

MINISTRY OF DEFENSE BUDGET IN THE CONDITIONS OF RECESSION

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ABSTRACT

We are witnessing the budget cuts in Year 2009 according to fall of budgetary incomes due to disturbances in the market and crisis spillover from the world reflected in the budget of the Ministry of Defense which based on the Government directions executed four budget revisions .

In the planning documents and guidelines for drafting the budget of the Ministry of Defense must content installed risk categories which contains the procedures during the reduction of budget revenues or insufficient inflow of funds for the financing of the Ministry of Defense. Within each program there is a categorization of projects according to priorities, and within the project categorization and priority project steps and activities. In case of insufficient funding of the budget of the Ministry of Defense the management structure is using these tools in the process of making strategic decisions

The purpose of the paper is to present how the Ministry of Defense in terms of multiple reducing the state budget shall adjust the Ministry of Defense budget, applying methods of programming, design and risk management...

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1. INTRODUCTION

1.1. What is a recession?

Recessions are temporary slowdown in economic activity accompanied by a simultaneous deterioration of the country's general economic climate (decline in real income, rising unemployment, low utilization of production capacity..).¹

¹ <http://hr.wikipedia.org/wiki/Recesija>

By general accepted definition, economic experts, a national economy is in recession if the two adjacent quarters are stagnating (so-called zero growth quota) or recorded negative economic growth – meaning, if the economic growth rate is lower than year earlier. As a reference valid are the same quarters a year earlier. In doing measures the overall economic performance of an economy, or gross national product.²

1.2. Recession in Croatia

Fall of trade after the collapse of business confidence in the financial stability of the world market, Europe has entered a deep recession, which in 2009 resulted in Croatia, where, according to a report of the International Monetary Fund (IMF) on economic prospects of the region in 2009. marked economic decline of 3.5 percent. The financial crisis has taken a great toll in developed and in the new European economies. Global crisis reflected in the Croatian economy and thus on the revenues of the central government. The 2009 year the state budget was reduced and it was necessary to make an adjustment or in accordance with the revised budget estimates of revenue. Consequently the Ministry of Defense as part of the state administration carried out the revised budget.

„Based on the Armed Forces of the Republic of Croatia Long Term Development Plan 2006. – 2015³. (in continuation as LTDP) and Direction for the Development of State Budget of Republic of Croatia for period year 2009. – 2011. (In continuation Directions) Ministry of Defense developed the Draft of Financial Plan for period year 2009. to 2011.. –LTDP was elaborated with implementation plans in six functional areas: personnel management, international military cooperation, equipping and modernization, facilities management, strategic communication network and, Ministry of Defense and Armed Forces intranet communication and research and development. For the purpose of implementation of Plans there is number of projects and tasks with given priority in accordance with established criteria .“⁴

² <http://www.dw-world.de/dw/article/0,,3793744,00.html>

³ DPR, NN br. 81/06

⁴ Prijedlog financijskog plana Ministarstva obrane Republike Hrvatske za razdoblje 2009. – 2011. godine, Uprava za financije proračun

2. DEFENSE PROGRAM OF THE MINISTRY OF DEFENSE

With the Ministry of Defense of the Republic of Croatia (in continuation MOD) Defense Program are developed and improved and maintained the military capabilities which enable the protection of sovereignty and territorial integrity of Republic of Croatia, defense of Republic of Croatia and its allies; strengthen the role of Republic of Croatia in euro Atlantic and security integrations as the actor which contributes to international security and strengthen the role of the Armed Forces as the actor with performing of untraditional military tasks which contributes to benefit of society as whole

According to abovementioned in Defense Program the fallowing goals are established²: armed forces priority capabilities improvement, international defense cooperation improvement, enlargement of armed forces engagement in performing untraditional military tasks.

These goals are related to the Strategy of Government programs for triennial period year 2010. – 2012. and it's general goals: continued strengthening of international position of Republic of Croatia, and Police and Armed Forces in service to the citizens, as well as the specific goals; continued profiling of the Republic of Croatia as reliable partner at the international level as full fledged NATO member; Integral system of national security development; Sustainment of international defense and police cooperation and Improvement of the priority capabilities of the Armed Forces .

