**- Abstract -**

**Local Politics, Budgets and Development Programmes in Croatia**

If the political climate is stable, local elections in Croatia take place every four years. Budgets are planned for three years, while strategic development programmes cover periods of five to ten years. Technically, the political, financial and developmental programming cycles can be matched, and implementation of the programmes ensured. However, political programmes are generally vague, budgets are every so often fictive and revised mid year and development programmes grow into visionary shopping lists.

The main aim of the paper is to suggest ways of linking strategic development programmes, budgetary plans and political programmes in the Croatian socio-economic and institutional context. The purpose of this research is to demonstrate that if local governments better understood the interdependencies between these three segments, they could create reference points for their actions visible in their programmes and budgets. In this way a platform could be created to enhance the political accountability, improve fiscal capacity and aim at developmental goals that are more in line with real needs and potentials of the local population.

**Key words:** strategic development planning, local budgets, local politics
Introduction

Local governments in Croatia are increasingly aware of the necessity to improve their performance, but most of them do not use their own potentials sufficiently. Local public administrations argue that impediments to local development include the lack of financial resources; the low level of political culture; over-centralisation of authority and decision-making on national level; and neglect by central government. Even though local economic development planning is not new for local levels in Croatia, the old and still prevailing way of elaboration of plans and programmes by external experts systematically neglected the real needs and priorities of the local population. A common difficulty of local development plans is their lack of implementability.

Local elections in Croatia take place every four years, parts of the budgets are planned for up to three years, while strategic development programmes cover periods of five to ten years. Technically, the political, financial and developmental programming cycles can be matched, and implementation of the programmes ensured. However, political programmes are generally vague and reflect short-term interests, budgets are every so often fictive and revised and development programmes grow into visionary shopping lists. Local politicians are mainly concerned about financing flows and this is what they are usually fighting for at council meetings and in various ministries at national level. Local administration then proceeds according to the wishes of the political decision-makers, without referring to any program in the end. Consequently, political accountability is lacking, fiscal management is not transparent and development is lagging behind.

The main aim of the paper is to suggest how strategic development programmes, budgetary plans and political programmes can be linked in the Croatian socio-economic and institutional environment. The first two sections present an overview of the political and institutional context in Croatia based on the existing legal framework. Functions and fiscal dimensions of local and regional governments are explained in the third section. While, the fourth section describes how participatory strategic development planning is applied in Croatia, and the experiences gained serve as a basis for the analysis of this approach. The fifth section deals with local politics and the necessary link between development programmes and budgets to ensure implementability.
The purpose of this research is to show that if local governments better understood the interdependencies between these three segments, they could create reference points for their actions visible in their programmes and budgets. In this way a platform could be created to enhance the political accountability, improve fiscal capacity and fulfil developmental goals in line with real needs and potentials of the local population.1

1. The local level in Croatia

Today the Republic of Croatia is a unitary state with three tiers of government – national, county or regional, and local. There are 20 counties referred to as regions, and the capital city of Zagreb, which has a County and City status. In total, there are 21 units of Regional Self-government (RG). The local level is comprised of 123 cities (or towns), and 425 municipalities, the precise number of which increases frequently (the last change was in October 2003, NN 175/03). Accordingly, Croatia has today 548 units of Local self-government (LG).

Until 2001 counties had dual functions and were primarily responsible for performing delegated tasks from the national level, while neglecting their own self-government role. After clearly dividing the previous dual functions of counties, today as units of regional self-government they have to clarify their new role, particularly in relation to local self-governments. Even though counties are referred to as regional governments in Croatian legislation, they are far too small to be considered as regions in European terms. As Croatia is in the preparatory process for accession to the European Union, the Croatian Bureau of Statistics initiated a process of dividing Croatia into NUTS II regions. For the time being, this division is still in the initial phase and refers to five statistical regions comprised of a number of administrative regional units, i.e. counties. In line with this, counties actually belong to the local level of government.

Beside the major cities in Croatia such as Zagreb, Split, Rijeka, or Osijek, most of the cities are actually towns. However, the terminology in the Croatian legislation does not make a distinction between these two terms. The city (or town) is a unit of local self-government with more than 10,000 inhabitants, constituting a unitary urban, historical, natural, economic and social space. As always, there are exceptions with some towns or cities having fewer inhabitants. The municipality is a unit of local self-government, consisting of the territories of several inhabited places representing a natural, economic and social entity, and which is connected by the common interests of its inhabitants.
The population size of local governments varies widely. According to the Census 2001, only four cities have more than 100,000 inhabitants, on the other hand there are six that have less than 3,000. There are also 28 municipalities that have less than 1,000 inhabitants, while seven have more than 10,000 inhabitants and could become cities according to law. They all have the same responsibilities and functions.

