



**REPUBLIC OF CROATIA
MINISTRY OF FINANCE**

A large, stylized background graphic of the Croatian coat of arms, showing a red and white checkerboard pattern with a red border on the right and bottom sides.

ANNUAL REPORT OF THE MINISTRY OF FINANCE FOR 2013

Zagreb, 2015

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FOREWORD

Unfavourable economic movements caused by global financial crisis continued in the Republic of Croatia in 2013, for the fifth year in a row; therefore, the real gross domestic product registered the decline by 0.9 percent at an annual level. In such circumstances, possibilities to spur the economic growth by economic policy measures were very limited. The fiscal policy used up the room for counter-cyclical action, which was reflected in the high budget deficit and fast-growing public debt caused by long-term recession. In order to ensure long-term fiscal sustainability, the fast fiscal consolidation was necessary.

Unfavourable economic movements in 2013 were a direct consequence of deep recession and restructuring which the Croatian economy, including some state-owned companies, was going through. The fiscal cost of joining the European Union (EU) also contributed to the deepening of fiscal imbalances in 2013. The positive impact of the membership on economic activity, and thus on budget revenues, was not realized due to recession in the Republic of Croatia and the EU.

The fiscal policy measures of the Republic of Croatia were directed towards fiscal consolidation on both the revenue and the expense side of the budget. The activities on the revenue side were characterized by changes in tax regulations through the increase in the rates of the existing instruments and through the introduction of new forms of taxation for the purpose of increasing the revenues, reducing grey economy and better collection of budget revenues. On the expense side of the budget, special attention was directed towards the budget deficit reduction while maintaining social protection for citizens and along with more emphasized use of EU funds.

A detailed analysis of trends in the field of public finances of the Republic of Croatia in 2013 is presented in the follow-up of the document for the purpose of promoting the dialogue on fiscal policy.

1. MACROECONOMIC DEVELOPMENTS IN 2013

1.1 INTERNATIONAL ENVIRONMENT

The growth of global economy amounted to 3.3 percent in 2013, which is equal to the growth rate realized in the previous year. The developed economies recorded the economic growth of 1.4 percent, while the growth of the developing countries amounted to 4.8 percent. Among major developed economies, the real growth of gross domestic product of the USA amounted to 2.2 percent in 2013, while the real growth of gross domestic product of Japan amounted to 1.6 percent. Following the reduction in the economic activity in 2012, in 2013 the stagnation was recorded in the European Union, while the real gross domestic product in the Eurozone decreased by 0.5 percent. During 2013, inflation slowed down to 1.5 percent in the European Union and to 1.4 percent in the Eurozone. Considering the most important Croatian trading partners, Germany and Austria continued their economic growth in 2013, although following slower dynamics, while negative movements were recorded in Italy and Slovenia. The real growth of gross domestic product of Germany amounted to 0.1 percent in 2013, while the growth of Austrian economy amounted to 0.2 percent. In 2013, Italy recorded a real decrease in gross domestic product of 1.9 percent, and Slovenia a decrease of 1.0 percent.

Table 1.1 International environment – macroeconomic indicators

	2009	2010	2011	2012	2013
Real GDP growth, %					
World	-0.6	5.6	4.1	3.3	3.3
European Union	-4.4	2.1	1.7	-0.4	0.0
Austria	-3.8	1.9	3.1	0.9	0.2
Italy	-5.5	1.7	0.6	-2.3	-1.9
Germany	-5.6	4.1	3.6	0.4	0.1
Slovenia	-7.8	1.2	0.6	-2.6	-1.0
Euro area	-4.5	2.0	1.6	-0.7	-0.5
Inflation rate, %					
European Union	1.0	2.1	3.1	2.6	1.5
Euro area	0.3	1.6	2.7	2.5	1.4
Oil prices growth, %	-36.3	27.9	31.6	1.0	-0.9

Source: Eurostat, International Monetary Fund

The index of primary commodity prices on the global market recorded a decrease of 1.5 percent in 2013. The decrease in prices of metals (-4.3 percent) and in prices of crude oil (-0.9 percent) contributed the most to the decrease in prices of primary commodities. Crude oil prices decreased from USD 105.0 per barrel in 2012 to USD 104.1 per barrel in 2013.

1.2 REAL SECTOR

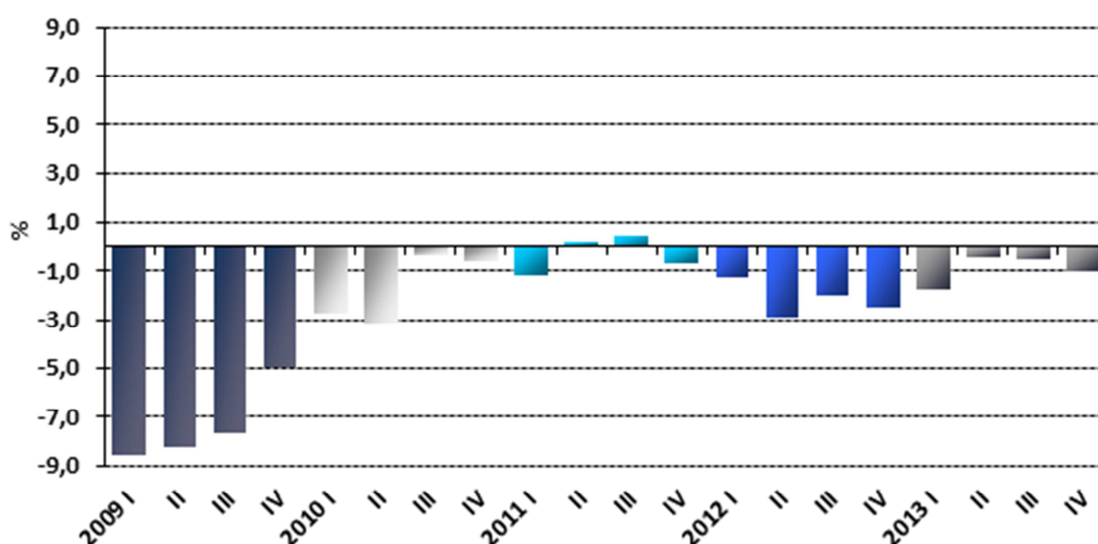
The downward trend in economic activity continued in the Republic of Croatia in 2013, for the fifth consecutive year. Negative movements continued in the industrial production and construction, the retail trade was mostly stagnant, while tourism continued to register positive results. Unfavourable movements

on the labour market continued during 2013. The average inflation slowed down during 2013, primarily due to the slowdown in the increase in energy prices.

