

## **SMILJKA JOVANOVIĆ: OPINION OF SAI IS A RECOGNITION FOR THE PROVINCIAL GOVERNMENT**

**23/06/2019**

**Source: Dnevnik.rs**

**The State Audit Institution (SAI) has published its positive opinion upon the audit of the consolidated financial statements of the balance sheet of the budget of AP Vojvodina for 2018.**

This is the first time since the beginning of its work that SAI has published a positive opinion on a financial statement on budget control in the system of a territorial organisation composed of local self - governments and autonomous provinces. On this occasion, "Dnevnik" spoke to the Provincial Secretary of Finance Smiljka Jovanović on the eve of the session of AP Vojvodina Assembly, on Wednesday, 26th June, whose agenda will include the report on the last year's balance sheet of AP Vojvodina.

### **How did you receive the news on the opinion of the State Audit Institution?**

For the Provincial Government and all the employees who worked on the consolidated financial statements of the balance sheet of AP Vojvodina budget, the positive opinion of SAI is definitely a good news, and in a sense, a recognition for the good performance of this responsible job. The work of the public administration, at all levels, therefore, state and local, is one that entails management of public property and money. That involves significant resources and the ownership interest of the state is to check the use of these funds. By law, this is entrusted to the SAI. This is the third time that this institution has done an audit of the statement of accounts of AP Vojvodina budget. The first time the subject of the audit was the statement of accounts of the Province in 2010, then in 2014, and for the third time in 2018. The provincial administration reacted on the weaknesses, irregularities and recommendations made by the State Audit Institution in previous audits, by correcting and improving the procedures and management processes. The role of audit is always useful if we see it as a constructive criticism we can thrive on.

### **TRENDS OF INCOME TAX**

Smiljka Jovanović says that the trends of income mass and employment are the main factors that influence the trends of income tax and that the positive trend is the result of the implementation of structural and fiscal measures, favourable trends in the labour market, increase in employment and the amount of income.

The trend in AP Vojvodina is as follows: In 2016, compared to 2015, the growth was 4.2 percent, in 2017, compared to 2016, the growth was recorded at 9.6 percent, and in 2018, compared to 2017, the growth is seven percent. Thus, in cumulative terms in the last three years, the growth of this tax form was 22.2 percent - the secretary pointed out.

### **PROFIT TAX**

Smiljka Jovanović says that the realisation of the profit tax in the observed period shows an even better trend:

In 2018, this revenue was realised in the amount of 10.27 billion dinars, which in comparison with the realisation in 2017 is 1.82 billion dinars, or 21.49 percent, more. Compared to 2016, when the realisation of this revenue amounted to 6.17 billion dinars, in 2018 we recorded a growth of 4.1 billion, or even 66 percent - she said. These indicators are the result and the reflection of measures implemented at the level of the state in terms of creating an enabling environment for the revival

and development of the economy. We were on this path when, immediately after assuming the obligation to exercise authority at the provincial level, we established the Vojvodina Development Agency in order to create incentive measures that should contribute to the faster economic development.

**Deputies of the Provincial Parliament will discuss the report on the statement of accounts of the budget for the last year at a session on Wednesday, 26th June. How do you rate the execution of the budget by provincial secretariats?**

Yes, within the legal deadline and in the regular procedure, the proposal for the statement of accounts of the budget for 2018 was sent to the deputies, and we will discuss it at the APV Assembly session on Wednesday. The APV budget for 2018 was projected at the level of 73.47 billion dinars, with 71.85 billion dinars realised, or 97.8 percent of the planned amount. The assessment of this indicator can be read as a very high level of responsibility in terms of planning reality. The execution, or budgetary expenditure, amounted to 67.62 billion dinars, or 92.04 percent of the plan, which is also very good. In comparison to 2017, the execution level increased from 88.76 percent to 92.04 percent. Due to the fact that the capital purposes and investments represent a significant part in the expenditures structure, it is hard to expect this level of budget execution to be higher, bearing in mind the nature of these expenditures. On one hand, it is the obligation to foresee the sums in the budget before commitments; on the other hand, the characteristics of capital investments imply realisation that exceeds the calendar limits of one year, which as a rule determines a lower level of execution. The amount for capital projects entails a "time funnel", that is, the money that remains unspent is transferred and planned by the budget for the next year. In the end, I can say that the execution of the budget by the secretariats was at a satisfactory level.