2. The institutional and political structure on local level

The Constitution of the Republic of Croatia declares that "the right to local and regional self-government shall be realised through local, respectively regional representative bodies, composed of members elected in free elections by secret ballot on the grounds of direct, equal and general voting rights". This right is further defined in the Law on local and regional self-government where the county assembly, the city or town and municipal council, are **representative bodies** of citizens and bodies of regional or local self-government that pass by-laws effective in the territory of the respective regional or local self-government. Representative bodies are elected for a **four-year period** and elect among themselves the president of the assembly or council. The municipal mayor and the municipal executive board in a municipality, the city/town mayor and the city/town executive board in a town, and the county prefect and the county executive board in a county are **executive bodies** of the units of local and regional self-government. The mayor and prefect are elected among the members of the respective Council or Assembly, while the representatives of the board are proposed by the mayors or prefects from the ranks of the council or assembly members and have to be then confirmed by the Council or Assembly.

Regional and local governments have administrative departments whose organisation and sizes differ significantly. One of the major problems in Croatia concerning local units is the problem of fragmentation, size and capacity of local governments. Their organisational structure can give some insight into the problem. There are 6 main structures presented in graphics 1 and 2 below. Graphic number 1 shows the organisational structures of Counties, the City of Zagreb and bigger cities, representing the stronger side of local and regional governments:

1) Counties (20) as regional self-governments can have a **representative body** with a **County Assembly** with 31-51 members, a President and up to 2 Vice-Presidents. The **executive body** consists of the County Prefect and its two deputies, and the **Executive**
Board of the County can have between 7-13 members, where the County Prefect acts as the President of this Board. The administrative body is comprised of departments and services such as the Secretariat and various county institutions.

Graphic 1 – County and larger city structure

<table>
<thead>
<tr>
<th>(1) COUNTY (RG)</th>
<th>(2) CITY OF ZAGREB (RG)</th>
<th>(3) CITY (LG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Assembly</td>
<td>City Assembly</td>
<td>City Council</td>
</tr>
<tr>
<td>- 31-51 members</td>
<td>- 51 members</td>
<td>- 19-35 members</td>
</tr>
<tr>
<td>- President</td>
<td>- President</td>
<td>- President</td>
</tr>
<tr>
<td>- Up to two vice-presidents</td>
<td>- Up to two vice-presidents</td>
<td>- Up to two vice-presidents</td>
</tr>
<tr>
<td>County Prefect</td>
<td>City Mayor</td>
<td>City Mayor</td>
</tr>
<tr>
<td>- County prefect</td>
<td>- City Mayor</td>
<td>- City Mayor</td>
</tr>
<tr>
<td>- Up to two deputies</td>
<td>- Up to two deputies</td>
<td>- Up to two deputies</td>
</tr>
<tr>
<td>County Executive Board</td>
<td>City Executive Board</td>
<td>City Executive Board</td>
</tr>
<tr>
<td>- 7-13 members</td>
<td>- 9-15 members</td>
<td>- 7-9 members</td>
</tr>
<tr>
<td>- President=County Prefect</td>
<td>- President=City Mayor</td>
<td>- President=City Mayor</td>
</tr>
<tr>
<td>Administrative Body</td>
<td>Administrative Body</td>
<td>Administrative Body</td>
</tr>
<tr>
<td>- Administrative departments and services</td>
<td>- Administrative departments and services</td>
<td>- Administrative departments and services</td>
</tr>
</tbody>
</table>

Source: prepared by author based on the Law on local and regional self-government

2) The City of Zagreb as a County and City in one as the first special case has a representative body called the City Assembly with 51 members, a President and up to 2 Vice-Presidents. The executive body consists of the City Mayor and two deputies, and the Executive Board of the City which can have between 9-15 members where the City Mayor acts as the President of this Board. The administrative body is comprised of departments and services which are the secretariat and the city institutions.

3) There are 20 Cities with more than 30,000 inhabitants and as units of local self-government they can have a representative body with a City Council that can have between 19-35 members, as well as a President and up to 2 Vice-Presidents. The executive body consists of the City Mayor and two deputies, and the Executive Board of the City can have between 7-9 members, where the City Mayor acts as the President of this Board. The administrative body is comprised of departments and services such as the Secretariat and city institutions.