The goals are implemented through the activities of Defense Program of the MOD:

- Armed Forces functioning
- Administration
- Equipping and modernization
- Facilities and infrastructure
- Training and other activities of the Armed Forces
- Education and professional development
- Reorganization expenses (transition)
- Court orders⁵

⁵ Obrambeni program Ministarstva obrane Republike Hrvatske

2.1. Strategic Goals of the Ministry of Defense

Entering NATO and concluding the negotiating process with EU strengthens the role of the Republic of Croatia at international scene. The development of international defense cooperation improves the strengthening the role of the Republic of Croatia in euro Atlantic security and defense integrations, through the reforms and the development of defense system of the Republic of Croatia, improving good neighborly relations and regional cooperation and strengthening the security of the Republic of Croatia and international security International cooperation includes bilateral and multilateral cooperation, participation in NATO, military diplomacy and the implementation of international agreements.

Development of bilateral cooperation is aimed at the over forty countries. In the bilateral cooperation the projects already initiated will continue.

Multilateral cooperation is developed in the framework of international organizations, regional defense initiatives, and other forms of cooperation such as participation at international forum, conferences and etc... Participation in initiatives and work of NATO alliance takes place through the activities of cooperation with partners Euro-Atlantic Partnership Work Plan (EAPWP), Individual Work Plan (IWP) program integration, training centers and schools of NATO and the work of the bodies and committees of NATO.

By joining the NATO alliance military-diplomatic network restructuring is conducted and the abolition of offices in some member states of NATO, considering that the contacts that are now performed through the office of military delegates can perform direct contacts in NATO bodies. At the same time considering the possibility of opening representative offices in the Mediterranean countries which currently have no official military diplomacy.

Arms Control and implementation of international agreements will be carried out a series of activities that include participation in meetings, inspections and evaluation of a series of agreements.

Participation in peacekeeping missions and operations of the Republic of Croatia is fulfilling the international commitments. Participation of members of Armed Forces in international peacekeeping missions and operations, both individuals and units of Armed Forces, is based on the effective preparation prior to sending the mission, and creating conditions of maximum security of the Croatian Armed Forces in the execution of missions and operations.

Participation in the NATO led peacekeeping operations including *International Security Assistance Force* ISAF in Afghanistan, Kosovo Forces (KFOR) in Kosovo, the NATO Response and Operations of liaison officers in support of international peacekeeping operations in the Armed Forces NATO/EU headquarters. Participation in UN led missions and operations, including participation in individual peacekeeping missions for the military observers, staff officers and military experts and the peacekeeping mission UNDOF on the Golan Heights.

2.2. Explanation of strategic goals

Improving the ability of the armed forces, priority is directed to reach the level of capabilities needed to perform all military peacetime and combat tasks and the constant adjustment of the defense system in dynamic security environment. The armed forces must be capable of responding to security challenges and risks the ability to have control of the territory of the Republic of Croatia, deterrence of potential aggression and conducting combat operations. The realization of this goal armed forces gain the ability to protect the sovereignty and territorial integrity of the Republic of Croatia, and defend the Republic of Croatia and its allies, and it will be difficult given the financial resources allocated. The planned size and structure of the CAF result from a realistic assessment of threats and risks, and anticipated missions and tasks of the CAF, the commitments in the international framework and resources of the expected RH for the defense budget be set aside. Getting the staff aims at obtaining the appropriate staff as conducted in accordance with the agenda, which is improving unfavorable age and qualification structure of staff.

Equipping and modernization of the armed forces, weapons and military equipment and support systems, and command and control is very important in the coming years. The need for equipping and modernization resulting from existing and future missions and tasks of the CAF and commitments in the international defense cooperation, and will be implemented within the resources allocated to the Republic of Croatia for the defense budget be set aside.

Equipping and modernization projects being implemented in accordance with the budgetary possibilities, based on priorities established by the LTDP.

