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Developing Strategic Planning System at the National Level - Opportunities and Obstacles in the Context of Croatia
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Abstract
The systematic strategic planning on the national level aims to ensure the quality and uniformity of the strategic planning documents and to guide the participants of the strategic planning process to focus on development priorities and results at the national level. At the same time, it establishes the accountability to citizens for how public resources are used, what results are achieved, and how effective these results are in bringing progress and development of a country. Strategic planning as a tool is seeking to enhance the capacities of ministries and other first level budget users to improve planning, monitoring and evaluation processes and to establish clear links between past, present and future initiatives and development results. Without effective planning, monitoring and evaluation, it would be impossible to judge if goals are achieved, whether progress and success can be claimed, and how future efforts might be improved. Strategic development planning at the national level is a process that leads the decisions on how to reallocate limited state resources in order to achieve the most important development goals. The purpose of this paper is to analyze actual situation on the strategic planning system in Croatia and to give insights about opportunities and obstacles in the introduction of the functional system for strategic planning on the national level in the context of Croatia.

Keywords: Croatia, Government, Public sector, Strategic planning

Track: Management & Leadership

Word count: 5.305

1. Introduction
One of the important issues discussed in public management discipline is the problem of effective and efficient public sector management, not just on local, but also on the national level (Caymaz, Akyon and Ernel, 2013; Poister et al., 2010). Since the 1980’s many governments have tried to implement reforms (e.g. quality-focused innovations such as total quality management) aimed “at making government more productive, responsive and focused on performance” (Hendrick, 2003: 491). This has led to more result-oriented, customer-driven and market-oriented governments (Kwon, 2006).

In that sense, the concept of strategic planning has been recognized as an important management tool that has become prevalent in governmental jurisdiction at the federal, state and local levels (Poister et al., 2010). Strategic planning presents a successful public sector management innovation (Berry and Wechsler, 1995) and “increasingly important tool for governments, public agencies and non-profit organizations in facing challenges in their environment, as well as their continued viability and effectiveness” (Bryson, 1988:74). As
Bryson (2004:17) states, “doing strategic planning has become accepted practice and if well implemented it represent a smart practice”.

The purpose of this study is to analyze the framework within which strategic planning on the national level in the context of Croatia, is and could be further developed. More specifically, the paper provides firstly some theoretical overview and contribution of strategic planning in public sector in general, more specifically, on a government level. In the second part, we put the framework in the context of Croatia, and analyze actual situation and current state of development. Several recommendations that can be used for monitoring the success of strategic planning system on the national level in Croatia are given, together with possible limitations that have also been identified.

2. Strategic planning on the national level

One of the key managerial tasks and responsibilities is setting strategy and strategic direction through strategic planning, formulation and implementation. Strategy specifies goals that need to be achieved as well as principles that guide the organization, providing basis for understanding organizational activities and behavior, as well as its long-term survival and success (Aleksić, 2012). Strategic planning can be defined as “an organization's process of defining its strategy, or direction, and making decisions on allocating its resources, including its capital and people, to pursue this strategy” (Kiran, 2017:85). It is a systematic process for managing the organization and its future direction in relation to its environment and the demands of external stakeholders, including strategy formulation, analysis of organization strengths and weaknesses, identification of stakeholders, implementation of strategic actions, and issue management (Berry and Wechsler, 1995:159.). In that sense, it provides a general framework and guidelines for future direction that can be turned into explicit goals, objectives, and actions (Poister and Streib, 2005). It is a management tool used to identify (1) the organization’s very core reason for being; (2) the future strategic direction; (3) strategic priority areas, goals and objectives; (4) the necessary (re)structuring of the organization; (5) the necessary human and financial resources; (6) operational action plans; and (7) monitoring mechanisms (VNG International, 2005:6).

However, one has to bear in mind that public organizations deal with different problems and requirements than the private ones. Two major distinctions are in goals that need to be achieved as well as operating environments, i.e. goals of public ones are more ambiguous and not exclusively profit oriented; and operational environment of public entities is a more complex set of political, economic and legal considerations (Nutt and Backoff, 1987).