1.2.1 Gross Domestic Product

Real decrease in gross domestic product amounted to 0.9 percent in 2013. This was a result of the real year-on-year decrease in GDP of 1.8 percent in the first quarter, of 0.5 percent in the second quarter, of 0.5 percent in the third quarter and of 1.1 percent in the last quarter of 2013. Nominal gross domestic product amounted to HRK 330,135 million in 2013, which represents a stagnation in comparison to 2012, while the increase in the gross domestic product deflator amounted to 0.9 percent. Croatian GDP per capita was, in 2013, at the level of 61 percent of the gross domestic product of the European Union.

Figure 1.1 Real Gross Domestic Product Year-on-Year Growth



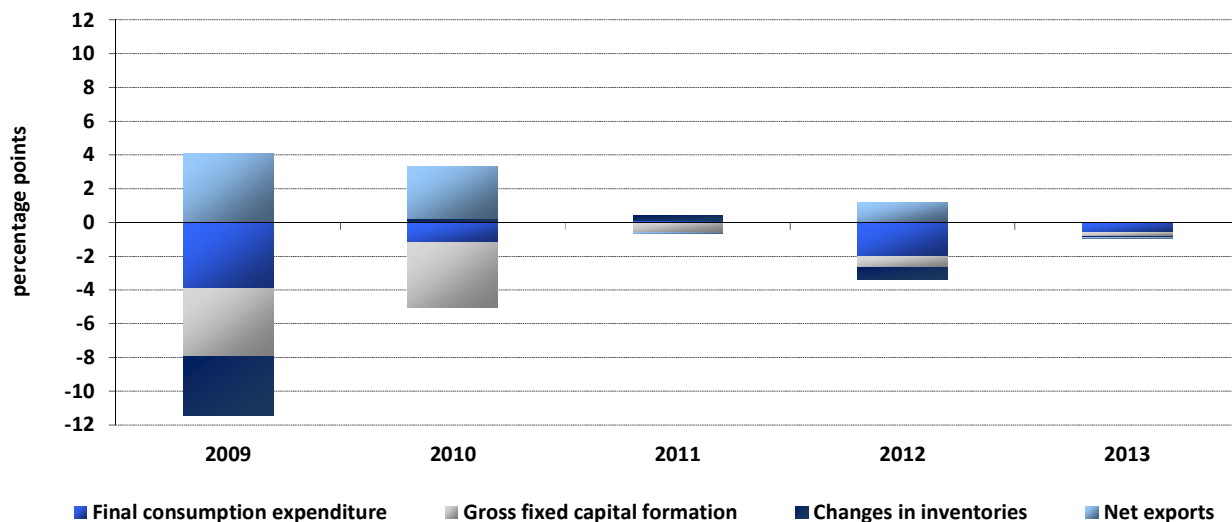
Source: Croatian Bureau of Statistics

1.2.2 Expenditure Side of Gross Domestic Product

In 2013, the biggest real year-on-year decrease came from household consumption (-1.3 percent), followed by gross fixed capital formation (-1.0 percent). The import of goods and services recorded an increase of 3.2 percent, while the export of goods and services was, in comparison to previous year, 3.0 percent higher. The consumption by non-profit institutions that serve households also increased (4.8 percent) as well as the government consumption (0.5 percent). In 2013, the trend of negative contribution of domestic demand to the change in gross domestic product continued, while the positive contribution of the export of goods and services was almost equal to the negative contribution of the import of goods and services. The biggest contribution to the real decrease in gross domestic product came from the household consumption (-0.7 percentage points), which is followed by the contribution of the import of goods and services (-1.3 percentage points) and gross fixed capital formation (-0.2 percentage points). The contributions of the changes in inventories, government consumption and consumption by non-profit institutions serving

households, were minor (-0.1, 0.1 and 0.0 percentage points, respectively). Positive contribution of the export of goods and services to the change in gross domestic product amounted to 1.3 percentage point.

Figure 1.2 Contributions of Individual Components to Gross Domestic Product Growth

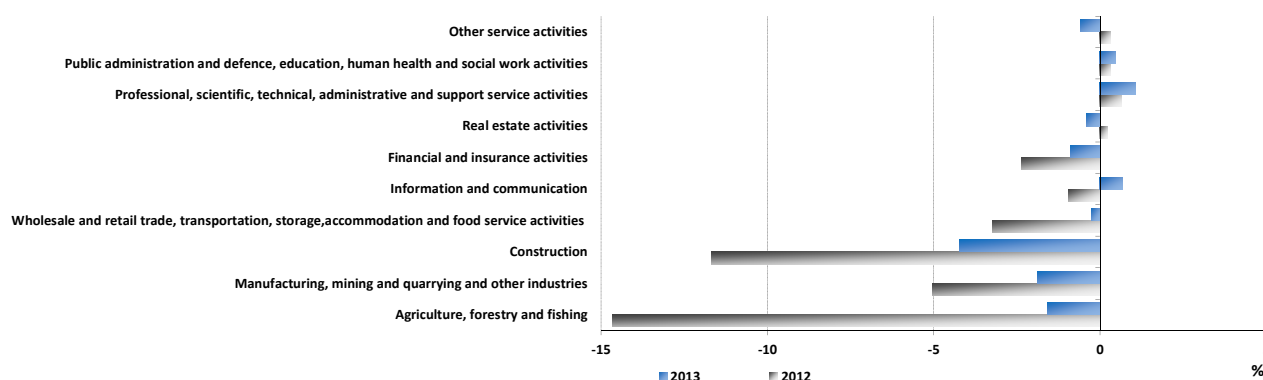


Source: Croatian Bureau of Statistics

1.2.3 Production Side of Gross Domestic Product

Total gross value added recorded a real decrease of 0.7 percent in 2013. The biggest contribution to the decrease in gross value added in 2013 came from the real reduction of gross value added in manufacturing, mining, quarrying and other industries (-1.9 percent), construction (-4.2 percent) and agriculture, forestry and fisheries (-1.6 percent). On the other hand, the contribution to the increase in total gross value added came from the real increase in gross value added in the activities of public administration and defence, education, health care and social care (0.5 percent) and in professional, scientific, technical, administrative and support service activities (1.1 percent).

Figure 1.3 Real Growth of Gross Value Added by Activities



Source: Croatian Bureau of Statistics

Industrial Production

In 2013, a reduction in industrial production of 2.0 percent was recorded, after a decrease of 3.6 percentage points recorded in 2012. The reduction in production in 2013 was registered in four of five industrial groupings, with energy being the only industrial grouping that increased. The biggest contribution to the reduction in industrial production came from the production of capital goods which was reduced by 10.3 percent, production of non-durable consumer goods (-2.3 percent) and intermediate goods (-1.4 percent). The production of durable consumer goods was reduced by 1.4 percent, while the energy production increased by 4.5 percent. Considering the activities, the manufacturing industry, which has the largest share in total industrial production (78.2 percent), contributed the most to the reduction in total production in 2013, recording a decrease of 4.0 percent. It is followed by mining and quarrying, which decreased by 2.7 percent at a year-on-year level, while the electricity, gas, steam and air-conditioning supply recorded an increase of 10.6 percent. The analysis of production activity by individual section of activities shows that the biggest contribution to the reduction in total industrial production in 2013 came from the reduction in the production of transport equipment (-45.0 percent), production of electrical equipment (-6.9 percent) and production of food (-1.9 percent).

