarding PPD and the SME sector.

5.2 PPD Characteristics

As per the preceding discussions, there is widespread consensus over the importance of PPD. The general characteristics of good quality dialogue are well-established, as illustrated in the Box below.

Box 6: Characteristics of Good Quality Dialogue

Good quality dialogue, judged by criteria such as: democracy, effectiveness, and contributions to long term growth, has attributes such as:

- Legitimate:
 - Transparent dialogue inhibits collusion, reinforces accountability and empowers all constituencies to make informed contributions.
 - Inclusive dialogue promotes a broad range of interests and the public good instead of narrow, sectorial or partisan interests.
 - Freedom of association and freedom of speech ensure open dialogue.
- Focused: effective dialogue addresses important issues, has clear objectives and examines concrete options.
- Flexible: the substance of dialogue takes precedence over protocol and the process accommodates evolving issues/agendas.
- Rooted in civil society: participants are representative and qualified to speak for their organisations or constituencies.
- Policy-oriented: constructive dialogue builds a policy framework that supports long-term growth and rule of law.

Source: CIPE, 2011

However, while the above characteristics of good quality dialogue are well and good, they do not take us far in terms of operationalising effective PPD, based on good practice.

5.3 International Good Practice

The most comprehensive statement by the EC in relation to PPD in general was published in 2002 (Towards a reinforced culture of consultation and dialogue - General principles and minimum standards for consultation of interested parties by the EC). The Box below illustrates all the relevant points in relation to PPD in general on issues such as:

- Content of the Consultation Process;
- Consultation Target Groups;
- Publication of Consultation Material;
- Time Limits for Participation;
- Acknowledgement and Feedback.



Box 7: Minimum Consultation Standards Recommended By EC

A. CLEAR CONTENT OF THE CONSULTATION PROCESS

All communications relating to consultation should be clear and concise, and should include all necessary information to facilitate responses.

The information in publicity and consultation documents should include:

- A summary of the context, scope and objectives of consultation, including a description of the specific issues open for discussion or questions with particular importance for the Commission
- Details of any hearings, meetings or conferences, where relevant
- Contact details and deadlines
- Explanation of the Commission's processes for dealing with contributions, what feed-back to expect, and details of the next stages involved in the development of the policy
- If not enclosed, reference to related documentation (including, where applicable, Commission supporting documents).

B. CONSULTATION TARGET GROUPS

When defining the target group(s) in a consultation process, the Commission should ensure that relevant parties have an opportunity to express their opinions.

For consultation to be equitable, the Commission should ensure adequate coverage of the following parties in a consultation process:

- those affected by the policy
- those who will be involved in implementation of the policy, or
- bodies that have stated objectives giving them a direct interest in the policy.

In determining the relevant parties for consultation, the Commission should take into account the following elements as well:

- the wider impact of the policy on other policy areas, e.g. environmental interests or consumer policy
- the need for specific experience, expertise or technical knowledge, where applicable
- the need to involve non-organised interests, where appropriate
- the track record of participants in previous consultations
- the need for a proper balance, where relevant, between the representatives of:
 - social and economic bodies
 - large and small organisations or companies
 - wider constituencies (e.g. churches and religious communities) and specific target groups (e.g. women, the elderly, the unemployed, or ethnic minorities)
 - organisations in the European Union and those in non-member countries (e.g. in the candidate or developing countries or in countries that are major trading partners of the European Union).

Where appropriate, the EC encourages contributions from interested parties organised at European level.

Where a formal or structured consultation body exists, the Commission should take steps to ensure that its composition properly reflects the sector it represents. If this is not the case, the Commission should consider how to ensure that all interests are being taken into account (e.g. through other forms of consultation).

C. PUBLICATION

The Commission should ensure adequate awareness-raising publicity and adapt its communication channels to meet the needs of all target audiences. Without excluding other communication tools, open public consultations should be published on the Internet and announced at the "single access point".

For addressing the broader public, a single access point for consultation will be established where interested parties should find information and relevant documentation. For this purpose, the Commission will use the 'Your-Voice-in-Europe' web portal.

However, at the same time it might be useful to maintain more traditional alternatives to the Internet (e.g. press releases, mailings). Where appropriate and feasible, the Commission should provide consultation documents in alternative formats so as to make them more accessible to the disabled.

D. TIME LIMITS FOR PARTICIPATION

The Commission should provide sufficient time for planning and responses to invitations and written contributions. The Commission should strive to allow at least 8 weeks for reception of responses to written public consultations and 20 working days' notice for meetings.

- The main rule is to give those participating in Commission consultations sufficient time for preparation and planning.
- Consultation periods should strike a reasonable balance between the need for adequate input and the need for swift decision-making. In urgent cases, or where interested parties have already had sufficient opportunities to express themselves, the period may be shortened.

On the other hand, a consultation period longer than eight weeks might be required to take account of:

- the need for European or national organisations to consult their members in order to produce a consolidated viewpoint
- certain existing binding instruments (this applies, in particular, to notification requirements under the WTO agreement)



- the specificity of a given proposal (e.g. because of the diversity of the interested parties or the complexity of the issue at stake)
- main holiday periods.