In accordance with the allocated funds the training of the MoD and the CAF is carried out, which meets the need to acquire the required knowledge, skills and capabilities that will contribute to the development of effective defense system and fulfilling its basic mission and tasks.

Training in the Croatian military college (HVU) is implemented through programs officer and NCO training, learning foreign languages and program KADET. Program "KADET" is an integrated form of civil - military school, which educated candidates for officers for the combat service and combat service support and represents the primary form of education for career officers.

Civil and functional training, as the process of acquiring knowledge, abilities and skills of employees of the MoD and CAF, achieved through education at civilian educational institutions and is conducted through forms of secondary education, undergraduate, graduate and postgraduate studies, professional specialization, the specialist training of medical doctors, professional courses and other forms of vocational education and training.

Education abroad is carried out through education and training of active duty military personnel and civil servants in the civil and military schools, and implemented through bilateral agreements and international training programs.

Performance of ordinary activities of the support units and administrative part of the Ministry and the General Staff of Armed Forces, in terms of allocated funds, planned prerequisites for the smooth flow of training and the regular peacetime tasks of the armed forces;⁶

The proposal of the financial plan of the Ministry of Defense for year 2009. was made in accordance with LTDP in the amount of 1.86% of estimated GDP, and for year 2010. and 2011 up to 2% of estimated GDP, with certain items of income, expenditures and expenses.

3. DETERMINING THE LEVEL OF PRIORITY PROJECTS FOR THE MOD AND CAF

LTDP implementation plans include the priorities according the levels and priorities of first level, second and third level although it is possible to have multiple levels of priority

3.1. Risk management

LTDP implementation plans contain important section that is substantially related to risk management. As the system was prepared for potential "shake" in the implementation of projects and activities because the key obstructionist of which

⁶ Obrazloženje prijedloga financijskog plana za razdoblje 2010-2012. Ministarstvo obrane, Uprava za financije i proračun

the most important is the lack of budgetary resources, as stated in the implementation plans of LTDP 2007. – 2015. The implementation plan for the development of individual projects in the medium and long term period barriers can manifest itself through the reduction of total budgetary resources or through a change in budget structure. The total reduction of budgetary resources reflects to the order of priority of implementation of projects and activities. Changes in the structure requiring re prioritization of all programs and activities related to budget, through which the projects would be able to get a lower level of priorities and thus their implementation would be delayed or canceled. Bearing in mind the possibility of such developments, the projects are made in stages, which will reduce the risk of cancellation of implementation. Likewise, if there is a change in the budgetary framework each application will be exposed to revision. The risk can occur as well in the event of vacancy of the functional areas of personnel with appropriate knowledge and skills to be the holder of certain activities. The system is continuously implementing the reorganization and adjustment processes, procedures and implementing the management-structure into functional areas of responsibility.⁷

3.2. Planning in accordance with LTDP

Income from own activities

Although the MoD is the budgetary user, the system includes the organizational units that achieve a certain income. MoD in the year 2009. planned to achieve revenue from conducting their own business activities in the market based on services delivered

Explanation of specific income groups

Institute for research and development of defense systems planned to achieve its revenue from providing scientific research services.

Aeronautical Technical Institute planned in year 2009. to achieve on the market their own revenue through the engagement of their own capacity to provide service to domestic and foreign air carriers and thus achieve some of their own income, which will direct the training of the Institute for more quality service of Croatian Air force.

⁷ Ministarstvo obrane, Provedbeni planovi DPR-a 2007. – 2015

Explanation of particular groups of expenditures

The proposal of the financial plan of the MoD for 2009. in relation to the financial plan for 2008. was expected to be for 15.2% more, according to economic classification.

Expenditures for employees

Planned expenditures for employees for year 2009. in salary, contributions to salaries and other expenditures for the employees as a result the planned increase in base salary of 6%, the planned number of members who will participate in peace-keeping missions, planned expenditures for severance and planned movement of personnel in MoD and CAF.

Although expenditures for employees in the plan proposed for 2009. were higher than planned for year 2008. for 2.5% they had a tendency to reduce the share of the financial plan of the MoD and in 2009. comprised 47.8% of the overall plan by 53.8% in year 2008.