Construction

Negative movements in the construction industry continued in 2013. The working-day-adjusted construction works index recorded a reduction of 4.6 percent, which is a slowdown of the decrease in comparison to the previous year. The reduction in total number of issued building permits by 19.7 percent, in comparison to 2012, was also recorded.

Retail Trade

In 2013, the retail trade turnover recorded, according to working-day adjusted indices, a nominal increase of 1.7 percent and a real reduction of 0.4 percent in comparison to 2012. The gross indices show that the most significant contribution to the increase in nominal retail trade turnover in 2013 came from the increase in the turnover of textile, clothing, footwear and leather goods trade and the turnover in specialized and non-specialized stores with groceries.

Tourism

In 2013, a record number of tourist arrivals and overnight stays was recorded. In total, there were 12.4 million tourist arrivals, which is an increase of 5.1 percent in comparison to 2012. Total number of overnight stays was realized at the level of 64.8 million, recording an increase of 3.3 percent in comparison to 2012. In 2013, there were 5.2 overnight stays on average per tourist arrival, while in the two previous years that number amounted to 5.3. Foreign tourists contributed mostly to this increase in physical indicators in 2013; they participated with 88.1 percent in total number of arrivals and with 92.1 percent in total number of tourists' overnight stays. More precisely, the foreign tourist arrivals were increased by 5.7 percent in 2013, and the domestic tourist arrivals by 1.4 percent, while the foreign tourist overnight stays were increased by 3.8 percent and those of domestic tourists were reduced by 1.6 percent. Regarding the

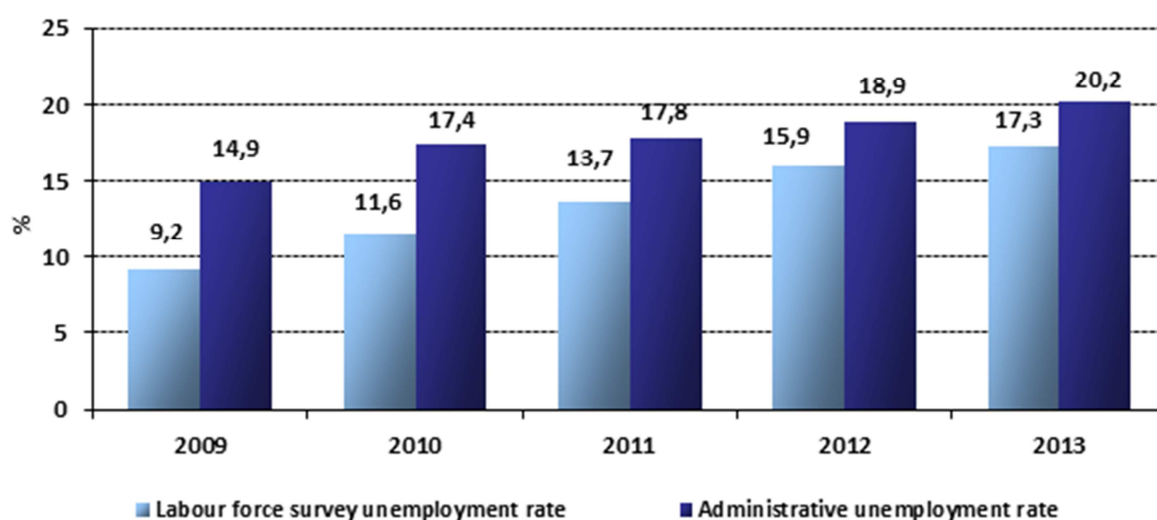
structure of foreign tourists' overnight stays, tourists from Germany prevailed (24.2 percent), followed by tourists from Slovenia (10.3 percent), Austria (8.7 percent), the Czech Republic (7.6 percent) and Italy (7.4 percent). In 2013, revenues from tourism amounted to EUR 7.2 billion and, in comparison to 2012, were increased by 5.0 percent.

1.2.4 Labour Market

Weak economic activity during 2013 influenced the continuation of unfavourable movements on the labour market. The average number of registered unemployed people in 2013 amounted to 345,112, which is for 20,789 persons or 6.4 percent more than in 2012. In 2013, the average number of employed persons amounted to 1,364,298 and was reduced by 30,813 or 2.2 percent. The reduction in the employment in legal persons was influenced by the decrease in the number of the employed in trade, manufacturing industry and construction. The average administrative unemployment rate increased from 18.9 percent in 2012 to 20.2 percent in 2013.

According to the data of the labour force survey, in 2013 the working age population amounted to 3,623,000 persons, 50.8 percent of which were working or actively seeking work, that is, they could have been classified as labour force. In comparison to the 2012 survey results, the working age population decreased by 4,000 persons, while the labour force category decreased by 21,000 persons. In 2013, the average number of employed people was 1,524,000, which is the reduction of 22,000 in comparison to 2012, while the average number of unemployed people amounted to 318,000, which is an increase of 21,000. The average survey unemployment rate amounted to 17.3 percent in 2013, which is an increase of 1.3 percentage points in comparison to 2012.