When the deadline for transmission of comments has expired, the Commission will close the consultation and take the next steps in the administrative process (e.g. prepare for the decision by the Commission).

E. ACKNOWLEDGEMENT AND FEEDBACK

Receipt of contributions should be acknowledged. Results of open public consultation should be displayed on websites linked to the single access point on the Internet.

Depending on the number of comments received and the resources available, acknowledgement can take the form of:

- an individual response (by e-mail or acknowledgement slip), or
- a collective response (by e-mail or on the Commission's single access point for consultation on the Internet; if comments are posted on the single access point within 15 working days, this will be considered as acknowledgement of receipt).

Contributions will be analysed carefully to see whether, and to what extent, the views expressed can be accommodated in the policy proposals. Contributions to open public consultations will be made public on the single access point. Results of other forms of consultation should, as far as possible, also be subject to public scrutiny on the single access point on the Internet.

The Commission will provide adequate feedback to responding parties and to the public at large. To this end, explanatory memoranda accompanying legislative proposals by the Commission or Commission communications following a consultation process will include the results of these consultations and an explanation as to how these were conducted and how the results were taken into account in the proposal. In addition, the results of consultations carried out in the Impact Assessment process will be summarised in the related reports.

Source: Towards a reinforced culture of consultation and dialogue - General principles and minimum standards for consultation of interested parties by the Commission (Brussels, 11.12.2002 COM(2002) 704 final), emphasis added.

More recently, the EC has recommended that the PPC / consultation period be extended to 12 weeks or eight weeks as the minimum when 12 is not possible (EC, Smart Regulation, 2010, p.10).

5.4 PPD and the SME Sector

Turning to PPD in the SME sector, while much as been written about its value and importance to policy making, including the process of creating laws and regulations, there is a dearth of best practice in this field. In reality, each country is left to its own devices to establish its structures for PPD. The exception to this rule is the PublicPrivateDialogue.org which is a one-stop shop (supported by DFID, World Bank, OECD, GIZ and others) of knowledge and advice for stakeholders (public and private sectors, civil society and donor agencies) that are interested in building or maintaining PPD to improve the business climate.

The PublicPrivateDialogue.org has issued two key publications, both of which are of direct relevance to PPD, especially in the context of the SME sector, namely the:

- Charter of Good Practice in using Public Private Dialogue for Private Sector Development;
- Public-Private Dialogue Handbook.

The Charter is reproduced in the Box below.

Box 8: Charter of Good Practice in using Public Private Dialogue for Private Sector Development

Recognising that economic progress depends on a business climate conducive to private investment and enterprise, which in turn requires a range of private sector development policies and institutions, infrastructure, access to services, and supporting laws and regulations designed within a coherent policy framework and with sensitivity to the interests of all sectors of society,

Observing in particular that reforms designed to improve the business climate are more effective when dialogue between the public and private sectors involves the ultimate beneficiaries of those reforms in diagnostics, solution design, implementation and monitoring,

Aware of the challenges experienced by practitioners in capitalizing on the benefits of dialogue, such as accelerating the reform process,



maximizing returns on investment climate reforms and public-private investments, contributing to broader poverty reduction strategies and allowing public and private sectors to build mutual trust that commands widespread confidence,

Conscious of the demand that practitioners have voiced for good practice recommendations and a monitoring and evaluation baseline aimed at providing guidance, measuring success and increasing performance,

Drawing from experiences of numerous professionals from the public, private and donor communities and lessons learned from research into dialogue mechanisms, consolidated at the international workshop for public-private dialogue held in Paris in February 2006,

Now, therefore, by consensus, practitioners are recommended to draw on the following principles hereby set forth as the Charter of Good Practice in using Public Private Dialogue for Private Sector Development.

PRINCIPLE I: MANDATE AND INSTITUTIONAL ALIGNMENT

A statement of objective is helpful for clarity. A formal or legal mandate can be an important help in some political and economic contexts, but mandates are never sufficient to establish good PPD. Wherever hosted and whenever possible, PPD should be aligned with existing institutions to maximize the institutional potential and minimize friction.

- Dialogue depends on the capacity and mind-set of participants, and a legal mandate is not sufficient to create this.
- Nonetheless, a formal mandate is a signal that can establish credibility, make continuity more probable, and enable dialogue to be better integrated into an existing institutional framework.
- A mandate with legal backing is especially likely to be helpful in transition economies or countries with a strongly bureaucratic tradition.
- However, energy should not be diverted into establishing a legal status at the expense of losing momentum on substantive reform efforts.
- Legal mandates which are too detailed carry the risk of restricting flexibility and restraining initiatives from adapting to changing circumstances.
- Existing institutions should be capitalized on as much as possible. Even when hosted outside existing institutional frameworks, PPD is more effective when aligning its structure with existing institutional priorities and lines of command.

PRINCIPLE II: STRUCTURE AND PARTICIPATION

The PPDs structure should be manageable while flexible, enable participation to be both balanced and effective, and reflect the local private sector context.

