

THE ROLE OF THINK TANKS IN SHAPING SME BUSINESS ENVIRONMENT IN CROATIA – THE CASE OF CEPOR

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ABSTRACT

Think tank organisations (policy centres) are modern organisations focused on policy research of all the aspects of society, whose role in the processes of political decision-making in developed countries is almost irreplaceable. Despite their significant role in decision-making processes in developed countries, it is still difficult for political decision-makers in countries in transition to accept their recommendations and research results. There are several reasons for this situation – there is no history of independent policy research in Croatia (because academic and research community mainly deals with fundamental and applicative research and only in rare cases builds upon that with policy recommendation) and the political decision-making process in Croatia itself is closed. Model of political decision-making process of the open type inaugurates think tank organisations as mediators who, for the needs of the academic community, public opinion and state administration, are producing research that aims to influence making of decisions of general (public) interest. This paper presents the case of CEPOR, think tank organisation that was established by institutions from academic and research sector and support institutions for SME development with the purpose of conducting policy research, education and influence on public discussion and decision-making process in the area of small and medium-sized enterprises and entrepreneurship. CEPOR is building its strategy of positioning in decision-making processes through strengthening its institutional capacity, developing policy dialogue with key stakeholders and exchanging best practices with regional think tank organisations.

1. WHAT IS POLICY CENTRE / THINK TANK?

The term think tank was coined at the end of the Second World War in the United States of America, and it denoted a safe place (tank) where civilians and military strategists planned military operations and adopted strategies (think). Shortly after the war, the concept has spread and encompassed a multitude of different activities, so that today it is difficult to associate it with any specific type of organisation. The fact that different authors also use the term policy centre for the same activities and types of organisations, contributes to complexity of defining think tank organisations. Therefore, for the purposes of defining the type of organisation as well as its activities, both terms will be used alternatively, according to the thoughts and attitudes of certain authors.

Starting from the most general definition, think tank organisations represent institutes, associations or groups that undertake interdisciplinary research and are often figuratively called "factories of ideas, thoughts" (Schneider, 2002). Weaver and McGunn (2000) describe think tank organisations as research organisations with significant autonomy in relation to government and other interest groups, while Ladi (2000) states that think tank organisations differ from other research institutions because commissioned (financed) research is only one of their activities, by which they differ both from advocacy groups, because they are not trying to achieve anything by compulsion, and from government institutions, because they are independent in their activities. Therefore, the approach taken by Stone (1996), who has singled out characteristics of think tank organisations, is a significant step forward in distinguishing from other, similar or related organisations. Stone (1996) points out organisational independence and stability, orientation towards a specific area of research, dedication to policy research, public purpose, and expertise and professionalism of researchers as characteristics of think tank organisations.

Think tank organisations or policy centres are modern organisations that conduct independent, publicly available policy research, focused on a specific research area, which are backed by expert and professional team of researchers. Area of activity of these organisations is dependent on the source of financing (client who commissions the research), information and/or ideologies that are entered into research processes (inputs), and the aims of research, and it ranges from scientific research, research for government purposes, and research for the needs of individual clients (political parties, large companies and trade unions are some of the examples). Policy centres today deal with a wide spectrum of research, which encompasses all the social issues and problems.

There are many different think tank organisations, and they can be classified with regard to several factors: founders, institutional form, business capacity, method of financing, products, users, and the method of communicating the research results.

Depending on the profile and sources of funding, think tank organisations throughout the history were being founded both by individuals and groups of people. At first, these organisations were founded primarily by university professors and academics, but during the Second World War, when professional military knowledge was extremely sought after, experts of various profiles appeared among founders, whose association was driven by government contracts. Later, as the focus of research shifted, donors themselves appeared among founders, together with think tank organisations, which thus founded new organisations and expanded their influence. In Japan, where think tank organisations are

dependant in their activities, government appears as the founder, as well as private consultants and researchers.

Founders, in relation to set goals, influence the institutional form of organisations, growth and financing of organisations, as well as the area of research. The most important thing for think tank organisations is to maintain independence in their research, which is influenced the most by sources of funding and chosen institutional form – academic think tank organisations, profit and non-profit organisations. Academic think tank organisations, which produce interdisciplinary research with a policy component, most often use the state and various other funds as the sources of funding, and they are often called "universities without students", because founders consist mainly of professors and academics. For-profit think tank organisations exclusively conduct research commissioned by clients and also provide lobbying and advocacy services to their clients. However, since in some countries, such as United States of America, it is not possible to establish a for-profit organisation and engage in advocacy activities, founders of these organisations include lobby groups, non-profit organisations, and various counselling organisations, which will collect information necessary for research. On the other hand, all the private think tank organisations in Europe are primarily connected to a certain private sector whose interests they advocate. Non-profit think tank organisations are characterized by independent research, multitude of various donors, and autonomy in the work of organisations.

Although there are large differences between different types of organisations, the majority of think tank organisations will combine advantages of individual types and, despite the fact that they have been commissioned, they will conduct their research independently, and for financing they will use both donors – from government to political parties to the private sector, and profitable activities, such as book publishing and holding seminars for government officials.

1.1. Historical development of policy centres

Since their inception, when these organisations were exclusively tied to planning of military operations, think tank organisations went through 4 developmental, that is, historical phases, and have occupied an important position in the development of civil, pluralistic and democratic society.