Figure 1.4 Labour Force Survey and Administrative Unemployment Rate



Source: Croatian Bureau of Statistics

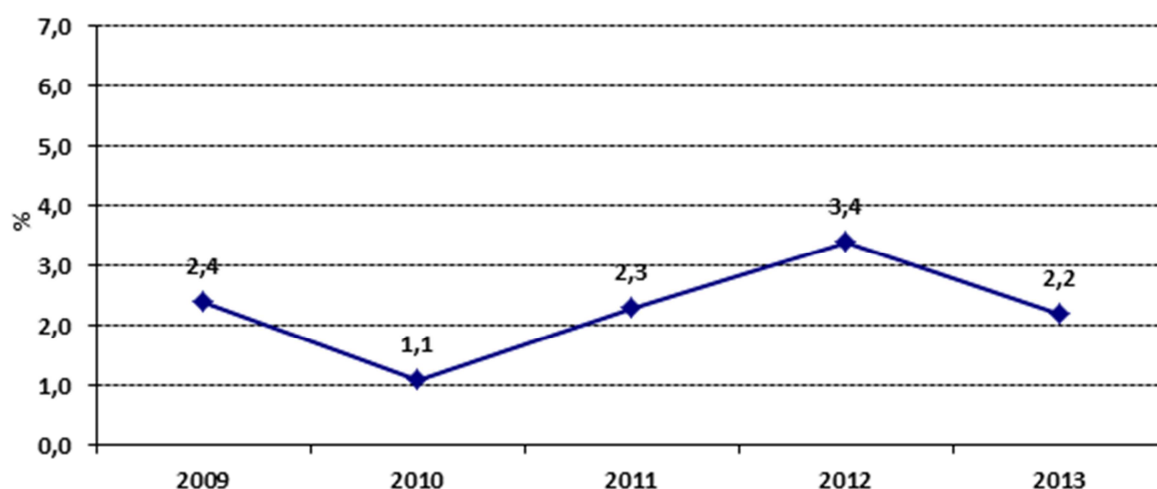
In spite of their nominal increase, in 2013, the trend of real wage reduction continued. The average monthly gross wage amounted to HRK 7,939 in 2013, and was increased by 0.8 percent in comparison to 2012, while the average monthly net wage amounted to HRK 5,515, which is an increase of 0.7 percent. The elimination of the influence of inflation shows that the average monthly gross wage was reduced in real

terms by 1.4 percent and monthly net wage by 1.5 percent in 2013. The highest monthly gross wages in 2013 were registered in financial and insurance activities, while the lowest gross wages were registered in administrative and support service activities.

1.2.5 Prices

The average annual inflation rate measured by the consumer prices index slowed down from 3.4 percent in 2012 to 2.2 percent in 2013. The energy and food prices contributed the most to the rise in prices during 2013. More precisely, the energy prices (with the share of 19.3 percent in the consumer basket) increased by 3.1 percent in 2013, contributing to the rise in consumer prices with 0.6 percentage points. The increase in electricity prices (5.5 percent) and gas prices (6.8 percent) had the most significant influence on the increase of this price category in 2013. The prices of food, which has the biggest share in the consumer basket (26.9 percent), contributed to the increase in consumer prices with 1.1 percentage point in 2013, which is an increase of 4.0 percent in comparison to 2012, mostly due to the increase in prices of milk, cheese and eggs. If we exclude the energy and food prices from the consumer prices Index, consumer prices in 2013 increased by 1.0 percent. Core inflation, which does not include the prices of agricultural products and administered prices, amounted to 1.9 percent in 2013.

Figure 1.5 Growth of Consumer Prices Index



Source: Croatian Bureau of Statistics

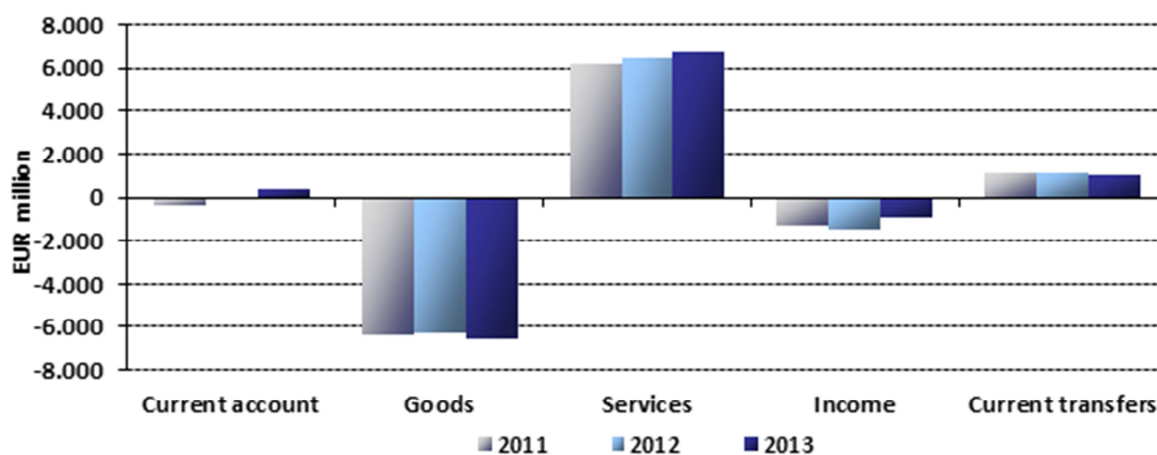
1.3 INTERNATIONAL SECTOR

The reduction in domestic demand influenced further correction of external imbalances of the country. In 2013, the positive balance on the balance of payments current account was recorded, primarily due to the reduction of deficit on the primary income account and the increase in positive balance on the services account. The average HRK/EUR exchange rate remained stable, recording a slight depreciation in comparison to 2012.

1.3.1 Balance of Payments

In 2013, the reduction of imbalance on the balance of payments continued. The positive balance on the balance of payments current account was realized in the amount of EUR 341.2 million, that is, 0.8 percent of GDP. The most significant influence on the improvement of balance of payments current account was the reduction in the deficit on the income account by EUR 507.8 million or 35.2 percent in comparison to 2012, mostly due to the reduction in the deficit on the income account from direct and other investments. Besides that, the positive balance on the services account was increased by EUR 275.9 million or 4.2 percent in 2013. On the other hand, the deficit on the goods account was increased by EUR 291.0 million or 4.6 percent, due to higher increase in expenses than in revenues. The positive balance of current transfers was reduced by EUR 90.6 million or 7.8 percent. The coverage of the import of goods and services by export of goods and services amounted to 101.1 percent in 2013, and, in comparison to 2012, it was slightly lowered.

Figure 1.6 Balance of Payments Current Account



Source: Croatian National Bank

Positive balance on the capital and financial transactions account amounted to EUR 386 million. On the financial account of the balance of payments there was a net inflow of EUR 2.3 billion recorded in 2013. The most significant net inflow was registered on the portfolio investments account in the amount of EUR 1.9 billion, to which the general government sector contributed the most, and on the direct investments account (EUR 858 million). Net outflow of EUR 459 million was registered on the account of other investments, to which banks' deleveraging abroad contributed the most. Net errors and omissions amounted to EUR -727 million in 2013, while international reserves were increased by EUR 1.8 billion.

1.3.2 Foreign Trade in Goods

Total value of the export of goods was HRK 72.6 billion, and that of the import of goods was HRK 125.1 billion in 2013. The export of goods recorded an increase of 0.3 percent, while the import of goods was increased by 2.6 percent in comparison to 2012. Foreign-trade deficit was increased by 5.9 percent in 2013, in comparison to 2012, amounting to HRK 52.5 billion. The coverage of the import of goods by the export of goods was 58.1 percent in 2013, which is 1.3 percentage points lower than in 2012.