Graphic number 2 represents the weaker side of local self-governments, particularly the structures 5 and 6, which obviously lack the organisational capacity for fulfilling all the functions and tasks of local self-governments.
4) Cities, towns (46) and municipalities (7) with 10,001-30,000 inhabitants are units of local self-government with a representative body which can have a City or Town or Municipal Council with 13-19 members, a President and up to 2 Vice-Presidents. The executive body consists of the Mayor and its two deputies, and the Executive Board has between 7-9 members, where the Mayor acts as the President of this Board. The administrative body is also comprised of departments and services such as the Secretariat and city institutions.

Graphic 2 – Smaller city (or town) and municipality structure

<table>
<thead>
<tr>
<th>(4) CITY/MUNICIPALITY (LG) (10,001-30,000 inhabitants)</th>
<th>(5) MUNICIPALITY (LG) (3,001-10,000 inhabitants)</th>
<th>(6) MUNICIPALITY (LG) (Up to 3,000 inhabitants)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City/Municipal Council</td>
<td>Municipal Council*</td>
<td>Municipal Council</td>
</tr>
<tr>
<td>- 13-19 members</td>
<td>- 9-15 members</td>
<td>- 7-13 members</td>
</tr>
<tr>
<td>- President</td>
<td>- President</td>
<td>- President = Municipal Mayor</td>
</tr>
<tr>
<td>- Up to two vice-presidents</td>
<td>- Up to two vice-presidents</td>
<td>- Up to two vice-presidents</td>
</tr>
<tr>
<td>City/Municipal Mayor</td>
<td>Municipal Mayor</td>
<td>Municipal Council President = Municipal Mayor</td>
</tr>
<tr>
<td>- Mayor</td>
<td>- Mayor</td>
<td></td>
</tr>
<tr>
<td>- Up to two deputies</td>
<td>- Up to two deputies</td>
<td></td>
</tr>
<tr>
<td>City/Municipal Executive Board</td>
<td>Municipal Executive Board*</td>
<td>Municipal Council = Municipal Executive Board</td>
</tr>
<tr>
<td>- 5-7 members</td>
<td>*(Council can decide by Statute to perform functions of the Board)</td>
<td></td>
</tr>
<tr>
<td>- President = Mayor</td>
<td>- 3-5 members</td>
<td></td>
</tr>
<tr>
<td>Administrative Body</td>
<td>- President = Mayor</td>
<td></td>
</tr>
<tr>
<td>- Administrative Departments and Services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: prepared by author based on the Law on local and regional self-government

5) Municipalities with 3,001-10,000 inhabitants as units of local self-government are the second special case. According to Census data for 2001, there are 178 municipalities which belong to this category. However, there are also 56 cities which according to number of inhabitants actually belong into this category as well, but are not specified in the law accordingly. They should have a representative body with a Municipal Council consisting of 9-15 members, a President and up to 2 Vice-Presidents. Here the Council may decide if an Executive Board is needed.

If yes, then:

- The executive body consists of the Mayor and its two deputies, and the Executive Board has between 3-5 members, where the Mayor acts as the President of this Board.
- The administrative body is comprised of departments and services such as the Secretariat and city institutions.
If no, then organisational structure No. 6 applies:

6) There are 238 municipalities (Census 2001) with up to 3,000 inhabitants. These units of local self-government are the third special case. They have a representative body where the Municipal Council has between 7-13 members acting also as the Executive Board, whereby the President of the Council is at the same time the Mayor, having up to 2 Vice-Presidents. Significant for municipalities of this size is the fact that they have only one Administrative department for all functions (including those municipalities under 5 which have chosen option 6).

This organisational overview of local governments leads to the conclusion that not all local governments can possibly have the capacity, fiscal and human resources, to fulfil all legally required tasks. In this way their ability and efficiency in planning their own development has to be considered accordingly. Further, political parties and democratic elections are still a quite recent development for local governments in Croatia. It can be observed that the level of democracy is still on a quite low level, as political parties – position and opposition – have not developed the culture of dialogue and constructive cooperation. The political programmes are usually presented prior to elections. As programming competence is rare, such programmes usually do not follow a problem-goal related logic and refer mainly to local and particularly personal interests of political leaders within a party. As such interests are quite similar across different parties, programmes do not significantly differ with regard to local needs (e.g. infrastructure related goals, economic development promotion). The relations between the representative and executive bodies are also often difficult on local level and lead sometimes even to blocking the work of the local administration. As experienced in some pilot cases, an unstable political climate can have significant negative impacts on development planning, particularly when local governments fall in the middle of their mandate. Newly elected governments in such situations disregard or neglect in general previous plans or programmes and change public officials on mid-management level.