McGunn (2000), Smith (1991) and McGann, Weaver (2000) identify 4 generations of think tank organisations, that is, the organisational form characteristic for that historical period. The first generation of think tank organisations is characterized by academic centres – "universities without students", while the form of contractual institutions is characteristic for the second generation. The third generation of these organisations is focused on advocacy, while the fourth is characterized by interest organisations.

Academic think tank organisations have emerged from the need of philanthropists and intellectuals for debating on important political issues (Frontali, 2004), and their goals were not focused on imposing specific political questions, but on improving the process of political decision-making (Abelson, 1998). Their research is focused more on everyday, current political problems, and less on theoretical foundations, which reflects through their publications – mainly monographs and professional papers. These organisations are financed solely through donations, and given the fact that there was not much competition at the time they had been established, their funding has never been an issue.

The second generation of think tank organisations, which are financed by the government and deal primarily with issues related to national security, has been characterized by contractual organisations. Since they mostly conduct commissioned research, some of which, because of national security, cannot even be published, the question of independence of their research is raised, and they are always placed last when policy centres are classified. This generation of organisations is financed from the state budget, and the question to what extent are decision-makers ready to finance policy research that does not support ideology of the current government.

The third generation of think tank organisations is characterized by organisations that want to spread their thinking and products, and boost the influence on political decision-making using aggressive marketing approaches. These advocacy think tank organisations are very similar to interest groups, which try to implement those solutions that are in accordance with their ideological beliefs and those of their largest donors by applying pressure on decision-makers. In that way, these organisations are no longer just observers of the decision-making process, but are becoming actively involved in the policy process (Stone, 1996). With their publications, which are mainly just summaries of various studies in which they insert their ideological beliefs, they show that in their activities emphasis lies on active participation.

The last, fourth generation of think tank organisations are organisations whose founders are politicians who used to be on high positions, with the aim to continue working on issues of national and foreign policy. This generation of think tank organisations is called "legacy based", because they are connected to political parties, politicians or interest groups whose interests they promote. They carry out numerous studies, publish various publications, but, with regard to their founders, they "sacrifice" their independence, which is especially obvious during presidential elections, when they act as election headquarters. Therefore, Abelson's doubt (1998), who asks how independent results of their research are, is justified.

The number of think tank organisations started growing extremely fast after the Second World War. According to McGann (2001), two thirds of today's think tank organisations were founded during that period. In such a rapid increase of the number of these organisations, old think tanks have not only lost their monopolistic position, but have found themselves in an extremely competitive activity, with low entry barriers. This situation was caused by several factors, which are today still the reason for founding of new think tank organisations – increase in demand for information and research, strengthening of civil society and democratisation, growth of state, government and non-government organisations, advancements in communication technology, globalisation of sources of financing of non-profit organisations, numerous political changes and new world order, crises of trust and diversification of think tank organisations (McGann, 2001).

In such conditions, the demand for information and analysis is increasing. Political decision-makers need to enter knowledge into the process, for which they require information on the society they govern, effects of legal regulations in force, their costs and consequences. But, the amount of information they have at their disposal, as well as the questionability of independence and systematic quality of individual studies is the fundamental problem of decision-makers. The majority of the information is politically, administratively and financially unacceptable, that is, so technically written that the target group does not understand it (McGann, 2001). No information can be transformed into a political decision unless it is written in the right way and at the right time. In other words, decision-makers need timely, understandable, reliable, available and useful information, which are provided to them

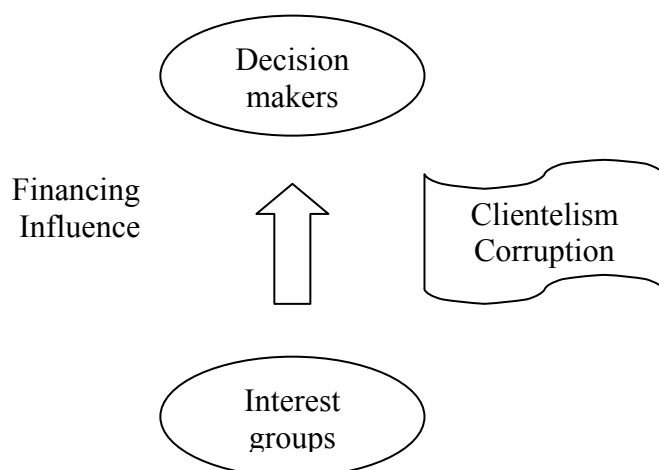
by think tank organisations. Besides, these organisations can also be independent critics of government policies, which contributes to better decisions and better legislation.

According to the study on influence of globalisation on think tank organisations that was carried out by McGann in 2001¹, each developed democratic country today has around thirty of these organisations, and their number is still increasing. Globalisation has especially influenced not only on spreading of these organisations, but also on creating teams of researchers from different organisations throughout the world, which contributes to more independent and objective research.

2. THE ROLE OF POLICY CENTRES IN MODERN SOCIETY

Political decision-making process can be either of the open type or the closed type. Policy process of the closed type, shown in Figure 1, is characterized by a small number of participants in the process. Participants in the process, interest groups and makers of political decisions are directly connected by influences and there are no mediators between them that would influence the making of political decisions of general, public interest.