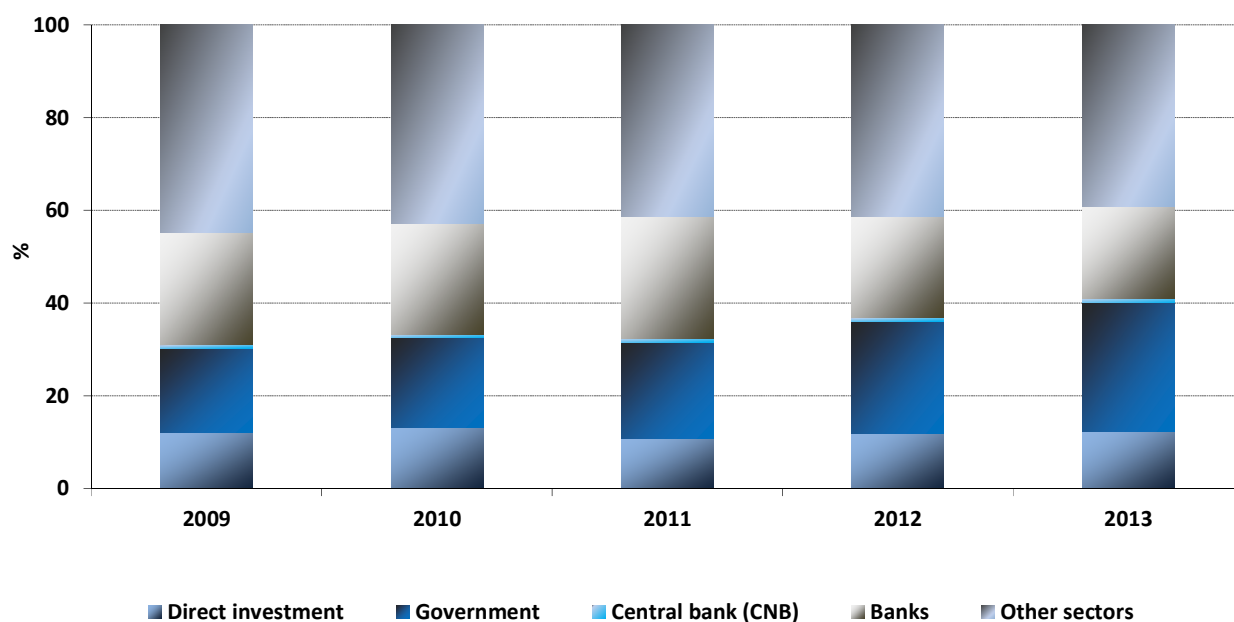
The largest contribution to the increase in the export in 2013 came from the manufacture of fabricated metal products, except machinery and equipment (26.2 percent) and from electricity, gas, steam and air-conditioning supply (152.0 percent), while the reduction in the production of other transport equipment of 51.4 percent acted in the opposite direction. Categories that contributed the most to the increase in the import of goods in 2013 were the manufacture of computers, electronic and optical products (20.9 percent) and the manufacture of leather and related products (57.5 percent).

Considering the structure of the export of goods by countries, the following countries had the largest share in the total Croatian export of goods in 2013: Italy (14.5 percent), Bosnia and Herzegovina (12.2 percent), Germany (11.8 percent), Slovenia (10.4 percent) and Austria (6.3 percent). With regard to exports in the abovementioned countries, as compared to 2012, there was an increase in the export of goods to Slovenia (21.4 percent) and Germany (15.7 percent), while the export was reduced to Italy (-4.7 percent), Bosnia and Herzegovina (-3.8 percent) and Austria (-3.7 percent). The export to the European Union represented 61.7 percent of the total Croatian export of goods in 2013 and it was increased by 6.4 percent in comparison to 2012, while the import from the European Union represented 73.9 percent of the total import, recording a year-on-year increase of 4.5 percent.

1.3.3 External Debt

At the end of 2013, total external debt amounted to EUR 45.9 billion. Expressed as a percentage of GDP, external debt was at the level of 105.3 percent of GDP, which is an increase of 2.3 percentage points compared to 2012. In 2013, the external debt increased by EUR 644.3 million or 1.4 percent in comparison to 2012. In 2013, the increase in external debt was recorded in the external debt of the general government in the amount of EUR 1.8 billion, in the debt of ownership-related companies through foreign direct investments in the amount of EUR 312.3 million, and in the central bank debt (EUR 70.5 million). On the other hand, the decrease in external debt during 2013 was recorded in the external debt of other domestic sectors in the amount of EUR 782.6 million and in the external debt of credit institutions in the amount of EUR 729.0 million. Considering the external debt structure, the largest share in the total external debt of the Republic of Croatia, at the end of 2013, was held by other domestic sectors (39.0 percent), followed by general government (27.7), credit institutions (19.9 percent), debt incurred on the basis of foreign direct investments (12.4 percent) and the central bank (0.9 percent).