Material expenses

Material expenditure plan for year 2009. in the overall financial plan participated with 48.2% and included reimbursement for employees, expenditures for materials and energy expenditures for services and other expenditures not mentioned operations. In the majority of the material expenses consisted of expenses for materials and energy and the rest of the expenditures on military equipment, expenditures for materials and parts for current and investment maintenance, office supplies and other material and energy expenditure. The planned funding for military equipment were related to the need for equipping and modernization of branches and units of the CAF and equipping of troops engaged in international missions.

The planned funding for materials and parts for current and investment maintenance were related to the level of maintenance expenditures accuracy of material resources and maintenance of buildings. Planned expenditures of funds for material mostly consisted of expenditures for the purchase of associated equipment for the staff of the MoD and CAF in accordance with the standards and criteria for belonging and training employees. In the expenditure of funds for services the most funds are planned for the services of current and investment maintenance, and related to the maintenance of combat systems, naval ships and technical systems, aeronautical technical systems, non-combat material resources, information and communica-

tion systems, facilities and infrastructure in order to preserve the functionality of combat techniques, combat readiness and maintenance of existing facilities. For reimbursement for employees 43% were compensation for work in the field to members of the Armed Forces dialed in peacekeeping operations and missions.

Financial expenses

Financial expenses were related to the court verdict, penalty interest for late payment of business relationships, banking services and payment and interest for loans received two contracts on financial leasing.

Compensation to citizens and households money

Compensation to citizens and households in cash referred to scholarship cadets, scholarships for employees for undergraduate and postgraduate scholarships and international scholarships.

Expenditures for the acquisition of produced fixed assets

Plan expenditure for the acquisition of produced fixed assets in the total amount included repayment rate by a signed contract for the procurement of aircraft Canadair CL - 415

Expenditures for the repayment of principal received loans

Expenditures for repayment of the loans were related to the repayment installments of principal of loans to the two contracts. Payment of principal finance leasing is done on the Repayment Plan period of 2006. until year 2009..

Although the adoption of the LTDP in the Croatian Parliament formally established the direction the development of the CAF, the obligations of certain elements of the defense system and provides a stable level of spending on defense needs than 2% of GDP on an annual level from 2010 onwards.

3.3. Planning the implementation of priorities and risk management

MoD is aware of the adverse economic conditions caused by the global recession that condition the amount of the State budget, and thus the defense budget, and that he must share the burden of the economic crisis along with the rest of the country. Therefore, the Draft Financial Plan of the Ministry of Defense for the period 2010-2012. was made with the ultimate rationalization of costs so that

activities are structured in a way to contain the minimum amount for the cost of essentials necessary for the functioning of specific activities. Hereby makes the implementation of projects in the LTDP and implementation plans, so it was necessary to redefine the scope and pace of realization of anticipated projects.

Revising the budget is defined by financing capital projects through the reallocation of costs on multi-year period. Applying the method of risk management which is an integral part of any implementation plan of the LTDP it is possible to carry out rescheduling implementation plans. Set priorities in the LTDP enabled prolongation of initiation and completion of certain projects for the next budget period or until the stabilization of the budget and its growth on completion of the recession or increase in GDP, which directly affects the scope of the budget of the MoD.

3.4. Budget revision in year 2009

During the 2009 years in accordance with the conclusions of the Croatian Government and the guidelines of the Ministry of Finance, MOD initiated the budget revision in four budgetary phases. Namely the Ministry of Finance gave the order to all budgetary users to implement the budget in order to reduce the planned budget and meet the planed budgetary incomes.

MoD conducted a budget reduction of diminishing funds for certain programs, taking into account that they do not endanger the functioning of the CAF and fulfilling the strategic goals and international commitments.

Element of risk management that is built into all implementation plans of LTDP, make possible that in the circumstances of the recession could easily execute a revision or reduction in the current budget year without endangering the main functions of the MoD and CAF. In order to manage risks better fits into the function of management, in September 2009. the Guidelines were adopted for the process of risk management at budget users who have initiated activities that is develops risk management as a systematic and continuous process within the process of financial management and control. Risk Management will cover the determination of business objectives, potential risks affecting the achievement of objectives, and to carrier out their assessment in relation to the probability of occurrence and significance effects, and establish appropriate measures to manage risks.