Figure 1. Political decision-making process of the closed type



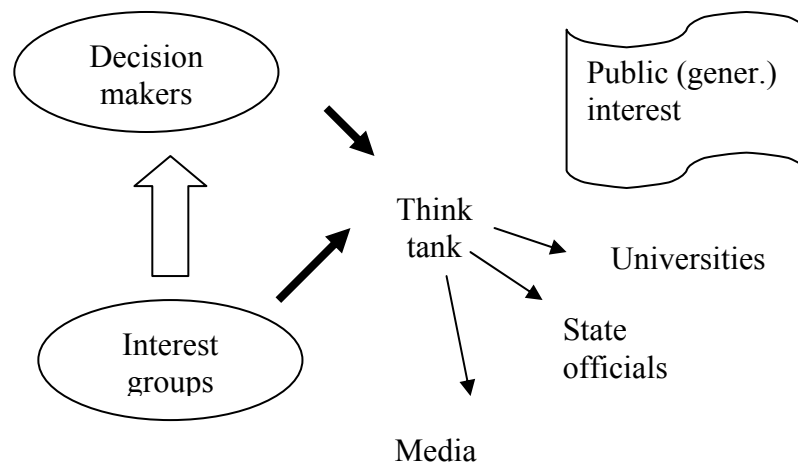
Source: Schneider, J.: "Think-tanks in Visegrad Countries (From policy research to advocacy), Final Research Paper, Center for Policy Studies, Central European University, Budapest, 2002, p 3.

Each democratic society aspires to the decision-making process of the open type (Figure 2), which is characterized by mediators, think tank organisations, which produce research for the needs of academic research, the media and government officials, aim of which is to influence the making of decisions of general public interest. In his research "Think tanks and policy transfer"² Ladi sees think tank organisations as bearers of knowledge, which puts them at the centre of the open policy process.

¹ McGann, J. G.: "Globalization and the Growth of Think Tanks", McGann Associates, Pennsylvania, 2001

² Ladi, S.: "Think-tanks and policy transfer: The case of the International Dialogues Foundations", Policy Transfer Panel, University of York, 2000

Figure 2. Political decision-making process of the open type



Source: Schneider, J.: "Think-tanks in Visegrad Countries (From policy research to advocacy), Final Research Paper, Center for Policy Studies, Central European University, Budapest, 2002, p 3.

Think tank organisations play a significant role in policy processes in developed democratic countries, and their activities are focused on supplying participants of policy processes with analyses and conclusions that are the foundation for adoption of new policies and correction or cancellation of existing ones. One of the greatest challenges for think tank organisations is early identification of important national issues and directing the attention of participants in the policy process and the public to those issues (Talbot, 2011). Democratic political systems are founded on critical debates and discussions which do not include only decision-makers, but all the citizens as well as the organisations they have founded. Decision-makers, to whom citizens have transferred part of their decision-making power, enter their own interests into the decision-making process, which interferes with the presumption of open debate. Policy organisations bring information relevant for making the right political decisions into the debating process, assume the critical and supervisory function and thus decrease the probability of dominance of personal interests of the participants in the political decision-making process and of adopting the wrong solutions for current policy issues (Cassel, 1999). Think tank organisations strengthen the capacity of government policy processes by passing policy-relevant information from various sources to the decision-makers (Dror, 1984), and enabling implementation of abstract, theoretical scientific models into applicable political options (Cassel, 1999). In doing so, they occupy a market niche which is not filled either by scientific or research institutes or participants in the policy processes. Lindquist (2001) points out that studies produced at scientific research institutes are more focused on educating target audience and rarely shift intellectual boundaries of policy methodology with the aim of creating a new approach in understanding economic and social problems. Dobuzinskis comments on the results of research carried out by institutes in the context of creating policy inputs, and states that institutes' recommendations cannot be implemented without previous reinterpretation, redesigning and repositioning, because they do not pay enough attention to the political context and the organizational, control and implementation dimension of the problem (Dobuzinskis in Plumtre et al, 2001). The absence of innovation in designing recommendations for solving policy problems, focusing on education of target users and not paying attention to the political context of problems in the research of scientific institutes are

the reasons why participants in policy processes turn to think tank organizations and their research.

McGann and Weaver (2000) identify the fundamental roles of think tank organisations in modern society: (1) conducting basic research on policy problems and policy recommendations; (2) providing advice on current policy issues, which are debated by policy-makers; (3) evaluation of government programs; (4) facilitating networking and exchange of ideas; (5) development of quality decision-makers; (6) assisting in interpretation of policies and current events for electronic and print media.

Relying on comments of policy experts from think tank organisations on various policy issues, the media are trying to inform the public about complex political issues in the simplest possible way. Interpretation of political decisions and current events for the media is the reason behind the connection between think tanks and the media. Think tank organisations as a rule do not publish the results of their research as books or articles. The aim of these organizations is to present their ideas and recommendations as accurately as possible, using the simplest possible language, which is why policy-oriented non-government organisations significantly contribute to the efficiency and awareness of the media in modern democratic societies. On the other hand, relationship with the media ensures visibility of think tank organisations, which is, besides the acceptance of their policy recommendations, one of the important prerequisites for success of these organisations³. The majority of these organisations gather in their ranks the best experts in individual policy areas, and are thus able to assess the effects of particular policy decisions – both those that are yet to be adopted and those that government has already passed. Expert researchers who work in these organisations are often a source of high quality consultants to governments or presidential candidates, which is not a rare occurrence in the USA. Abelson (1997) investigated the connection between the success of certain presidential candidates through their collaboration with think tank organisations, and the results indicate better positioning, better policies and greater success of candidates who have collaborated closely with think tank organisations.

