“Methodological applicability and practical use of functional analysis for public administration reform: the case of Croatia”

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ARTICLE INFO	Sanja Tišma, Sanja Maleković and Ivana Keser (2012). Methodological applicability and practical use of functional analysis for public administration reform: the case of Croatia. *Public and Municipal Finance*, *1*(2)
RELEASED ON	Tuesday, 27 November 2012
JOURNAL	"Public and Municipal Finance"
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”

NUMBER OF REFERENCES
0

NUMBER OF FIGURES
0

NUMBER OF TABLES
0

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Methodological applicability and practical use of functional analysis for public administration reform: the case of Croatia

Abstract

A number of analysis and initiatives have been implemented in Croatia in the past decade related to public administration reform. However, the problem is still prevailing and the need for modernization of public administration is particularly a pressing issue, triggered, among other, by way of the doctrine of good governance.

A question frequently raised in Croatia is how to initiate the system of public administration reform. If effectively implemented, functional analysis is in this light often considered as a method which can be useful in considering open questions related to wider reorganization and the role of the state in the development of the society.

However, if ineffectively used, this method can contribute to the dilution of ongoing activities and initiatives geared towards change – leading thus to status quo situation of maintaining the prevailing circumstances.

This paper analyzes the experience of implementing functional analysis within ten central government institutions and their subordinate bodies in Croatia throughout 2008. Together with a review on the methodological and organizational questions which the authors have considered while implementing this analysis, some positive impacts on government administration will be discussed, as well as some pressing shortcomings and constraints which have been detected while implementing the functional analysis.

The authors provided key reasons "for and against" using this methodology in the specific context of Croatian public administration and will provide recommendations for its possible improvement. The results of methodological appropriateness and practical use of functional analysis in Croatia are perceived in comparison to experience of other countries in the region, with the aim of suggesting how this method can be used as an effective tool for promoting thorough reforms in public administration.

Keywords: functional analysis, public administration reform, public administration bodies in Croatia.
JEL Classification: H10, H83.

Introduction

The Government of the Republic of Croatia is committed to a modernization-oriented public administration reform process in order to fully achieve compliance with the EU administration standards. One of the key aspects of this process is the reform of the structure and function of the state administration, which needs to be efficient, reliable, transparent, citizen and user-oriented. This achievement requires deep, comprehensive reform concerning public administration rationalization, strengthening of institutional capacity, strengthening of professionalism and ethical standards, depoliticization, de-bureaucratization, decentralization, orientation towards results, transparency and openness, as well as partial privatization within public administration.

After the elections in 2003, the Government has started an initial re-organization by merging a number of ministries, reducing the number of Cabinet posts, as well as reducing the number of institutions. However, it became obvious that a comprehensive review of the organizational structure and functioning of the central state administration, its deconcentrated organizational parts, and the administration bodies at the county level is required, in order to fully achieve the goal of the public reform process. The analysis of the organizational structure and functioning of the subordinate agencies, their links and interrelations with relevant ministries was considered to be necessary as well.

Till today many reform processes and measures, as well as strategic documents are developed e.g. Public administration reform strategy (2008), new civil servants' legislation is almost completely harmonized with the European standards, e-government and e-administration are being developed quite well, Law on General Administrative Procedure has been drafted, regulatory impact assessment procedure has been introduced normatively and has undergone development process, and public administration education and training programs have been realized, making substantial contribution to raising administrative capacities at all levels of administrative system.

Moreover, in 2008 the functional reviews were conducted in ten central state administrative bodies and their supporting agencies and in five selected state administration offices in counties.

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The paper is based on some of the results of the project: *Functional Reviews and Assistance in the Restructuring of State Administration Bodies and their Subordinate Agencies in Croatia*", funded by the World bank, with the beneficiary being the State office for Public Administration, The project was elaborated jointly with several Croatian and foreign experts, and, most notably, Dr. Ivan Koprić and Dr. Gordana Marčetić.

