

Case Study on Croatia

Bajo, Anto

Source / Izvornik: **Fiscal Impact Assessment of Structural Reforms : Case Studies on South East Europe, 2013, 69 - 96**

Book chapter / Poglavlje u knjizi

Publication status / Verzija rada: **Published version / Objavljena verzija rada (izdavačev PDF)**

Permanent link / Trajna poveznica: <https://um.nsk.hr/um:nbn:hr:242:522744>

Rights / Prava: [In copyright](#)/[Zaštićeno autorskim pravom.](#)

Download date / Datum preuzimanja: **2025-01-22**



Repository / Repozitorij:

[Institute of Public Finance Repository](#)

Chapter 3

Case Study on CROATIA

prepared by
Anto Bajo

Anto Bajo received his MSc from the Faculty of Economics and Business, Zagreb, and his Ph.D. from the Faculty of Economics in Ljubljana in 2006. He has attended professional courses in the United States (Harvard University, J.F. Kennedy School of Government), Hungary, South Africa, Japan, and Slovenia.

He is researcher at the Institute of Public Finance in Zagreb and professor at the Faculty of Economics and Business at Zagreb University, teaching courses on public finance, local government finance, public debt management, and public expenditure management.

Mr. Bajo is a member of the Advisory Council for Higher Education and Science Funding, the Agency for Science and Higher Education, and a member of the Budget and Finance Committee of the Croatian Parliament. He is member of the editing board of the journal *Financial Theory and Practice*, and a member of the International Atlantic Economic Society.

He has published a number of scientific papers in Croatian and international scientific journals and books, dealing with the management of budget systems, fiscal federalism, public debt management, local government finance, and financing higher education.

1. Introduction

The main goal of this paper is to determine how the fiscal costs of structural reforms are integrated into the medium-term budget framework and annual budget of Croatia. The additional goal is to identify the main dilemmas in coordinating the integration of structural reforms into the medium-term budgetary framework and the budgetary process, as well as to indicate problems that need to be analyzed in future learning events in countries that are still developing their budgetary strategic planning.

Sources used for implementing the objectives of the research include primary and secondary publications, reports and working materials of the Croatian government, the Ministry of Finance (MoF) and relevant line ministries, as well as books, scientific articles, and papers dealing with strategic planning and the budgetary process. The research is mainly based on the analysis of primary and secondary materials of the government and the Ministry of Finance, and interviews with representatives of the MoF.

This paper analyzes the Croatian National Budget from 2000 to 2012, with emphasis on the period after 2010 when the government adopted its first strategy program. The objective is to explain the connection between strategic documents and the budget. The analysis used the Budget Law, the Fiscal Responsibility Act, and subordinate legislation such as regulations governing the budgetary classification. In order to present an authentic practice, and point out the potential problems in the implementation of strategic planning, we used the strategic plans of the MoF and three line ministries (LMs): Sea, Transport and Infrastructure; Environment and Physical Planning; and Science, Education and Sports.

The paper is divided into four parts. After the introduction, the second section explains the legal framework, institutions, and processes of strategic planning of the budget in the medium-term fiscal framework. The third is dedicated to analysis and evaluation of how the fiscal costs of structural reforms are integrated into planning documents, such as the medium-term budgetary framework and budget. The fourth section presents conclusions and recommendations.

Apart from the annual Pre-accession Economic Programme document for the EU, the concept of structural reforms is summarized or explicitly stated in the planning and strategic documents of the government. Since 2000, the government has stated that it is necessary to implement structural reforms in a number of economic and fiscal areas of public administration, restructuring and privatization, and reconstruction of the transport sector (e.g., roads, rail). In short, the general platform for structural reforms in the economic system has been based on a significant reduction of the state's role in the economy, providing more space for private entrepreneurship and improving management of the state finances. However, the costs of structural reforms are included in

the pre-accession EU programs, and expenditures for individual programs are included in the medium-term budgetary framework and budget but not clearly outlined in the strategic planning budget documents.

2. Main institutional features for annual budget and medium-term fiscal programming

The main aim of this section is to provide information on the institutional framework and processes for annual budget planning within the medium-term fiscal framework.

2.1. Institutional framework

The framework and objectives of the Croatian economic policy are defined in the government's policy documents. These are: the Strategy of Economic Development for the period 2006 to 2013, the Economic and Fiscal Policy Guidelines (first produced in 2005), and the Pre-accession Economic Programme (PEP, prepared annually since 2004). These documents are produced in the process of consultation between government authorities, the business community, and trade unions; and they represent the basis for economic policy in the medium term.

In 2005 the government's Central Office for Development Strategy and Coordination of EU Funds prepared the Strategy of Economic Development, which is the main strategic document that defines the priority areas for action in the area of economic policy. All other strategic documents associated with it take into account its specific objectives, the current situation, and the assessment of possible changes in the environment.

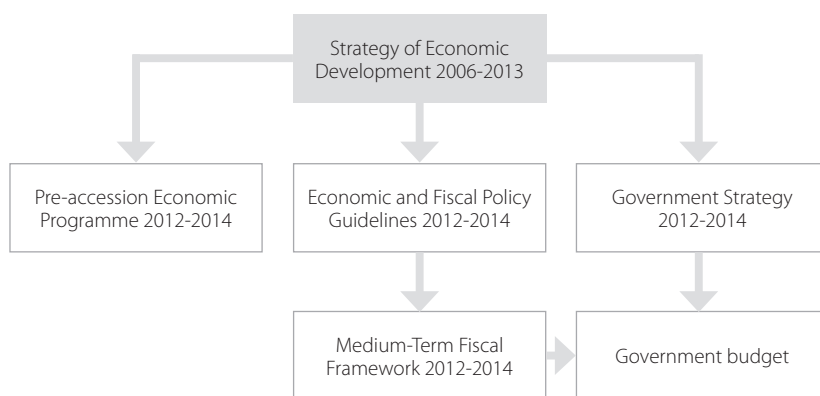
Since 2005, the Economic and Fiscal Policy Guidelines provide a three-year fiscal framework for implementing the government's objectives and measures and represent the first step in the process of budgetary planning. Since 2006, the guidelines include limits of expenditures for the ministries. However, the adoption of the Strategy of the Government for the 2010 to 2012 period, and of the Economic and Fiscal Policy Guidelines for the same period (using the established expenditure limits for each budgetary user), for the first time established a strong link between priorities and the budget, and integrated strategic planning in the three-year budgetary framework.

The PEP, relying on these two documents, defines the macroeconomic and fiscal framework for the next three-year period, the priority areas of government policy, the order of these priorities, as well as specific measures for the successful implementation of structural reforms in the economy. In 2004 the government produced the first PEP for the period from 2005 to 2007 with a plan of structural reforms.

2.1.1. Evolution of strategic planning

The government's strategy for the period of 2010–2012 marks the beginning of the strategic planning process in Croatia. This document provides an overview of priorities by sectors because it is based on the strategic plans of ministries. Prior to 2010 Croatia had developed sectoral planning documents, but unfortunately, these strategic documents often contain only descriptions of the content of reforms and provide no interconnection between those reforms and the budget that is supposed to ensure their implementation.