In the next section, after a brief review of the Law on local and regional governments, it will become more evident that the way in which the local units of self-government are organized does not match the functions, which they have to perform equally, regardless of organisation or size.
3. Functions, responsibilities and local budgets

According to the Law on local and regional self-government, units of local self-government should perform tasks of local importance, which directly address the needs of citizens, and which are not assigned to state bodies by the Constitution or by law, especially the tasks related to: organisation of settlements and housing; town and urban planning; utility services; child-care; social welfare; primary health protection; primary education; culture, physical culture, and sports; consumer protection; protection and improvement of the natural environment, fire protection and civil defence. In addition to this, it is interesting to note that economic development as a task is not explicitly mentioned as a task of local government, but as a task of counties. However, local economic development can be considered as a task of local importance. As mentioned before, it is evident that Croatia has a number of municipalities that are far too weak to perform legally required functions and tasks on their own. Such municipalities rely on support and transfers from higher levels of government.

Following the same Law, the county should perform tasks of regional importance, especially the tasks which relate to: education; health care; town and urban planning; economic development; transit and traffic infrastructure; planning and development of the network of educational, medical, social and cultural institutions. Also, cities which have more than 30,000 inhabitants can provide services, which are actually the responsibility of counties, when they have sufficient resources for their provision (2 and 3 in graphic 1). As part of the first phase of the policy of decentralization, 32 local and all regional self-governments gained greater responsibilities in education, health and social care, supported by equalisation funds.

The general functions of local and regional governments are not defined in detail in the Law on local and regional self-government with regard to the levels of responsibility which these units of self-government actually have (see Bajo, Ott, 2001). These are thoroughly defined in a broad number of special laws and by-laws, where expenditures are assigned specifically to each relevant level of government, highlighting as well central government responsibilities. However, many of these regulations are conflicting, contradictory, lack financial flows and are often neglected by the responsible levels of government, leading to poor or even no provision of specific public services. After the problem of fragmentation, this can be considered as the second major problem of local and regional self-governments in Croatia.
Functions of local self-governments can be categorised into three main groups:

- those, which are under the sole responsibility of local governments, e.g. pre-school, housing and utilities – the delivery of such services depends entirely on own fiscal and human resources of the local government;
- those, which are shared responsibility with regional governments, e.g. recreation, culture and religion – the delivery of such services depends on the capacities of the local as well as the regional governments, particularly their cooperation and communication;
- those, which shared responsibility with the regional as well as central government, e.g. general public services, elementary education, social security and welfare, mining, industry and construction, roads, other economic affairs and services – the delivery of such services depends very much on bottom-up and top-down relations.

All three groups show specific needs and problems of local governments in providing public services according to their functional responsibility. Major problems arise when local governments depend on other levels of government. If we take the problem of fragmentation into account as well as unclear legislation, it becomes obvious that significant efficiency problems can arise. The highly centralised Croatian Government simply cannot target all needs through standard top-down decisions. While at the same time most local governments have no adequate tools and system according to which they could possibly communicate to the higher levels of government what they really need. What the current system imposes are informal communication flows between the various levels of government, highly dependent on personal and political relations and hierarchies.

How do local governments then plan their activities and budgets? This question can be approached from a number of sides. First of all, there are standard legally required procedures, which are regulated by the Ministry of Finance and the treasury system. However, due to the freedom that local and regional governments have with regard to self-government, there are hardly any mechanisms which allow for content related oversight of local and regional budgeting, i.e. planning and execution. At the same time, the central government auditing system has significant problems due to fragmentation at the local level and weak sanctioning power. When analysing local budgetary planning, there are problems on the revenue side that relate to fiscal capacity. On the other side, local governments have severe problems with planning expenditures. Mid-term
revisions are very common, whereby this can be seen as a strong indicator that budgetary planning on the local level is problematic. There is regularly a mismatch between revenues and planned expenditures.