According the above-mentioned elements during year 2009 MOD perform the budget revision in four budgetary phase, which ranged from 5,698,233,823 to 5,049,323,053 in the fourth version of the 88.61% initial budget

Overview of the relationship variants revised budget MOD Ministry of Defense, Department of Finance and Budget, 2010 years

No	Account title	Total FP 2009.var 1.	structure	Total FP 2009. var. 2	structure	index	Total FP 2009. var 3	structure	index	Total FP 2009. var 4	structure	index	Total FP 2009. konačna var.	structure	index
1	2	3	4	5	6	$7=5/3*100$	8	9	$10=8/5*100$	11	12	$13=11/8*100$	14	15	$16=14/3*100$
1	A545019 FUNCTIONING OF CAF	3.284.561.016	57,64	3.023.642.158	59,06	92,06	3.037.796.498	59,64	100,47	3.004.978.256	59,51	98,92	3.068.951.897	60,78	93,44
2	A545031 TRAINING AND OTHER ACTIVITIES OF CAF	34.831.000	0,61	20.711.000	0,40	59,46	18.331.000	0,36	88,51	15.261.720	0,30	83,26	13.902.220	0,28	39,91
3	A545023 EDUCATION AND PROFESIONAL DEVELOPMENT	61.885.000	1,09	56.885.000	1,11	91,92	55.961.500	1,10	98,38	55.215.000	1,09	98,67	47.310.740	0,94	76,45
4	A545025 EQUIPING AND MODERNISATION	552.606.876	9,70	473.021.626	9,24	85,60	370.249.135	7,27	78,27	363.026.621	7,19	98,05	326.370.621	6,46	59,06
5	A545027 FACILITIES AND INFRASTRUCTURE	186.687.000	3,28	165.687.000	3,24	88,75	162.591.400	3,19	98,13	159.691.400	3,16	98,22	121.329.400	2,40	64,99
6	A545008 INTERNATIONAL COOPERATION	73.931.000	1,30	57.500.000	1,12	77,78	57.004.400	1,12	99,14	54.028.400	1,07	94,78	48.490.900	0,96	65,59
7	A545029 ADMINISTRATION	580.446.849	10,19	537.497.591	10,50	92,60	562.004.441	11,03	104,56	548.629.133	10,87	97,62	576.859.600	11,42	99,38
8	A545035 FIRE PROTECTION	257.543.000	4,52	216.291.000	4,23	83,98	217.141.000	4,26	100,39	217.141.000	4,30	100,00	214.139.230	4,24	83,15
9	A545039 COAST GUARD	93.823.000	1,65	43.474.950	0,85	46,34	43.154.950	0,85	99,26	43.154.950	0,85	100,00	38.403.092	0,76	40,93
10	A545037 PEACE MISSIONS EXPENSES	384.401.000	6,75	349.025.000	6,82	90,80	350.463.991	6,88	100,41	332.678.491	6,59	94,93	327.457.271	6,49	85,19
11	A245036 RESTRUCTURING EXPENSES (TRANSITION)	132.518.082	2,33	121.518.082	2,37	91,70	164.518.082	3,23	135,39	201.518.082	3,99	122,49	222.108.082	4,40	167,61
12	A545038 COURT ORDERS	55.000.000	0,97	54.000.000	1,05	98,18	54.000.000	1,06	100,00	54.000.000	1,07	100,00	44.000.000	0,87	80,00
	TOTAL MoD	5.698.233.823	100,00	5.119.253.407	100,00	89,84	5.093.216.397	100,00	99,49	5.049.323.053	100,00	99,14	5.049.323.053	100,00	88,61

Author's calculations

In year 2009. the financial plan of MOD was reduced from the initial amount of 5,698,233,823 to 5,049,323,053 Kuna, which is the absolute amount of 648,910,770 Kuna, or a decrease of 11.39%. This reduction took place through three revised budget, while the final variation caused by amendment of the financial plan to ensure funding for salaries and severance pay. the amounts for individual programs decrease, while the planned amount of restructuring charges (severance payments) increased by 67.61%, in order to achieve the goal set in the LTDP in the planned strength, the MOD and General Staff.