In contrast to developed democratic societies, think tank organisations in the majority of transition countries are still struggling for their place in the political decision-making process. Tardos⁴ highlights the particularly important role of think tank organisations in transition countries, where disintegration of former political systems, elimination of all the institutions of the communist system and economic depression created a situation in which searching for solutions is necessary. As opposed to gentle advice and often impractical and unrealistic recommendations offered by government advisors, politicians, according to the same author, need advice that take into account the current contradictory situation in Central and Eastern Europe and enable creation of further detailed strategies in response to the problems in the region.

³ One of the most often cited examples of the influence of think tank organisations on accepting policy recommendations and on public opinion is the statistics of monitoring the number of citations by individual think tank organisations in the media after the terrorist attacks on September 11, 2001. Statistics have shown strengthening of influence of organisations ideologically adhering to the political right, which advocated a more dominant foreign policy. The study covered the period after September 11, 2001, and the whole 2002, and monitored were citations by the most prominent think tank organisations in the USA. The study has shown that the media were less interested in domestic think tank organisations, while left-oriented recommendations remained outside the debate arena, which enabled the recommendations of right-oriented think tank organisations to "win".

⁴ http://www.cipe.org/publications/ert/e21/E21_02.pdf (22.03.2011)

After the fall of communist systems, transition countries were faced with numerous problems. Social rights and benefits, which were particularly pronounced during the communist regime, were reduced to a minimum, and the inherited values and collective attitudes – both economic and political – could not disappear overnight. Transition has also led to the change of governing elites. Županov (2002) states that a process of departure of "industrializing" and arrival of "de-industrializing" elite took place, in which the science became completely marginalized. Commenting upon policy processes in transition countries, Krastev⁵ states that the model of closed political decision-making process, which is still dominant in the region, is the cause of numerous economic and political mistakes of the post-communist era. According to the same author, closed policy processes and governments that are monopolising the debate process are characteristic for all the transition countries in which think tank organisations are "... something that everyone has heard about, but no one studies them, and the majority of policy research institutes are better known in Washington and Brussels than in their own countries."⁶ After examining think tank organisations in transition countries James (2000) concluded that in transition countries there is no tradition of hiring think tank organisations within ministries for work on policy analysis, and very little or no attention at all is paid to identification of different solutions and their consequences. James further states that employees of ministry of finance often lack time or analytical skills for writing a good budget proposal, and wider economic consequences are often not examined – sometimes due to lack of time and skills, but mostly because there is no tradition of policy research.

Krastev shifts responsibility for such situation to think tank organisations themselves, which are more interested in proving themselves to the donors, than in improving their position, and describes them as inventive when it comes to producing proposals, ingenious in producing reports and professional in not producing trouble⁷.

The environment of think tank organisations in transition countries and majority of European countries, as well as the reasons for the emergence of these organisations greatly differ from those in the USA. Think tank organisations in the USA were formed for the purpose of using social science to address specific social, economic or political problems, which was not the case in transition countries. Think tank organisations in USA are the role model for the majority of organisations not only in transition countries but also in some West European countries, because American environment of policy-making is fragmented and is characterized by the separation of executive and legislative power, the American distrust of the federal bureaucracy, weak party system, philanthropic tradition and the American tax regime which made think tank organisations into autonomous and influential participants in the policy process⁸.

Research carried out among think tank organizations in developed countries states the following key factors of success of these organisations: (1) management of organisations and their directors who need to have good contacts with participants in policy processes and recognisability towards donors; (2) revenue generation, in terms of service research contracts and finding other sources of funding for research projects and programs; (3) recruiting quality researchers and their involvement in work of organizations (Board of Directors); (4) marketing, communication with participants in the policy process and other activities directed

⁵ <http://www.cls-sofia.org/en/papers/the-liberal-estate-44.html> (22.03.2011)

⁶ Ibidem

⁷ Ibidem

⁸ Ibidem

at dissemination of research results; (5) media visibility, which is regarded as the most important indicator of organizations' success (Plumptre et al, 2001).

3. POLICY CENTRES IN CROATIA

Despite the undeniable role and importance of think tank organisations in the process of making political decisions and solutions, as well as in the development of civil society, these organizations in the Republic of Croatia are not recognizable enough, and the participants in the policy processes use their research insufficiently or even not at all. All this results in a situation in which out of the total of 618 laws adopted during the 2008-2011 period, as many as 535 laws were adopted by urgent procedure⁹, that is, without sufficient research of the effects of application of the new laws. Hurried, insufficiently researched legal regulations without alternatives bring more harm than good.

The Republic of Croatia, as a candidate for joining the European Union, in accordance with the Copenhagen criteria, must create stable institutions that ensure democracy, rule of law, respect for human rights and minorities, and must prove the ability of undertaking the obligations coming with the membership. For strengthening of these rules, European Union proposes the following principles: (1) openness in communication with the public and transparency; (2) more intensive involvement of citizens in policy-making; (3) increasing the responsibility of policy bearers; (4) effectiveness in policy execution; (5) coherence of all the policy measures and levels of power in order to achieve consistency (Bađun, 2004). In this regard, European Union wants to give a greater role to organisations of civil society, so that the services provided would be as adapted to the needs of the citizens as much as possible.