In that sense, it is interesting to point out that in the context of government levels, strategic planning can be defined as “a disciplined effort to produce fundamental decisions shaping the nature and direction of governmental activities within constitutional bounds” (Olsen and Eadie, 1984, referenced by Jung and Lee, 2013:793). Caymaz et al. (2013) emphasize how according to a joint initiative of the Organization for Economic Cooperation and Development (OECD) and the European Union (EU) the strategic planning system at central public administration level includes two main components: (1) management component (statement of mission, vision, values, internal and external environment analysis, medium term priorities, directions of activities, monitoring, and evaluation, reporting) and (2) budget component (current situation analysis, objectives, results and performance indicators of the budget programs, funding programs).
Benefits of strategic planning are numerous. Young (2003: 3-4) emphasizes list of benefits of a statewide strategic process, and these include: (1) The establishment of a long-range, unified and broad direction (a “plan”) for state government in the policy areas of education, health and human services, transportation, public safety, commerce, natural resources, and criminal justice; (2) the facilitation of the governor and legislature in being more responsive, and accountable to the current and emerging needs of their state; (3) the allocation of limited resources, via the state’s budgetary process, in a more rational, and “results-producing” way; (4) the improvement of communication among all state leaders and better coordination of the “omnibus” policy/fiscal decision-making process; (5) the measurement of the progress of statewide strategic efforts, by all planning participants, and the updating or revision of these efforts as warranted. Additionally, some experiences show that for instance, state agencies that used strategic planning had “a more rational basis for decision making about allocation, and for justifying their choices and actions” (Berry and Wechsler, 1995:166). Experience from Oregon state show that strategic planning was a valuable process that helped state adjust to a major economic and social transformation (Kissler et al., 1998). Benefits regarding coherence in local development efforts, increased quality of local governance and the possibility to access EU funds are benefits emphasized in analyses of strategic planning in the case of Romania (Hințea, Profiroiu and Ticlău, 2015).

Still, strategic planning faces many obstacles in the context of government environment. Mintzberg (1995, referenced by Kwon, 2006:13) argues that political environment is subjective, parochial and inconsistent and thus threatens the objectivity and comprehensiveness of strategic planning. Relatively unclear goal structure of many public programs that are often conflicting, as well as short tenure of appointed officials is another issue that can hinder the benefits of strategic planning on government level (Kwon, 2006). Moreover, strategic planning includes changes and seeks for significant mental shift in public diplomacy (Caymaz et al., 2013). Consequently, if not properly communicated, and without a proper support form top levels, problems with implementation can easily occur.

Researchers (e.g. Poister et al., 2010) find that problems in strategic planning are largely technical and related to its implementation, not political and related to environmental factors. Thus, it is very important to ensure implementation of strategic plan by anchoring it to lower-level planning processes. In that sense governments can require local units to develop their own strategic plans, annual plans, business plans, or action plans that support national-level strategic ones (Poister and Streib, 2005). Once the strategic plan has been developed, it can be used as a framework for governance that provides directions for daily operations at lower levels (VNG International, 2005).

3. Overview of strategic planning system on the national level in Croatia – current state of development
The establishment of strategic planning system in Croatia emerged roughly at the same time as the preparatory activities of Croatia’s accession to the European Union. Although, the planning system as such existed earlier. Nevertheless, since the independence of Croatia, little attention has been paid to the strategic planning system. In the first years of independence of Croatia, planning was seen as a legacy from the former socialist system and as such it ceased to be used as a tool for development (Kraljić, 2013).
Progress in the process of accession of Croatia to the European Union and preparations for the use of EU funds, created and reinforced political support, as an important factor in trying to establish a system of strategic planning. Sumpor et al. (2012) emphasize that through the institutional framework and strengthening of administrative capacities for strategic planning in Croatia, at that time, it was possible to satisfy only the form and create a base for strategic planning on the state level. However, after many years, strategic planning and development management in Croatia still requires better quality and more unified legal framework, as well as a general, more fundamental, leading strategy that will represent Croatia's vision and strategic goals.

Overall, there is still insufficient determination and focus of political establishment. The current state is rather confusing due to the long absence of planned and coordinated actions of relevant stakeholders. Therefore, there is a great deal of disparity in the strategic planning system and Croatia will need to make significant efforts to make realistic moves in establishing a strategic planning system at the national level. It is necessary still to emphasize there are some positive steps towards advancement of issues related to systematic strategic planning on the national level. For instance, recently developed and implemented activities involved legislative solutions and preparation of eligible institutions for the establishment of the system. During December 2017 Act on the strategic development planning and development management system of the Republic of Croatia was adopted in the Parliament of Croatia. It regulates current system for strategic planning connected with the development of Croatia and regulates management of public policies throughout the whole life cycle: planning and design phase, implementation, reporting, control and evaluation processes.