Local revenues are defined by the Law on financing local and regional self-governments (2001). All revenues of the regional and local units are divided into tax revenues, capital revenues, and grants. The Law stipulates also the distribution of shared revenues between the state, regional and local authorities. County taxes are: taxes on inheritance and gifts, taxes on motor vehicles, taxes on vessels, and taxes on entertainment machines. They are also entitled to the revenue from joint taxes such as income tax and profit tax. Grants are used solely as funds to support regional self-government units with below average fiscal capacity. Equalisation grants for decentralised functions (primary and secondary education, social welfare, health care) are transferred from the state budget. These responsibilities are defined by a set of Decisions of the Government on criteria and measures for ensuring minimum financial standards. A special Decree of the Government defines the way of calculating equalisation funds for decentralised functions of local and regional self-government units. Municipal and city/town taxes are: tax on expenditure, tax on holiday homes, tax on public areas, tax on arable and fallow land, tax on company real estate, tax on on-going construction sites, on companies or company names. A municipality may levy additional taxes on income tax payers within their area, which is a surtax on income tax. Upper limits of the surtax are defined in the Law and the local self-governments have individually the right to decide on the level of the local surtax (municipalities up to 10%, cities with less than 30,000 inhabitants up to 12%, above 30,000 inhabitants up to 15%, city of Zagreb up to 30%). Local units are entitled as well to revenues from joint taxes such as income tax, profit tax, and real estate transfer tax; as well as fees collected within their area at a percentage stipulated by the law. The yearly Budget Execution act and special legal acts of the Ministry of finance regulate in detail borrowing possibilities as well as possibilities of issuing guarantees of local and regional self-governments. Local and regional governments may borrow funds for investment or capital expenditure on the financial and capital markets, but have to receive approval from the Government and Ministry of finance. Debt limits are set by the yearly Budget Execution Act, whereby interest and principal payments within one year must not exceed a limit of 20% of total revenues.
Local governments which are more developed and have economic advantages due to concentration of businesses are in a better position to collect more own revenues as well as revenues from shared taxes. These are in Croatia, like in other countries, mainly larger urban areas. According to a study on the fiscal capacity of local governments in Croatia (Jurlina-Alibegović, 2002) more than 30% of local governments cannot cover current expenditure with current revenues. However, the study does not address in detail the sizes of local governments nor whether the local governments actually provide all legally required functions. This has to be analysed in the future, as it can be expected that the mentioned share of 30% might be even higher. The weak governments either rely on central government transfers or simply do not provide the mandatory services. Accountability is also a significant weakness of Croatian local governments. There are cases where local governments simply do not provide public services as required by law. As information to the public is not mandatory, many cases remain unknown to the local population (lack of transparency). At the same time, there is no requirement and accordingly no habit of involving citizens in planning activities of local governments (lack of citizen participation). Therefore, accountability of the political elite is questioned only in times of elections (i.e. every four years).

An important presumption of this paper is that in order to promote the efficiency of local governments and enable them to plan their budgets based on programmes, as required according to the new Budget Law, then programmes have to be defined. How development programmes on the local level can be defined will be elaborated in the next section, where the strategic planning approach will be explained as undertaken in a number of pilot cases (in the cities of Virovitica, Samobor, Šolta, Varaždin, Rijeka, or in Regional operational programmes for Zadar, Šibenik-Knin, and other counties).

4. Strategic development planning on the local level in Croatia

In 2003 the Croatian Government introduced the new Budget Law, in which more emphasis is put on programming, i.e. medium term budgetary plans and yearly budgets based on programmes. When considering programming in budgetary planning, it has to be mentioned that Programme based budgeting is not a new idea and has its roots in the much criticized PPBS – Planning Programming Budgeting System, now widely considered as a failure. This system was introduced in the United States during the 1960s and represented a formal attempt to couple strategic planning with programming and budgeting in a single system (Mintzberg, 2000). The main problem with this system
was the inadequacy or non-existence of plans and development programmes to which the budget could refer. At that time it was impossible to bring all relevant information to one place and integrate them into a single holistic framework. So, the question is, why do we refer today again to a system which was a failure? This question leads us to the need to clarify the differences between the old way of planning and a more contemporary approach to plan budgets based on programmes.

Terms related to strategic development planning are by various authors differently defined and interpreted, which causes confusion in discussions among experts, academics, politicians and the public administration. The main terms of strategic development planning as understood in this paper, based on Dräger et al. (2003), are: *Strategic development planning* is an overarching term that includes the whole process or cycle of i) programme elaboration and design of the respective action or operational plans based on participation of key-stakeholders and local expert involvement, ii) the implementation of provisions as well as iii) all planned steps of monitoring, evaluation and iv) planned stages of revision based on feedback processes in order to adapt the long or medium term programme to new circumstances.