There is only one think tank organisation in Croatia, SMEs and Entrepreneurship Policy Center – CEPOR, focused on creating a positive environment for the development of the small and medium- sized enterprise sector. Besides CEPOR, some other organisations and institutes also, as part of their activities, carry out policy research, which can be used in the processes of political decision-making. Among them, Institute for International Relations (IMO), Institute of Public Finance and Institute of Economics Zagreb should be pointed out.

Institute of Economics Zagreb was founded in 1939 as a public institution, and it is engaged in economic research, results of which it makes available to state bodies, local and international organisations, business experts and the academic community. Institute is engaged in analysis of Croatian economy; it researches factors of economic development and proposes concrete solutions which, in several studies and programs, have been served as guidelines for participants in the process of political decision-making as guidelines in creation of the national economic policy of the Republic of Croatia¹⁰.

Institute for International Relations (IMO) deals with a wide spectrum of current problems: international economic and political relations, transition policy, international markets, sustainable development, economic policy resources and environmental policies, and culture and communication. Since its establishment in 1963, it has changed its name and focus of interest several times. Today IMO is the largest publisher of books from the field of policy

⁹ Exceptionally, a law can be adopted by urgent procedure only when that is demanded by interests of defense or other particularly justified state reasons, i.e., when that is necessary in order to prevent or eliminate major disruptions in the economy (<http://www.sabor.hr/Default.aspx?art=1566>, 22.03.2011)

¹⁰ <http://www.eizg.hr/o-nama-hr-HR/573.aspx> (22.03.2011)

research in English language, and it is also known as European Documentation Centre in the Republic of Croatia.

Institute of Public Finance was founded in 1970 as a scientific and research institution specialized in the field of public finance. Institute focuses its research on all the aspects of the public economy sector: taxes, public expenditures, fiscal and budget policy, public debt, the state's role in the economy, etc. Institute is focused on scientific research which it presents through various publications – books, articles and newspapers, as well as through round tables, conferences and workshops.

National Competitiveness Council is a think tank that was founded in 2002 on the initiative of the business sector and Croatian Employer's Association, based on a decision of the Government of the Republic of Croatia, as an answer to challenges with which Croatia was faced at the start of the 21 century – globalisation process, transition to a market economy, efforts to achieve membership in the European Union, and strengthening the competitiveness of Croatia's private and public sectors. The Council is an independent advisory body comprised of 23 members and four key interest groups – the business sector, government, trade unions, and the academic community – with the goal of creating dialogue, partnership and consensus on programs and policies that are critical to the sustainable growth and development of Croatia. Some of the goals of the Council are to act to increase competitiveness of the Croatian economy and to prepare Croatia for entry into the European Union. To achieve these goals, the Council acts by encouraging policies for reform, recommending and creating guidelines for development policies, constructing coalitions with stakeholders that support reform processes, increasing public understanding of and support for reforms, encouraging dialogue between the public and private sectors, raising and expanding the level of awareness and knowledge of the importance of competitiveness and monitoring and evaluating reforms that have been implemented.

Through policy research that have been carried out in the Republic of Croatia by institutes, National Competitiveness Council and SMEs and Entrepreneurship Policy Center – CEPOR, participants in the political decision-making processes have been given recommendations whose aim is to stimulate the development of small and medium-sized enterprises. Appreciation of research of policy centres that operate in the Republic of Croatia, as well as other research in the field of entrepreneurship and the sector of small and medium-sized enterprises, will contribute to quality legal regulations, better policies and creation of a stimulating environment for the development of small and medium entrepreneurship.

4. ROLE OF POLICY CENTRES IN PROCESSES OF FORMING AND PASSING POLICIES AND LAWS RELEVANT FOR THE SECTOR OF SMALL AND MEDIUM-SIZED COMPANIES IN THE REPUBLIC OF CROATIA

Policy centres in the Republic of Croatia have emerged as a reflection of the need to create new development policies during the transition to the market economy. These new development policies should be focused on creation of an environment which encourages the development of the small and medium-sized companies sector – which represents the driver of the national economy, but also of the economy of the European Union. But, it seems that policies and laws relevant for the small and medium-sized enterprise sector are neither

encouraging nor supporting. According to the results of GEM (Global Entrepreneurship Monitor) research, which is being carried out in Croatia since 2002, experts give them below average grades. Their view is that these laws are unpredictable, inconsistent and ineffective. What is even more worrying is the fact that average grades are in constant decline, i.e., changes in laws and policies are for the worse and do not contribute to improvement.

