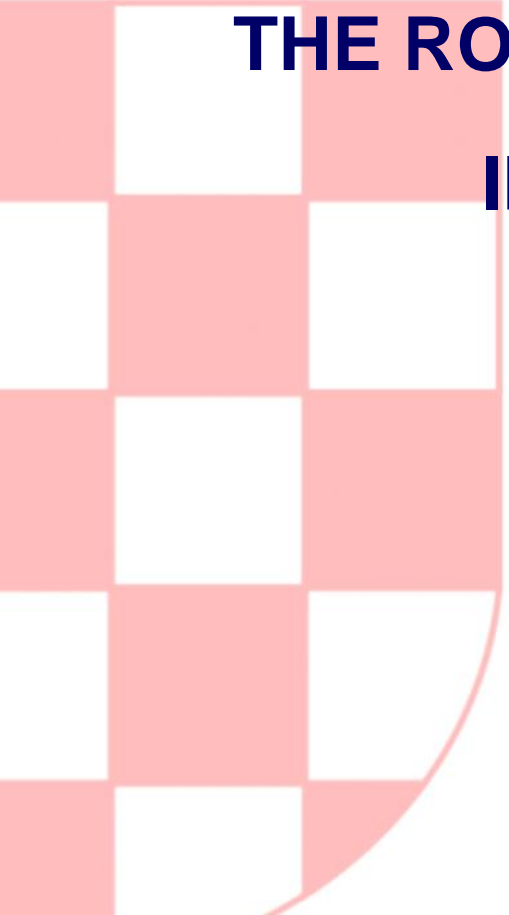




# THE ROLE OF THE CROATIAN PARLIAMENT IN THE BUDGETING PROCESS



**The Hague, 2014**



## Croatian Parliament



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16. 6. 2014.

### Parliament discusses report by Children's Ombudswoman for 2013



Zagreb - Members of Parliament on Monday warned about the need for a more active role of society in better protecting children's rights, agreeing that as the most vulnerable group, children were affected by poverty the most.

-The issue of poverty currently poses the biggest danger not only for children's rights but for human rights in general and poverty is a problem not only in Croatia, but in the more developed European countries as well, Social Democrat Dubravko Bilić said in a debate on the report for 2013 of the Office of Children's Ombudswoman. Labour Party member Nenad Pleše said he was

appalled by the fact that a growing number of children went to school hungry and stole food from other children. He urged state institutions to show greater social sensitivity towards children.

The Office of the Children's Ombudswoman in 2013 received 2,659 new reports of possible violations of children's rights, 208 more than in 2012, which continued a trend of a growing number of such reports. As in

Sessions



Pursuant to articles 216 and 224 of the Croatian Parliament's Standing Orders, Speaker of Parliament Josip Leko convoked the Parliament for the 13th session scheduled to take place on 14, 15, 16, 21, 22, 23, 28, 29 and 30 May and 4, 5, 6, 11, 12,



# Budget Calendar

- ◆ mid-March The Ministry of Finance prepares an instruction for the preparation of strategic plans and sends it to the ministries and other state bodies
- ◆ mid-April The ministries and other state bodies prepare strategic plans for a three-year period and submit them to the Ministry of Finance
- ◆ end of April Based on the strategic plans, the Ministry of Finance prepares a strategy of government programmes for a three-year period and submits it to the Government of the Republic of Croatia (RC)
- ◆ mid-May The RC Government adopts the strategy of government programmes for a three-year period
- ◆ end of May Based on the strategy of government programmes for a three-year period, the Ministry of Finance prepares draft economic and fiscal policy guidelines for a three-year period and submits it to the RC Government
- ◆ mid-June The RC Government adopts the guidelines
- ◆ end of June Based on the government guidelines, the Ministry of Finance sends the Instructions for the Preparation of Proposed State Budget to the ministries and state bodies
- ◆ 15 July Budget users submit aligned financial plan proposals to the ministries and other state bodies
- ◆ end of July Competent ministries submit aligned financial plan proposals to the Ministry of Finance
- ◆ 5 October The Ministry of Finance prepares a draft budget for the budget year and a projection for the following two years and submits them to the RC Government
- ◆ 15 November The RC Government confirms a proposed budget and projections and submits them to the Parliament for adoption
- ◆ year-end **The Croatian Parliament** adopts the budget for the next budget year