The basic findings of the functional review, the complexity of the issues addressed, the reforming efforts which are still to be completed, and implemented measures and activities have produced a significant positive impact to the functional review activities in achieving the following fundamental objectives: (1) reorganization of the structure of state administration; (2) realigning of the governmental functions and improving the management of business processes within state administration bodies; (3) coordination of the organizational structures of central state administration bodies, state agencies and state administration offices in counties with strategic and delegated tasks and responsibilities; (4) harmonizing state administration with the European standards; and (5) improving the coordination of state administration bodies' activities.

1. Methodological approach

The method of functional analysis or also called functional review has been used over the past thirty years in the world as an incentive to prepare the bases for countries and governments to reform their system of public and state administration. In the past fifteen years on the initiative of the European Union and the World Bank functional review was implemented in the majority of countries in the region. Functional reviews as the methodology of analyzing functions in state/public sector have focused on different concerns – from policy effectiveness, with little interest in the organizational details of how governments structure themselves till organizational issues, taking the policies as given and asking how organizations can be better structured for efficiency. Regardless of the key objectives the functional reviews can be comprehensive and cover all aspects of the public sector, and can be carried out vertically in individual sectors without analyzing inter-sectoral coordination, and horizontally related to different functions across all public bodies. In the functional analysis in Croatia the performances of the following 5 groups of functions were analyzed:

1. *Public policies functions* include strategies, analysis and assessment of public policies, preparation and drafting legislation, implementation and other regulations, defining public services and public affairs standards, developing and defining criteria for implementing relevant public policies, participating in political and legal work of other state administrative bodies and their regional units.
2. *Performance coordination/supervision of performance functions* include coordination between the ministries and other state administrative bodies, as well as with their related bodies, supervision of the related bodies (administrative supervision), assistance and support to the related bodies and supervision, from the aspect of the implementation of a determined public policy.
3. *Authoritative performance functions* include deciding in administrative affairs, issuing licenses, accreditations, permissions, keeping stipulated registers (record files), financial supervision and audit (for subordinated entities), inspection supervision of external entities (physical persons and legal entities) and supervising local/regional self-administration.
4. *Support functions* include finances and accounting, human resources development and management, procurement of products and services, internal supervision, IT systems, communications, secretarial and other administrative services, security services, maintenance, cleaning and transportation, etc.
5. *Public services functions* include services to other state administrative bodies and their related bodies, services to local/regional self-administration units and services for physical and legal persons (confirmations, response to proposals and complaints, delivering public sector information, cooperation with scientific, expert and other similar organizations, informing and consulting the public, relations with the media, etc).

The functional analysis performed in each of the reviewed state administrative bodies provided the results that give insight into distribution of employees per function/group of function, distribution of working time per function/group of function and distribution of costs per function/group of function.

In general, when implementing functional review of state administration bodies the aim is to prepare basis and recommendations for the reform of organizational policy or structure. Organizationally, reviews can identify what is to be restructured for efficiency reasons or, at the other extreme, leave the question of which organizational actors are implicated completely open. If functional review of public policy is implemented the goal is to analyze particular activities or services that are proposed and propose effective solutions for economic, political and social framework and strategic guidelines for the country in which the analysis is conducted.

A targeted review focus on organizational objects is connected with the efficiency concerns. The main question is *"how can we reduce running costs or improve service quality while delivering these programs?"* If the focus is on public policies and programs without any concern to review the organizational arrangements the question that is addressing is *"what are we best at?"*

<table>
<tr><td colspan="2" rowspan="2"></td><td colspan="4">Organizational level focus – efficiency concerns
(“running costs”, service quality)</td></tr>
<tr><td>No organizational efficiency improvements sought</td><td>Whole of government efficiency improvements sought</td><td>Department or agency</td><td>Sub-units</td></tr>
<tr><td rowspan="4">Policy and program level focus – effectiveness concerns (“policy costs”, outcomes)</td><td>No effectiveness improvements sought</td><td></td><td>‘pure’ efficiency savings sought</td><td colspan="2" rowspan="2"></td></tr>
<tr><td>Effectiveness improvements sought comprehensively or in groups of programs</td><td>‘pure’ policy or program reforms sought</td><td>upstream program and efficiency reviews</td></tr>
<tr><td>Individual programs, government-wide activities</td><td colspan="2" rowspan="2"></td><td>intermediate functional and agency reviews</td><td></td></tr>
<tr><td>Specific activities and services</td><td colspan="2"></td><td>downstream activity and organizational reviews and BPR</td></tr>
</table>

Source: Nick Manning/Neil Parison, Methodology for functional reviews, Final version, Civil Service Reform: Methodology for Functional Reviews, December 2001, p.11.