Table 1. Average grades of experts related to issues of policies and laws relevant for the sector of small and medium-sized companies in the last 5 years

Question / Year	2006	2007	2008	2009	2010
B06 In Croatia, tax and other government legislation is applied at new and growing companies in a predictable and consistent manner.	2,89	2,20	2,20	2,15	2,15
B07 In Croatia, it is not overly difficult for new and growing companies to deal with bureaucracy, legal and regulatory demands.	2,11	1,63	1,76	1,87	1,95
C01 In Croatia, a wide range of government aid measures for new and growing companies can be obtained by going to only one agency.	2,53	2,06	2,39	2,33	1,77
C02 In Croatia, science parks and business incubators ensure effective help to new and growing companies.	2,81	2,69	2,90	3,15	3,08
C03 In Croatia, there is a sufficient number of appropriate government programs for new and growing companies.	2,83	2,80	2,56	2,74	2,38
C04 In Croatia, people who work for government agencies are competent and effective in providing support to new and growing companies.	2,64	2,71	2,56	2,87	2,52
C05 In Croatia, almost everyone who needs help from government programs for new and growing companies can find what they need.	2,67	2,60	2,73	2,41	2,21
C06 In Croatia, government programs intended for supporting new and growing companies are effective.	2,75	2,49	2,46	2,44	2,21

Source: GEM research database, experts' answers, CEPOR

The process of adoption of policies and laws in the Republic of Croatia is defined by several laws and regulations – the Constitution of the Republic of Croatia (Official Gazette 56/90, 135/97, 8/98 revised text, 113/00 and 124/00), Change of the Constitution of the Republic of Croatia (Official Gazette 28/01), Rules of Procedure of the Croatian Parliament (Official Gazette 71/00, 129/00, 117/01, 6/02 revised text, 41/02, 91/03 and 58/04), Law on the Government of the Republic of Croatia (Official Gazette 101/98, 15/00, 117/01) Rules of Procedure of the Croatian Government (Official Gazette 138/99, 16/00, 36/00 and 105/00).

Constitution of the Republic of Croatia prescribes the duties of the Croatian Parliament. Article 80 of the Constitution of the Republic of Croatia states, among other things that the Croatian Parliament: (1) decides on the enactment and amendment of the Constitution; (2) enacts laws; (3) enacts the National Budget; (4) passes declarations that express the policies of the Croatian Parliament.

The law enactment procedure consists of starting the initiative, drafting, proposing and passing the law. Any natural or legal person can initiate the procedure for adopting legislative proposals, but the Constitution of the Republic of Croatia still defines who those persons are –

each member of the Parliament, parliamentary party clubs and their working bodies, working bodies of the Croatian Parliament, and the Government of the Republic of Croatia itself.¹¹

In the process of proposing legislation, draft of the proposal is prepared by relevant ministries; only in cases when the law is proposed by the Government of the Republic of Croatia. Before the Government determines the text of the law, draft is submitted to the narrow Government cabinet, permanent and temporary working bodies and expert working groups, who will give their opinions on it. Narrow Government cabinet (which is comprised of the Prime Minister and Deputy Prime Ministers) must discuss the drafts of systematic legislative proposals and program materials, which change important elements of the system or influence the system in other ways. Members of permanent working bodies are ministers and directors of state administrative organisations, and Article 19 of the Rules of Procedure of the Croatian Government provides the possibility of participation in the process or at least of providing expert opinions by individuals, prominent experts in relevant fields.

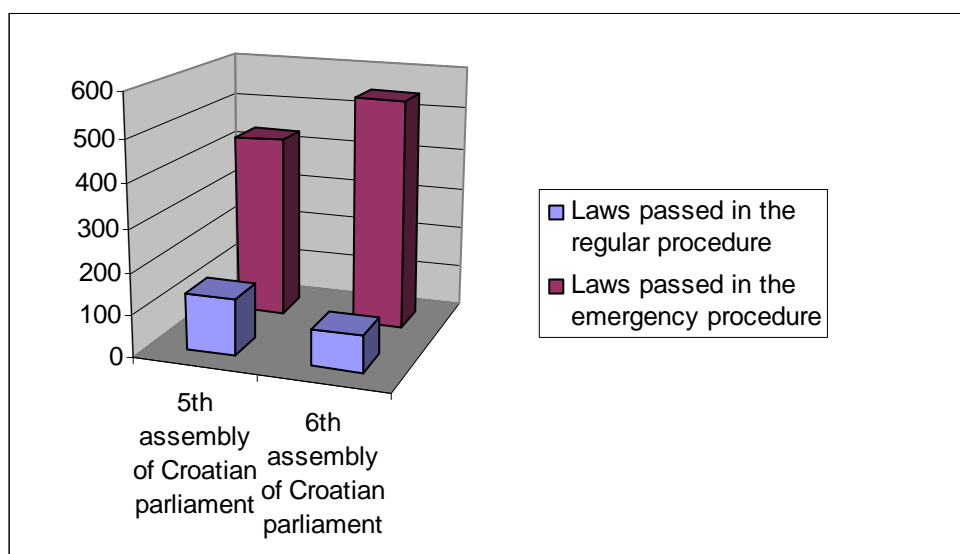
The process itself consists of two steps, or readings. The first reading of a legislative proposal is actually its presentation at the Parliament's session, when it is introduced by its sponsor, details are discussed and a decision on the need to pass the law is made. After the discussion, the proposal and the related opinions, suggestions and conclusions are submitted to the sponsor for the drafting of the final bill. In the conclusion of the first reading it is possible to seek expert opinion related to the proposal itself or the need to pass it. The second reading is actually a debate on the final proposal of the law, the views of the working bodies, discussion and deciding on the amendments, and the adoption of the law itself. Within six months, the bill's sponsor is required to submit the final bill in writing (with explanations and reasons for passing the law), and only in rare cases there is a third reading, when the number of amendments is such that it significantly changes the original bill.