Figure III-1: Linkages among strategic planning documents



The PEP documents since 2005 contain the matrix of implementing measures and an elaboration of the structural reforms and activities to be implemented. In the appendixes of the PEP, the statistical supplement, there are estimates of the fiscal impact of major structural reform measures for the two-year period and projects financed from EU funds; a matrix evaluates the success in implementing the measures set out in the PEP from the previous period.

In March 2008 the government adopted a Public Administration Reform Strategy 2008–2011, which identified the need to introduce methods of strategic planning and definition of strategic priorities. One of the reasons for the adoption of the Strategy is the European Commission's 2007 report on Croatia's progress, which noted that Croatia needed to strengthen the link between strategic planning and budgeting.

The strategy for improvement and modernization of the state treasury 2007–2011 is a strategic document that highlights the methods and aims for modernizing the budgetary process to introduce and maintain fiscal discipline. The strategy introduced strategic planning, multi-annual budgets, and more flexibility in executing the state budget with a focus on achieving results, not only indicating the funds spent.

In mid-2008 the government and the Parliament approved a new budget law (which came into force on January 1, 2009). The act introduced a number of

changes, such as a multi-year budget framework, which along with the budget for one fiscal year also requires projections for the next two years.

The Strategy of Government Programmes was based on the strategic plans of ministries and other government bodies. Under the new Budget Act (Official Gazette, 87/08), this strategy is prepared annually and includes goals and priorities for the next three years. The strategy for the period 2010–2012 for the first time linked the strategic and budgetary planning and clearly defined goals and priorities that should be implemented through government programs. Strategic plans have provided an overview of sectoral goals, whereas strategies of the government have secured the allocation of budgetary resources to the 12 major goals (which are further elaborated in the 46 specific goals) that will achieve the greatest impact in priority areas (see Table III-7 below).

The importance of strategic planning was also recognized in the Fiscal Responsibility Act (Official Gazette 139/10). It provides that the head of the budgetary user each year prepares a statement of fiscal responsibility for the preceding fiscal year. With this statement, the budgetary users' heads confirm that they will provide legal, functional, and purposeful use of resources and the efficient and effective functioning of financial management and control within the funds provided in the budget.

The decree on the preparation and delivery of the statement of fiscal responsibility and report on the implementation of fiscal rules (Official Gazette, 78/11) prescribes the form, content, procedures, and deadlines for preparing and submitting the statement. The budget head gives a statement on the basis of a completed questionnaire on fiscal responsibility, which gives an indication on the progress of preparing and publishing strategic plans, and linking them to the state budget.

2.1.2. The present state of strategic planning

In 2012, most of the relevant ministries prepared a strategic plan for the period 2013–2015. In July 2012 the government also produced a Strategy of the Government Programme for the period 2013–2015. The main strategic programs were transferred to the budget planning process, in which programs, activities, and projects were quantified and funds for their implementation ensured. The relevant ministries have established goals, priority programs, and projects, to be nominated by the government and the MoF for consideration and adoption.

The methodology of strategic planning is improving every year. In the cycle of development of strategic plans for the period 2013–2015, the emphasis is on reviewing performance indicators and ways to achieve specific objectives. Work has continued on the determination of risks that may affect the achievement of the goals set. The Strategy of the Government Programme's implementation has been provided through the achievement of 12 general objectives. It has included operational programs that are funded from the EU pre-accession programs, and expanded the scope with the Cohesion and Structural Funds;

thus, the strategy emphasizes that the EU funds and programs financed with them are an integral part of the state budget. In the State Budget for 2013 (and projections for 2014 and 2015), funding for the implementation of programs is planned within the limits of total expenditures as determined by the government. In July 2012, the government adopted the Economic and Fiscal Policy Guidelines for the period 2013–2015. The guidelines have not changed the basic strategic priorities and objectives that are aligned with the strategy of government programs.

In practice, there is a problem in connecting the PEP with the Government Strategic Programme and with the Economic and Fiscal Policy Guidelines. These weaknesses are mostly the inability to clearly identify the structural reforms, calculate their cost, and transfer this to the budget by program.

The process of producing the PEP starts with the EC invitation and continues through formal meetings of a working group consisting of staff of various ministries and other government bodies who have a coordinating role with the MoF. The formal process of the PEP takes about four months. It starts in September, when the government appoints a committee for coordination of the PEP, consisting of representatives of the MoF and relevant ministries (see Table III-1).

The elements contained in the PEP are not taken into account in preparing the budget, but neither are the dynamics of the planning and implementation of the state budget taken into account in preparing the PEP. Preparing the PEP in the system of public finance has become an exercise in preparing the national reform programs. The PEP conducts cost estimates, revenue estimates, and the net financial impact of structural reforms, but without clearly defining structural reforms and methodologies. The process of drafting and adopting the PEP has not progressed at the same pace as preparation, planning, and approval of strategic plans and budgets of Croatia. Thus, from 2004 to 2007 the government approved the PEP in the November and December of the year preceding the year of PEP implementation (e.g., PEP was enacted in December 2005 for the period from 2006 to 2009). However, from 2008 to 2011 the government approved the PEP at the beginning of the year in which the *de facto* implementation started.

Table III-1: PEP preparation process for the period 2011–2013

	Activities	Responsible institutions	Start	Finish	Duration (days)
1	1 st meeting of the coordination body	MoF and LMs' representatives	Sep 13, 2010	Sep 13, 2010	1
2	Define working group	LMs' representatives	Sep 13, 2010	Sep 17, 2010	5
3	1 st working group meeting	MoF and LMs' representatives	Sep 20, 2010	Sep 20, 2010	1
4	Data collection and the first PEP working draft	MoF and LMs' representatives	Sep 20, 2010	Oct 18, 2010	21
5	2 nd working group meeting	MoF and LMs' representatives	Oct 22, 2010	Oct 22, 2010	1
6	Finish of the working draft of PEP		Oct 22, 2010	Nov 3, 2010	9
7	2 nd meeting of the coordinating body	MoF	Nov 9, 2010	Nov 9, 2010	1
8	Review of the PEP first draft	MoF	Nov 10, 2010	Nov 17, 2010	6
9	Meeting—identification of necessary changes for the PEP update	MoF and LMs	Nov 18, 2010	Nov 18, 2010	1
10	PEP update	MoF	Nov 19, 2010	Nov 24, 2010	4
11	Editing the final PEP version	MoF	Nov 24, 2010	Nov 26, 2010	3
12	MoF sends the PEP to the line ministries		Nov 29, 2010	Nov 29, 2010	1
13	Opinion of proposal of responsible ministries on the PEP		Nov 30, 2010	Dec 3, 2010	1
14	Final editing		Dec 6, 2010	Dec 8, 2010	3
15	MoF sends final the PEP to the government for discussion and approval		Dec 10, 2010	Dec 10, 2010	1
16	PEP English translation		Dec 10, 2010	Jan 3, 2011	1

Table III-2: Pre-accession Economic Programme approval and implementations

Approval	Oct. 2004	Dec. 2005	Oct. 2006	Oct. 2007	Jan. 2009	Jan. 2010	Jan. 2011	Feb. 2012
Period of implementation	2005-2007	2006-2008	2007-2009	2008-2010	2009-2011	2010-2012	2011-2013	2012-2014

In July 2013, Croatia is scheduled to become a new EU member state. With membership there is a need to develop two key documents that replace the PEP. These are the National Reform and Convergence Programmes. In 2012, the Ministry of Regional Development and EU Funds will start coordination and preparation of the National Reform Programmes. Depending on the contents of the document, all relevant government bodies will participate in its preparation.