- Appropriate structures can be formal, informal or a mixture. Their design needs to take into account existing processes and institutions.
- Participation of relevant representative stakeholders should be agreed on in a transparent manner and be balanced and practicable, so as to best serve the objectives of the dialogue.
- Dialogue structures can be set up to carry out specific participatory processes in a series of working groups, for example to contribute to the elaboration of reform strategies for specific sectors, issues or regional areas.
- An organizational design operated under the umbrella of a secretariat is often useful to help ensure a coherent approach to public-private dialogue, including the shaping of an overarching policy framework.

PRINCIPLE III: CHAMPIONS

It is difficult to sustain dialogue without champions from both the public and private sectors, who invest in the process and drive it forward.

- Backing the right champions is the most important part of outside support to PPD.
- It is easier for dialogue to survive weakness of champions in the private sector than the public sector.
- If champions are too strong, the agenda can become too narrowly focused, or dialogue can come to depend too heavily on individuals.

PRINCIPLE IV: FACILITATOR

A facilitator who commands the respect of stakeholders can greatly improve the prospects of PPD.

- Important qualifications include negotiation skills, understanding of technical issues and an ability to converse easily with everyone from ministers to micro-entrepreneurs.
- An innovative and entrepreneurial approach is often helpful.
- A difficult question is whether the facilitator should be local or external – local knowledge is an advantage, but so is a lack of any personal baggage with participants.

PRINCIPLE V: OUTPUTS

Outputs can take the shape of structure and process outputs, analytical outputs or recommendations. All should contribute to



agreed private sector development outcomes.

- Analytical outputs can include identification and analysis of business roadblocks, agreement on private sector development objectives, and private sector assessment of government service delivery.
- Recommendations can address policy or legal reform issues, identification of development opportunities in priority regions, zones or sectors, or definition of action plans.
- Structure and process outputs can include a formalized structure for private sector dialogue with government, periodic conferences and meetings, on-going monitoring of public-private dialogue outputs and outcomes, and a media programme to disseminate information.

PRINCIPLE VI: OUTREACH AND COMMUNICATIONS

Enabling communication of a shared vision and understanding through the development of a common language is essential for building trust among stakeholders.

- Common communication requires a mutual understanding of core motivation, which depends on frequent and iterative interactions between all parties.
- Dialogue should be as open-access and broadly inclusive as feasible. This necessitates an outreach program to the reform constituency. Elements can include use of the media, seminars, workshops, and road-shows.
- This also necessitates attention to building the capacity of the private sector to participate in dialogue to achieve a concerted strategy to communicate reform issues through clear and targeted messages.
- Transparency of process – in particular, an open approach towards the media – is essential for outreach, and also contributes to measurement and evaluation.

PRINCIPLE VII: MONITORING & EVALUATION

Monitoring and evaluation is an effective tool to manage the public private dialogue process and to demonstrate its purpose and performance.

- While remaining flexible, user friendly and light, the monitoring and evaluation framework adopted by a PPD should provide stakeholders with the ability to monitor internal processes and encourage transparency and accountability.
- Definition of inputs, outputs, outcomes and impacts will be enhanced with designation of appropriate indicators with periodic review from stakeholders, which will rely on the collection of reliable data.
- Monitoring and evaluation techniques enable better overall planning, can ignite potential advocacy, and provide both internal and external motivation to promote more effective implementation.
- To this effect, PPDs should develop a baseline assessment to measure their effectiveness in order to enable the partnership to better measure how it is achieving its goals over time and delivering on its envisaged benefits.

PRINCIPLE VIII: SUB-NATIONAL

Public-private dialogue is desirable at all levels of decision-making down to the most local possible level, especially as this is likely to be more practically capable of involving micro-entrepreneurs, SMEs and other local stakeholders.

- Local level public-private dialogue allows local issues and solutions to be identified and taken to decentralized decision-makers or channelled upwards to the appropriate level of authority at which they can be solved.
- Local dialogue can contribute to effective implementation of national policies. It may be particularly effective when explicitly aligned with dialogue taking place at national or regional level.
- Local level dialogues can especially benefit from use of participatory tools, capacity building initiatives, and the use of local and neutral facilitators.

PRINCIPLE IX: SECTOR-SPECIFIC

Sector-specific or issue-specific public-private dialogues should be encouraged because they provide more focus, greater incentive to collaborate, and more opportunity for action.

- To tackle the risk of missing the big picture sector-specific dialogues should be linked to a broader, cross-cutting dialogue process.
- The choice of sectors to involve in dialogue can be controversial, especially where institutions are weak. This can be mitigated by a transparent process.
- Dialogue works best with the sectors most willing to invest time and resources – though this requires safeguards against unfairly favouring already-strong sectors.
- Rent-seeking activity is more of a risk in sector-specific dialogue.
- This can be mitigated by greater transparency, explicit enunciation of intended outcomes, and an inclusive approach that creates open access for all stakeholders with an interest in the sector's or clusters value chain.

PRINCIPLE X: INTERNATIONAL ROLE



Broad and inclusive public-private dialogue can effectively represent and promote national and regional interests of both public and private actors in international negotiations and international dialogue processes.