In extraordinary situations, when that is demanded by interests of defense or other particularly justified state reasons, i.e., when new laws eliminate major disruptions in the economy, laws can be enacted by urgent procedure. Request for enacting of a law by urgent procedure must be accompanied by written support of 25 members of the Parliament, or parliamentary party clubs that have at least 15 members.

Legislative activity of the Croatian Parliament in its 5th and 6th Assembly is shown in Figure 3.

¹¹ Constitution of the Republic of Croatia, Article 84; Official Gazette 56/90, 135/97, 8/98 revised text, 113/00 and 124/00), Change of the Constitution of the Republic of Croatia (Official Gazette 28/01)

Figure 3. Legislative activity of the Croatian Parliament, and laws by adoption procedure



Source: Information and Documentation Department of the Croatian Parliament, <http://www.sabor.hr/Default.aspx?sec=520>, April 6, 2011

From the law enactment procedure it is visible that urgent procedures do not offer enough opportunities for analysing all the factors related to individual legislative proposals (opinions, analyses, costs and sources of funding), nor opportunities for expert opinion on the quality of the legislative proposal or the need to adopt the same. But, according to Bratić (2004), the most worrying thing in the whole process of passing a law is the fact that members of Parliament generally obey the guidelines of their party, and thus the whole process is run by the ruling party.

A survey that was conducted in 2003 among the members of the Parliament¹² has shown that they do not have enough time to study legislative proposals, and when that is combined with the fact that at that time only 14% of them were of economic profession, a strong need for policy research and recommendations of think tank organisations is clearly evident.

On the other hand, before entering the large European community of countries, the Republic of Croatia will have to adopt and incorporate the "Better Regulation Package" to its system of political decision-making and legislation. With this package of guidelines, "legislative proposals and their consequences will be carefully assessed, while the existing legislation will be examined in order to determine whether it can be simplified or even abolished. Secondly, closer cooperation between the member countries will occur, in order to ensure that participants in the decision-making process continuously apply all the principles of the Better Regulation Package in the entire European Union, at all levels. Finally, greater importance will be given to consultation with all the participants that will be affected by the planned measures and to the use of alternative procedures such as, for example, Self-management"¹³.

Appreciation of research carried out by policy centres that work on territory of the Republic of Croatia, as well as other research in the field of entrepreneurship and the small and

¹² Bratić, V.: "Role of parliament in the budget process: example of the Parliament of the Republic of Croatia", Financial Theory and Practice, Institute of Public Finance, no 28, Zagreb, 2004

¹³ http://ec.europa.eu/enterprise/dg/files/evaluation/final_report_cses_en.pdf, 6.04.2011

medium-sized enterprise sector will contribute to better legal regulations, better policies and the creation of supportive environment for the development of small and medium-sized enterprise, i.e., initiate development of the entire Croatian economy.

5. CASE: CEPOR – SMES AND ENTREPRENEURSHIP POLICY CENTER

CEPOR was founded in 2001 as a think tank, which deals with public policies and problems in the sector of small and medium-sized enterprises and entrepreneurship, with the goal to influence the public debate and the decision-making process. Conceptual creators of CEPOR's founding are Slavica Singer, Professor at the J.J. Strossmayer University in Osijek, Faculty of Economics in Osijek, Piotr Korynski from Open Society Institute New York and Professor Allan Gibb from Durham Business School, United Kingdom. At the time of CEPOR's founding, think tank organisations were a novelty in transition countries, and attempts to find partners for founding of a think tank organisation seemed to be an "impossible mission". Numerous conversations with representatives of various groups, organisations and associations, and employees of relevant ministries were conducted, but it was difficult to explain what a think tank organisation is, what does policy aspect mean and who may be interested in activities of such an institution.

CEPOR is envisioned as an independent group of people that will critically observe and analyse what is happening at the level of government policies and propose policy interventions, and its organisational form was supposed to enable independence in decision-making and acting. CEPOR's mission is to influence the public and political environment, emphasizing the key role of entrepreneurship and small and medium-sized enterprises in the development of Croatian economy. CEPOR aims to contribute to the shaping of entrepreneurial culture and stimulating institutional and regulatory framework for entrepreneurial activity, with the goal of achieving strong economic growth based on international competitiveness.

CEPOR is registered as an association, not of individuals, but of institutions. The targeted structure of founders has been achieved, since they involve business association (Croatian Chamber of Economy, Croatian Chamber of Crafts and Trades), infrastructural professional institutions that provide support to small and medium-sized enterprises (Centre for Entrepreneurship Osijek, Istrian Development Agency Pula, Međimurje Entrepreneurship Centre Čakovec) and research institutions (Institute for International relations, Institute of Economics, J.J. Strossmayer University in Osijek, Faculty of Economics in Osijek)¹⁴. The basis for foundation of CEPOR was the Agreement between the Open Society Institute – Croatia and the Government of the Republic of Croatia, which has secured the initial funding. It was pointed out at the founding assembly that CEPOR is neither going to be a scientific research institution nor a centre that will provide training services, but a think tank with a strong network of collaborators from research, educational and development institutions.