Fig. 1. Choices for the review focus

Five key types of functional revision are known in theory:

1. *‘Pure’ policy or program reviews* which envisage comprehensive policy reforms, implying that low priority programs can and will be stopped and that efforts will be targeted at higher priorities. The reviews are disinterested in organizational level arrangements, envisaging potential closures but not foreshadowing detailed restructuring or business process changes. This analysis is usually implemented in transition economies aiming at divestiture of non-core activities and ceasing non-government functions, including the review of agencies and aiming at determining overlapping and duplicating of functions and suspension of all non-priority programs. Such functional review was implemented in Canada in 1994.
2. *‘Pure’ efficiency reviews* do not envisage changes in government policies and programs, assuming that organizational and business process changes can generate the same outputs at greater efficiency. One of expected results of this review is cutting salary costs and reducing employment in the public sector (the example of this kind of functional review was implemented in Macedonia in 2001).
3. *Upstream program and efficiency functional review* has the main objective to prepare the bases for defining development priorities and based on them reconstruct state administration and the public sector. This kind of functional review was implemented in New Zealand, exclusively as a top down approach, centralized, without broader participation of bodies which were analyzed during the process.
4. *Intermediate functional and agency review* consider reshaping some programs, dropping some activities, and restructuring some entire agencies but without large scale changes in the state administration system. The main goal of this analysis is the elimination of duplications in the implementation of functions in state administration bodies and subordinate agencies e.g. consolidation of similar services and the merger of offices from different ministries or departments, are all within the purview of these reviews. The reviews tend to comprise a methodology set by the center, and are generally undertaken by multi-agency teams. There appears to be considerably more experience to date in running and managing this type of review. This kind of functional review was implemented in the majority of countries in the world and in the majority of countries in the region.

5. *Downstream organizational reviews and business process re-engineering* with main objective to entail dropping or changing specific activities and services, or the detailed restructuring of a few specific agencies. This approach enables the consolidation of similar services within the same ministry or department, automation and contracting out are generally part of the review. It was also implemented in Canada and the UK where it preceded the choice of alternative of future development of state administration.

As an instrument of public administration reform, functional review was conducted in Serbia for the first time in 2002 in the Ministry of Health. From then on it has been implemented in several ministries mainly with financial support from the World Bank and SIDA (Swedish International Development Cooperation Agency), the same way as in Croatia. The methodology used is mainly aimed at promoting organizational change in the analyzed bodies, and less on cost reduction through changes in the budget planning and spending of public funds. Functional reviews were also repeatedly carried out in public administration in Bosnia and Herzegovina, and the manner of implementation depended on the individual projects. For example, in 2003 vertical functional review of the Ministry of Health and Social Welfare in Bosnia was carried out with financial support from the World Bank's. Also, with the financial support of the European Union in 2005 vertical functional analysis in the environmental sector was carried out. In 2006 in the scope of the CARDS program functional reviews in the agricultural sector in Bosnia and Herzegovina was carried out.

Intensive application of this method for the analysis of public sector and recommendations for its reform, mainly through organizational changes and changes in human resource management, took place in Macedonia in early 2000-ies, partly with the support of UNDP and partly of SIDA.

Based on the findings of all functional reviews implemented it can be concluded that three factors were crucial to success in terms of usefulness of the functional reviews conducted: political support, correct and professional attitude of higher civil servants towards the team in charge of conducting the functional review and strong public support.

