

Summary

After the Public Finance Act and the Accountancy Act came into effect the accounting procedures of public institutions underwent some profound changes that opened up new opportunities for analysing the financial results and financing methods of public institutions on one hand, while revealing a great deal of imprecision in the separating of public service activities from market-oriented activities on the other. Therefore, this Working Paper has two purposes.

- (1) **To explain the particularities of the operations, financing and accounting procedures of public institutions** in their roles of public service providers, indirect budget spending units and users of the uniform chart of accounts. We also aim to highlight some problems concerning the intertwining of public service activities and market-oriented activities. These problems, resulting from the opposing goals of providing a public service and making a profit, primarily concern accounting procedures yet they also reflect the inefficient spending of public funds, ineffective performance and unfair competition in the market. A new public institutions law is being drafted, however, it is unclear whether this law will come up with an appropriate solution to deal with the incompatibility of these two functions.
- (2) **To present the financial sources and financial results of public institutions in 2001 and 2002.** According to the new accounting standards, **public institutions** must present their financial sources in a clear way. This allows us to analyse the financing of public institutions from the point of view of their three main areas of activity: regular public services financed from public sources; public services financed from private sources; and market-oriented activities, i.e. selling goods and services in the market. In 2002, public sources accounted for 71.4% of the total revenues of public institutions, other (private) sources used to provide public services represented 19.6% of total revenues, while market activities contributed 9.1%.

As far as **financial results** are concerned, public institutions as a whole reported a positive net result for 2002. This was primarily due to their market-oriented activities, especially the contribution of pharmacies, which recorded a relatively high surplus of revenues from selling goods and services. In the field of public service activities, public institutions as a whole reported a negative net result mainly due to the big losses incurred by cultural activities, in particular radio and television broadcasting.