The MoF in cooperation with the Croatian National Bank will coordinate the process of developing the Convergence Programme, with other relevant government bodies assisting when necessary. The government should submit both documents to the European Commission by the beginning of April 2013. From 2013 Croatia will need to present the National Reform Programme in the same time frame as all other EU member states. This will change the annual calendar, as the PEP was prepared by the beginning of the year whereas the National Reform Programme (NRP) will need to be presented in April each year.

2.2. The role of budgetary institutions in preparing the budget and medium-term fiscal framework

The Ministry of Finance is responsible for preparation and implementation of the government's fiscal policy. One of its main tasks is effective management of public finances, which has to ensure overall fiscal discipline that is essential for macroeconomic stability. Measures include strengthening fiscal controls, improving inter-sectoral allocation of resources, and ensuring greater flexibility to effectively manage and develop the performance accountability system.

There are two key strategic umbrella documents in which the government defines structural reforms. The first is the PEP, and the second is the Strategy of Government Programs. Both documents are for the medium term.

The MoF played a leading role in introducing the strategic planning process. Paragraphs of the Budget Act provide that the MoF, in collaboration with the Central Office for Development Strategy and Coordination of EU Funds, annually compiles instructions for making strategic plans for the three-year period, collects existing strategic plans, and creates the Strategy of Government Programs for a three-year period and recommends it to the government. In this process, the main role has been played by the MoF, while the role and involvement of the Central Office for the strategy was extremely small. The Central Office was abolished in 2012, with its role taken over by the Ministry of Regional Development and EU Funds, which plays a major role in drafting the National Reform Programme.

In the process of developing strategic plans, ministries and other government agencies have a crucial role. They are obliged to publish strategic plans on their official websites.

According to the calendar set out in the Budget Act, the MoF drafts at the end of May the Economic and Fiscal Policy Guidelines. Guidelines are based on the Strategy of Government Programs for the three-year period ahead and get

adopted by the government. In recent years, the adoption of the guidelines has moved to the end of July or beginning of August. All key indicators provided by the guidelines (including the limits set by the government) are then transferred into instructions for drafting the state budget. When receiving those instructions, budgetary users prepare their proposals of financial plans, within which they autonomously decide on the allocation of funds to programs, activities, and projects in their jurisdiction. In preparing the plan for their programs, project activities must comply with the limits set for the overall level of spending. In practice, ministries usually are not satisfied with the allocated limits. They may ask the government to change the limit but with an explanation provided, which the government may accept on the basis of its reasoning.

By October 15, the MoF drafts the state budget for the fiscal year and the projection for the next two years and submits these to the government. The government determines the proposed budget and projections by November 15, and submits them to the Parliament for approval. By the end of the year the Parliament adopts the annual budget and projections for the next two years.

2.3. Procedures for preparing budget and medium-term program framework

The process of preparing the budget and the medium-term budgetary framework is determined by the provisions of the Fiscal Responsibility and Budget Act. The act has introduced fiscal rules to be followed when preparing the budget and projections for the three-year period. Its provisions determine the methodology for preparing the national budget.

The budget planning process begins with the drafting of the strategic plans of ministries and other state bodies. To ensure a uniform and balanced approach to the development of strategic plans, the MoF annually compiles instructions for their preparation. Based on the strategic plans, the government drafts the Strategy of Government Programs for the three-year period.

The first cycle of strategic planning began in 2009, with the creation of strategic plans for the period from 2010 to 2012; budget users made strategic plans for the three-year period for the first time as well. The MoF has realized the importance of defining the quality framework of the strategic plan, and the budgetary users were asked to identify a vision and mission, connecting these with the general and specific objectives and indicating the ways to realize them.

Analysis of strategic plans for 2010–2012 showed that the second cycle of developing strategic plans should begin by analyzing the current situation. Budget institutions determined whether general and specific goals and ways to achieve them are well-defined or require further work. On the basis of information obtained by analyzing the current state, budgetary users have, in explaining specific goals and ways to achieve objectives of the strategy, described the current situation and identified performance indicators. In the second cycle of strategic planning, 2011–2013, the MoF conducted further analysis and determined performance indicators.

The strategic plan identified two types of indicators: outcome and output indicators. This was the first step in establishing a system of responsibility for setting goals and ways to achieve them. The allocation of budgetary resources to achieve goals will have the greatest impact in priority areas.

In the cycle of strategic planning for 2011–2013, the MoF has established a system for monitoring and reporting on the success of goals and ways to achieve those defined in the strategic plan. Establishing such an accountability system has been further bolstered by naming the persons responsible for monitoring the implementation of the strategic plan at the level of each specific goal and a particular way of accomplishing it.

Box 1: Relationship between strategic planning and budget development

It is important to achieve the interconnection of strategic planning and the budgeting process. The strategic plan defines the action lines of the budgetary institutions, while the budget defines programs, activities, and projects and provides resources for implementation. Programs in the budget are associated with the objectives of the strategic plan. Linking specific objectives of the strategic plan with programs in the budget, ways to achieve the strategic plan with the activities, and projects in the budget has created a connection that allows monitoring of the implementation and achievement of objectives. In the second cycle of strategic planning, institutions have linked goals and ways to achieve the strategic plan with programs, activities, and projects from the state budget through the binding table. In this cycle, the link between the strategic plan and the state budget is presented (see Table III-7 in the Appendix). These tables are included in the strategic plan.

The third cycle of strategic planning, for 2012–2014, began with the introduction of the risk management process. This involves the identification and assessment of risk, treatment, and monitoring and reporting on risk management. Due to the complexity of the process, attention is focused on identifying and risk assessment.

In the most recent cycle of strategic planning, the Strategy of Government Programs was developed for 2013–2015 (and adopted by the government in July 2012) with the following strategic objectives: (1) macroeconomic and economic stability; (2) optimal environment for development of a competitive economy; (3) balanced regional development; (4) strengthening social justice; (5) protection, preservation, and promotion of health; (6) promotion of knowledge, excellence, and culture; (7) environmental protection and development; (8) a competitive agri-food and fisheries sector; (9) improving the competitiveness of tourism, affirming Croatia as one of the leading international tourist destinations; (10) strengthening the rule of law; (11) maintenance of public and national security at the highest level; and (12) further strengthening the international position of Croatia and the preservation of national identity.

As these are strategic and long-term goals, they do not change from year to year; but their ranking indicates the priorities for the forthcoming medium term, which should be reflected in the limits established by the Government in the Economic and Fiscal Policy Guidelines.