When looking in more detail, it is possible to recognize and provide several distinct characteristics of the current system, and they are analyzed in more depth in the following parts of the paper. Analysis is based on the available documents and policies related to the subject analyzed, as well as authors’ personal experiences and involvement in the development of the strategic planning system on the national level.

Strategic planning is presented through a strategic document, and when it comes to strategic documents in Croatia, there is a vast number of them, covering different sectors of the economy, as well as different implementation periods. The existing strategic documents are generally of modest quality. Moreover, they are drafted independently of each other and are not mutually compliant enough, especially the ones that cover complementary sectors. Another problem is the lack of integrated policy documents. Consequently, national strategic objectives are not sufficiently consistent among different documents. This situation makes it difficult to coordinate the Government sectoral policies, as well as to ensure their compliance with EU strategies and policy initiatives. The process of creating and developing individual sectoral strategic documents is carried out within the framework of the working groups. Strategic documents are made through a process of inputs, statements and consultations with line ministries and respective state administration bodies.

According to the Budget Act there is an obligation of preparing three-year strategic plans for ministries and other state administration bodies. With the latest legislative changes, the process of the budget and strategic planning in Croatia is aligned with the cycle of the European Semester. As a full member state of the European Union, Croatia is obliged to issue two key documents on an annual basis – Convergence Programme and National Reform Programme. Thus, strategic plans have become the basis for drafting of these two documents.
The National Reform Programme, which is drafted by Prime Minister Office in cooperation with the line ministries responsible for individual structural reforms, defines key reform measures for the upcoming year, which arise from the strategic objectives established in the strategic plans. Although those activities clearly represent a step forward, further improvement of institutional and legislative framework is needed to establish efficient strategic planning system.

Like other EU Member states, Croatia is actively involved in the annual cycle of the European Semester, which includes economic policy coordination and implies readiness and strong commitment to perform all the necessary reform measures. That requires quality and coherent multi-sectoral approach in policy planning, which is necessary to perform those reform measures in the most effective way. Furthermore, the problem of strategic development planning has become essential in the process of programming of the EU funds when the lack of strategic focus in existing documents or the absence of these documents made it difficult to provide a valid justification for investment interventions in different sectors as well as to plan integrated actions.

Furthermore, strategic documents vary a lot in format and content which only emphasizes inconsistency in the system. This is a direct consequence of scarcity in standardized procedure in the process of drafting strategic documents. It is not recommended or obligatory for every strategic document to have a corresponding action plan or to issue periodic implementation reports, which creates a gap between planning and implementation. The lack of efficient and transparent monitoring system for implementation of activities and achievement of objectives is also a reflection of the lack of results orientated approach in general. The target values of relevant indicators in most of the cases are not specified or are not a subject of discussion between stakeholders, experts and public. Therefore, the progress of achievement of strategic objectives is not transparent enough, and often there is none relevant feedback. This makes it complicated for the Government, as well as for the responsible institutions, to consistently pursue its strategic goals and strategically manage different sectoral policies.

In addition, there is a lack of liability and accountability for fulfilment of strategic goals and objectives defined in the strategic documents; they often become irrelevant and “forgotten” in a medium-term period, and consequently a subject of abolishment. The easier solution to this problem often emerges in a form of the replacement of “old” strategic documents and the preparation of new ones, which indirectly reflects the overemphasized political dimension of the process and lack of a broad political consensus over strategic issues.

What makes strategic planning even more difficult is the absence of integrated source of information at the national level in a single database supported by an integrated IT tool, which could provide an overview for the objectives of all strategic documents, and status of their implementation, as well as the status of achieved results and their impacts. Without such a system, it is almost impossible to conduct an analytical analysis of the time series of data for the same indicators, which might provide the solid base for accomplishing alignment of different sectoral policies. The absence of modern IT monitoring solution limits the possibility to manage the process of strategic planning and enforce the rules.

Another problem is that strategic documents are not mutually interrelated or unified by a general strategy that would direct priorities of the Government of the Republic of Croatia.
Due to this, the formulation and implementation of public policies coordination shows horizontal (inter-institutional) and vertical (sub-national) weaknesses. In the formulation of public policy documents, there are no effective instruments or mechanisms for establishing inter-institutional cooperation on common issues, there is no stable and transparent form of alignment between the ministries before the public policy proposal is sent to the Government of the Republic of Croatia (Marković, 2018).