2. Functional review methodology applied in Croatia

The first functional reviews in the Republic of Croatia were implemented in two pilot ministries (Ministry of Agriculture and Ministry of Health) and two state administration offices in counties (County of Istria and County of Međimurje) in 2004 and 2005, with financial support by SIDA and the World Bank. The methodology (Palmer, 2004) prepared at that time was also used during the comprehensive functional review in 2008 in 10 central state administration bodies and 5 state administration offices in counties.

The methodology used in Croatia differed from typical models of functional reviews focused only on analysis of functions. Namely, the implemented process encompassed a wider framework and a number of additional activities that have enabled the definition of the framework in which analyzed ministries, agencies and government offices at regional level operate, defining strategic goals of analyzed institutions, analyzing different functions with respect to setting strategic goals and only on the basis of received results the measures and activities for rationalization and reorganization of state administration were proposed. It was implemented in 5 key stages (Palmer, 2004).

In the first phase, the required documentation for functional review and organizational structure analysis will be gathered (from acts and other regulations, rulebooks on internal order, organizational schemes, statistical surveys and reports, to the action plans for the coming period, for instance, 3 or 5 years). Working groups will be established – strategic/management groups for every one of the selected bodies and coordinators will be appointed for the purpose of connection and cooperation of these bodies with the expert team.

In the second phase, SWOT and PEST analysis will be conducted, strategic goals of the selected ministries and state administration offices in the counties will be identified, medium term goals will be identified and the connection between medium term and strategic goals will be established.

In the third phase, current functions on the level of individual organizational units (departments) in state administration bodies will be identified, and then classified and quantified with regard to the time spent and the financial resources required for their implementation. Correlation between the existing functions and the medium term goals will be reviewed.

In the final phase, relations and significance of all organizational structures regarding functions in selected state administration bodies will be considered, recommendations for rationalization will be prepared, conclusions regarding the implementation of vertical functional analysis in two selected sectors will be prepared (environment protection, physical planning and construction), recommendations will be prepared regarding functions and activities, which should be carried out in the state administra-

tion bodies, as well as recommendations for a more rational organizational structure of the state administration bodies.

Throughout the process, special attention was directed to intensive interactive process with the employees in these institutions because only in such a manner a realistic picture of the status could be ensured and they could understand, accept and implement recommendations for the reorganization of the state administration. It will also support the state administration in mastering the method of functional reviewing and strengthening its capabilities regarding strategic planning and management.

2.1. The main findings. By the Conclusion of the Government of the Republic of Croatia, dated July 20, 2006, it was determined that the functional review has to be implemented as follows:

- *Central state administrative bodies*: (1) Ministry of Finance; (2) Ministry of Justice; (3) Ministry of Economy, Labor, and Entrepreneurship; (4) Ministry of Sea, Transport and Infrastructure (instead of Ministry of the Sea, Tourism, Transport, and Development); (5) Ministry of Environmental Protection, Physical Planning, and Construction; (6) Ministry of Science, Education, and Sports; (7) Ministry of Culture; (8) Ministry of the Family, Veterans' Affairs, and Inter-generational Solidarity; (9) Central State Office for Administration; and (10) State Inspectorate.
- *State administration offices in counties*: (1) State Administration Office in Split-Dalmatia County; (2) State Administration Office in Vukovar-Srijem County; (3) State Administration Office in Osijek-Baranja County; (4) State Administration Office in Lika-Senj County; and (5) State Administration Office in Sisak-Moslavina County.

During 2008 for each of the state administrative body the following elements were considered and reported: scope of work, strategic objectives and mid-term objectives, existing functions, their operation and costs per function, available human resources, recommendations for improvement, rationalization program related to functions and related to organizational changes.

The scope of work of the ministries and all other state administrative bodies in the Republic of Croatia is determined with the following basic legal acts: Constitution of the Republic of Croatia, Ratified Agreements for International Cooperation, the Law on State Administration System (Official Gazette No. 190/03, 199/03, 79/07), the Law on Organization of Ministries and state administration offices (Official Gazette No. 199/2003, 30/04, 136/04, 22/05, 44/06, 5/08, 27/08) and the Regulation on Internal Organization for each state administrative body.