The Strategy of Government Programs defines key objectives and priorities of the government for a three-year period and is the basis for producing the Economic and Fiscal Policy Guidelines. Content of the guidelines is defined by the budget. The guidelines include: goals and tasks of economic and fiscal policy in the medium-term macroeconomic projections; the priorities of fiscal policy; the determinants of revenues and expenditures of the general government (including the distribution of the total state budget expenditure for the three-year period head for each budget user); and the anticipated changes in public debt and related management strategy. The existence of budget limits supports planning the budget according to strategic objectives and government priorities. The guidelines describe strategic objectives and reforms of the government in the same manner as the Strategy of Government Programs.

By the end of June of a given year, the MoF prepares instructions for drafting the state budget. These include the basic indicators of the economic and fiscal policy, development methods, and timelines for the state budget. Based on the limits and guidelines, budgetary users develop their budget proposals for the financial plans. With the financial plans, users decide on the allocation of funds to their programs. An integral part of each financial plan is an explanation, which shows program budget guidance, the emphasis on outcomes that selected programs intend to establish, and performance indicators to achieve the objectives.

Box 2: Contents of the budget users' explanation of the financial plan

Draft financial plans for the budget users include: a) a summary of the scope of the budget user's programs, b) legal and other bases for the programs; c) the objectives, strategies, and programs to document long-term development; d) outcomes and indicators on which the calculations and assessments of resources necessary to implement the program are based; e) a statement of the goals achieved and the results of a program based on performance indicators of the budgetary user in the previous year; and f) other explanations and documentation.

In 2009, the Budget Act introduced a multi-year budget framework, and obligated the MoF to prepare a draft budget for the fiscal year and a projection for the next two years. Up to October 15, the MoF submits to the government a draft budget and projections. By November 15, the government discusses and adopts the draft budget and projections, and sends them to the Parliament for debate and adoption.

The goal is to establish a medium-term budget framework (projections are not binding), which would ensure that the budget documents carefully explain how the estimates of budget items and perennial estimates are associated with estimates from previous years. From 2010, the state budget is passed in a less detailed level because the ministries and other government agencies want to provide more flexibility in the execution of the budget and financial plan.

Table III-3: Budget planning process in Croatia

	Activities	Responsible institution	Deadline
1	Prepare instructions for the preparation of strategic plans for the three-year period and submit to budget users	MoF and Central Office for Development Strategy and Coordination of EU Funds	March 15
2	Develop strategic plans for the three-year period and deliver it to the MoF	Budget users	April 15
3	Prepare government programs for the three-year period proposed by the government	MoF and Central Office for Development Strategy and Coordination of EU Funds	April 30
4	Adopts the Strategy of Government Programs for the three-year period	Government	May 15
5	Drafts the Economic and Fiscal Policy Guidelines proposed by the Government for the three-year period ahead	MoF	May 31
6	Approves the Economic and Fiscal Policy Guidelines	Government	June 15
7	Provides instructions for drafting the state budget budgetary and extra-budgetary users	MoF	June 30
8	Submit the draft financial plan to the relevant ministry	Budget users	July 15
9	Deliver consistent financial plan proposals to the MoF	Responsible ministries	July 31
10	Prepares the draft budget for the fiscal year and the projection for the next two years, submits these to the Government	MoF	October 15
11	Determines the budget proposal and projections, passes them to the Parliament	Government	November 15
12	Adopts the budget for the next fiscal year and the projections for the next two fiscal years	Parliament	End of the year

3. Incorporation of structural reforms' fiscal costs into fiscal programming documents

The main aim of the third part of this paper is to assess the integration of the fiscal costs of structural reforms into the medium-term and annual fiscal program.

3.1. Evaluation of the overall fiscal system programming and the fiscal costs of structural reforms

Until 2002 there were few strategic documents in the public sector. Since then government bodies have created over 200 national strategies, programs, plans, and similar documents from sectors including statistics, health, agriculture, forestry, fisheries, livestock economy, environmental protection, social policy, science and education, transport, tourism, consumer protection, national minorities, computerization, security, and defense. However, these documents often present the strategic planning documents of one ministry or other government body without indicating a clear interface or hierarchy with other such bodies. The implementation of these strategies in a number of cases was led exclusively by the procedures of individual institutions.

The introduction of a strategic planning process has aimed to connect the existing strategic documents and the budget as an instrument of their implementation. Strategic plans, which were developed for the first time in 2009, did not replace the existing strategic planning documents and functions, but were based on existing documents in a way that takes into account the objectives, but also changes in the environment (e.g., reduced financing, different priorities). To direct ministries and other state authorities to the development of strategic plans, instructions for making strategic plans for the three-year period were issued. In addition to the instructions, the MoF provides technical assistance to ministries and other government bodies by organizing group workshops and individual consultations.

Throughout the period there was no clear explanation of the term “structural reforms,” the dynamics of their implementation, and in particular the assessment of their fiscal impact. The concept of structural reform is more present in the PEP, which gives an estimate of the fiscal impact of the reforms and analyzes steps in their implementation. Structural reforms and their cost estimates are less present in the Economic and Fiscal Policy Guidelines and the Strategy of Government Programs, but they need to integrate and connect with the medium-term budgetary framework and budget. Thus, the state budget programming approach was enforced in 2010 (although the budget program classification had been in force since 2002). On the basis of the Budget Act, the MoF (Official Gazette, 87/08) announced new rules on budget classifications (Official Gazette, 26/10).

The 2007 PEP provides a matrix which elaborates on structural reforms through specific measures to be implemented. In the PEP's statistical annex, there are estimates of the fiscal impact of major structural reform measures outlined in the two-year period and projects financed from EU funds, as well as a matrix that evaluates the success in implementing the measures set out in the funds allocated from the previous period.

Table III-4: Content of Pre-accession Economic Programmes

Year	2004	2005	2006	2007	2008	2009	2010	Feb. 2012
Time period	2005-2007	2006-2008	2007-2009	2008-2010	2009-2011	2010-2012	2011-2013	2012-2014
Current economic developments (framework and objectives of economic policy)	+	+	+	+	+	+	+	+
Macroeconomic program (current macroeconomic trends)	+	+	+	+	+	+	+	+
Public finance	+	+	+	+	+	+	+	+
Structural reforms	+	+	+	+	+	+	+	+
Matrix (economic policy) implementing measures	+	+	+	+	+	+	+	+
Supplement								
Assessment of the effects of fiscal structural reforms		+	+	+	+	+	+	+
Fiscal Effects projects financed from EU funds		+	+					
Statistical Appendix		+	+	+	+	+	+	+
Matrix on the implementation of reforms in the previous program								

Source: Pre-accession Economic Programmes.

The PEPs justify targets, measures, and activities in each of the priority areas of structural reforms (see Table III-5) and state the fiscal effects of their implementation (Table III-8 in the Appendix).

Table III-5: Structural reforms

4.2.1 Entrepreneurship sector	4.2.1.1 Market competitiveness and state aid
	4.2.1.2 Privatization
	4.2.1.3 Railway restructuring
	4.2.1.4 Ship-building restructuring
	4.2.1.5 Energy
	4.2.1.6 Small and medium size entrepreneurship
	4.2.1.7 Public-private partnership
4.2.2 Financial sector	4.2.2.1 Banking sector
	4.2.2.2 Non-banking sector
4.2.3 Labor market	4.2.3.1 Employment incentives
	4.2.3.2 Social security system
4.2.4 Agriculture	
4.2.5 Public administration reform	
4.2.6 Other reforms	4.2.6.1 Knowledge-based society
	4.2.6.2 Health care reform
	4.2.6.3 Judicial reform
	4.2.6.4 Environment protection

Source: Pre-accession Economic Programmes 2012–2014.