- Complex international challenges require broad, ad hoc alliances between state and non-state actors. These should be transparent, inclusive and open-access.
- Involving local partnerships at the international level can give a more effective voice to national and regional interests by helping public and private sectors to coordinate and thus widening their room for manoeuvre.
- International partners can foster an informal process of regional and multilateral policy dialogue, setting an example for national-level initiatives.

PRINCIPLE XI: POST-CONFLICT / CRISIS-RECOVERY / RECONCILIATION

Public-private dialogue is particularly valuable in post-conflict and crisis environments – including post-natural disaster – to consolidate peace and rebuild the economy through private sector development.

- Because they focus on the specific and tangible issues of entrepreneurship, economic reconstruction and investment climate improvement leading to job creation and poverty reduction, public-private dialogue initiatives are very effective at building trust among social groups and at reconciling ethnic, religious or political opponents.
- PPD can be especially valuable in enabling the sharing of resources and building capacity – a particular priority in crisis environments.
- Structures and instruments for dialogue need to be adapted to each post-conflict or crisis context. They need to take into account the inherent informality of some economic actors and the potential role of informal systems in re-establishing the rule of law.
- An external “honest broker”, possibly linked to international organizations in charge of peace building, may be needed to kick-start dialogue. But mechanisms should be put in place for quick transfer of the initiative to local ownership.

PRINCIPLE XII: DEVELOPMENT PARTNERS

PPD initiatives can benefit from the input and support of donors (development partners) when their role is determined by the local context, demand driven, and based on partnership, coordination and additionality.

- Development partners can encourage conditions for dialogue, and initiate, promote, support, fund and facilitate dialogue.
- Capacity building and disseminating international best practice are two areas where development partners can play a particular role.
- The role should be as neutral as possible, maximizing the local ownership and capacity, the development of trust and the maintenance of a conducive and transparent environment.
- Development partners should consider social, economic and political context, exit strategies and sustainability issues.
- They should coordinate among themselves to avoid duplicating their efforts and maximize the availability of funds when partnerships are found to be worth supporting.

This Charter was initially drawn up on the Second of February, Two Thousand and Six, at the International Workshop on Public-Private Dialogue, organized by a cross-sectorial team from DFID, the World Bank, the IFC and OECD Development Centre, held at the World Bank Paris Conference Centre, and attended by over a hundred participants from thirty countries.

Source: <http://www.publicprivatedialogue.org>, emphasis added (2006)

The Public-Private Dialogue Handbook (2012) is an important frame of reference for the establishment of PPD and covers the issues illustrated in the Box below. Essentially, it seeks to operationalise the recommendations contained in the Charter of Good Practice in using PPD for Private Sector Development.

Box 9: Public-Private Dialogue Handbook (2012)

A: BACKGROUND

- A.1. About this handbook
- A.2. Benefits, risks and lifespan of PPDs
- A.3. Introduction of the handbook methodology
- A.4. The Charter of good practice in using PPD for private sector development