2.2. PESTLE and SWOT analysis. The strategic goals were established by consulting relevant strategic development documents for the Republic of Croatia and using the results of the individual PESTLE and SWOT analysis. Both analyses were conducted in working groups of the reviewed state administration bodies.

In general, PESTLE analysis identifies the trends and their long-term impacts on the development of the state administration as a whole. There are several major factors that impact the current and the future work of the bodies and they are mainly classified into political, economic, social, technological, legal and environmental factors. With the results of the PESTLE was also identify how the ministries and their subordinate bodies evaluate the impact of these factors on the achievement of the strategic goals. The PESTLE analysis helped, in addition, to rank the identified factors and to determine the cohesion among the organizational units in achieving the strategic goals of their institution.

The political processes on the national and international scene are extremely important for the determination of the strategic goals and objectives for each state administrative body. For the Republic of Croatia, the political processes are currently driven by two most relevant political factors, i.e. its accession to EU, NATO as well as other international organizations/institutions and the reform of the administration.

The analysis showed that the following *economic factors* influence the majority of the analyzed state administration bodies: globalization, privatization, investment growth, inflation rate, economic development and its influence on employment trends, grey economy, strengthening of public/private partnerships, and lack of financial incentives provided by the state budget and EU pre-accession programmes and other international projects.

With regard to the *social factors*, the following were identified as the most influential: changes in demographic patterns – decrease in population, aging of population, migration of workforce from neighbouring countries, liberalization of the labor market, proportion of employees in relation to the economically active population, insufficient reform of high education system, corruption and its perception, negative impact of the media on human behavior.

The rapid *technological development* has strong impact on modernization of the state administration work and the improvement of the efficiency and effectiveness of the services provided by the civil servants. Other technological factors are: informa-

tion-communication technology infrastructure, networking and application of standardized tools, development of internal IT knowledge and skills of employees for their use, internal and external electronic communication and traditional administrative procedures are not harmonized with the family of *e*-based administration procedures.

The *legal framework*, together with the political and the economic factors, were identified as extremely significant for the modernization and further development of the state administrative bodies. Some of the legal factors identified by the analyzed state bodies are: enactment of clear and implementable laws and bylaws, the level of transposition of EU laws into the Croatian legislation and related problems of implementation of regulations, procedures and standards according to EU legislation and efficiency and quality of the judicial system.

Several *environmental factors* were identified which influenced the work of the state administration bodies. Some of them are the following: working premises; offices are often small and crowded.

2.3. SWOT analysis. The SWOT (strengths, weaknesses, opportunities, threats) analysis was also conducted in the analyzed bodies. This analysis helps in identifying the real strengths and key potential of an institution, as well as its internal and external constraints for achieving the strategic goals of state administration bodies.

Strengths	Weaknesses
♦ Highly qualified and educated personnel. ♦ Finalized harmonization of Croatian legislation with EU legislation and finalizing negotiations. ♦ Good working atmosphere. ♦ Contemporary ICT infrastructure and good networking with other governmental institutions. ♦ Well developed international cooperation. ♦ Good cooperation with non-governmental organizations. ♦ Experience in the implementation of regulations.	♦ Unbalanced distribution of work-load among employees – part of employees perform activities which are much below their expertise and competencies. ♦ Underestimated work-force. ♦ Insufficient highly qualified personnel. ♦ Fluctuation and departure of qualified professionals because of weak rewards, particularly towards private sector. ♦ Rewards not adequate in regard to work results. ♦ The Law on Civil Service Salaries has not yet been adopted. ♦ Insufficient training and limited opportunities for professional development. ♦ Inadequate structure of human resources. ♦ Insufficient vertical and horizontal communication within the bodies as well as within the subordinate agencies. ♦ Supervision of the impacts of the public policies is not developed. ♦ Lack of quality standards, effectiveness and costs systems. ♦ Limited access to data bases available in other bodies. ♦ Insufficient number and limited use of standardized forms/procedures. ♦ Insufficiently developed organization, hence unclear tasks descriptions and responsibilities of the employees.
Opportunities	**Threats**
♦ The political willingness for state administration reform. ♦ EU and other international funds for capacity building. ♦ Good cooperation with the business sector. ♦ Strengthening the role of sub-ordinate bodies. ♦ Strengthening cooperation with other state administration bodies in needs strategic and operative planning. ♦ Outsourcing of supporting functions.	♦ Limited state budget for modernization of the administration. ♦ Slow adoption of changes in the administration system. ♦ Frequent changes of laws and regulations. ♦ Increase of the price for energy, raw materials and food. ♦ Unregulated and inefficient horizontal communication between the central state administration bodies. ♦ Influence of politics on the work of state administration. ♦ Lack of efficiency monitoring system in the implementation of public policies.

