

UPGRADING CENTRALIZED GOVERNMENTAL ASSET REGISTER IN CROATIA: A TRANSITION FROM ADMINISTRATIONAL TOWARDS A MANAGERIAL ORIENTED ASSET INFORMATION SYSTEM?

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Croatian State asset management in numbers

State asset management outcomes vs. state asset worth estimate

- Eurostat, 2011:
 - estimate of 33,6 billion EUR worth – financial GGS assets (76% GDP)
 - Croatia ranked 4th out of 30 European countries
- State Audit Office: GGS assets revenues - 0.7% GDP

State asset management outcomes vs. public debt settlement

Public sector management

New Public Management

processes of modernizing governmental management and achieving efficiency in the public sector



Financial Management



Asset Management System reforms

Accounting and financial reporting system reforms

Public spending/Debt management

Statistics reports

Asset management international insights: starting concepts

- Public authorities have to be fully accountable to the public
- The whole of government assets need and can be effectively managed
- Institutional/organisational aspects vs. Accounting and financial reporting aspects
- Developed countries have embarked in the practice of putting into use of various types of government asset items, under the supervision of professional management, with a view to ensuring quality public services and welfare to the citizens
- ‘...relating efficiency to public spending, as it is generally done, may give wrong results when, as it is often the case, public institutions use public sector assets (land, buildings, etc.) without imputing a cost for their use....’ (Tanzi and Prakash, 2000)

The scope (1)

- to provide the audience with the information on the need for sound accounting and reporting for government assets in Croatia,
- to discuss how that information needs to be linked with the existing asset management regulatory framework, budgetary accounting regulatory framework, and the ongoing asset management practices,
- to show that setting a sound (centralized, comprehensive and transparent) asset register as crucial precondition for assuring transparency in consolidating, reporting on assets, is urgent.

The scope (2)

- ❑ point out that to manage the entrusted assets governments need to be able to keep a sound record of them,
- ❑ point out that most central and local authorities, or public institutions that have appeared to play the roles of either supervisors or custodians of certain assets in Croatia have performed asset management practise prioritizing financial assets, with some not even knowing what assets they own/hold, manage or use,
- ❑ provide the overview of government asset management system reform changes in progress in Croatia, both, the institutional (regulatory) changes and the asset information system upgrading that is to result in a managerial oriented centralized and comprehensive governmental asset register set up.

Government asset management – Croatia

- the lack of reliable information and utilizing on public sector assets in place obscures determining assets' value, budgeting for asset management activities, and measuring public sector asset management outcomes,
- there is a considerable diversity in assets definition and coverage across regulatory frameworks
- assets are managed on an ad-hoc, often reactive basis and asset related data are scattered, being recorded, if recorded at all, in balance sheets, off-balance sheet and analytical records of budgetary and extra-budgetary users.

Government fixed asset management system

- The State Budget General Ledger fails to incorporate the full data on all asset items (types of assets) owned by the Republic of Croatia:
- documentation on government assets has been dispersed among various records of the government institutions that use the assets and/or have been assigned by special government or parliament decrees to manage, utilize or dispose of the assets,
- asset-related data are scattered, being recorded, if recorded at all, in balance sheets, off-balance sheet and analytical records of competent budget and extra-budgetary users,
- the legislation in force does not refer to local government assets but to central government assets exclusively.

Central asset register data

- **In mid-January 2014 Central asset register, though incomplete and comprising of two asset groups/types – shares and property, was made publicly available for the first time, and was published on the State Property Management Administration website**
- **Register's content was structured in accordance with the guidelines of the Government Asset Register Decree , still in force:**
 - In July 2014 (July 24th), the Register comprised of 403328 property items, divided in several categories: land and buildings (2%), agricultural land (1%), forests and woodland (76%), public water (11%), housing (7%); business premises (2,5%), property used by government bodies, residential buildings and villas,
 - In March 2015 (March 27th), the Register comprised of 1012021 property items, divided in several categories: land and buildings (2%), agricultural land (58%), forests and woodland (28%), public water (5%), housing (3%); business premises (1%), property used by government bodies, residential buildings and villas.

Consolidating asset records in central asset register and the State Treasury General Ledger

- **Final goal of government asset management reform in Croatia over the mid and long term period:**
 - government asset entrusted to be managed or used by an entity must not form an integral part of the entity's balance sheet.
 - all other interim, temporal decisions, arrangements or decrees that differ from the abovementioned one can be allowed but only as the transition period and must lead to the final goal eventually.
- the overall process of assets recording and valuating: rather complex, it needs to be conducted gradually over years, and therefore it requires a gradual phase to be implemented.

Asset management reform: starting concepts

- asset register establishment
- assets classification
- assets recognition and measurement
- assets portfolio construction
- institutionalization and professionalism in asset management, and
- cost and outcomes measurement.

Reform processes (1)

Ministry of finance:

- ❑ Guidelines regarding the manner of receiving and collecting data from entities that use the assets and the manner of recording all types of government assets of the users, in the Central register for the purpose of gathering consolidated State Balance Sheet
- ❑ Guidelines regarding asset valuation methods (i.e. recognition and measurement of the so called specific government (public sector) groups of asset)

Reform processes (2)

Ministry of construction and physical planning:

- *Act on property value assessment* (Official Gazette, No. 74/14)
- *Regulation on property value assessment methods* (Official Gazette, No. 79/14):
 - Regulation defines property value assessment methods, determines objects of the property value assessment, and necessary data for the property value assessment: revenue method; expenditure method; comparative value

Reform processes (3)



State asset management Office:

- State asset management Act amendments
- Decree on State asset register set up upgrade; the expanded form and logistic table for future data entry
- IT upgrade, generating data from main/basic registries and public registries, daily basis
- Strategic and action plans documents: Strategy (2013-2017); State asset management Plan for year of 2015

Strategy on government asset management (2013-2017)

- To assure effective and transparent managing and use of state assets:
 - future generations
 - economic growth
 - national interests

The Act on the management and disposal of assets owned by the Republic of Croatia amendments

- developing guidelines on who should keep records of non-financial assets held or owned by the Republic of Croatia, and other legal entities founded by the Republic of Croatia, in the context of an option to manage and use such assets;
- developing guidelines on who should keep records of shares and stakes held or owned by the Republic of Croatia and other legal entities founded by the Republic of Croatia, in the context of an option to manage and use such assets;
- asset Register development as “a must do” (in terms of ensuring the data for the Ministry of Finance - State Treasury General Ledger).

Central asset register data – ongoing processes

- draft of the decree on data and IT upgrade of the already established and publicly announced Central register,
- the expanded form and logistic table for future data entry (legal, economic – means of usage, financial data, data on asset use outcomes)
- Central asset register upgrade - to modernize the delivery of data to the Central register
- ISUDIO (Information system for state asset management) project – gathering data out of asset users reports, Land register, Cadastre, Concession register, Agriculture land register, Cultural heritage register.

Concluding remark



Asset register starts not to be regarded as a simple spreadsheet or database of assets, but is rather seen as a part of a more complex scenario, where asset register presents a system that directly supports consolidating asset records of central government entities and other state institutions, and of the state owned companies, and evaluating if government assets have been employed most productively, rather than being managed on an ad-hoc, often reactive basis.



Thank you for your attention! 😊
Your comments, insights, suggestions are
welcome.....