B. DIAGNOSING THE STATUS AND POTENTIAL OF PPD

- B.1. Introduction to the mapping tool



B.2. Diagnostic project sequences

C. DESIGNING, IMPLEMENTING AND MONITORING PPD - ISSUES TO CONSIDER

C.1. Mandate and Institutional Alignment

C.2. Structure and Participation

C.3. Champions

C.4. Facilitator

C.5. Outputs

C.6. Outreach and communications

C.7. Monitoring and evaluation

C.8. Sub-national

C.9. Sector-Specific

C.10. International Role

C.11. Post-conflict

C.12. Development partners

D. MONITORING AND EVALUATION FRAMEWORK FOR PPD

D.1. Introduction

D.2. Project management guidelines: three steps toward evaluating PPD

D.3. Methods and Instruments for data collection

D.4. Evaluation of organizational process and evolution of the PPD

D.5. Evaluation of the political economy impact of PPDS on reform processes

D.6. Evaluation of regulatory and economic outcomes and impact of PPDS

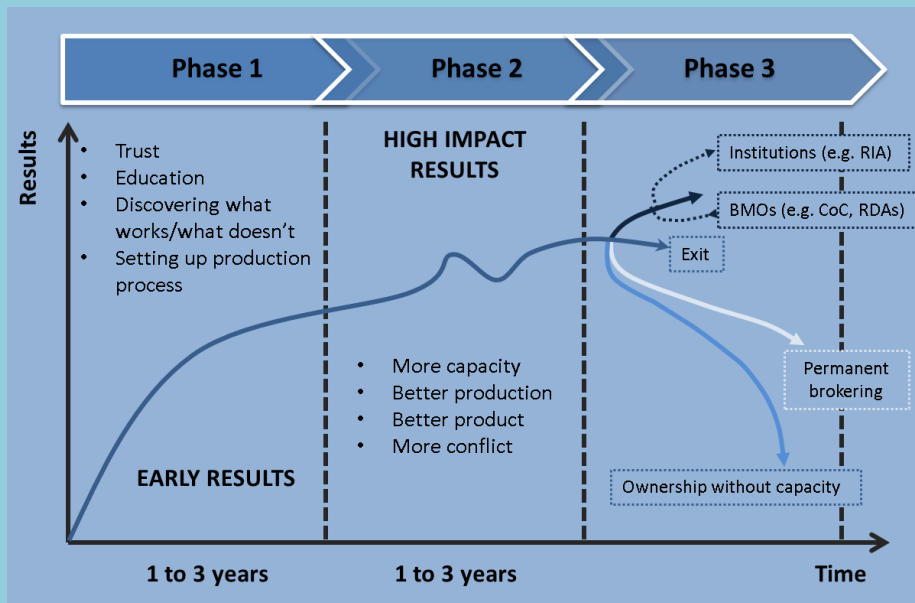
D.7. Concluding Remarks

RESOURCES AND BIBLIOGRAPHY

ANNEXES

One of the most interesting characteristics of PPD for Private Sector / SME Development, illustrated by the Public-Private Dialogue Handbook (2012), is that it evolves in stages and the process of establishing sustainable PPD can last 3-5 years.

Box 10: Lifespan and Phases of PPD



- **1 discovery phase:** This phase (six month to three years) is focused on building trust between the public and the private sector, educating the actors on how to behave with one another, and discovering what works in term of reform proposals submitted and processed through the PPD. The dialogue process is set up, options being tested in term of working groups, secretariats and logistics, scope of the proposed reforms, political sensitiveness of the agenda being put forward, and leadership of relevant actors. Phase 1 should not be expected to yield ground-breaking returns in term of economic impact of the partnership. Early results and quick-wins are more likely, as they represent less contentious issues that the actors in the PPD can learn from. Issues are meant to be small, so that they can be successfully processed as they represent fewer risks for the partners. Bringing bigger ticket items on the agenda during this phase could work in certain cases, but this strategy carries a high risk of failure and negative consequences for the PPD. Business people could get easily disillusioned if their too high expectations are not fulfilled; and government officials could take offense at what they perceive to be unwarranted demands from the private sector. In contrast, although many will fail, the number of issues proposed and the number of processed reform proposals is likely to be high. Participants will have a tendency to use the new forum to forward a large backlog of problems (e.g. on transport, tourism, visas, red tape reduction, standards harmonization, etc.) which are known to all, but which could not be pushed through in the previous institutional context.
- **2 high impact phase:** This Phase (a year to three years), is more productive than Phase 1, as partners are motivated by early results and more experienced at designing reform proposals that get successfully processed, accepted and implemented. The organizational process functions well enough that issues and proposals benefit from more focused technical input (e.g. technical assistance from development partners). In turn, this translates into the PPD initiative producing more workable reforms. This second phase of the PPD also benefits from the capacity that was built among government officials and private sector representatives during the first phase. Issues hence are likely to be of higher staking than during Phase 1. Topics such as labour or taxes are often addressed during Phase 2 for that reason. Businesspeople are emboldened by Phase 1 results, and have pushed the boundaries of what is possible to forward to the government. On the government side, while certain limits have been broken with Phase 1 reforms, public officials may not feel the same pressure to agree to private sector demands than in the early days of the dialogue. As a result, while economic impacts of the partnership are at their maximum during Phase 2, this phase is also a phase of potential conflicts and crises. A number of working groups may be dissolved, and others may come forward. Some contentious issues may fail to be processed through the PPD towards successful implementation.
- **3 sustainability / transfer / exit phase:** PPD initiatives often arise to fill an institutional gap between the private and public sectors. If confidence and dialogue are established or restored, and if private sector concerns are now taken into account by administrative officials, what future lies ahead for a consultative mechanism? Should the dialogue be maintained in the shape it came to life or should the energy and capacity built during Phases 1 and 2 be transferred to where they should have originally belonged: government institutions and advocacy group? Each partnership is unique, and a number of scenarios are possible:
 - 1: Ensure sustainability through transfer to institutions and business associations.
 - 2: Transfer the initiative early on to existing institutions.
 - 3: Entrust the PPD to fulfil a function of permanent broker, through institutionalization.
 - 4: Terminate and clean exit.

www.publicprivatedialogue.org Handbook (2012)



5.5 Conclusions

This chapter has examined good practice in relation to three themes:

- PPD characteristics;
- European good practice;
- PPD and the SME sector.

Some of the key issues to note include the following:

- The rationale for PPD in the context of SME development is clear and it is important for Croatia to develop such a tool, both for the SME sector in general and for the EIA for SMEs and RIA process specifically.
- The current situation in Croatia is focused on information provision and consultation, rather than PPD per se, as discussed in the preceding Chapter.
- Although much is made of the issue of PPD, as far as the enterprise sector generally and the SME sector specifically are concerned, in reality there is a paucity of good practice information to assist with PPD.
- However, a number of recurrent themes are worth noting such as:
 - Effective PPD is a phased, long term process that can take 3-5 years to mature.
 - Effective PPD should be legitimate, inclusive, transparent, focused, flexible and representative and policy-oriented.
 - Effective PPD requires minimum standards to be adhered to in relation to content, target groups, time limits, acknowledgement and feedback, etc.
 - Effective PPD requires a formal/legal mandate, structure, participation, champions, facilitator, analytical outputs / recommendations, shared vision, monitoring and evaluation, sub-regional / sectorial structures (depending on needs), etc.
- Unless the policy leads (ministry and business associations) are committed and devote the necessary political capital, time and resources, PPD is not likely to become effective and sustainable over time.



