



Experience of Developing and Implementing FMC in the context of EU Accession

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Experience of Developing and Implementing FMC in the context of EU Accession

example of Croatia

1. Difficulties that we were facing
2. How we addressed them
3. Degree of success

1. Difficulties that we were facing

In the beginnings of FMC development in 2007....

1. FMC was seen as something that is „add-on” to the existing system of management in public sector
2. There was no clear links between FMC developments and budget system developments
3. Detailed analysis of current state of FMC were not conducted and therefore it was not easy to determine the priorities and concrete measures for the former situation

1. Difficulties that we were facing

In the beginnings of FMC development in 2007....

4. FMC in the „legal provisions” had all precondition, but practical implementation had difficulties
5. Practical implementation of FMC at the beginnings was focused on the processess
(description of processess, defining the objectives of the processess, identifying risk in the processess.... it came that FMC is preparation of the book of processes)
6. The whole picture of FMC development was not clear enough, as same as the meaning of „value for money” and „managerial accountability” in practice

How we addressed difficulties

- **It was recognised that FMC developments require developments of budget system**

from input based budgeting to output based budgeting

- **Budget reforms started 2008 and created precondition for FMC development**

*Strategy for improvement and modernization of processes in State Treasury
(2007 - 2011)*

new Budget Act (2008)

- **FMC development from 2009 has been completely putted on the support of budget reforms**

Strategy for PIFC (2009 – 2011)

Fiscal Responsibility Act 2010

How we addressed difficulties

Integration of FMC tools and technics into budget system

- 1. Strategic planning (mission, vision, objectives) introduced into budget cycle**
(ministries and counties obliged to prepare strategic plans, to link strategic objectives with budget resources via programmes, strategic plans of the ministries and counties include second level budget users from their competence)
- 2. Objectives and performance indicators introduced into programme budgeting**
- 3. Risk management introduced into strategic planning and annual planning of activities**

How we addressed difficulties

Integration of FMC tools and technics into budget system

- 4. Decision of the ministers/mayors about responsibilities of managers for achieving objectives and budget resources**

*(mechanizam for practical implementation of managerial accountability
managers – assistant ministers, head of sector are responsible to the minister for
achiving strategic objectives and managing of budget resources)*

- 5. Internal procedures for managing liabilities, revenues, assets management**

- 6. Selfassessment questionnaire about functioning FMC in the planning of budget, executing of budget, accounting, procurement, reporting - basis for Fiscal Responsibility Statemenent that ministers/county prefects/ mayors/ is signing**

How we addressed difficulties

Integration of FMC tools and technics into budget system

7. Plan for FMC development that budget users prepare every year consist of:

- *measures oriented to solve identified weakness through self-assessment questionnaires, Statement of Fiscal Responsibility, SAO findings, Internal Audit Findings*
- *measures for further development*

8. The first level budget users (ministries, counties, cities) are obliged to coordinate the activities for FMC with the second level budget users

(preparation of strategic plans, consolidation of budget, consolidation of financial reports, risk management...., monitor the level of FMC developments, weaknesses, measures taken for improvements etc.)