Figure 1.7 Croatian Foreign Debt Structure by Domestic Sectors

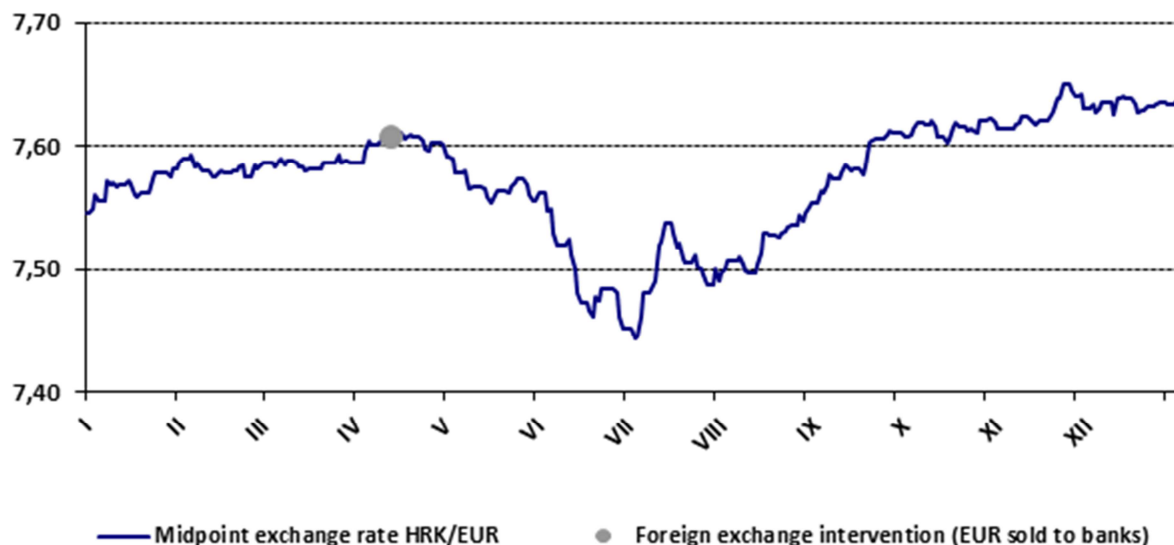


Source: Croatian National Bank

1.3.4 Exchange Rate

In 2013, the HRK/EUR exchange rate was stable. The average annual exchange rate of kuna against euro amounted to 7.57 HRK/EUR, which represents a depreciation of 0.7 percent in comparison to the previous year. Depreciation pressures on the exchange rate of kuna against euro, which appeared in the first four months of 2013 under the influence of the emissions of state bonds at international markets, were stabilized by the central bank, through the foreign exchange intervention in April. After that, there was a period of kuna appreciation until the end of July, followed by a period of slight depreciation from the beginning of August until November and by the end of the year it was stabilized again. The exchange rate of kuna against euro at the end of the period was increased from 7.55 HRK/EUR by the end of 2012 to 7.64 HRK/EUR by the end of 2013, which represents depreciation of 1.2 percent. The average annual exchange rate of kuna against US dollar was 5.71 HRK/USD in 2013, and, in comparison to 2012, it recorded an appreciation of 2.5 percent, while the exchange rate at the end of 2013 amounted to 5.55 HRK/USD, which represents an appreciation of 3.1 percent in comparison to the end of 2012.

Figure 1.8 Midpoint Exchange Rate of Kuna against Euro and Croatian National Bank Foreign Exchange Interventions in 2013



Source: Croatian National Bank

1.4 FINANCIAL SECTOR

Monetary and credit aggregates in 2013 reflected the continuation of unfavourable movements in real sector of the economy, in spite of the exceptionally favourable liquidity. Credit activity registered only a slight increase during 2013, in spite of the high liquidity of the domestic financial system. The money market in 2013 was characterized by an increase in the scope of the turnover in relation to the previous year, and by keeping low interest rates. There was a decline of the total turnover registered at the capital market, along with the increase in the values of stock-exchange indexes and the decrease in value of bond index.

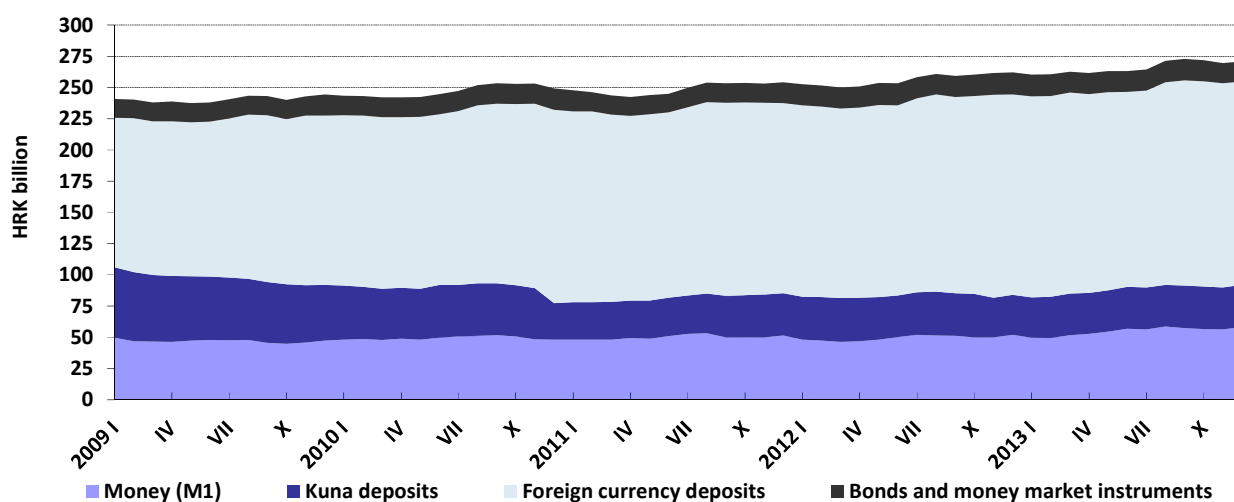
1.4.1 Monetary Developments

The high liquidity of the domestic financial system continued during 2013, and it was supported with an aim of inducing the spill-over of the surplus of free monetary assets of banks, to the greatest possible extent, into the revival of credit activity. In November 2013, the central bank reduced the reserve requirement rate from 13.5 percent to 12 percent, the purpose of which was to enable additional liquidity for banks to finance economic recovery. Gross international reserves of the Croatian National Bank (CNB) amounted to EUR 12.9 billion by the end of 2013, which is an increase of EUR 1.7 billion or 14.9 percent in comparison to 2012.

Money supply (M1) amounted to HRK 58.2 billion at the end of 2013 and it recorded an increase of HRK 6.2 billion or 11.9 percent, which is a significant acceleration in comparison to 2012 when the increase in money supply M1 amounted to 1.0 percent. Total domestic currency and foreign currency savings and time deposits with credit institutions amounted to HRK 196.5 billion at the end of 2013, and, in comparison

to 2012, were increased by HRK 4.2 billion or 2.2 percent, which is a slowdown of 1.3 percentage points. This increase of total deposits derived from the increase in foreign currency deposits by HRK 2.2 billion or 1.4 percent, as well as in kuna deposits by HRK 2.0 billion or 6.2 percent. As observed by sectors, the increase in total deposits was primarily the consequence of the increase in the deposits of households, while the largest decrease in deposits was registered in insurance companies and pension funds. The broadest monetary aggregate M4, referring to total liquid assets, realized an increase of HRK 9.5 billion or 3.5 percent in 2013, which is slightly slower than in relation to the increase realized a year earlier. The largest contribution to the increase in total liquid assets came from the foreign currency deposits.