Usually, the unaligned materials of the ministries are forwarded to expert working groups under the jurisdiction of the Government of the Republic of Croatia and other working bodies that become overburdened with unresolved issues from the lower levels of governance. This is mainly due to insufficiently developed capacities as well as inadequate methodology and institutional framework for the implementation of public policies. The state and public administration system still do not have a sufficient number of employees that are specifically educated for these needs, as well as a qualified management and an adequate human resource management system. Human capacity represents the country's greatest strength and investment in the knowledge and skills of civil servants is a prerequisite for the creation of modern state and public administration.

All these segments in the strategic planning processes in Croatia need strengthening as a precondition for the implementation of an integrated strategic planning system and effective implementation of public policies.

4. Directions in the development of strategic planning in the Croatia

Current problems in the strategic planning system in Croatia are reflected through lack of the systematic approach to strategic planning and lack of a clear link between strategic documents and the State Budget. Strategies, especially mid-term ones, are often carried out without an adequate financial plan and budget base, and without adequate performance indicators that could be used to monitor their implementation. There are numerous unrelated and often conflicting strategic documents in Croatia, without the real capability for their implementation. Currently, measurement of performance in implementation of public policies does not represent a roadmap for making future decisions. At the moment, there is no analytical approach that could link the implementation of policy measures with the specific performance indicator. It means that own development is not managed in a way it should be managed, and the results are reflected through negative trends in GDP growth rates, unemployment, trade balance, debt and GDP ratios, productivity, salaries, etc. It is therefore necessary to create a more comprehensive reform of the strategic planning system and develop aligned, measurable strategies and plans that provide long-term synergetic effects. Introduction of such system would help evaluate the impact of implementing certain policy measures on macroeconomic aggregates.

4.1. Main guidelines and recommendations for the establishment of the integrated system of strategic planning in Croatia

Act on the system for strategic planning and managing of development of the Republic of Croatia adopted in 2017, presents a base for the establishment of strategic planning system and drafting of the National Development Strategy which will serve as an umbrella strategic document which should define direction of implementation of all public policies in future.

Additionally, the National Development Strategy and other national strategic documents will be of utmost importance for planning in the next financial perspective of the European Union.
2021 - 2027. This will give support implementation of major reforms in the Republic of Croatia. In order to successfully implement them in the next period, it is important to encourage and conduct an open dialogue with a wide range of stakeholders about the proposed solutions. The key stakeholders in the strategic planning processes are the Ministry of regional development and European Union funds, the Ministry of finance, the Ministry of administration and the Office of the Prime minister of the Republic of Croatia, the Government of the Republic of Croatia and the Croatian parliament.

Capacity in terms of employees in state and public administration is a key factor today and in the future, as they represent a system whose capabilities need to be aligned with the scope of the implementation of selected public policy. The reform of the state and public administration in terms of strengthening the competence and the system of evaluation of work should take place at the same time. But, it should be in a way that it does not dampen, but enhance, equates and gives the same opportunity of excellence and also provides space for dealing with incompetence. Equalizing the level of staff expertise in state and public administration is the basis for strengthening the structure of strategic planning and in the future period it should lead to horizontal equalization of salaries for the same workplace, with a clear description and level of expertise.

It is essential that these processes be accompanied by the advancement and digitalization of state and public administration. Introduction of information and communication systems is mandatory.

As one of the crucial factors throughout the process, it is necessary to emphasize political leadership and support form the key decision-makers. The task of advocating a planning system, which will certainly bring positive effects as seen on the example of other EU member states, is to be promoted at all levels of government. It begins at the very top of the executive government. The awareness and determination of this level of management was lacking in the past. In parallel, it is necessary to take into account the operational processes and training staff that are part of the implementation of public policies. A strong role of the Ministry of finance throughout the process should be emphasized. Examples of other EU countries show how involvement of the finance ministry is crucial for the full implementation of the strategic planning system. In that sense, by establishing an effective system of strategic planning and linking the development policies with state budget, decision makers in Croatia could at any time have an answer to the question on how much public money is provided and/or spent for each project, and in which phase of implementation the specific project is.

Proposals done by the Government of the Republic of Croatia and the Ministry of Regional Development and EU Funds, based on the analysis of the situation, among others include the definitions of principles, rules and procedures, the complete methodology for the preparation of strategic documents by type (long term, mid-term and short-term). It also includes propositions for the IT system development that will facilitate administration and comprehensive monitoring of the implementation of strategic documents.