As with the PESTLE, the results of the SWOT analysis of all state administration bodies were rather similar and did not identify any remarkable differences with regard to the key internal strengths and external obstacles for achieving the strategic goals of the bodies.

2.4. Strategic goals. Beside the above mentioned strategic development documents, the ministries and the other state administration bodies used the results of the PESTLE and SWOT analysis to establish their strategic goals. Here are some of the major strategic goals that were defined by almost all administrative bodies:

- Clarified area of responsibility.
- Ensure high quality of services to citizens, including transparency, openness, responsibility and accountability.
- Ensure competence and professionalism.
- Ensure functioning according to the European standards.
- Ensure efficiency and effectiveness of all organizational units and subordinated agencies.
- Strengthen the cooperation with national and international partners.
- Ensure ethical and environment protection behavior.

The problem with which all analyzed bodies were faced is the non-existence of strategic goals per bodies. Namely, mainly public policies with which individual ministries and agencies are engaged were stated as strategic goals, which indicated significant insufficiency in knowledge and skills in strategic planning and management of all analyzed bodies.

For each strategic goal, the ministries, the SI and the CSOA defined medium-term goals for a period of three years. This was an additional challenge since these goals were often perceived as daily tasks of individual organizational units, and for all even slightly more demanded task and planning of future challenges the employees of ministries considered that there were not financial means which could follow significant changes in their work. In principle, the medium-term goals summarized the mid-term objectives of all organizational units and are, in general, related to the continuous tasks of the units. Most of the mid-term goals had no quantitative measurable indicators defined. Therefore, the assessment of their progress is quite difficult to be done accurately. However, requirements and preconditions for achieving the mid-term goals can be defined, thus allowing recommendations for improvement to be underlined.

2.5. Organizational analysis. Parallel with defining strategic and mid-term objectives organizational structure of bodies which were the subject of functional review was analyzed. Basic findings indicate that all ministries have many departments, divisions, sub-divisions and units. Since there is very small number of employees in individual organizational units, it can be concluded that the organizational structure is often segmented so that there are numerous managerial work posts with minimal number of civil servants. The basic features of organizational structure are a large number of managerial positions (often a way to increase wages and attract and retain quality employees), the organization sometimes does not match the implementation of the stated objectives, communication and coordination between internal organizational units is not sufficiently clear, specific job descriptions in the regulations do not correspond to actual jobs that are performed and big difference between the number of filled jobs in relation to the rulebooks.

In almost all analyzed bodies, the majority of the employees have university education, which is followed by the group with high school education and with college degree. There are also magisters of science and smaller number employees holders of Ph.D. degree. The employees of all reviewed state administrative bodies emphasized the need for professional development and competence building for the purpose of modernization and institutional strengthening. The improvement of the working conditions and the technological modernization was also mentioned as a requirement, as was the need for balanced and adequate distribution of the work load. All employees found the rewarding system poor and identified the low salaries as the main reason for considering the work in state administration as unattractive for good professionals and young specialists. The need for permanent adjustment to organizational changes and new responsibilities, and permanent changes of personnel as result of changes in governance were also mentioned as having negative impact on professional development in the ministries.

2.6. Analysis of functions. In the analyzed bodies the distribution of the working time per individual function was analyzed as well as the costs per each individual function and the group of functions (Table 1).

The results show that the most costly is, on average, the function group Authoritative Performance), followed by group PO (Support – internal management services). The function group JU (the Public services) is the least costly one.