3.5. Program explanation

Indicators of success:

Fulfill the armed forces to the planned number of soldiers, NCOs and officers, the number of exercises held, the number of implemented projects and modernization of equipment, number of implemented programs to help transition of the surplus staff, the number of participants who completed officer training and non commissioned officers (NCO), learning foreign languages and Program KADET, at the Croatian military college and the number of participants who completed the programs of international education

Promotion of international defense cooperation

In support of the objectives of the the Strategy of the Government programs for the period 2010-2012 overall goal is to further strengthen the international position of Croatian, strengthening the police and armed forces in the service of citizens and the maintenance of international military and police cooperation. The goal is implemented through the activities of the defense program MOD: International cooperation and the costs of peacekeeping missions

Indicators of success:

Number of activities of bilateral and multilateral cooperation, the number of members of the CAF to positions in the bodies and committees of NATO, the number of military and diplomatic missions and the number of activities related to the implementation of international agreements the number of international missions and operations involving members of the CAF, and number of CAF members in international missions and operations.

Increasing the involvement of armed forces in carrying out non-traditional military tasks

The general objective - the police and CAF in the service of citizens and in particular - developing an integrated system of national security objective is implemented through the activities of the defense of MOD projects in Fire Protection, Coast Guard and firefighting aircrafts.

MoD and CAF try, in addition to performing traditional military tasks, to be a factor that will contribute to the betterment of society as a whole. CAF engage in situations where urgent intervention is necessary to preserve the lives and health of injured or sick. Fire protection in the coming years will be conducted in accordance with the program activities in the implementation of special measures for protection from fire of interest for the Republic of Croatia, Government conclusions and the needs on the ground. The CAF for implementation of Fire fighting season is organizing the task force made up of parts of the Croatian Army, the Croatian Air Force and Air Defense and the Croatian Navy, with the task of providing assistance and support fire-fighting units in the fire extinguishing open space from the air and ground and sea transportation and water supply fire-fighters. The task of the Coast Guard, formed in the Croatian Navy is protection of the sovereign rights and jurisdiction of the implementation of the Croatian Ecological and Fisheries Protection zone, epicontinental area and the open sea.

Indicators of success is the number of aircraft involved, number of vessels involved and number of involved members of the Armed Forces

Functioning of the Armed Forces

Personal support for members of the armed forces, including salary, contributions, fees and other expenses for employees, a source of funds for planning the number of employees by year:

/ 2010th year: 17,849 employees - a total of 2,507,057,000 Kuna;

/ 2011th year: 17,598 employees - a total of 2,481,033,000 Kuna;

/ 2012th year: 17,292 employees - a total of 2,451,036,000 Kuna.

Essentials for the functioning of the armed forces are planning the following resources:

/ 2010th year: a total of 459,049,000 Kuna;

/ 2011th year: a total of 417,851,000 Kuna;

/ 2012th year: a total of 452,332,000 Kuna.

Equipping and modernization

For projects in area of equipping and modernization for capital investment MoD planned the following funds:

/ 2010th year: a total of 400,000,000 Kuna;

/ 2011th year: a total of 370,000,000 Kuna;

/ 2012th year: a total of 400,000,000 Kuna.

Facilities and infrastructure

In terms of anticipated resources plans consist construction, reconstruction and renovation of facilities and infrastructure necessary for the implementation of the deployed forces in order to achieve better conditions for working, living and training members of the CAF and the MoD. Funds were planned for years:

/ 2010th year: a total of 103,058,422 Kuna;

/ 2011th year: a total of 100,000,000 Kuna;

/ 2012th year: a total of 120,000,000 Kuna.