# Working Bodies of the Croatian Parliament

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- Working bodies of the Croatian Parliament are committees and commissions established according to the Rules of Procedure of the Croatian Parliament.
- A working body of the Parliament:
  - discusses proposals and initiatives for the adoption of laws and other acts, as well as other issues within the competence of the Parliament
  - monitors, within the competence of the working body, the work of the Government and other bodies whose work is monitored by the Parliament in accordance with the Constitution and the law
  - discusses reports of bodies and institutions that submit them to the Parliament according to the law;
  - after conducting the discussion, takes a position and confirms proposed acts and informs the Parliament accordingly
  - discusses submissions and proposals submitted by citizens to the Parliament.
- As a rule, the composition of a working body reflects the party composition of the Parliament. In addition to MPs, scientists, experts and public figures may also be appointed to a working body but have no right to vote/decide at a meeting.



# Finance and State Budget Committee

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■ The competence of the Finance and State Budget Committee includes the tasks of defining and monitoring the implementation of policies. In the procedure of adoption of laws and regulations, the Committee has the rights and duties of the competent working body in matters relating to:

- public financing system in the Republic of Croatia
- state budget, the annual report of the state budget and funds
- reports of the State Audit Institution on conducted audits
- tax system and tax policy
- foreign financial relations
- foreign exchange system
- foreign credit relations
- customs system
- credit and banking system
- state treasury
- securities
- financial and monetary system
- the Croatian National Bank
- the system of property and personal insurance and other issues relating to budget and finance
- the issue of structure, scope of work and operating methods of the State Audit Institution and the Financial Agency.

■ The Committee discusses proposed laws that create financial obligations and informs the Parliament of its opinions, positions and proposals.



# Members of the Finance and State Budget Committee

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- Unless stipulated otherwise by the Rules of Procedure, up to six public figures, scientists and experts may be appointed to working bodies and have all the rights of a working body member except the right to vote/decide.
- Six members may be appointed to the Finance and State Budget Committee of the Croatian Parliament as follows: one from the ranks of the higher-level union representatives, the Employers' Association and the Croatian Chamber of Commerce, each, and three representatives of scientific and professional institutions.
- The procedure for the appointment of the Committee members starts with the announcement of public invitation to nominate candidates. Candidates may be nominated by professional institutions, professional associations, civil society organisations, as well as individuals.



# Meetings of the Finance and State Budget Committee

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- The Audit Report on the Annual Report on the Execution of the State Budget of the Republic of Croatia for 2013
- Proposed Annual Report on the Execution of the State Budget of the Republic of Croatia for 2013
- Proposed Annual Report on the Implementation of Fiscal Rules for 2013
- Decisions on Approval of the Annual Report on the Execution of Financial Plans of Extrabudgetary Beneficiaries of the State Budget
- Proposed Law Amending the Law on the Transparency of Flows of Public Funds, with Final Law Proposal
- Proposed Amendments to the State Budget of the Republic of Croatia for 2014
- Final Proposal of the Law Amending the Law on Fiscal Responsibility



# Fiscal Policy Commission

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- Due to the need to strengthen the independence of the Fiscal Policy Committee in accordance with the provisions of Council Directive 2011/85/EU and to strengthen the role of the Fiscal Policy Committee in supervising the implementation of the Law on Fiscal Responsibility, the Croatian Parliament adopted the Decision on Establishing the Fiscal Policy Commission in accordance with which the Commission became the second working body of the Croatian Parliament, thus separating the body in charge of monitoring the implementation of the Law on Fiscal Responsibility from the Ministry of Finance and the executive government. The Commission replaced the former Fiscal Policy Committee and assumed its tasks.
- The main task of the Commission is to monitor the implementation of the fiscal rule stipulated by the Law on Fiscal Responsibility.