The function group PO (Support – internal management services) is the second most costly group after the AD group.

Table 1. Distribution of costs per group function given in percentage from the costs for the whole body

Min./ Fun. gr.	MJ	MS-ES	MF-VAIS	MC	MF	MEP-PPC	ME-LE	MS-TI	CS-OA	SI	Min. val.	Max. val.
P	1.31	14.76	21.03	17.09	9.02	11.9	39.34	13.44	17.37	1.62	1.31	39.3
KN	70.7	1.75	10.96	15.88	5.95	5.97	20.7	10.66	15.13	7.15	1.75	70.7
AD	4.57	19.56	17.73	33.66	51.7	44.44	11.72	36.97	19.22	81.5	4.57	81.5
PO	18.3	50.65	29.5	16.68	21.3	18.28	17.41	21.43	31.68	8.65	8.65	50.6
JU	4.94	13.27	20.78	16.68	12.0	19.41	11.46	17.48	16.61	1.05	1.05	20.7

Notes: Function groups: P – Public policies; KN – Coordination and supervision of performance; AD – Authoritative performance; PO – Support (internal management services); JU – Public services. MJ: Ministry of Justice; MSES: Ministry of Science, Education and Sport; MFVAIS: Ministry of Family, Veterans' Affairs and Intergenerational Solidarity; MC: Ministry of Culture; MF: Ministry of Finance; MEPPPC: Ministry of Environmental Protection and Physical Planning and Construction; MELE: Ministry of Economy, Labor and Entrepreneurship; MSTI: Ministry of Sea, Transport and Infrastructure; CSOA: Central State Office for Administration; SI: State Inspectorate.

Table 2. Distribution of working time per function group given in percentage from the whole working time

Min./ Fun. gr.	MJ	MS-ES	MF-VAIS	MC	MF	MEPPPC	ME-LE	MS-TI	CS-OA	SI	Min. val.	Max. val.
P	2.00	12.61	13.09	12.42	3.7	11.30	34.85	25.54	13.40	1.35	1.35	34.9
KN	59.00	1.34	8.14	13.53	4.9	5.44	19.2	9.17	13.60	5.50	1.34	19.2
AD	6.00	15.62	18.66	33.41	53.6	40.13	11.95	35.76	17.80	77.6	11.98	77.6
PO	27.00	41.01	38.39	23.46	25.0	24.62	21.7	26.09	38.00	14.5	14.53	52.8
JU	6.00	11.42	21.74	17.15	12.6	18.50	12.3	18.40	15.20	0.94	0.94	21.7

Notes: Function groups: P – Public policies; KN – Coordination and supervision of performance; AD – Authoritative performance; PO – Support (internal management services); JU – Public services. MJ: Ministry of Justice; MSES: Ministry of Science, Education and Sport; MFVAIS: Ministry of Family, Veterans' Affairs and Intergenerational Solidarity; MC: Ministry of Culture; MF: Ministry of Finance; MEPPPC: Ministry of Environmental Protection and Physical Planning and Construction; MELE: Ministry of Economy, Labor and Entrepreneurship; MSTI: Ministry of Sea, Transport and Infrastructure; CSOA: Central State Office for Administration; SI: State Inspectorate.

Table 3. Comparative overview of the size of the ministries and the size of subordinate bodies

Ministry	Number of employees in ministries		Subordinate bodies	
	Per ordinance	Currently employed	Number of subordinate bodies	No of employees
Ministry of Science, Education and Sport	353	290	9	463
Ministry of Family, Veterans Affairs and Intergenerational Solidarity	332	211	1	73
Ministry of Culture	546	469	3	319
Ministry of Finance	9613*	7950*	-	-
Ministry of Environmental Protection, Physical Planning and Construction	647	536	3	206
Ministry of Economy, Labor and Entrepreneurship	330	240	8	4721*
Ministry of Sea, Transport and Infrastructure	1181	615	3+1	142*

Note: *The data on employees for the Croatian Compulsory Oil Stocks Agency (HANDA), Croatian Privatization Fund and the Croatian Energy Regulatory Agency (HERA) and the Agency for Coastal Line Maritime Traffic where not available at the time of composing the analysis.