International cooperation

Activities of bilateral and multilateral cooperation activities with NATO, the activities to implement international agreements, the establishment and maintenance of military-diplomatic missions, and filling positions in commands and the bodies of NATO, is planning the following: 1. 2010th year: a total of 68,000,000 Kuna; 2. 2011th year: a total of 70,000,000 Kuna; 3. 2012th year: a total of 70,000,000 Kuna.

Administrative and general affairs

Personal support for employees in the administrative part of the MoD and the General Staff of Armed Forces includes salary, contributions, fees and other expenses for employees, a source of funds for planning the number of employees by year: 1. 2010th year: 2255 employees - a total of 372,787,600 **Kuna**; 2. 2011th year:

2213 employees - a total of 369,881,600 **Kuna**; 3. 2012th year: 2200 employees - a total of 369,781,600 **Kuna**.

In order to ensure general and administrative support to the overall defense system, the administrative part of the plan the following funds: 1. 2010th year: a total of 153,405,400 **Kuna**; 2. 2011th year: a total of 155,962,400 **Kuna**; 3. 2012th year: a total of 156,348,400 **Kuna**.

Fire prevention

To support the task forces during the fire season, the insurance fee personnel engaged in fire extinguishing and maintenance of vessels and aircraft are planning the following funds: 1. 2010th year: a total of 63,330,000 **Kuna**; 2. 2011th year: a total of 64,550,000 **Kuna**; 3. 2012th year: a total of 64,550,000 **Kuna**.

The costs of peacekeeping missions

Planned expenditures in activities to participate in peacekeeping missions comprise mostly benefits the participants in peacekeeping missions, logistical support on site conducting the operation and equipping of military equipment and is planned for the following funds: 1. 2010th year: a total of 333,403,000 **Kuna**; 2. 2011th year: a total of 425,403,000 **Kuna**; 3. 2012th year: a total of 472,403,000 **Kuna**.

Firefighting aircrafts

According to contract for the procurement of aircraft Canadair CL - 415 MoD planned repayment installments and the remaining funds needed to settle the costs in terms of aircraft in the total amount of: 2010th year: a total of 73,700,000 **Kuna**⁸

4 CONCLUSIONS

All users of budget of the Republic of Croatia have duty to prepare plans and budgeting and budgetary projections include the factor of risk management. This category forces the management structures of state administration bodies to recognize the possible risks and the possible difficulties that may occur during use of the approved budget. Depending on the specific business a risks may be different, and

⁸ Pregled odnosa planskih proračunskih stavki u periodu 2010 - 2012

the state administration for the most part it is the lack of budgetary resources for the implementation of planned programs. Deficiency can be caused by a revision of the budget which generally remains at the same level but changing priorities, or there may be insufficient budgetary revenues so the expenses must be cut. In the case of the recession it is about another case where an insufficient flow of government revenues revised conditions and therefore any government body or any user of the state budget must reallocate of funds in accordance with the given guidelines.

Correct planning of the budget and planning individual programs and projects and programming costs of project implementation with the appropriate definition of the priority groups can maintain the necessary level of defense capabilities for the realization of goals. Risk management, which is an integral part of implementation plans of LTDP is improved by applying appropriate recommendations listed in the Guidelines for the implementation of risk management processes, and adopting a risk management strategy which will be updated each year, significant risks for the entire business.

Central Harmonization Unit has produced the Guidelines for the process of risk management at budget users to help establish a systematic risk management. Action Plan for implementation of the Guidelines set out the necessary activities to establish a process of risk management perspective that will facilitate decision-making processes when creating a revised budget.

In the case of reducing the budget of the Ministry of Defense in 2009 through three rounds of budget reductions have retained the necessary level of defense capabilities for the realization of goals. This was achieved with good and thorough planning determining the level of priority of activities within the given category of program and projects. When the priorities are clear for budget spending given by strategic goals it is possible to eliminate the projects and activities of lower level of priorities, and keep the key one and enable the smooth functioning of the Ministry of Defense and CAF.

5. NOTES:

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<http://www.dw-world.de/dw/article/0,,3793744,00.html>
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4. Ministarstvo obrane, Uprava za financije i proračun, Obrambeni program Ministarstva obrane Republike Hrvatske
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