Fiscal impacts are related to the allocation of budgetary resources for implementing specific measures, and provide information on financing from loans and funding assistance from the European Union. The PEPs list total costs in the medium term to implement certain structural measures, as well as net outflows from the budget.

Table III-6: An example of effect estimates of structural reforms

	2011	2012	2013	2014	
Overall fiscal impact assessment					
A	Implementation				
B	Net direct impact on budget				
	-1,105.3	1,154.8	497.7	263.3	
B1	Direct impact on revenue	319.1	168.5	-122.2	128.9
B2	Direct impact on expenditure	-1,424.5	-986.3	-619.8	-134.4
I	Entrepreneurship sector				
	Net direct impact on budget	-236.6	86.8	-0.6	-0.4
	Direct impact on revenue	11.8	20.9	-21.9	1.0
	Direct impact on expenditure	248.4	-65.9	-21.3	1.5
1	Market competition and state aid				
	Implementation				
	Net direct impact on budget	-0.5	-0.6	0	-0.0
	Direct impact on revenue	-0.4	4.0	7.5	0
	Direct impact on expenditure	0.1	4.6	7.5	0.0

	2011	2012	2013	2014
2. Railway restructuring				
Implementation				
Net direct impact on budget	370.7	547.4	228.1	82.6
Direct impact on revenue	88.1	9.2	231.6	91.6
Direct impact on expenditure	-282.6	-538.3	3.5	9.0
....				

Note: Expenditure figures in MM HRK. – Source: Pre-accession Economic Programmes.

In the PEP the government emphasizes the most important measures that will have a fiscal impact in the coming period, primarily from the reduction of subsidies (railways, shipyards, agriculture, etc.), concerns about the stability of the social security system (legislative changes aimed at eliminating differences between “new” and “old” retirees), and so on. The PEP estimates the total net impact of implementation of structural reforms; for example, in the medium term of 2010 to 2012, the net increase in budgetary allocations averages around 0.04% of GDP. Budget revenues related to some of these measures will record an average growth of 0.03% of GDP, while expenditure will grow by 0.07% of GDP.

Unfortunately, the approach through which the PEP deals with structural reforms and their cost is not present in the Economic and Fiscal Policy Guidelines. These are a technical document which specifies the goals of economic and fiscal policy in the medium term, macroeconomic developments, and public debt in the medium term. The guidelines also survey key strategic objectives of the government’s strategy in focusing on certain major activities and projects to be implemented by individual ministries, but without providing a clear overview of structural reforms. This reflects the lack of a systematic approach to planning and structural reforms. The civil servants who are largely responsible for writing policy documents do describe further improvements in their scope, but without instructions and goals set by higher-level management. One of the main problems is a lack of vision in the organization, establishing priorities and the manner of implementation of structural reforms at the level of political decision-makers (i.e., on the government level).

However, basic technical knowledge in assessing the fiscal impact of legislation and policy documents does exist. Since 2005, ministries are required to estimate costs and benefits of the implementation of laws and regulations proposed for adoption, and since 2007 they develop and evaluate the effects of planning documents (e.g., strategies, policies, national programs) as the suggestions of these acts may affect the preparation of proposed regulations and provide guidance and a framework for future government work.

Regarding fiscal impact assessment of capital projects, the Budget Act (Article 45) prescribes that state budget users may assume commitments for investment projects only after expert assessment has been completed and the investment project’s justification and efficiency have been evaluated. Some

budget users are following this procedure. However, for a more systematic approach, it is necessary to prescribe methodology. Although the Budget Act envisages that the government will prescribe that methodology by a decree, the MoF has yet to draft one.

The reasons for the relative low transmission of goals for implementing structural reforms should be sought in the existence of a large number of strategic documents at ministries, which are sometimes not well aligned in content and time frame (see Box 3).

Box 3: Strategic objectives of the Ministry of Sea, Transport and Infrastructure

The Ministry of Sea, Transport and Infrastructure establishes a specific objective 5.3.: The development of the transport system. This specific objective is related to the overall objective of economic development. However, defining the general goal stemmed from more time and scope, with uncoordinated policy documents. These are:

- Transport Development Strategy (Official Gazette, 139/99)
 - National program for railway infrastructure, 2008–2012 (Official Gazette, 31/08)
 - Strategy of river transport, 2008–2018 (Official Gazette, 65/08)
 - Medium-term plan for the development of inland waterways and inland ports, 2009–2016
 - Pre-accession strategy of the Croatian maritime (2005)
 - National strategy for the transport sector under the Instrument for Structural Policies for Pre-Accession (2004)
 - Law on the 'Ratification of the Agreement between the Croatian Government and the European Commission amending the Financing Agreement for a multi-year Operational Programme'
 - "Transport" for Community assistance from the Instrument for Pre-Accession Assistance under "Regional Development" (Official Gazette, 11/10)
 - National Programme for the Protection of Civil Aviation (Government adopted at the session of February 4, 2010)
-

Most of the existing government sector strategies need to be updated because they are time-inconsistent and sometimes have only a short study period—usually up to three years. New strategies should be developed for a seven-year period, more like the Ministry of Tourism's strategy 2013–2020, which is aligned with the EU financial perspective. The current economic strategy covers strategic objectives by 2013.

3.2. Budget institution participation in the process of structural reform and fiscal documents

The MoF has, in technical terms, ensured that all conditions are in place for analysis of the fiscal costs of structural reforms, as well as for strategic budget planning and directing the development of strategic plans. However, the government is supposed to provide the central impetus for clearly profiling strategies and the time to coordinate and harmonize the process of strategy development, reflecting the state strategies and the potential costs of structural reforms in each sector.

Strategic documents, laws, and regulations do not contain a clear and comprehensive definition of structural reforms. True, the PEPs do mention structural reforms in several places, but only in the broader sense of the need to implement fiscal consolidation.

Beside the definition, there is no sufficiently defined methodology for assessing the cost of structural reforms. In the process of preparing the PEPs, the MoF has not received from the European Commission any guidelines or methodological instructions that could enable it to carry out, quantify, and evaluate the fiscal costs of such reforms, estimate revenue for their implementation, and evaluate the net fiscal impact.

This deficiency was evident in the pre-accession negotiations under Chapter 22. However, this problem has not been given much attention because other negotiating criteria have been more pressing.

The lack of a glossary and methodology has directly influenced the quality and content of pre-admission assessment of the fiscal impact of structural reforms.

In developing cost estimates of such reforms, the MoF's Department of Macroeconomic Analysis focused only on revenue estimates, whereas the estimates of expenditure relied on the line ministries. The estimate of structural reforms looked like a paper exercise and not a real, serious evaluation based on deeper analysis and a pre-established analytical and methodological framework.

In short, there remain two parallel and uncoordinated processes, because the line ministries and the MoF professionals who are involved in the development of strategic planning of the budget are not participating in the development of PEPs. In this process only staff of the MoF's Department of Macroeconomic Analysis participated.