# Tasks of the Fiscal Policy Commission

- **Analysing and evaluating the application of the fiscal rule stipulated by the Law on Fiscal Responsibility :**
  - **in the proposed state budget and financial plans of extrabudgetary beneficiaries of the state budget for the budget year and projections for the following two years;**
  - **in proposed amendments to the state budget and financial plans of extrabudgetary beneficiaries of the state budget;**
  - **in proposed semi-annual and annual reports on the execution of the state budget and financial plans of extrabudgetary beneficiaries of the state budget;**
  - **in the documents adopted by the Government of the Republic of Croatia linked with the process of preparing the state budget and the budgets of local and territorial (regional) governments and financial plans of extrabudgetary beneficiaries and projections for medium-term budget period;**
- **Analysing and comparing macroeconomic and budget projections with the latest available projections of the European Commission in the documents adopted by the Government of the Republic of Croatia or proposed by the Government of the Republic of Croatia to the Croatian Parliament for adoption and linked with the process of preparing the state budget and the budgets of local and territorial (regional) governments and financial plans of extrabudgetary beneficiaries and projections for medium-term budget period**
- **Determining the occurrence of a disaster or the existence of major economic disruptions that have a significant impact on the financial status of the general budget, due to which the application of the fiscal rule is temporarily delayed, provided that this does not endanger the fiscal sustainability in the medium term.**



# Members of the Fiscal Policy Commission

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- The Commission is chaired by the Chairperson of the Finance and State Budget Committee of the Croatian Parliament, who is also a member of the Commission.
- The Commission is composed of the chairperson and six members from:
  - The State Audit Institution – one representative
  - The Institute of Economics Zagreb – one representative
  - The Public Finance Institute – one representative
  - The Croatian National Bank – one representative
  - Schools of economics – one representative
  - Schools of law – one representative.
- Except for the Commission Chairperson, the Commission members are appointed by the Croatian Parliament upon proposal by the Finance and State Budget Committee for a five-year period, with a possibility of re-election after the end of their term of office.
- Other persons may participate in the work of the Commission without the right to vote, in accordance with the Commission's decision.
- The Commission members act independently in their work in accordance with professional standards.
- Except for the Chairperson, the Commission members must not be members of political parties at the time of their appointment, during the previous three years and during their membership in the Commission.



# Strengthening the Role of the Commission

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- ◆ If the Commission establishes, in the positions it takes during the performance of its tasks, that the fiscal rule is not being complied with, it will prepare a report on this, which it will submit to the Government of the Republic of Croatia.
- ◆ The Government of the Republic of Croatia is obliged to prepare, within 30 days from the date of receiving this report, a plan of necessary measures with implementation deadlines that will lead to compliance with the fiscal rule.



# Open Government Partnership

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- As a member of the global initiative *Open Government Partnership* and supporting the transparency principles, the Republic of Croatia accepted the Action Plan for the Implementation of the Open Government Partnership initiative.
- The Action Plan includes **4 priority areas**: fiscal transparency, access to information, use of information technology and engagement of citizens and civil society: The **implementation of 9 measures and 34 implementation activities** is planned for the purpose of achieving the goals of these priority areas.
- Publication of guides for citizens is proposed in accordance with the Action Plan.
- The Ministry of Finance prepared and posted on its website the Uniform Format of Guides for Citizens Accompanying the Budgets of Local and Territorial (Regional) Governments
- The Association of Towns initiated a "PEFA for Local Government in Croatia" project that analyses the status of public expenditure management and financial responsibility (the process of budget planning and execution, risk management, internal audit and control, public procurement system) in Crikvenica, Labin, Sisak and Koprivnica.