The *Strategic development programme* is the documentation of the participatory planning process. After a situational analysis of the most important areas (i.e. SWOT analysis), such as economic, social, spatial, environmental and institutional development, the main development problems have to be identified. In this identification process, broad participation has to be applied in order to recognize the real needs of the community and to ensure wide ownership of the development programme from the beginning of the process. Out of the identified and prioritized problems, goals and a long term vision are defined. Even though the elaboration of a development programme is an important step, the programme actually provides “only” the direction in which a community wants to go. A further step is necessary in order to ensure implementability of the programme – the operational plan.

The *Operational plan* is the foundation for the implementation of the strategic programme and therefore an integral part of the programme. This is why programme and plan are often used as synonyms. The Operational plan covers the whole programming period, usually between 5-10 years. In this plan all activities to reach the respective goals are listed. The activities are regular sub-programmes targeting a specific development area, specific projects as well as preparatory activities for the
projects such as the development of project documentation, feasibility studies, analyses, etc. At the same time, for every activity responsibility, level of priority, necessary resources, the needed time frame for implementation, and comments relevant for implementation, are defined. Basically, the Operational plan is a guideline for medium term action, while concrete activities have to be planned yearly.

*Yearly implementation plans* are extracted from the long or medium term Operational plan of the Strategic development program. This plan is a detailed list of selected activities which have to be identifiable in the yearly budget of the local government.

The process of strategic planning was applied in a number of local and regional units in Croatia as previously mentioned. Approaches vary from consultancy to consultancy, but are mainly based on the above descriptions, which intend to be flexible as approaches have to be adaptable to different circumstances and differing locations. The experiences gained are manifold, positive and negative. However, a significant problem that was identified in this process relate to weak institutional structures and relationships. In graphics 3 and 4 below, an example on how institutional structures for the elaboration and implementation phases in a Croatian city could be arranged, is presented:

Graphic 3 – Strategic development programme elaboration

![Diagram](source: prepared by author)
The organisational and institutional structure during the elaboration phase of development programming differs from the structure in the implementation phase. However, the proper establishment of the former is an important foundation for the latter phase. In the elaboration phase, beside the political and legally prescribed institutional organisation of the local government (Mayor, Executive Board, and City Council), a number of new non-political functions and bodies should be established. Of particular importance is the Coordinator as the main support to the Mayor and his/her main task is to coordinate and administer the elaboration process. The Development Council is the next most important body that acts as an independent monitoring body comprised of key-stakeholders, and represents an intermediary between the political and professional administrative structures of the local government. It is important to stress that the Development Council should have a neutral political role. According to graphic 3, the Coordinator is in charge of the programme elaboration process (organisation, administration, communication as well as monitoring and internal evaluation) and can receive methodological support from external consultants. New in this structure is the position of external experts – they do not participate directly in the programme elaboration, they provide only guidance to the Coordinator and local government. The situational analyses are conducted by local experts, either from the community or city administration. Problems, goals and priorities are defined in a participatory seminar, where all key stakeholders from the community are invited. The Operational plan of the Strategic programme is formulated by expert teams comprised of the professionals from the city administration and local experts. When the first draft of the Programme is finalized, citizens are invited to participate in the public hearing. The final draft for adoption is thereafter prepared by the expert teams. The Development council is regularly informed by the Coordinator, monitors each step of the process, and can regularly inform the politicians in the City Council through the Executive Board.

Graphic 4 represents the institutional and organisational structure of the implementation process, which starts immediately after the official adoption of the Programme by the City council. The Coordinator and Development Council move into their new permanent positions, where the coordinator supports the Mayor in implementing the development programme taking over the functions of monitoring and evaluation. The Development Council monitors the implementation and acts as an intermediary.
The Mayor and the Administrative departments have a clear role and mandate in implementing the development programme. They have to prepare the annual implementation plans, which have to be linked to the annual budgets. If no link is established, the programme is obviously locked in a drawer, and the Coordinator as well as the Development council, have to react. Going to the media and raising public awareness can be of help in such situations.

According to Dräger et al. (2003) activities such as programming, implementation, monitoring and evaluation, and regular revisions cannot be conducted successfully without techniques of development management covering the fields of: decision-making, motivation, communication, moderation, steering and organisation. The sequence of the main planning phases and management techniques is similar to project cycle management, but has to be considered in a broader sense. In principle, two types of development objectives can occur: development of specific sectors as a product of efforts, e.g. more advanced economic situation, social balances, improved protection of natural resources (direct type) and development of the conditions to enable the development of specific sectors (indirect type). More sustainable would be the promotion of suitable conditions to enable the development of specific sectors (indirect type).
type), because sustainable development has to be initiated through the preparation of competent structures. Recognition of these two types provides the basis for the needed differentiation between the planned measures. Whereby, the indirect type requires more engagement of local fiscal and human resources, while the direct type regularly refers to capital intensive investment projects for which the local governments usually need external support and resources.