To conclude, the key determinants of future development of strategic planning system in Croatia are: a solid legal framework, an effective general coordination body, a hierarchical link between strategic documents, a direct connection between the State Budget and short-term (strategic) budgeting plans, limit of the number and unified methodology of drafting on the medium-term strategic documents, the development of the umbrella strategic document,
the National Development Strategy of the Republic of Croatia until 2030, and the establishment of an IT system for reporting and evaluation of document implementation.

4.2. Limitations in the implementation of a new system of strategic planning and development management

One of the major challenges in strategic planning of public policies is the quality of identification and the alignment of sectoral priorities in order to maximize the inter-institutional effects and achieve the highest degree of compliance among participants in the implementation. Such co-operation also implies making difficult decisions in situations where some stakeholders will be considered "winners", and others "losers". Given the exceptional sensitivity of such situations, the key is a political force and the authority of the process coordinator – Ministry of the regional development and EU funds cooperation with the Ministry of finance in linking development and budget planning (Bajo and Puljiz, 2017). An additional aggravating circumstance is the (non)quality of strategic planning at the local and regional level due to a large number of local and regional self-government units with weak staff capacities that could absorb the required scope of serious strategic planning. Also, the question of short deadlines is always present when it comes to state institutions and the implementation of the strategic planning system in Croatia, and in this case, compliance with the deadlines becomes an imperative.

A great challenge is also the education of professional staff in strategic planning. In the key moments, these skills and knowledge have proved to be the most important factor for the rapid and effective formation and implementation of strategic documents and public policies. Croatia has systematically ignored strategic planning capacities in the past, which was also a major problem when adopting the *acquis communautaire* of the European Union, and subsequently programming for the use of European funds. Given that capacity building is a long and demanding process, and time is relatively short, it will be an extraordinary challenge to implement such a complex and demanding reform of the existing capacities, so it is important to strengthen capacity by raising existing staff knowledge and by bringing expert staff within the system itself. When talking about capacity, it is also important to emphasize that inadequate leadership skills as well as frequent rotation of high-level officials, aggravate the smooth implementation of the strategic planning system.

From the above it can be concluded that throughout history the issue of capacity has proven to be the basis for effective public policy implementation and that in crucial moments the lack of quality staff was the cause of poor adoption and implementation of public policies but also the cause of low quality of strategic documents. In the life cycle of public policies, due to the lack of capacity, the Republic of Croatia has never established an effective system for monitoring, reporting and evaluating the implementation of measures proposed in strategic documents, thus directly affecting the inability to determine whether a certain policy is successful or not (Marković, 2018).

5. Conclusion

Strategic orientation and planned long-term goals together with a strong political leadership that will be persistent in supporting the reform in the strategic planning system in Croatia is something needed for a very long time. The arrangement of the strategic planning system is a prerequisite for the success of an economy, and the legislative foundation is only a first step towards this. It can be said that Croatia is at a turning point and that for the first time in the newer Croatian history, it is embarking on a comprehensive approach to a strategic planning
system in which policy makers and other relevant stakeholders will be able to decide and say what they want and in what direction they would implement their public policies.

By adopting legal acts, the methodology and guidance resulting from the legislative framework, the structure of strategic documentation will be more clearly defined and create obligations. Consequently, it can foster development of a common culture and behavior of all levels of public bodies in the process of implementation of public policies relevant to the development of Croatia.

The interdependence and impact of the European Union on the implementation and functionality of the strategic planning system in the state and public administration should also be emphasized. It is an effective model that has shown positive effects on the examples of other EU member states. Nevertheless, the high impact of political factors in Croatia will still be crucial when deciding on public policies that are not directly subject to mandatory relations resulting from international contracts and other EU directions. The European Union is at this point leading by example when talking about strategic planning, and the task of the leadership of Croatia is to implement the real needs of the state into public policies. Future development of the strategic planning system, and consequently the future development (or stagnation) of Croatia is also dependent on this.

Apart from the political impact on the implementation of public policies, an integrated system is expected to have a positive impact on the implementation of a wide range of political and economic activities aimed at contributing to the development of the state and to the prosperity of the citizens in the Republic of Croatia.

Through the overview and the analysis in this paper, the weaknesses of the current strategic planning system in Croatia have been identified. Based on the analysis, recommendations are given and potential limitations related to the system implementation are recognized. A systematic approach to strategic planning and its implementation is a need for a better future of Croatia and certain positive moves are already noticeable. Still, there is more work to come relating to the implementation of the reform but also in the change of the paradigm of strategic thinking at all levels of management in the public administration. This represents a great challenge, but also the possibility for a positive shift and a quantum leap in strategic planning at the national level in Croatia.

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