The core activities of CEPOR are: (1) conducting independent research related to policy of development of entrepreneurship and small and medium-sized enterprises with the purpose to objectively define the problems and propose solutions; (2) policy development by Providing counsel to government institutions with the purpose of building Government's legislative and

¹⁴ Open Society Institute Croatia and Association of Croatian Institutions for Encouragement of Entrepreneurship, which have since ceased operations, were also among its founders.

institutional capacity for designing and implementing efficient and non-discriminatory policies for the development of small and medium-sized enterprises; (3) advocacy through organizing activities that will allow problems of small and medium-sized enterprises to be heard and discussed in the public, and presenting recommendations to the Government in order to achieve specific solutions.

After its founding, CEPOR was faced with the problem of finding a market for its products. Despite numerous discussions and presentations to various participants in policy processes with the aim of clarifying the influence of participants in policy processes on the growth of small and medium-sized enterprises, the lack of feedback and reaction in the form of a rush of calls and projects pointed to a lack of understanding of the difference between the academic and the policy approach in research, and an unwillingness to appreciate recommendations and opinions of independent experts.

Since 2002, CEPOR has focused on projects, but only on those with policy potential. The first project was participation in the largest international research focused on entrepreneurship – Global Entrepreneurship Monitor (GEM). The aim of this research is to examine the connection between the economic development of a country and the level of entrepreneurial activity, through use of a specially defined model. In the research which has started in 1999, and of which Croatia is a part of since 2002, 60 countries have been involved in 2010. The reason for involvement in the GEM research was the possibility of international comparison of Croatia and monitoring of the changes in entrepreneurial activity within Croatia and their relativisation in relation to others. The results of GEM research have pointed out: hindered access to financing sources, hindered access to relevant information, lack of entrepreneurial knowledge and skills, inconsistent and non-transparent government policies, and complicated regulatory framework. The costs of Croatia's participation in this research are co-financed by the Ministry of Economy, Labour and Entrepreneurship and the J.J. Strossmayer University in Osijek, Faculty of Economics in Osijek through projects financed by the Ministry of Science, Education and Sports (from the field of entrepreneurship). After several years of insufficient appreciation or even ignoring of the recommendations based on this research, since 2007 Ministry of Economy, Labour and Entrepreneurship to a considerable extent bases its annual programs for the development of small and medium-sized enterprises on findings and recommendations from GEM research.

In order to initiate a greater interest in policy issues, as well as demand for policy research, CEPOR has started two important projects: Program for training policy officials (2003) and Program of doctoral scholarships for the development of policies of small and medium-sized enterprises (2004). Program for training policy officials was prepared by Professor Allan Gibb, modelled on an OECD program, but the interest for that type of education was underwhelming, and the program was not implemented. Program of doctoral scholarships has also indicated the presence great ignorance when it comes to policy research and, despite great interest, only one scholarship was granted.

CEPOR has achieved a significant improvement in its activities by inclusion of its research and recommendations in the work of the National Competitiveness Council, since 2003. Within "*55 Recommendations for the Improvement of Croatia's Competitiveness*¹⁵", using its research, CEPOR has prepared recommendations related to the small and medium enterprises sector and entrepreneurship.

¹⁵ National Competitiveness Council: „55 Recommendations for the Improvement of Croatia's Competitiveness“, Annual Report on Croatian Competitiveness 2004“, www.konkurentnost.hr/nvk 29.03.2011.

Despite numerous attempts to talk with participants in policy processes, studies, round tables and public presentations of research results, understanding and comprehension of policy research and problems is still insufficient, and a part of the problem lies in ministries, which are more concerned with operational rather than policy issues. All the attempts thus far prove that CEPOR is painstakingly struggling in the Croatian market of policy products, developing products which, for now, almost no one needs. Only by persevering in offering critical views of government instruments in the sectors of small and medium enterprise and entrepreneurship, and proposing new approaches, latent needs will be converted into an open need, and then into demand. Situation will be easier for CEPOR when everyone, from citizens to associations become more demanding and critical and when that forces the government, parliament and other decision-makers to be more responsible for their decisions. As things stand now, it seems that CEPOR is ahead of its time and that it is doing what can be sold at the market in developed countries, while in Croatia it is still necessary to explain why experts' opinions and comparisons with those that are better than us should be important to the government.

6. CONCLUSION

In the presented example of the only think tank in Croatia (CEPOR – SMEs and Entrepreneurship Policy Center), by using assessments on government policies and programs focused on the development of entrepreneurship and the small and medium enterprise sector, it is visible that experts' opinions are being ignored.

In the five year period (2006-2010), all the components of government policies and programs (except the importance of business incubators) have been rated with scores below 3. According to the GEM research, it is considered that these components, rated with scores below 3, represent obstacles, that is, they do not encourage the development of entrepreneurship and the small and medium enterprise sector. Even more important is the information about the presence of a trend of decreasing grades in all the components of entrepreneurial environment. It is especially important to note the low grades that were given to policies/measures/instruments related to growing companies. Knowing that growing companies are the most important generator of new employment, government's ignoring of such grades is inconsistent with proclaimed government's orientation on employment growth.

This is an example how policy focused research, in this case GEM, and the efforts of institutions that promote a critical attitude towards current government policies and programs, in this case CEPOR, can serve as an important foundation for designing more effective and consistent interventions in the regulatory framework. Policy research and institutions can be the starting point or a good basis for developing policies and programs (in areas of education, innovativeness, access to financial resources, employment, social welfare...) with which synergistic effects of increasing competitiveness, and thus solving Croatia's biggest problem – unemployment, can be achieved only in case of consistent and simultaneous application.

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