In the Republic of Croatia the system of subordinate bodies to the majority of ministries has been established during the past few years. The idea was to separate operational activities from the field of public policies, which is the main function of ministries. However, it had not happened because some agencies have increased the number of employees although they had not clearly defined the tasks undertaken from the ministries. Besides undefined functions the problem is in Listen Read Phonetically communication and coordination of the actions between ministries and subordinate bodies which is still not sufficient. Analyzed bodies in general do cover all fields for which the ministry has the authority, with several exemptions mainly related to the transfer of activities to individual subordinate bodies which are to be or are already established. Only the Ministry of Economy, Labor and Entrepreneurship has a large number of subordinate agencies, hence the recommendation to merge some of them. Furthermore, one of the very prominent problems is that the function of supervision over subordinate bodies should be additionally strengthened.

3. Recommendations for the state administration reform based on the results of the functional review in Croatia

Based on the results of the functional review it can be concluded that the state administration bodies in Croatia are in general well structured, although additional improvements are required. With regard to the currently available human resources and a number of new tasks related to Croatia's accession to the European Union, Croatian public administration is trying to quickly acquire new knowledge and necessary for the efficient performance of the new demanding tasks. Considerable progress has been made in the last few years, particularly with regard to professional qualifications of the civil servants, the harmonization of the Croatian legislation with the EU legislation, physical and technological improvement of working conditions, networking among governmental institutions, cooperation with local and regional self-government units and with the civil sector, improved international cooperation, and finally, transparency. Some of the Croatian state administration modernization trends, relevant for this project, are the following:

- Ministries have to be smaller organizations with highly educated civil servants, which mainly perform (1) activities of the first group of Public policy functions, P – strategic planning, reviewing and assessing public policies, preparing and drafting legislation, defining public services standards, developing and defining measures/ criteria for implementing relevant public poli-

cies; (2) activities of the group of functions Authoritative performance, AD – inspection supervision of state administrative significance, supervision in their department, solving second instance administrative affairs, standardising procedures and (3) activities of the group of functions of Public Services, JU, especially creating, formulating and developing individual public services for physical and legal persons.

- Part of the executive and everyday activities and the technical administrative activities have to be excluded from the organizational scope of the ministries (where it has not been done yet), and transferred to other professional organizations, or to independent agencies which are not part of the state administration system.
- Where appropriate, everyday activities such as keeping registers (record files), statistical activities and solving administrative matters should be transferred to local and regional self-government units with fixed price per service or these operations should be delegated to state administration offices in the counties.
- Support and technical activities from all state administration bodies should be outsourced (the possibility of outsourcing services of maintenance and cleaning, preparing food and serving drinks, security services and transportation, etc.). Accounting, information technology and similar services have to be, if possible, obtained on the labor market.
- The trend of atomization of the organizational structure within the state administrative bodies should not be considered as the appropriate approach in the modernization (e.g. the establishment of organizational units with a small number of civil servants, which is often used as a "bridge" towards the establishment of new managerial posts and increase of salaries).

Conclusion

It can be concluded that functional reviews of policies and programs can set effectiveness targets (e.g., reduce government involvement in the manufacturing sector; improve the effectiveness of education policies). However, some review approaches are little more than trawls for information, apparently resting on the assumption that a better climate of efficiency and effectiveness information will probably trigger action – and that it is either unnecessary or tactically unwise to set some targets in advance.

Related to the methodology of the implemented functional review in Croatia and the experience in its implementation the fact is that the results themselves are not sufficient for deeper reorganization of state administration and for the reduction of its costs, which should the overall business reengineering of its business processes should be implemented. However, functional review presented a clear picture of the situation and during the implementation contributed to the development of strategic determinants of individual government bodies. Moreover, it pointed out the obvious overlap in the different functions between individual bodies and levels (national/local) and developed proposals for the rationalization through changes in the organization of work primarily and in investments in human resources.

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