Due to the absence of clearly defined terms for structural reforms or a methodology of estimating the costs and the net effect, it has not been possible to develop any ex post indicators of the implementation of targets set, so no ex post analysis of the implementation of structural reforms exists.

Composing a strategic plan represents a technically demanding assignment for employees of the ministry, and it has to be performed as a basis for creating a budget. Strategic planning of the budget is a demanding assignment that prevents employees of the ministry from collecting data for PEPs, composing relevant information on expenses, and estimating the net effects of structural reforms.

Costs related to structural reforms are an unknown (and abstract) concept in ministries, which are often short on expert employees (especially senior employees) who fully understand the problem. The MoF will have to do most of the work in estimating the costs of structural reforms. It will have to define the concept, create a methodology for cost estimates, connect estimates with existing strategic documents, and organize many workshops to explain the concept and model of the cost estimate of structural reforms.

3.3. Quality assessment of transferring the costs of structural reforms in the government's fiscal program

Key barriers for integrating the costs of structural reforms in the government fiscal program are a lack of vision and goals for structural reforms, and ways to implement them, especially when this includes multiple institutions and needs coordination at a level of government that is not organizationally resolved.

The Fiscal Responsibility Act established rules for strengthening fiscal responsibility. The first regulates liabilities over the plan. For every budgetary user, if liabilities are created with a maturity beyond the level envisaged in the state budget of the financial plan, in the next budget year the amount is reduced by the amount of liabilities created above the level envisaged in the state budget.

The second rule relates to assessment of the fiscal impact of legislation, one of the key instruments of good fiscal management and budget planning. Serious assessment of such impact was introduced in 2005. The government has taken a decision which prescribes the content of the standard methodology for assessing financial performance. This decision was made pursuant to government rules. Although the obligation to report estimates of the financial effects of proposals of different regulations was already in place, this projection is submitted as an attachment to the text of proposed regulations and is mainly indicative, without any financial implications for the budget.

A decision about the form of standard financial impact assessment and implementation of proposed regulations is closely linked with the program classification of the state budget, which has improved control of these mechanisms for the MoF. Determining the costs and benefits of the implementation of certain laws and regulations through programs, activities, and projects was largely transferred to the responsibility of the central government bodies as bearers of the program. In parallel, awareness and responsibility of the government for the financial consequences of adopting a regulation increased.

Box 4: Statement on the assessment of fiscal impact

The process to make a statement on the assessment of financial impact:

- The applicant shall complete the form and submit it to the Ministry of Finance at the same time as indicated by the proposed regulation to the manifestation of the relevant ministries, in accordance with the rules of procedure.
 - MoF reviews the testimony and enters its comments.
 - After the adoption or acceptance of objections, the applicant submits the response to the opinion of the MoF.
 - This is followed by the final statement of the MoF.
 - The statement from the MoF shall be submitted to the government and its working bodies. This will enable the participants of these meetings to consider the fiscal performance, which may cause the application of certain regulations on budgets in the decision-making process.
-

An amendment to the Rules of the Government in June 2007 expands the scope of the fiscal impact of the implementation of regulations. The government in 2008 adopted a new decision on the standard methodology for estimating fiscal impact. Proposed laws, ordinances, regulations, and laws passed by the government, and proposed to the Parliament cannot be adopted without an opinion from the MoF on the assessment of the fiscal impact. This places emphasis not only on making a statement assessing the fiscal impact, but on strengthening the role of the MoF in this procedure. One of the objectives of this act is to provide and maintain fiscal discipline. An estimate of the financial effects of the application of laws and regulations anticipates future changes in the level of public expenditure in the planned macroeconomic framework. At the beginning of the budgetary process, the MoF sets limits of the amount of financial plans of the ministries. To better determine the limit, the MoF must have information about the cost of implementing laws, regulations, and strategic documents in the coming years.

Since 2009 the MoF has had a key role in developing strategic planning of the budget in the medium term and translating structural reforms into the budget planning process. It has led efforts to quantify and analyze the fiscal impact (cost) of structural reforms. Relevant ministries and spending agencies have adopted the practice of strategic planning and the transfer of strategic plans in preparing their budgets, based on a large number of workshops, both group and individual, that the MoF has held over the past few years.

The strategic planning process has been successfully linked to the goals and priorities of implementing the PEPs. Planning of programs and projects financed from EU funds was done in parallel until 2010, when it became an integral part of the budget. Thanks to the reform of budgetary classifications, introduced by changes in the rules on classification and chart of accounts, the system has been fully completed. The budget has moved from a system of records to the management of public finances.

Although program classification was introduced in 2002 at the central and local levels of government, until the introduction of strategic planning there was no program-based budgeting. Planning by program is primarily understood as a grouping of expenditures in various activities and projects, and then linking them into programs. Looking into the planning process was focused primarily on the type and amount of the costs, not the program's results. So the process of budget execution focused exclusively on the discrepancy between planned and actual values. The results of the program and its impact on quality, efficiency, and effectiveness in delivering public goods and services were rarely monitored.

Changes to the program classification began in 2009, reducing the number of programs from 410 to 341; and further rationalization continued in 2010, when the number of programs dropped to 185. By reducing the number of programs and connecting them with the goals of the Strategy of Government Programs, the transparency of the national budget has increased, allowing better monitoring of their implementation. Along with the general and special part of the budget, the explanation of the financial plans of budgetary users is becoming an important part of the budget.

In the budgetary system of Croatia, two types of indicators have been developed: output and outcome. Output indicators relate to produced goods and services that are created by various activities. Outcome indicators provide information on the effectiveness, long-term results, and social and economic changes that are developed in achieving specific goals. Through an annual report on the execution of the state budget for the second year, in over 1,000 pages, the results of the implementation of programs, activities, and projects are being explained.

The European Union has recognized the importance of integrating the monitoring and reporting of budgetary processes: see EC/Euratom regulation 1605/2002 of June 25, 2002. The European Commission has mandated that for all fields of activity covered by the budget, goals have to be set that are specific, measurable, achievable, relevant, and time-defined. Achieving these goals for each activity is monitored through performance indicators. Every administrative body that is authorized for spending budgetary funds must submit this information to the budgetary authority.

4. Conclusions and recommendations

4.1. Conclusions

The process of strategic planning and budgeting in Croatia, which focuses on linking strategic priorities with the budget as a whole, can be assessed positively. In technical terms, a system of strategic budget planning has been initiated in the practice of public finance, and has created the institutional requirements and procedures for monitoring the fiscal effects of laws, regulations, and measures of the government and the state budget. In addition, the system of strategic budgeting includes performance indicators for the set goals and targets the implementation of government programs. The Fiscal Responsibility Act identified the procedures for prudent management of public funds. In short, it can be concluded that all necessary procedures are established and that in this process the MoF has played a key role in creating and linking strategies and strategic plans of the government with the annual budget and the medium-term fiscal framework.