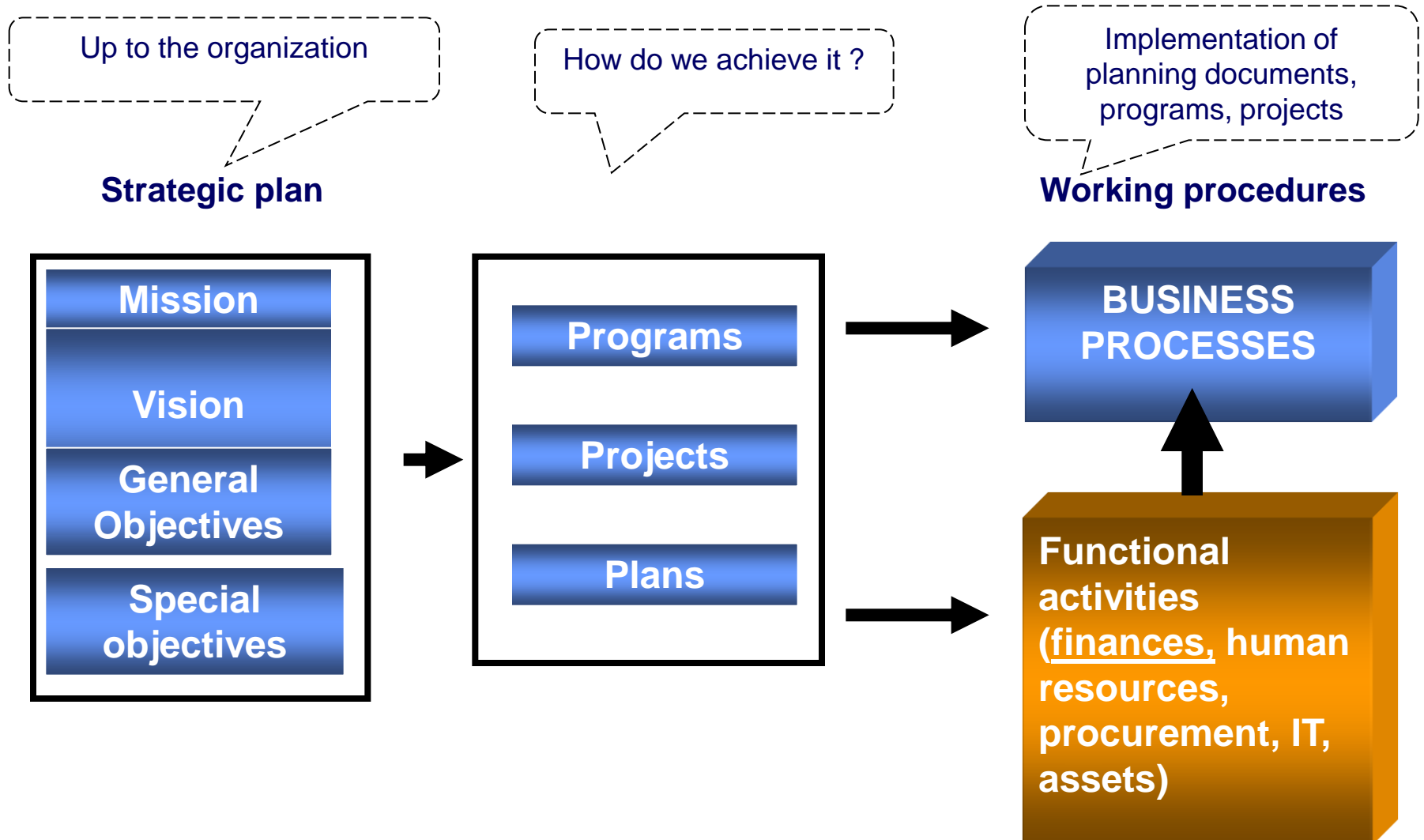
How we addressed difficulties

All the previous mentioned activities were needed to show that FMC is not „add-on” to the existing system of management , rather then existing system of management should be improved by integration of FMC tools and technics into them

Budget reforms were needed to create precondition for FMC developments through all of its components

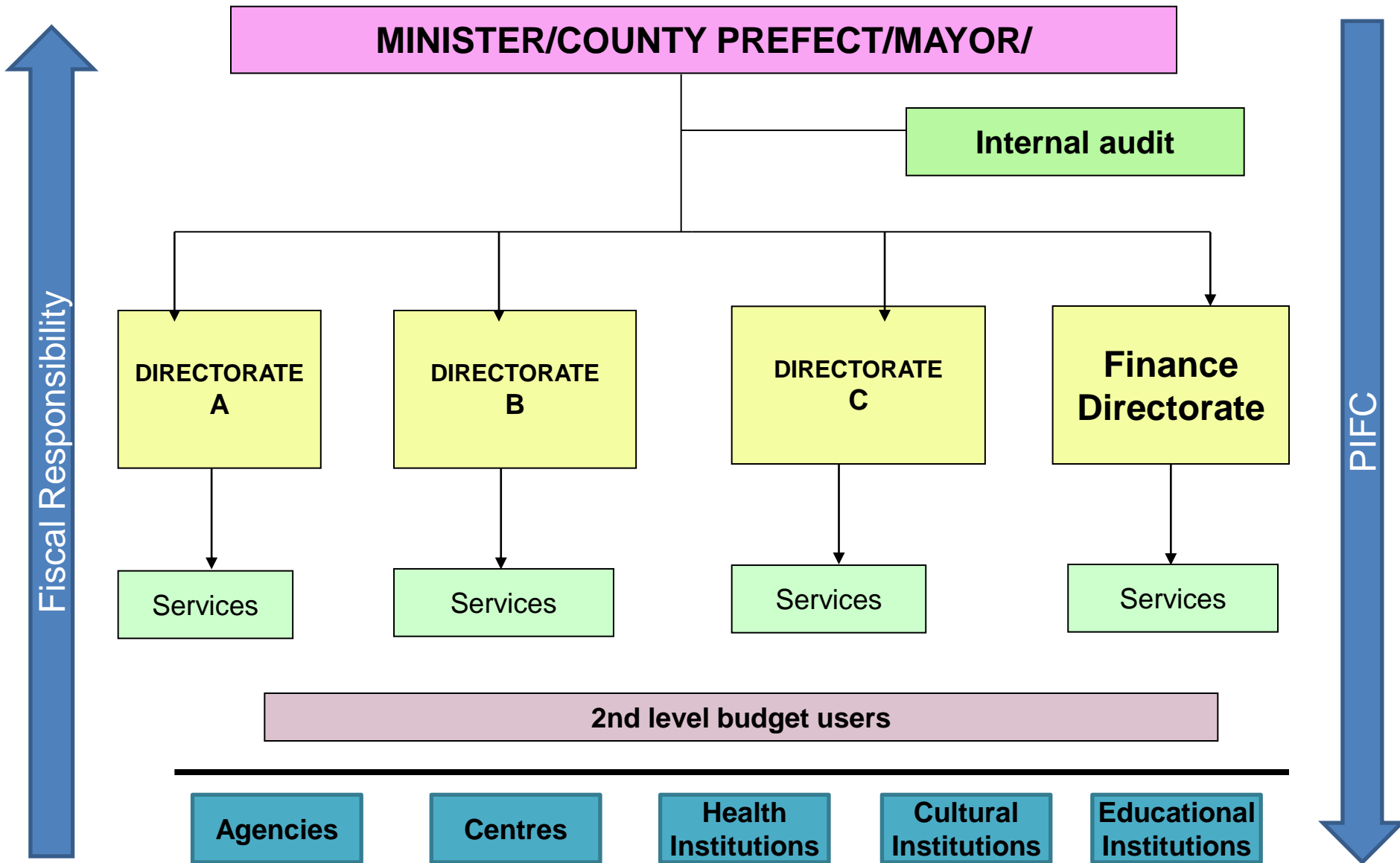
Developments in budgetary system helped us to easier perceive the overall picture for FMC development