5. Local budgets based on strategic development programmes and local politics

The basic idea of linking development programmes and budgets is twofold: ensuring the implementability of development measures and activities as defined in the participatory process, and improved and more transparent budgetary planning. In addition, of crucial importance for development programming is timing related to the cycle of political elections and the budget cycle.

Initiating a development process is first of all a political decision. The question, which arises is, in which phase of the mandate is the political elite in power? There are three different possible stages of the political mandate:

- if at the beginning, there is sufficient time to start implementation of necessary measures and activities and build institutional structures without bigger pressure
- if in the middle, short-term measures will have priority in implementing the programme in order to ensure demonstrable results for the next elections
- if at the end, the first priority is building a strong “politically neutral” institutional structure for programme implementation, and inclusion of interests of the political opposition should be thoroughly considered

The next question relates to when to start the programming process? This question has to be considered because of the budgetary cycle. If a development programme is adopted e.g. after a budget has been prepared at the end of the year, implementation of the programme can actually not start before the next budget plan will be prepared. A delay in programme implementation of more than one year occurs, during which priorities can change; important measures have to be postponed; etc. Therefore, if the programme elaboration takes approximately six months, it is recommendable to start early in the fiscal year to insure inclusion of the first priority measures into the budget for the coming fiscal year.
There are three important points which have to be considered when linking development programmes with budgetary plans: clear and simple structure of the plans, adequate timeframe, and clear designation of responsibilities. The structure of local budgets in Croatia is prescribed by budgetary laws and regulations. According to the new Budget Law (2003), it is interesting that stipulations refer explicitly to programming. In addition to this, the Croatian Ministry of Finance regularly issues guidelines for budgetary planning and reporting for local and regional governments. The central government provides in this way an official framework for longer term planning on the local level (i.e. legal provision which allows for connecting top-down and bottom-up initiatives). So, if local governments have a well elaborated development programme, they should have no major problems in responding to the reporting requirements as set by the Ministry of Finance. This gives local governments the opportunity to link their development programmes with budgetary plans, as well as having a better basis for reporting to the central government level.

Based on the structure of the operational plan of the development programme and the included information, it is possible to point out the needed information for budgetary planning. In table 2 the structure of an operational plan is presented. This structure is applicable to the annual implementation plans as well.

Table 2 – Example of an Operational Plan/Annual implementation plan

<table>
<thead>
<tr>
<th>No.</th>
<th>Measure/Project</th>
<th>Responsible institution</th>
<th>Priority</th>
<th>Implementation Period</th>
<th>Expected costs % Local % External</th>
<th>Financial resources*</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Dräger et al. (2003) and adapted by author

Measures or projects are grouped within a specific objective, which they aim to reach when implemented. The specific objective again is grouped within a development area such as economic development or social development. Accordingly, each responsible administrative department of the local government can recognize the projects and programmes that refer to them in a structured and simple way. The responsible institution is in most cases the local government, i.e. one of its administrative departments or city institutions such as kindergarten, utility company or museum. However, there are measures for which co-responsibility with another institution or stakeholder is necessary, or even the sole responsibility of another institution or
stakeholder but based on their full agreement on taking over this responsibility. At best a written letter of consent or intent from such an institution or stakeholder would be necessary. In such cases, good communication between institutions is a must, because it involves co-operation and co-financing. Here, coordination between different levels of government is often required (vertically), as well as among local institutions or neighbouring local governments (horizontally) when projects are planned together. Setting priorities is important primarily because of the fact that not all measures and projects can be implemented at once, and there is also a sequence of dependencies and necessities, which have to be considered when drafting annual implementation plans. Coordination of activities before implementation is highly recommendable, particularly because of dependencies among activities. The implementation period of a particular measure or project gives major guidance for the planning of necessary resources. Based on the level of priority, the starting date can be defined, which gives at the same time the most important information for the budget. Also, the timing has to be in line with available fiscal and human resources. Expected costs refer to the necessary resources for the implementation of a measure or project such as personnel, equipment, buildings, premises, investments. It is sometimes difficult to estimate costs without project documentation, but estimates have to be made. Consulting other communities with a similar project experience might be helpful. If the costs exceed the capacity of the local government, alternative resources have to be found. Also, before a project enters an annual plan, exact financials and resources have to be known and confirmed.