6. SME DEMAND FOR CONSULTATION AND PPD

6.1 BINS 2013

The BIZimpact II project commissioned a sample survey of 1,127 SMEs called the Business Information Needs Survey 2013 (BINS 2013), the aim of which was to assess the business environment in Croatia covering the following themes:

- Information needed by MINPO and the other project beneficiaries about the views and needs of SMEs that enables them to improve their communications with SMEs;
- Establishing the priorities for communications in terms of the most pressing information needs of SMEs and the best channels for communication with them;
- Obtaining information from SMEs relevant to key elements of the BIZimpact II project (e.g. how to involve SMEs in Public-Private Dialogue);
- Determination of the legislative / regulatory topics that SMEs find difficult to comply with and which would benefit from the preparation of new Mini Guides.

In this context, it is useful to highlight the results of the BINS 2013, as far as SMEs and PPD is concerned. This is done below.

6.2 Croatian SMEs and PPD

6.2.1 Consultation and Dialogue

SMEs were asked to estimate of the importance of the process of dialogue and consultation between business and Croatian government. In general terms enterprises feel neutral about this process: 39.7% consider it to be very important or important and a further 19.2% consider it to be neither important nor important. However, if the data are broken down by type of enterprise, the process of dialogue and consultation is considered to be more important to cooperatives and enterprises (3,3 and 3,6 on a scale of 1 to 5, respectively) than to other types of enterprises.

Moreover, subjects were asked to name which of the institutions they felt needed to improve their dialogue and consultation processes the most. Almost half of the subjects (45%) pointed out that MINPO needs to improve its dialogue process, followed by HGK (37%), HAMAG (14%) and HUP (10%). HOK was mentioned by 60% of crafts, and HSZ by 47% of cooperatives. At the same time, almost a quarter of enterprises (23%) feel that neither of these institutions needs to improve their dialogue and consultation processes.

As the Table below shows, the involvement of enterprises in the consultation process varies depending on type of firm. The highest level of current involvement in dialogue and consultation actually concerns HOK and HSZ. The degree of involvement in MINPO and HAMAG consultations is around 10%, while enterprises have the lowest level of involvement with HAMAG and HUP. Overall, the levels of dialogue and consultation are low across the board.



An equally important issue is not only if dialogue consultation takes place, but the degree of satisfaction with the outcome of the process. In general satisfaction levels with existing processes, where these occur, lie between neutral and somewhat positive on a scale of 1 to 5. Once again, it is cooperatives and crafts which exhibit the highest satisfaction levels with their parent institutions, while satisfaction with other institutions is on a lower level.

Table 3. Involvement and satisfaction with the consultation process

	MINPO	HAMAG	HGK	HOK*	HSZ*	HUP
Involved in consultations (%)	9,2%	2,6%	11,3%	21,1%	22,8%	4,4%
Satisfaction with the outcome	3,1	3,2	3,2	3,4	3,6	3,2

*HOK numbers were based only on craft response; HSZ only on cooperatives (BINS 2013)

SMEs were able to comment on how the above institutions could improve their consultation and dialogue processes. Fairly similar issues were highlighted. The most frequently mentioned suggestion (about 20%) is that institutions should obtain more accurate and timely information, specifically about the EU, which is to be expected since the membership of the EU is still a major change for Croatian businesses. Suggestions included: “They should send information about changes as soon as these take place”, “They should educate themselves more in order to give more accurate information”, “They should give us more legal advice”, “They should tell us in a timely manner what can we expect from the EU”, and so on. Also, enterprises point out that the above institutions should be more accessible and improve their communications with SMEs. Some general improvement suggestions concerning cooperation and dialogue were also mentioned by roughly 20% of enterprises. These include the need for “better dialogue with enterprises”, that “when laws are being made enterprises should be contacted”, that “institutions should have more direct contact with enterprises”, that “they should be more open to suggestions” and that “they should be out in the field, getting involved”.

Enterprises were asked to rate their preference for different ways of receiving information about consultations regarding laws and regulations. They rated e-mails or e-newsletters as the preferable way of receiving information (4,0 on a scale of 1 to 5) followed by website publications (3,6). Other channels were not so welcome, such as smartphone application (2,4), national forums (2,8), regional forums (2,8) and specific sectorial forums (2,9).

Differences were found based on enterprise type and the technology that enterprises use. For example, crafts are not so keen on e-mails compared with the other enterprise types. Cooperatives and medium sized enterprises preferred the use of regional and economic sector forums to a much higher degree than other types of enterprises. Turning to technology, high tech firms preferred to use website publications and e-mails compared with the low tech firms. The later were also not so keen on the use forums.