This process still has certain weaknesses. For example, the Economic and Fiscal Policy Guidelines determine the limits of the financial plans of the ministries and other state bodies. However, no distinction is made between limits of the basic budget, the budget reflecting costs of existing policies, and the budget that accounts for any policy changes, which may be necessary in implementing a medium-term budget framework. It is obvious that there are problems that are not technical in nature and that primarily relate to a lack of clear vision encompassing the essence of structural reforms, which should be presented to the political leaders (government). Potential problems lie in coordinating and

providing clear guidance on the prioritization of structural reforms and the timing for developing strategies, so that individual sectors can recognize and quantify the necessary structural reforms and establish the financial resources for their implementation.

The government has, through the PEPs, tried to extract from existing budgets the sector activities in which Croatia has carried out structural reforms. Thus, in the PEP there is a list of sectors and measurable statements of the costs of structural reforms and their impact on the budget. Unfortunately, such a statement was not in the Economic and Fiscal Policy Guidelines or in other budget documents. The problem is that different organizational units and professionals of the MoF work on the strategy of the government, the guidelines, and the PEP.

There is no clear definition of the concept of structural reforms. This is confirmed by examining the content of strategic documents, laws, and ordinances. The PEP in several places mentions structural reform, but only in the broader sense of the need for fiscal consolidation.

Apart from the definition, there is no sufficiently clear methodology for assessing the cost of structural reforms. In preparing the PEP, the MoF has not received any guidelines, methodological instructions, or terminological reasoning from the European Commission that could be used to quantify and evaluate the fiscal costs of structural reforms, the revenue needed for their implementation, and their net fiscal impact.

4.2. Recommendations

At the beginning of the process of developing the strategy, the government should clearly define the term and content of structural reforms. For Croatia, these are associated with the same or similar reform priorities as those established at the EU level.

It is necessary to establish a clear methodology to estimate the fiscal costs of structural reforms and assess their net effect. Determining the methodology is equally important for current and capital expenditures.

A developed system of strategic budget planning is the basis for estimating the cost of structural reforms and their impact. It is very important to coordinate the process of drafting economic development strategies, the National Reform Programmes, Strategies of Government Programs, and the Economic and Fiscal Policy Guidelines.

The government needs to adopt a national program of reforms that are consistent with the financial perspective of the European Union. The national reform program, as a strategic umbrella document, should be linked to the budget and medium-term fiscal outlook.

It is necessary to ensure continuous training of staff in the relevant ministries so that they can develop effective strategies and related documents, in particular training in the technical aspects of calculating the costs of structural reforms.

The government needs to coordinate the entire process of creating new sectoral strategies where necessary so that it can clearly distinguish the costs of existing and new programs that are related to some of the planned measures in implementing structural reforms.

For the implementation of the medium-term budgetary framework, it is necessary to distinguish between limits for the basic budget, the budget that reflecting costs of existing policies, and the budget that accounts for any policy changes.

The government should improve coordination and provide clear guidance on the prioritization of structural reforms, as well as the timing for developing strategies, so that individual sectors can recognize and quantify the necessary structural reforms and establish the financial resources for their implementation.

The whole process requires constant education of administrative and professional staff working on strategic and planning documents. Continuing education is especially needed for the application of the guidelines, the adoption of methodologies, and instructions for preparing a plan of structural reforms and assessing their costs.

5. Literature and sources

- (2001, 2005). *Economic Recovery Programme*. Rules of the Government of Croatia. Official Gazette, 107/00 (Amendments 24/01 and 22/05).
- (2002a). *National Environmental Action Plan*. Official Gazette, 46/02.
- (2002b). *National Environmental Strategy*. Official Gazette, 46/02.
- (2005, May 25). *Decision on the 'Form of a Standard Financial Impact Assessment'*. Official Gazette, 70/05.
- (2005, October 14). *Waste Management Strategy of the Republic of Croatia*. Pursuant to Article 8 of the 'Waste Act', Official Gazette, 178/04.
- (2008). *Decision on the 'Form of a Standard Financial Impact Assessment'*. Official Gazette, 73/08.
- (2006). *Law on the 'Internal Financial Control in the Public Sector'*. Official Gazette, 141/06.
- (2007a). *Procedure to amend the 'Rules of the Government of Croatia'*. Official Gazette, 68/07.
- (2007b). *Environmental Protection Act*. Official Gazette, 110/07.
- (2008). *Law on the 'Budget'*. Official Gazette, 87/08.
- (2009, February 27). *Strategy for Sustainable Development of the Republic of Croatia*. Pursuant to Article 44 of the 'Environmental Protection Act', Official Gazette, 110/07.
- Allison, M., & Kaye, J. (2005). *Strategic Planning for Nonprofit Organizations* (2nd Ed.). Hoboken, N.J.: John Wiley and Sons, Inc.

- Bajo, A. (2006). *The Budgetary System: Ornament or Means to Manage Government Finances*. Zagreb: Institut za javne financije, Biblioteka Fiskus.
- Diamond, L., & Last, D. (2004). *Budget Systems Reform in Transition Economies: The Case of the Former Yugoslav Republics*. Paris: OECD.
- EBRD. (2005). *Country Strategy Evaluation for Croatia*. London: European Bank for Reconstruction and Development (EBRD).
- EC. (2004). *Aid Delivery Methods – Project Cycle Management Guidelines* (Vol. 1). Brussels: European Commission (EC).
- EC. (2012). *EU Stability and Convergence Programmes (or updates) and National Reform Programmes 2011*. Retrieved on October 2, 2012, from http://ec.europa.eu/economy_finance/economic_governance/sgp/convergence/programmes/2011_en.htm/.
- Jakir-Bajo, I. (2009). *Financial Plans for Budget Users and the Budget for the period 2010–2012*. Zagreb: Računovodstvo, revizija i financije.
- Jakir-Bajo, I., & Maletić, I. (2009). *Planning System for the Budget, 2010–2012*. Zagreb: Računovodstvo, revizija i financije.
- Kumar, M., Baldacci, E., Schaechter, A., Caceres, C., Kim, D., Debrun, X., Escolano, J., Jonas, J., Karam, P., Yakadina, I., & Zymek, R. (2009). *Fiscal Rules – Anchoring Expectations for Sustainable Public Finance*. Washington, D.C.: IMF, Fiscal Affairs Department.
- Lienert, I. (2010). Should Advanced Countries Adopt a Fiscal Responsibility Law? *IMF Working Paper*, 10(254).
- MFA. (2012). *Strategic Plan of the Ministry of Foreign Affairs and European, 2012–2014*. Zagreb: Ministry of Foreign Affairs and European Integration (MFA).
- MFIN. (2005–2011). *Pre-accession Economic Programmes, 2006–2013*. Zagreb: Ministry of Finance (MFIN).
- _____. (2006–2012). *Economic and Fiscal Policy Guidelines, 2007–2015*. Zagreb: Ministry of Finance (MFIN).
- _____. (2007). *Strategy for the Improvement and Modernization of Processes in the State Treasury, 2007–2011*. Zagreb: Ministry of Finance (MFIN).
- _____. (2009a). *Instructions for the Preparation of Strategic Plans of the Republic of Croatia, 2010–2012*. Zagreb: Ministry of Finance (MFIN).
- _____. (2009b). *Development strategy for Internal Financial Control in the Public Sector of the Republic of Croatia, 2009–2011*. Zagreb: Ministry of Finance (MFIN).
- _____. (2010a). *Instructions for the Preparation of Strategic Plans of the Republic of Croatia, 2011–2013*. Zagreb: Ministry of Finance (MFIN).
- _____. (2010b). *Instructions for the Preparation of the Budget of the Republic of Croatia, 2011–2013*. Zagreb: Ministry of Finance (MFIN).
- MGIPU. (1997). *Strategy of Spatial Planning of the Republic of Croatia*. Zagreb: Ministry of Environment, Physical Planning and Construction (MGIPU).