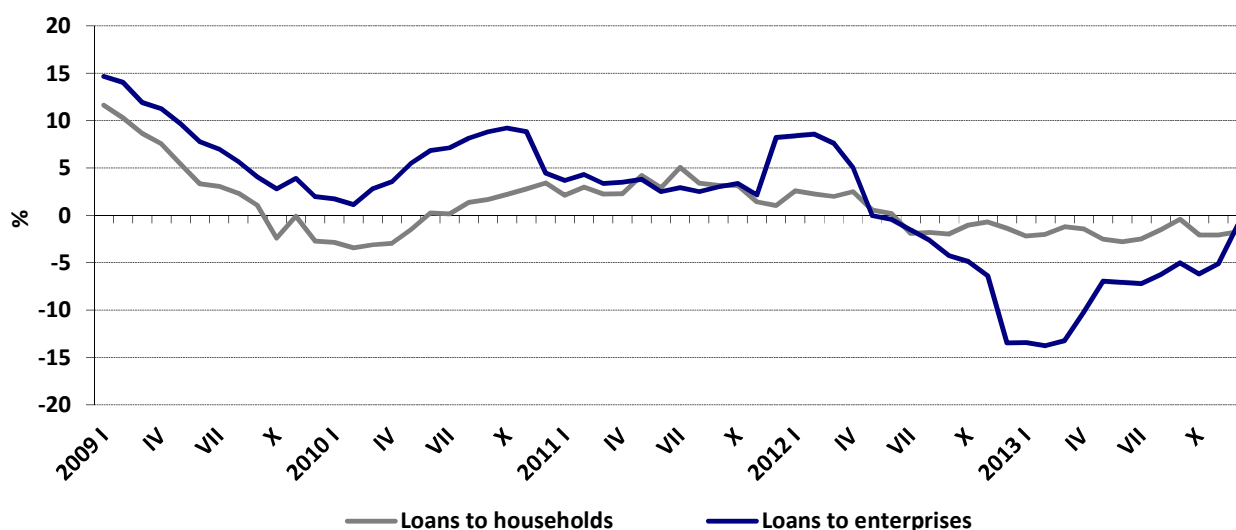
Figure 1.9 Monetary aggregate M4



Source: Croatian National Bank

Total loans of credit institutions amounted to HRK 286.7 billion at the end of 2013, which represents an increase of 0.9 percent in comparison to 2012. The increase in loans was recorded only in the government sector, while the loans to households and companies, which together participated with over 77.8 percent in total credits, recorded a decrease. The loans to government were increased by 13.8 percent in 2013. On the other hand, the loans to households which were reduced by 1.8 percent contributed the most to the reduction in total loans in 2013, while the loans to companies were reduced by 1.0 percent in comparison to 2012.

Figure 1.10 Year-on-year Growth of Loans to Companies and Households



Source: Croatian National Bank

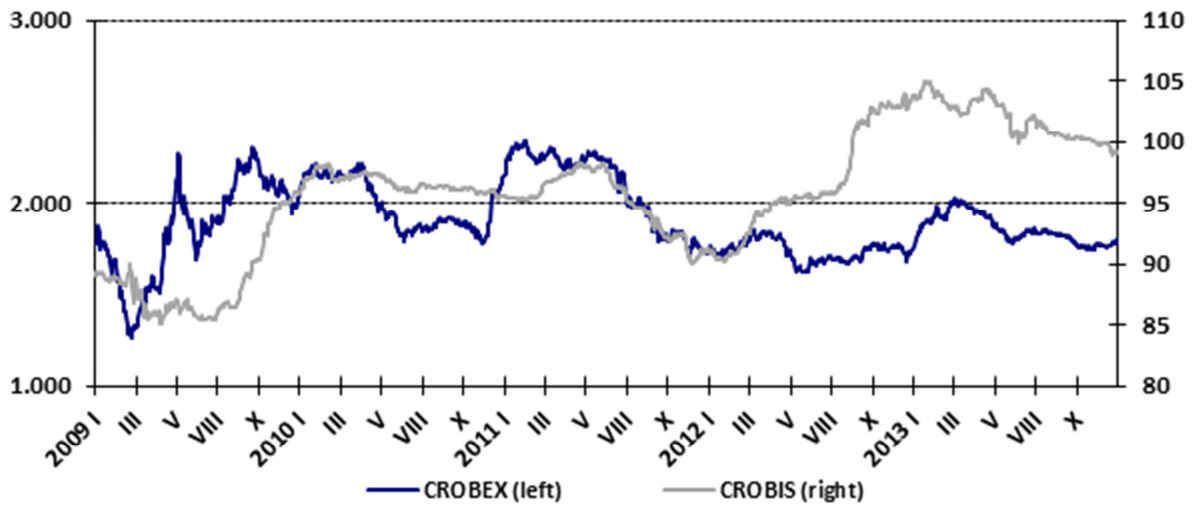
1.4.2 Money Market

Considering the high liquidity of the financial system throughout the whole year, the interest rates on the Zagreb Money Market in 2013 remained at low levels. The average interest rate amounted to 1.13 percent in 2013, which is 0.45 percentage points lower in comparison to 2012. In 2013, there was not any significant volatility of interest rates. In January 2013, the interest rate of 0.89 percent was registered, which was then gradually increased up to the rate of 1.41 in April. Then, the interest rate was decreased at the level of 0.84 percent in May, but it was again increased up to the level of 1.59 percent in September, which represents its highest level in 2013. In the last quarter of 2013, the interest rate was lower in relation to the previous quarter and at the end of the year it amounted to 1.24 percent. In 2013, a significant increase in the scope of the turnover on the Zagreb Money Market was also registered. More precisely, the average monthly turnover of kuna amounted to HRK 1.5 billion in 2013, recording the increase of 24.2 percent in comparison to 2012.

1.4.3 Capital Market

In 2013, the Zagreb Stock Exchange recorded the reduction in the total turnover (regular and block trade) by 1.2 percent, to the level of HRK 3.8 billion. The largest contribution to this reduction came from negative movements on the stock market since the decline in regular turnover of stocks of 6.8 percent was registered, to the level of HRK 2.7 billion. Stock index of the Zagreb Stock Exchange, CROBEX, at the end of 2013, amounted to 1,794 points, which represents an increase of 3.1 percent in comparison to 2012. Stock index CROBEX 10, which includes shares with the highest market capitalisation and turnover, recorded an increase of 2.4 percent. Market capitalization of shares was reduced by 6.9 percent in 2013. In 2013, regular bond turnover amounted to HRK 225.3 million and it recorded a decrease of 21.1 percent in comparison to 2012. Bond index CROBIS was decreased by 4.4 percent in 2013, from 103.75 points at the end of 2012, to 99.16 points at the end of 2013. Market capitalization of bonds registered the increase of 3.7 percent in 2013.

Figure 1.11 Movement of Zagreb Stock Exchange Indices



Source: Zagreb Stock Exchange

2. FISCAL POLICY AND BUDGETARY CENTRAL GOVERNMENT IN 2013

2.1 FISCAL POLICY IN 2013¹

The realization of negative macroeconomic risks in 2013 led to the lower economic growth in relation to the expected one. Such trends were primarily caused by unfavourable economic movements in the international environment, by slower dynamics of public sector investments and by the necessity of additional budget savings. Due to these reasons, the state budget was amended twice during 2013 (in April and in November). Both these times, due to the reduction in the expected growth, the planned revenues were decreased and the appropriate savings were sought on all items of the expense side. The latest amendments to the budget included the rehabilitation of the health sector in the amount of HRK 3.3 billion. The necessary increase in salaries, pensions, compensations of employees and social benefits was provided through the reallocation and additional rationalization of business operations. On the other hand, the state budget revenues were decreased due to weaker economic activity which resulted in lower revenues from value added tax, excise duties and contributions. EU grants, which had been optimistically planned, were also corrected. The measures directed towards better collection of tax revenues, especially the introduction of fiscalization, had the positive effect on the collection of tax revenues. The described trends of revenues and expenses resulted in the increase of the general government budget deficit from 3.8 percent of GDP in 2012 to 5.2 percent of GDP in 2013, whereby the state budget registered the deficit of 4.9 percent of GDP.