***Development in budgetary system and FMC introduced
a systematic approach to management***



elements from the previous slide should be placed in context of organizational structure at budget users

(who does what? what powers does s/he have? Whom does s/he report to? How successful s/he is in executing the assigned tasks?...)



How we addressed difficulties

FMC can not be successfully implemented just through guidelines, instructions only coming from the CHU !

It must be integrated also into legislation/guidelines/instructions that are coming from other actors of key reforms in public sector (in case of Croatia - State Treasury, Ministry of Administration, Ministry of Regional Development and EU funds)

This is the way how we are changing preconception of FMC as something that is „add-on” instead of integrative part of management function

for example : we are developing risk management as integrative part of planning and decision making process

How we addressed difficulties

example: Risk management implementation

Year	Actor	Instructions for risk management implementation
2009	CHU	Guidelines for risk management process
2011	State Treasury and CHU	Instructions for producing of strategic plans <i>embedded the part related to risk management</i>
2011	Ministry of Administration And CHU	Decree on the principles for the internal organization of state administration <i>embedded the part related to risk identification in annual work plans for the organizational units</i>
2012	CHU	Instructions for producing the risk management strategy

CHU is promoting risk management developments, giving overview of direction of development, explaining the crucial steps that should be taken, organising seminars and workshops for managers, monitoring risk management developments

Cooperation with the State Treasury and Ministry of Administration helped us to integrate risk management process into day-to-day activities where this process belong – planning and decision making