- _____. (1999). *Spatial Planning Programme of the Republic of Croatia*. Zagreb: Ministry of Environment, Physical Planning and Construction (MGIPU).
- _____. (2009a). *Explanation of the financial budget plan, 2010–2012*. Zagreb: Ministry of Environment, Physical Planning and Construction (MGIPU).
- _____. (2009b). *Strategic Plan, 2010–2012*. Zagreb: Ministry of Environment, Physical Planning and Construction (MGIPU).
- _____. (2010a). *Operating Programme for Environmental Protection*. Zagreb: Ministry of Environment, Physical Planning and Construction (MGIPU).
- _____. (2010b). *Strategic Plan, 2011–2013*. Zagreb: Ministry of Environment, Physical Planning and Construction (MGIPU).
- MMPI. (2012). *Strategic Plan of the Ministry of Sea, Transport and Infrastructure, 2012–2014*. Zagreb: Ministry of Sea, Transport and Infrastructure (MMPI).
- MZOS. (2012). *Strategic Plan of the Ministry of Science, Education and Sports, 2012–2014*. Zagreb: Ministry of Science, Education and Sports (MZOS).
- OECD. (2009). *Croatia Public Expenditure Management System Assessment*. Paris: OECD.
- OECD/SIGMA. (1997). Effects of European Union Accession, Budgeting and Financial Control. *SIGMA Papers*, No. 19.
- _____. (2002). Models of Public Budgeting and Accounting Reform. *OECD Journal on Budgeting*, Vol. 2 (Supplement 1).
- STRATEGIJA. (2006). *Strategic Development Framework 2006–2013*. Zagreb: Central State Office for Strategic Development and Coordination of EU Funds (STRATEGIJA).
- UPRAVA. (2008). *Administration Reform Strategy for the period 2008–2011*. Zagreb: Central State Office for Administration (UPRAVA).
- VLADA. (2009–2012). *Government Strategy, 2010–2015*. Zagreb: Government of Croatia.
- _____. (2010). *Economic Recovery Programme*. Zagreb: Government of Croatia.

6. Appendix

Table III-7: Government strategic program objectives in the period 2010–2012

General objective 1: Macroeconomic stability	
Specific objective 1.1.	More efficient management of public finances
Specific objective 1.2.	More efficient collection of fiscal revenues
Specific objective 1.3.	Strengthening the capacity to use EU funds
General objective 2: Optimum environment for the development of a competitive economy	
Specific objective 2.1.	Enhancing the competitiveness of business entities
Specific objective 2.2.	More developed, more competitive and more flexible labor market
Specific objective 2.3.	A more efficient way to use national resources
General objective 3: Strengthening the rule of law	
Specific objective 3.1.	Judicial reform
Specific objective 3.2.	Combating corruption and organized crime
Specific objective 3.3.	Strengthening the protection of human rights and freedoms
Specific objective 3.4.	Strengthening legal certainty in economic transactions and real estate
Specific objective 3.5.	Improving the capacity and improving the quality of public services and administration
General objective 4: Promoting knowledge, excellence, and culture	
Specific objective 4.1.	Sustainable quality of the educational system and the development of sports
Specific objective 4.2.	Developing science as a driver of long-term social and economic development
Specific objective 4.3.	Excellence of the scientific system
Specific objective 4.4.	Continued development of the information system
Specific objective 4.5.	Development of cultural and artistic creativity
Specific objective 4.6.	Achieving an optimal model of protection and preservation of cultural good
General objective 5: Balanced regional development	
Specific objective 5.1.	Fostering the competitiveness of Croatia's regions
Specific objective 5.2.	Sustainable development of the less developed regions
Specific objective 5.3.	Developing a transport system
Specific objective 5.4.	Sustainable development of water management
General objective 6: Strengthening social justice	
Specific objective 6.1.	Insurance available to protect and improve the quality of life of vulnerable groups
Specific objective 6.2.	Economic empowerment of families, children, and young people
Specific objective 6.3.	Enhancing the dignity of Croatian soldiers in the society

Specific objective 6.4. Strengthening the social security of workers and coordination of social protection of the unemployed minimum

Specific objective 6.5. Developing a sustainable pension system

General objective 7: Croatian positioning as one of Europe's leading tourist destinations

Specific objective 7.1. Developing and promoting the tourism product, destinations

Specific objective 7.2. Effective promotion of tourism products and services

General objective 8: Competitive agri-food and fisheries sector

Specific objective 8.1. Farm enlargement and agricultural land work

Specific objective 8.2. Improving market mechanisms for selling agri-food and fisheries products

Specific objective 8.3. Health protection of humans, animals, and plants, and the protection of consumers' interests

Specific objective 8.4. Improving the quality of life in rural areas

General objective 9: Further strengthening the international position of the Croatia

Specific objective 9.1. Accession to the European Union

Specific objective 9.2. Strengthening bilateral and multilateral international cooperation

Specific objective 9.3. Further profiling of Croatia as a reliable partner on the international stage as a full member of NATO

General objective 10: The police and armed forces in the service of citizens

Specific objective 10.1. Improving the system of prevention, detection, and prevention of crime

Specific objective 10.2. Increasing road safety

Specific objective 10.3. Develop border security

Specific objective 10.4. Developing an integrated national security

Specific objective 10.5. Maintenance of international military and police cooperation

Specific objective 10.6. Improving priority readiness of the armed forces

General objective 11: The protection, preservation, and improvement of health

Specific objective 11.1. Accessible health care

Specific objective 11.2. Developed system of health care quality

Specific objective 11.3. Protecting the interests of public health

General objective 12: Environmental protection and development

Specific objective 12.1. Environmental protection and effective management of the environment

Specific objective 12.2. Protection and nature conservation

Specific objective 12.3. Arranging inventories, accurate and reliable information on the situation in the area, and purposeful use and planning

Specific objective 12.4. Improvements in the areas of housing, municipal management

Table III-8: Linking strategic plans and budgets

The overall objective	Special objectives	Program in the state budget	Way to achieve specific goal	Activities and projects in the state budget	Output indicators
Transport system development	Developed transport infrastructure	Development of railway transport securities and lift infrastructure	Maintenance and modernization of railway infrastructure and cable cars, traffic regulation, and construction of new railway lines	A 57003 Maintenance of rail infrastructure and traffic regulation	Mileage overhaul, modernized and newly built railway lines
			Investment in rail infrastructure through projects co-financed from EU pre-accession structural funds	K 761009 Modernization and construction of railway infrastructure	Renewed kilometers of railway in the Operational Programme for Transport Okučani-Novska
				K 761003 lifts development	Restored control network per kilometer railroad anticipated operational program Okučani-Novska
					Number of approved final report on contract