



# Ministry of Finance

## ***FINANCIAL REPORTING AND CONSOLIDATION IN TIMES OF COVID-19***

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# ***Situation prior to COVID-19***

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- Croatian GDP growth was accelerating, with a growth rate of 2.9% in 2019.
- Unemployment was low, registering at 6.9% in 2019.
- At the end of 2019, the Government budget ran a surplus of 0.9% GDP.
- Croatia's economy strongly relies on the tourism sector, which represents around 25% of the GDP.



# ***Two crises happening at the same time in Q1 2020***

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## **HEALTH CRISIS**

- Partial lockdown of the population due to COVID 19

## **NATURAL DISASTER**

- On March, 22 (during the lockdown) an earthquake of a 5.3 magnitude (strongest in the last 140 years) struck Croatia close to the capital of Zagreb damaging buildings and injuring dozens of people



# ***Adopted measures***

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- A number of measures were adopted to help the economy due to the COVID-19 pandemic
  - Measures for functioning of the public finance system and the sustainability of public service financing
  - Aid for job preservation
  - Horizontal measures
  - Measures aimed at micro, small and medium-sized enterprises
  - Loans from the Croatian Bank for Reconstruction and Development (HBOR) and commercial banks
  - Dedicated accounts for the collection of donations to assist with relief efforts related to the Zagreb earthquake (Together for Zagreb), and the COVID-19 pandemic (Croatia Against Coronavirus)



# ***Measures for functioning of the public finance system and the sustainability of public service financing***

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- ◆ Amendments of the Law on Budget Execution
  - Enables additional government borrowing as well as additional borrowing by extra-budgetary users above the previously set limits, with the consent of the Government of the Republic of Croatia
  - Enables reallocation in the state budget higher than it is set in the Budget Act with the consent of the Government if related to coronavirus crisis
  - Amendments to the Budget – 5/18
  
- ◆ Interest-free loans to local government and social funds
  - As the revenues of local and regional self-government units and social funds will decrease due to different dynamics of inflow of funds and maturity of liabilities, the Republic of Croatia will provide interest-free loan funds to bridge this situation



# ***Measures for functioning of the public finance system and the sustainability of public service financing***

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- ◆ Government Decision which determines the measures limiting the use of funds from all sources of financing planned in the State Budget for 2020
  - Due to changes in economic developments because of the epidemic of COVID-19 in which it is necessary to provide funds to finance measures and activities to combat the epidemic and change planned budget activities to make optimal use of limited fiscal potential
  - It was necessary to make rationalization on public spending without affecting healthcare and social services
    - Budgetary users of the state budget can assume only those obligations and execute the expenditures for the performance of their basic tasks and functions
    - Budgetary users are prohibited from new employment



# *Aid for job preservation and horizontal measures*

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## ◆ Aid for job preservation

- In order to preserve jobs in the most vulnerable sectors affected by coronavirus, a support measure was adopted which co-finances the cost of wages in the amount of HRK 3,250 per employee (ca. EUR 500) for March, and the amount for April and May was increased to HRK 4,000 (ca. EUR 550)
- Pension and health insurance were paid by the state budget
- Shown as special activity in the state budget

## ◆ Horizontal measures

- Deferment and write-off of payments of direct taxes and contributions to entrepreneurs with business difficulties



## ***Measures aimed at micro, small and medium-sized enterprises and loans from the HBOR and commercial banks***

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- ◆ Measures aimed at micro, small and medium-sized enterprises
  - These measures are funded with the support of European funds
- ◆ Loans from the Croatian Bank for Reconstruction and Development (HBOR) and commercial banks
  - One program is financing the liquidity of exporters through a portfolio insurance scheme
  - The second program is based on HBOR's soft loan instruments with interest subsidies provided by the state
- ◆ In addition, commercial banks have adopted a series of measures that will provide entrepreneurs and citizens with a moratorium, reprogramming on the payment of credit obligations, but also new loans for liquidity and working capital.





# Financial statements – deadlines and some challenges

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- ◆ Extension of the deadline for submission of annual financial statements for 2019 for entrepreneurs and extension of deadlines for consolidation
  - 4/30 → 6/30
- ◆ Extension of the deadline for submission of quarterly financial statements for the budgetary users at the state level and at the local level
  - At first the deadline was postponed until further notice
  - Later on the deadline was set to 5/11
- ◆ Special instructions by the MoF on how to record all the measures and flows (inside general government) regarding COVID-19 in the books