Before presenting a technical approach to linking the two plans (table 3), it is necessary to stress that measures and activities in the Operational plan differ significantly in relation to needed resources. Out of the whole list of measures and activities, usually a smaller number refers to capital intensive investment projects (direct type, section 4). However, these investment projects take over most of the financial resources in the planned period – sometimes up to 90% of the planned costs for the entire operational plan. For such projects the Ministry of Finance requires that the local governments submit medium term investment plans – on provided project fiches. Other projects or sub-programmes regularly refer to improved activities of the administrative departments and city institutions. The financial resources are then planned on a yearly basis and included in the current expenditures within the budgetary plan. Institutional issues such as financing human resources have to be reported as well, and are regularly also a part
of development programmes, as new activities are planned in which additional human resources are required (indirect type, see section 3). Basically, the Operational plan is a good resource for medium term planning of capital investments. The yearly implementation plan can serve as reference for the budget, but also function as an instrument for monitoring and evaluation. The Operational plan can serve as the basis for the 3-year fiscal plan. While the annual implementation plan is the basis for the yearly budget and these two can be linked as presented in table 3:

Table 3 – Example of linking an annual development plan with the local budget

<table>
<thead>
<tr>
<th>Development area and objective</th>
<th>Development measure or project</th>
<th>Budgetary ref. No.</th>
<th>Budgetary item</th>
<th>Budgeted amount</th>
<th>Other confirmed resources*</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1. 1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2. 1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1. 1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2. etc. 1. etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: prepared by author

Other confirmed resources are as well very important information for the implementability of the planned and budgeted measure. They should be confirmed in written form prior to the adoption of the yearly implementation plan and budget. To plan without formal confirmation contains a higher risk level that this measure or project will have to be postponed, while the budgeted resources might remain unused. The table, which would link the medium term plans, would have in addition financial resources presented by year as well as the planned source (local or external).

All local governments should have an adequate organisation and sufficient human resources, sufficient finances for fulfilling legally required tasks and plan their own development in the longer term. However, the approaches have to vary due to different circumstances, but strategic planning can help significantly in approaching the main problems of local governments in Croatia, regardless of size and capacity.

Conclusions

Following the discussion in the first three sections, two broad categories of local governments can be identified: those who have the capacity to fulfil all tasks required by law on regular basis, and are able to engage themselves in developmental activities
without major external support; and those who are not able to fulfil all tasks required by law on regular basis, due to lacking fiscal capacity and human resources, and therefore need significant external support for development. For the latter, development means fulfilling basic tasks, even before pursuing any other developmental activities such as infrastructural investments.

However, any local government has to provide information to the central government on long-term capital investments as well as on human resources. Development programmes are therefore necessary in any local government. Linking therefore, development plans and local budgetary plans becomes a formal requirement in Croatia, representing a clear top-down and bottom-up relationship. As the government does not prescribe any procedures for development planning, a contemporary approach is presented that was already applied in a number of pilot cases in Croatia.

In addition, the strategic development programme gives local governments a fundamental basis for their policies – without it they actually improvise, as common mid-year revisions of budgets confirm. Beside the standard provision of legally obligatory tasks, local governments can identify easier areas of inefficiency and plan for improvement – e.g. implement management information systems, reorganise the administration, plan training, etc. Further, if a development programme is elaborated on time in relation to the fiscal year, implementation can be started immediately with the next budget. Politicians that are at the beginning of their mandate in the local government have an advantage in implementing a development programme and can work on positive results for re-election.

Finally, local budgets which are based on such development programmes can therefore be considered participatory, transparent and ensure political accountability. Through this process democracy is also enhanced, a broad spectrum of interests can be covered, and public administration can become pro-active and more resistant to political interference into their daily professional work. On the other hand, higher levels of government will have better resources for supporting local development and proceed with decentralisation activities. Investors can also be attracted more easily, when local governments have a clearer picture about the direction in which they are heading.
References


Ministry of finance, Republic of Croatia, (2003), various documents - guidelines for local government budgetary plans, available on web-site: www.mfin.hr


1 The paper is a revised and extended version of the initially prepared paper «Linking Local Development Plans and Local Budgets in Croatia» for the ERSA Summer Institute 2004, Split, Croatia.