How we addressed difficulties

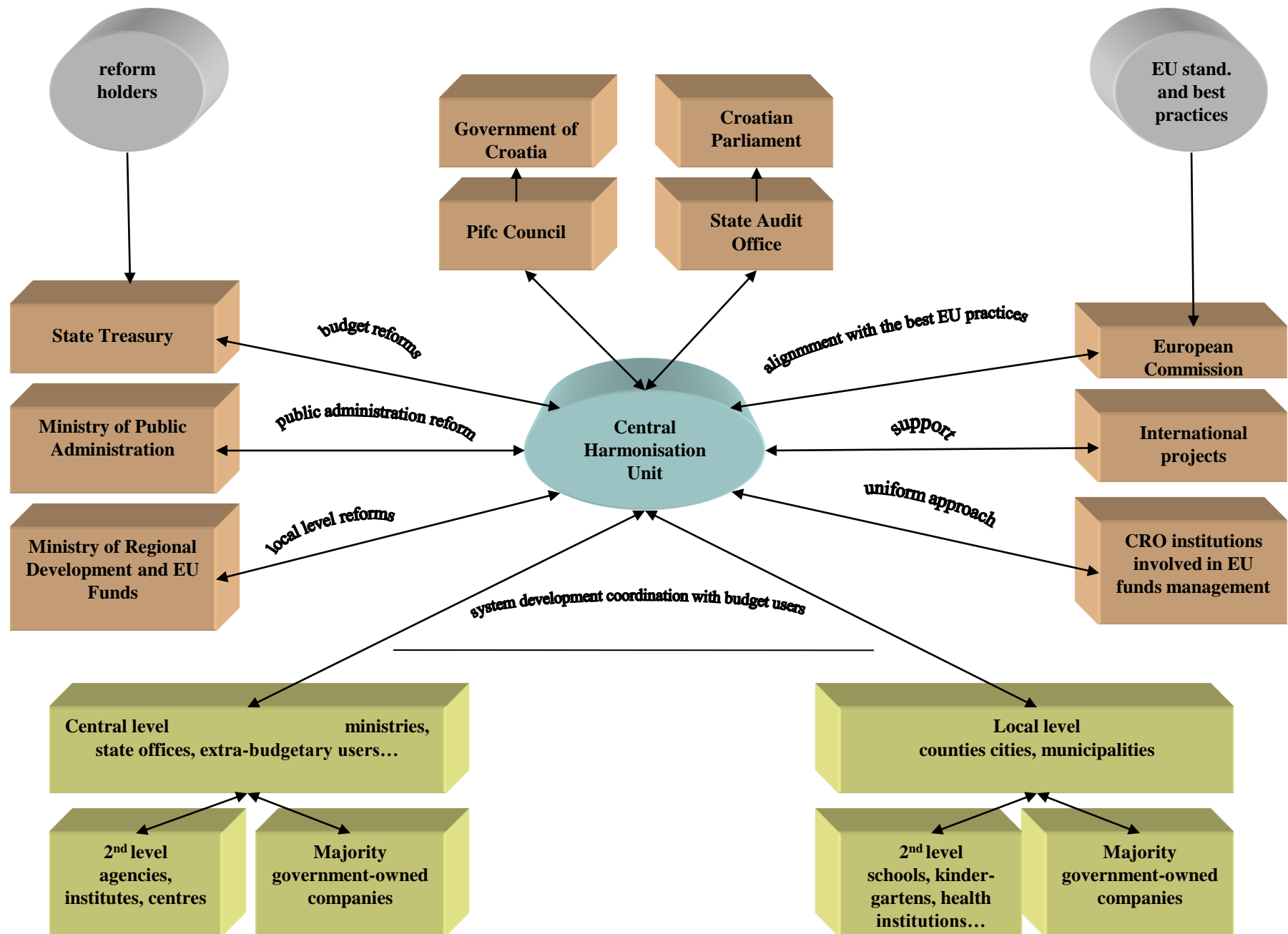
It is important that CHU plays a very active coordinative role and to harmonise development of FMC with other areas such as budget system and public reforms

CHU in Croatia developed active cooperation with :

- *State Treasury*
- *Ministry of Administration*
- *Ministry of Regional Development and EU funds and other institutions involved in EU funds management*
- *State Audit Office*
- *Budget users (state and local level)*
- *PIFC council*

Cooperation is accomplished through : regular meetings, involvement in the preparation of legal acts, organisation of common trainings etc.

We used support of DG Budget, SIGMA, projects – recommendations of EC, SIGMA reports, progress reports



3. Degree of success

- ✓ **FMC is integrated into the budget system**
- ✓ **FMC is incorporated into public reforms and anticorruption programmes**
- ✓ **we have a firm framework for FMC development (legal basis, rulebooks, manuals, guidelines....)**
- ✓ **FMC tools and technics implemented into practice**
(improved strategic planning, programme budgeting, risk management, developed internal procedures, reporting system, self-assessment, questionnaires and strengthened the links between first and second level budget users....)

Challenges in front of us...

- ✓ **FMC requires continuous development**
- ✓ ***FMC tools and technics require managers in public sector who will know how to use these tools and who will play active role in FMC implementation***
- ✓ ***well educated managers in public sector are crucial precondition for successful implementation of FMC***
- ✓ ***managers need to understand „the substance of the FMC” rather than „a form of its implementation”***
- ✓ **we have to improve the quality of strategic planning, programme budgeting, risk management, further development of control mechanism for achieving better efficiency and effectiveness in managing of budget resources**

Instead of conclusion

01.07.2013. - Croatia is becoming member state of EU

EU funds allocated to Croatia 11,5 bilion EUR !!!!

(for period 2014-2020)

We have opportunity to use that money for our economy, infrastructure, society, agriculture, building roads, railways, investing in tourisam.....

To use that opportunity we need sound FMC in practice

Instead of conclusion

We have to know what are our objectives, priorities

strategic thinking

We have to be aware of our risks, possible problems that can come

risk management

We need proper controls to prevent that risk happen and to minimize impacts

controls/procedures

We need regular assessing of the controls, in order to avoid problems on time

internal audit

That is why is we are putting lots of efforts in developing these new elements that FMC brought in the public sector management!

We see that as a common task of CHU and our partners!

- Thank you for your attention!