**The deputies mostly criticise the budget execution of the Capital Investment Administration in terms of insufficient realisation; are you satisfied with last year's results?**

The level of realisation of the amount planned within the Capital Investment Administration in 2018 was significantly increased compared to 2017: from 48 percent, of executed amount, it increased to 68.5 percent in 2018. When it comes to evaluating the level of realisation, we must bear in mind the fact that in the case of capital investments, this can by no means be the only criterion for giving a general assessment.

**So, the level of realisation has increased, but could it be higher?**

The reasons for this are foremost the characteristics of capital investments, which are planned in the total necessary amount, but their realisation extends through several budget cycles. The project - construction of the office building for RTV is an example. The planned funds was realised in the amount of 56.5 percent, that is, as much as the work was done in that calendar year. This is not about delayed work but about the fact that the project in its scope implies realisation in a multi-annual framework, not an annual one, and the money is provided in full until the completion of the project. Therefore, budgetary responsibility requires that we plan the total amount needed for the project, and the pace of the work certainly goes beyond the calendar year, hence this "discrepancy" or non-execution cannot be recorded as a negative, on the contrary, it is a sign is serious, foreseeable and budget responsible and sustainable project financing. In addition, the project implementation is often slower than expected due to the procedures and rules of public procurement and the like. Generally, the level of realisation has increased, although, I repeat, when it comes to the implementation of capital projects, this is not the best indicator of measuring performance. For the realisation of these funds, the financing sustainability and secure investment of money based on executed work are far more important.

**Was there enough money in the provincial cash register for financing planned expenditures?**

Yes, and it “overflowed”. What “overflowed” is partly the result of savings and partly the reserved funds for capital projects, which are implemented over several budget years. Throughout the year, the realisation of revenues was stable, so we had no problem with liquidity and fulfilment of obligations.

**Shared revenues are an important indicator of economic trends. What conclusion could you make on the basis of shared revenues in the last year?**

Once again, figures are the best argument. Shared tax revenues - personal income tax and corporate income tax - in 2018 were realised in the amount of 16.15 billion dinars, which is 2.2 billion, or 15.77 percent, more than in 2017. This is almost five billion, or more than 44 percent, more, compared to 2016, when the realisation of these revenues was 11.18 billion dinars.

**What can you tell us about the state of the public debt of the Province?**

The public debt at the end of 2018 was 6.12 billion dinars. In the structure of the debt, the principal is 5.85 billion dinars while 267.4 million dinars is the interest. By law, the maximum level of indebtedness is 50 percent compared to current revenues. This indicator for the total debt of AP Vojvodina amounts to 9.43 percent. The permitted level of the annual burden of debt payment in comparison to the current revenues is 15 percent and in 2019 this burden for the budget of AP Vojvodina is about two percent. Therefore, the burden of debt is evenly distributed and does not interfere with the performance of the Province. In addition, the debt was refinanced and we reduced the cost of borrowing in this procedure, i.e. interest, and the total financial effect of the refinancing process was 2.22 million euros, or 274 million dinars. In October 2017, the Provincial Government repaid early the part of the debt principal in the amount of 450 million dinars on the basis of the long-term loan secured for debt refinancing, and based on the second issue of bonds with the bank Poštanska štedionica a. d. Belgrade. In mid-2016, the public debt principal amounted to 9.2 billion dinars, which was 17.6 percent of current revenues. At the end of 2018, i.e. 31st December, these indicators are 6.1 billion dinars of public debt, which is 9.43 percent compared to current revenues. In 2018, the Provincial Government again borrowed 1.6 billion dinars at an extremely low interest rate of 1.26 percent. The borrowing was intended for capital investments in healthcare institutions and investments in water management. So, when it comes to the state of the public debt, I can say that both absolute and relative indicators have been improved. Over the past three years, public debt liabilities have decreased by a third, or 3.1 billion dinars. Taking into account this reduction, with simultaneous growth in the volume of the budget, the public debt rate in relation to the total budget revenues has almost been halved.

Eržebet Marjanov