



## **Weekly Briefing**

**Croatia economy briefing:**  
**The End of Moratorium on Debt Enforcements: Social and Economic**  
**Uncertainties on the Rise**  
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# **The End of Moratorium on Debt Enforcements: Social and Economic Uncertainties on the Rise**

## **Summary**

*On 19<sup>th</sup> October, the moratorium on debt enforcements had ended, leaving tens of thousands of Croatian citizens wondering about their future in time of social and economic uncertainty caused by the COVID-19 crisis. The enforcement will be conducted in three phases, depending on the date that marked the application of enforcement decision. While the Government decided not to extend the moratorium, the opposition has been quite vocal and urged Prime Minister to think twice due to given circumstances and rising number of unemployed citizens.*

## **Introduction**

In recent weeks, a number of COVID-19 cases in Croatia has skyrocketed, while the number of deaths caused by the virus is growing each day. While the health emergency is almost the same in every European country, the Government of Croatia, together with the Civil Protection Directorate, is still trying to pursue a step-by-step strategy, meaning that it still refuses to introduce curfew or even a partial lockdown, focusing more on two- or three-weeks based restrictive measures in order to limit the unnecessary events that could cause the highly unwanted physical contact between citizens. The logic is that smaller countries, like Croatia, would not stand another lockdown and that their economics would be hit severely, especially in countries whose economics are largely dependent on one industry branch, that is tourism, in case of Croatia. The minister of finance, Zdravko Marić, has reported that the level of GDP is projected to fall by 8% for 2020, while the Croatian National Bank projected the fall of 9.7%, mostly due to decline in tourism revenues. Be that as it may, the social position of Croatian citizens in this uncertain time is furthermore endangered by the recent end of moratorium on debt enforcements that took place on Monday, 19<sup>th</sup> October.

## **The End of Moratorium on Debt Enforcements**

After it became public that the Government would not introduce another moratorium, the Ministry of Justice and Public Administration suggested that the debt enforcement should be conducted in three phases, depending on the date that marked the application of enforcement decision. Therefore, the first phase will start on 19<sup>th</sup> October, based on the applications received by 30<sup>th</sup> June; the second phase will begin on 20<sup>th</sup> November, based on the applications received by 31<sup>st</sup> August; and the last phase of the debt enforcements will take place on 20<sup>th</sup> January 2021, based on the applications received by 18<sup>th</sup> October. It appears that citizens owe the biggest amount of money to financial institutions, banks to be more precise, and the debts are most usually structured around loans and credit card bills. If we look at the overall numbers, the debt towards financial institutions accounts for up to 35% of the total debt owed by Croatian citizens. Utility debts, on the other hand, make up 1.6% of the total debt and they are mostly structured around water, electricity and gas.

According to the available data issued by the Croatian Notaries Chamber, while the moratorium was still ongoing, the notaries have received around 170 000 applications for enforcement decision and most of them were included in the above-mentioned categories: the debts for water, electricity, gas, and telecommunication services. The data from the Financial Agency (FINA) system for execution of enforcement over monetary assets have shown that almost 46% of Croatian citizens with blocked bank accounts, or 109 000 of them, are owing up to HRK 10 000, which sums in total approximately HRK 396 million. The data also suggest that 1.475 citizens owe HRK 6.7 billion or HRK 16 billion in total. If we look at the geographical dimension of Croatian debtors, most citizens with blocked bank accounts are from the capital, Zagreb, where the number reaches 1871; in Osijek-Baranja county there are 850 debtors, in Split-Dalmatia county 819 of them, in Primorje-Gorski Kotar county 696, and Zagreb county 692.

## **The Reaction from the Government**

It was during the spring, on 18<sup>th</sup> April, when FINA decided to stop executing enforcements over monetary assets of total 244 865 debtors. The number of enforcement procedures that was stopped estimated over one million, while the total uncollected debt was HRK 23.9 billion. The moratorium was extended by the Government in mid-July, when everyone started to realize what would be the dimensions of the upcoming financial and economic crisis, aware of the fact that citizens were not in a position that would enable them to

meet their financial obligations. Of course, the Government wanted to emphasize its newly-found social awareness in times of great uncertainty, however, it was clear that the decision on debt enforcements is going to have to be made sooner or later. Now, with the legitimacy of being a clear victor of the recent parliamentary election, the Government led by Croatian Democratic Union (HDZ) decided to take action even though the economic situation is getting worse and people still do not have enough financial resources to pay for their debts.

During the government session Prime Minister Andrej Plenković said that he believes that there will be fewer enforcements in the upcoming period than it was the case in previous months, but he underlined that financial obligations have to be respected under any circumstances. Ivan Malenica, the minister of justice and public administration, said that the Government has shown once again its sensitiveness when it comes to social matters due to the fact that enforcement procedures would be approximately HRK 600 cheaper than they were before, while the Easter and Christmas bonuses would be exempt from enforcement. Malenica added that amendments on enforcement law are currently being discussed and they should take effect by the end of the year. The amendments would include a digitalization of enforcement procedure in order to speed up and simplify the admission of documents to the Croatian Notary Chamber. Furthermore, the notaries would be required to inform the enforcement debtors about their payments within 15 days, while the enforcements of citizens from their homes would not be arranged during winter months and early spring, from 1<sup>st</sup> November to 1<sup>st</sup> April.

## **Conclusion**

It did not take too long for the opposition in Croatian Parliament to respond after it was announced that the Government will not extend the moratorium. The most vocal were parliamentary representatives from Social Democratic Party (SDP) and the green-left platform We Can! (Možemo!). Since Možemo! has established itself as a reliable and inherent left option in Croatia, especially after their success in parliamentary elections, many people began to perceive them as a true and, more often, the only left party in Croatia. Their leader Tomislav Tomašević commented: “The moratorium on debt enforcements was introduced due to these exceptional circumstances that have not ceased. We have 35 000 unemployed citizens in September this year compared to last year’s. It is fully astonishing the information by notaries that most of the debt (...) concerns the non-payment of electricity and gas, the basic existential needs of every citizen”. Tomašević further explained that social and economic situation in Croatia caused by the COVID-19 had worsened and the number of unemployed citizens is on

the rise, therefore, it does not make sense to end the moratorium. Newly-elected president of SDP, Peđa Grbin, agreed and commented that the Government did not do anything in the past six months to protect citizens with debts and urged everyone to make a decision on new enforcement law.