

Similarities and Differences in Reforms between SAR and Croatia

Budgetary reforms, budgetary framework, calendar, legal framework

Croatia and the South African Republic share a lot of similarities, but of course, also a lot of differences. Similarities give us a confirmation that we are on the right pathway because we see others do similar things as we do. As our Head of the Treasury mentioned, development in Croatia is mainly based on enthusiasm and ideals of people working on the reforms.

In Croatia, the budgetary calendar is similar to SAR', apart from the fact that in our case the budgetary year coincides with the calendar year, thus resulting in the fact that the beginning and the ending of budgetary process is registered in different months.

We also have municipalities that cannot finance themselves, and they depend entirely on the state budget funds.

Differences:

- We do not have a Committee for Public Sector Accounting Standards. In our case, the methodology is stipulated by the same sector that performs monitoring of budgetary users' financial reports and produces financial report and state budget execution report, which is not a good thing.
- We have to straighten the role of budgetary analysts (a major fluctuation). In the Republic of South Africa, analysts often hold meetings at the lower level. The similar should be introduced in Croatia as well. The analysts should be well informed on the Ministries they monitor.
- We have a single accounting and budgetary framework for the whole country, interconnection of budgetary economic classification and accounting plan.
- In Croatia, lower government levels submit to the Ministry of Finance their budgets and reports on budgetary execution (obligation envisaged by the Budget Law provisions).
- In Croatia, citizens' participation in budgetary process is not big. We are preparing citizens guide. Parliament sessions are held public, and they are broadcasted via national television. We also have a problem with misunderstanding of Treasury's role. At the level of some municipalities, citizens' participation is higher and draft budgets are being forwarded to the public debate.
- Treasury prepares limits for the Ministries, but Government can amend them.
- Lower government levels have increased their level of independence. There is no annual division of revenue as in SAR. Laws prescribe what kind of revenues belong to respective lower levels of government.
- The SAR publishes Excel tables for all who want to use data. We publish all data in Pdf format, and have questioners available for data that could be worked on. I think it would be a good idea to publish those data as well.
- The SAR' Parliament receives quarterly expenditure reports, while in Croatia, the Budget Law prescribes submission to the National Parliament of a semiannual and an annual report on state budget execution. We publish those reports on the web pages, and somewhat shorter version in the national official gazette (Having in mind that I am in charge for the preparation of a major share of those reports, I wouldn't like to see it happening more than two times per year!). Lower government levels also publish those kind of reports on their websites and in the national official gazette. This obligation is also stipulated by the Budget Law. With the

latest amendments made to the Budget Law, an obligation referring to the publishing of all budgetary users' financial reports on their websites is being introduced (the first reports that are published refer to year 2014). The Directorate for Macroeconomic Analyses and Forecasts (in Croatia this institution is not a part of the State Treasury) publishes monthly statistical reports, while the State Accounting Office (which is a part of the State Treasury) publishes monthly data on state budget execution process (data from the ledger book). Those reports are shortened, and they do not contain all data envisaged by the Budget Law's provisions referring to semiannual and annual reporting obligation.

- In Croatia, we have a document called Statement on Fiscal Responsibility, which is signed by all heads. With that, they confirm (or not) legal and effective public funds spending and functioning of internal controls system. For now, there are no penalties involved, just political responsibility.
- Corruption in the area of major infrastructural projects is present in our case as well. Currently, there are several ongoing court processes, and even our former Prime Minister is convicted, as well as several city Majors.
- In Croatia, Treasury has FMIS (SAP) in which we have planning, liabilities, ledger book and state budget execution component. We have reporting module (data warehouse, BW). The Ministries have separate accounting systems connected with the Treasury system, developed with the World Bank's project assistance. A new project is ongoing, also financed via World Bank's grant, and is related to the enabling making connection of a third level budget users (universities, state hospitals, cultural institutions), whose own revenues are included into state budget. The Ministries and Agencies (second level budget users) have access to State Treasury SAP system where they enter their draft plans (the Treasury enters limits that cannot be exceeded), liabilities and invoices that are converted into requests for payment. Financial plans rationales and financial plans executions with indicators are entered via web application. Also entered via web application is the form on the estimate of a fiscal efficiency, prepared as a segment of government's draft laws, decrees and decisions.
- The Treasury used OECD and World Bank experts as lobbyists in the Parliament when we have been introducing programmatic budgeting. Still, alongside programs, we are enacting budget as per economic classification, but we have raised level of budget adoption (the Budget Law).
- In the SAR, the Parliament votes several times, while in Croatia only once for the overall budget.
- In the SAR, laws are pretty constant. The Constitution has not been amended for a long time. The Law on Local Self Government's Financial Management has never been amended. The Law on Division of Revenue is annual, as per its nature. State Treasury's regulations also are not frequently changed. In Croatia, laws related to the public finances are frequently amended. Maybe that is not such a bad case, because in that way we are reacting to the altered conditions.
- A Guidebook for the new staff is something that should definitely be prepared in Croatia as well.

Macroeconomic forecasts

This is a part that I am not working on, so it is difficult to compare it with Croatia's case. The Directorate for Macroeconomic Analyses and Forecasts is a part of the Ministry of Finance, but not of the State Treasury.

I found the presentation interesting.

Indicators

Croatia has introduced indicators several years ago, but I think that they are still "unusable". At the local level, strategic planning and indicators are only currently being introduced. Also, budgetary analysts are not sufficiently trained for monitoring operations. I personally believe that I am not sufficiently skilled on this issue, and thus I have find every information presented from this area very useful. I especially liked a tool (table) used in SAR for making estimates, ranking of indicators. I believe that that is a very useful tool for the Ministries. I am interested in the Guidebook on Performance Information, and I will certainly look for it on the web.

We are publishing strategic plans and reports on performance on individual Ministries web pages (envisaged by the Budget Law provisions).

We also have programs that should be cancelled. We have worked on redefining of such programs.

We still do not use indicators as a base for budget preparation.

Ministries in Croatia do not sign agreements.

In the SAR there are forms that citizens fill, and via which express their opinion on the public service delivery level. This instrument would also be a good thing to be introduced in Croatia.