6.2.2 Croatian Business Test Panel

In addition to improving consultation and dialogue, the BIZImpact II project is to establish the Croatian Business Test Panel (BTP), which is a means of registering SMEs interested in providing feedback to MINPO on costs and benefits connected with potential and actual laws and regulations.

More than half of the surveyed enterprises expressed a desire to participate in the proposed Croatian BTP (58%), resulting in a total of 650 potential members of the Croatian BTP. This is a surprisingly high degree of interest in being involved in public private dialogue in Croatia. Considering the type of enterprise, the only significant difference in interest is found between cooperatives (47%) and small enterprises (67%). When it comes to the economic sector of the surveyed enterprises, there is no difference in willingness to participate in the Croatian BTP. In each sector 55-60% of enterprises are interested in participating.

About one quarter of surveyed enterprises declined to participate in Croatian BTP (27%). When asked why they do not want to participate, the reasons included lack of time for this kind of activity (41%), lack of interest in participating in this kind of activity (33%), a waste of time, having no real impact (10%) and no need for the Croatian BTP (10%).

6.3 Conclusions

This chapter of the report focused on the enterprises' experience in dialogue and the process of consultation with different institutions. The frequency of their participation in consultation was assessed as being pretty low. The range was as follows: HAMAG-INVEST (2.2%), 9.2% MINPO, with the highest level of dialogue and consultation being experienced with HOK (21.1%) and HSZ (22.8%). The degree of satisfaction with the limited consultations and dialogue are also fairly low, ranging from a rating of the lowest (MINPO, 3.1 out of 5) to HSZ (3.6 out of 5). In terms of SMEs willingness to participate in future consultations and dialogue, such as the Croatian Business Test Panel, the evidence is that over half would be interested in participating, ranging from 47% of cooperatives to 67% of medium-sized enterprises. Not only is SME involvement in consultation and dialogue relatively low at present, there is strong demand for participation in such processes in future.



7. OVERALL CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusions

Public Private Dialogue (PPD) refers to a structured interaction between the public and private sectors in promoting the appropriate conditions for SME development. Based on the preceding analysis, it also refers to stakeholders working together to define and analyse problems, discuss and agree specific reforms and work to ensure that these become reality.

Thus, PPD is more than just the provision of information (one-way process) and certainly more than consultation (asking for comments, views and feedback of stakeholders). Dialogue is clearly a two-way communication built on potential mutual interests and shared objectives to ensure a regular exchange of views. However, it is less than the ultimate form of engagement, namely partnership, which involves shared responsibilities between government and stakeholders in each step of the political decision-making process.

As a general rule, there has to be sufficient time for consultations / PPD to be effective. The PPD / consultation period should be 12 weeks or eight weeks as the minimum when 12 is not possible (EC, Smart Regulation, 2010, p.10).

The report confirms that although there are various forms of engagement with the SME sector in Croatia, these do not yet go beyond information and consultation. However, the needs of good practice in policy making, as well as other requirements such as the Codex on Consultation and RIA Law, increasingly necessitate a greater emphasis on effective PPD, both for the SME sector in general and for the EIA for SMEs and RIA process specifically, which ensures that:

- PPD is a phased, long term process that can take over three years to mature.
- PPD is legitimate, inclusive, transparent, focused, flexible and representative and policy-oriented.
- PPD is based on minimum standards to be adhered to in relation to content, target groups, time limits, acknowledgement and feedback, etc.
- PPD is based on a formal/legal mandate, structure, participation, champions, facilitator, analytical outputs / recommendations, shared vision, monitoring and evaluation, sub-regional / sectorial structures (depending on needs), etc.
- PPD is based on a policy lead (ministry) that commits the necessary political capital, time and resources to ensure that PPD becomes effective and sustainable over time.

Finally, based on the results of the BINS 2013 survey (Target, 2013) the current levels of SME participation in consultation and dialogue processes in Croatia is low, ranging from HAMAG-INVEST (2.2%), 9.2% MINPO, with the highest level of dialogue and consultation being experienced with HOK (21.1%) and HSZ (22.8%). The degree of satisfaction with such consultation and dialogue as exists ranges from 3.1 out of 5 (MINPO) to (3.6) HSZ. There is, however, strong interest in participating in future consultations and dialogue, such as the Croatian Business Test Panel; over half would be interested, ranging from 47% of cooperatives to 67% of medium-sized enterprises.



7.2 Recommendations

Two main recommendations are made in this report:

- Firstly, the need to establish a national PPD mechanism for the SME sector in Croatia. This is the subject of the remainder of this report.
- Secondly, connected with the first, the need to establish an effect PPD mechanism specifically for the Economic Impact Assessment for SMEs process. This is the subject of a separate activity of the BIZImpact II project (Activity 2.2 PPD / Consultation aligned to EIA for SMEs) and will be the subject of a dedicated report which will feed into the planned EIA for SMEs Methodology and the EIA for SMEs Handbook.

Nature of the National SME PPD Forum

It should be noted that the BIZImpact II project is, strictly speaking, not engaged with PPD for the SME sector in general; rather, it is engaged with PPD for SMEs in the context of Economic Impact Assessment and will be focusing its efforts in this direction. Nevertheless, it would be remiss of the BIZImpact II project not to make wider-ranging recommendations which might influence the framework for PPD for EIA for SMEs. It is in this context that this recommendation is made, recognising that it is not in the remit of the project to actually engage in the implementation of this wider agenda. This is the role of MINPO and its stakeholders in the SME sector.

1. Mandate and Vision

Since the future competitiveness and innovation of the Croatian economy depends in part on the performance of the SME sector, the **SME PPD Forum** will be established with the aim of ensuring **regular, structured, two-way public private dialogue** in relation to the **laws, policies and strategies affecting the SME sector at the national level**. The vision is to develop effective SME public private **dialogue**, leading ultimately to SME public private **partnership**.

2. Structure

The SME PPD Forum is designed to be flexible and effective; an institution involving legal form, staff, premises and budgets may eventually be formed but not at the beginning. The emphasis will be on making progress and supporting the development of effective laws, policies and strategies affecting the SME sector. This is will be achieved through a combination of:

- **Quarterly meetings** of the SME PPD Forum run by a secretariat based at MINPO;
- Establishment of **Working Groups** contributing to the elaboration of laws / regulations, policies, strategies and programmes focusing on key aspects of SME support. The actual focus on the Working Groups will depend on the priorities of the members, to be determined on an annual basis (e.g. a particular law, access to finance, taxation, barriers to SME development, female entrepreneurship, etc.) through dialogue with the members of the SME PPD Forum.
- **Regional Consultations** by MINPO and this will act as a sounding board for the evolving annual / medium term priorities of the SME sector.

3. Membership

Membership will be open and transparent: any stakeholder interested in SME development is able to participate in the SME PPD Forum. Since the mandate of the SME PPD Forum is focused on SME development at the national level (**laws, policies and strategies affecting the SME sector at the**



national level), it is important that the key governmental and business associations active at the national level participate. This is likely to include the following governmental and non-governmental institutions (or their equivalents, since this is a constantly evolving institutional landscape):

- Ministry responsible for SMEs: MINPO (as well as other ministries on a case-by-case basis);
- Agency responsible for SMEs: HAMAG INVEST/BICRO;
- National business associations: HGK, HOK, HUP, HSZ and others;
- Sectorial/regional business associations;
- Bi/multilateral business associations;
- Academic / research institutions, etc.

4. Champions

It is essential to sustain the SME PPD Forum and this is more likely to happen if there are champions in both the public and private sectors. The key champions are likely to be the following:

- Public champion: MINPO and HAMAG INVEST;
- Private champions: HGK, HOK, HUP and HSZ.

5. Facilitator

The key facilitator able to command the respect of the SME stakeholders and able to influence the legislative, policy and strategy agenda for SME development (in cooperation with others) is MINPO. MINPO thus has a critical role to play in the effective implementation of the SME PPD Forum, not least through prioritisation of the Forum, support of its activities and facilitate implementation of its output and the establishment of a Secretariat (see below) focusing on this issue.

6. Secretariat

The capacity to organise meetings and working coordinate, negotiate and run meetings effectively is essential to achieve progress in SME development in Croatia. Given the lack of formal legal structure at the beginning, it is essential to have a Secretariat function to ensure regular meetings, progress with work, minutes, etc. The secretariat function would be awarded to MINPO in the form of at least one dedicated full-time member of staff, whose role would be the consultation activities, as well as the PPD activities on behalf of MINPO. This function may increase over time, depending on impact.

7. Geographical and Sectorial Reach

PPD is desirable at all levels of government (national, regional, county and local), in all areas of the country, as well as in the key sectors of the economy. Issue or sector specific issues are also of importance as they provide focus, incentive and opportunity for participation and action. However, to start with, the SME PPD Forum must prove itself to the stakeholders by achieving substantive progress. Therefore, the focus to start with, will be national and cross-cutting in nature but may evolve over time to incorporate a geographical and/or sectorial focus.

8. Monitoring and Evaluation

Monitoring and evaluation (M&E) are essential to demonstrate progress and effectiveness of PPD, as well as to improve the performance of the SME PPD Forum over time. This requires the determination of a baseline, selection of appropriate indicators, periodic reviews and independent evaluations and recommendations for further development of the SME PPD Forum.



9. Funding and Sustainability

There are unlikely to be dedicated resources for the SME PPD Forum to start with. The main funding will come from MINPO in the form of: i) secretariat role ii) limited funding for meetings, annual regional consultations, etc. iii) small scale funding for specific studies, analyses, etc. associated with the Working Groups and its deliberations. Over time, should the SME PPD Forum prove to be successful, it would evolve and become a larger institution, possibly with its own legal mandate, in which case the issue sustainability (based on dedicated state funding) would become more critical.

10. Networking

The SME PPD Forum will initially focus on networking at the national level, eventually branching into regional and county networking. As the 28th EU member-state, it is of critical importance for Croatia to engage in international, EU and global networking opportunities with other relevant SME development institutions. This will provide the opportunity to learn from others whilst also increasingly supporting other countries, such as in Western Balkans, based on Croatian good practice in SME development.



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