The entry into EU had a negative effect on the state budget. The expense side included the semi-annual effect of EU membership, while on the revenue side the majority of revenues from customs was permanently lost and a one-off effect of shifting the VAT payments on products imported from other member states was realized. One-off financial support from EU to the state budget with an aim of ensuring positive net position of the Republic of Croatia against the EU budget did not compensate for negative consequences, and the net effect of semi-annual membership was negative.

In 2013, the general government budget revenues were realized at the level of 40.5 percent of GDP. The tax policy reforms were directed towards the strengthening of long-term fiscal sustainability, the improvement of business climate, addressing the problems of non-liquidity and financial non-discipline in the economy. The tax amendments covered primarily the value added tax and excise duties. The Amendments to the Value Added Tax Act of January 1, 2013, introduced the provision prescribing that the lower rate of 10 percent shall be applied on the services of food preparation and food and beverages serving in catering establishments. In addition, as of January 1, 2013, the zero value added tax rate was annulled, and it was determined that the products which used to be taxed by this rate, shall be taxed by the rate of 5 percent. Due to the entry of the Republic of Croatia into EU, there was a one-off reduction in the revenues from value added tax because of the loss of VAT when importing goods from EU member states and because of different calculation following the accession of the Republic of Croatia to the EU – VAT is no longer collected when importing but when selling the imported product or service. The losses on the revenue side were partially compensated for by strengthened measures of tax revenue collection, primarily that of old debts, and by the collection on the basis of reprogramming.

The Cash Transaction Fiscalization Act also entered into force, introducing the application of fiscal cash registers for the purpose of better collection of tax revenues in cash transactions, which resulted in

¹ The Methodology of the International Monetary Fund for the public finance statistics GFS 2001 (Government Finance Statistics) was used.

combating grey economy and better tax discipline. In 2013, the biggest changes in the taxation were in the excise duties system, regarding the special taxes on passenger cars, excise duties on energy and electricity, and excise duties on tobacco products. The new Act on Excise Duties adopted the new, combined system of taxation of passenger cars, other motor vehicles and ships and planes. The taxation by excise duties on tobacco products was, throughout the whole year, under the influence of gradual increase in the excise duties on cigarettes and fine-cut tobacco, with an intention to achieve, over the approved interim period, complete alignment with the EU *acquis communautaire*. During the year, the excise duties on energy resources were also increased in order to reach minimal values of excise duties prescribed by the EU legislation. In addition, in order to align with the EU legislation, as of the day on entry in the EU, the duty on natural gas and electricity was also introduced. As of 2013, the Amendments to the Act on Corporate Income Tax introduced the possibility of tax deductions by reinvested corporate income (profit). Along with the aforementioned amendments to the tax system, the work on the analysis and estimation of the feasibility of certain tax expenditures and non-tax levies continued in order to additionally encourage competition and to unburden entrepreneurs and investors.

In 2013, the general government budget expenditures were realized at the level of 43.8 percent of GDP, and were characterized by increased financial expenses, costs of rehabilitation of health care institutions and by payments to the EU Budget. On the other hand, savings were realized on the expenditures for employees and subsidies. The increase in the costs of servicing public debt incurred in the previous period and of assuming the liabilities of shipyards had a direct effect on the increase in the expenditures for interests. Additional funds were anticipated for the Croatian Health Insurance Fund (HZZO), since in June the liabilities of health care institutions settled by financial recovery and those of HZZO incurred in earlier year, were settled. By entry into the EU, the Republic of Croatia is obliged to pay its own contribution to the EU Budget, which increases other current transfers for additional 0.5 percent of GDP in 2013. Due to the new expense categories, the old fiscal rule determined by the Fiscal Responsibility Act, which was in force in the mentioned period and which does not take into account the existence of economic cycles, was not fulfilled in 2013.

Framework 1. The Amendments to the Act on Financial Operations and Pre-Bankruptcy Settlement and to the General Taxation Act in 2013

Under the circumstances of reduced economic activity, there was an attempt to make it easier for entrepreneurs affected by economic crisis to solve their debts and to continue doing business by the taxation policy.

In accordance to that, in 2012, the Act on Financial Operations and Pre-Bankruptcy Settlement was adopted, which was applied throughout the whole year of 2013. The basic goal of the Act was to ensure to creditors the most favourable conditions for settling their claims and to ensure the conditions for restructuring of debtors and for provision of a new opportunity for the continuation of business operations. If this is not possible, such an entity will be excluded from the economic operation in the shortest possible term.

In June 2013, the Act on the Amendments to the Act on Financial Operations and Pre-Bankruptcy Settlement was adopted. These Amendments set, more elastically, the rules referring to the plans of financial and operational restructuring. In order to prevent the misuse of rights, there was an exception to the rules prescribed stating that these procedures may be stopped at the proposal of a debtor and, as a consequence of that, at the proposal of a debtor, security procedures within a criminal proceeding and procedures of determining the misuse of rights before the competent taxation body may not be stopped, as well as the

procedures influenced by the settlement. By these Amendments to the Act on Financial Operations and Pre-Bankruptcy Settlement, the provisions on payment deadlines are aligned with the provisions of the Directive 2011/7/EU of the European Parliament and Council of February 16, 2011 on combating late payments in commercial transactions.

In September 2013, the Regulation on the Amendments to the Act on Financial Operations and Pre-Bankruptcy Settlement was adopted. According to the Regulation, the proposition for initiating the bankruptcy procedure is to be submitted by the Financial Agency, that is, by the settlement council. Furthermore, the contents of the reports on financial condition and business operations of debtors is supplemented by adding the list of all procedures (court, administrative, enforcement, etc.) litigated by a debtor against third persons. This change was necessary in order for the participants of the pre-bankruptcy settlement procedure, that is, all debtors' creditors, to have an insight into its whole financial condition and liabilities held against it by third persons, which may potentially be terminated for its benefit. In addition, the Regulation adjusts the deadlines for the delivery of amended plan of financial restructuring in a way that the deadline of 30 days is to be shortened to 15 days, along with enabling the debtor, at the same time, to offer, following the court hearing for voting where no plan has been voted for, two more times the amended plan of financial restructuring until the new court hearing for voting. The Regulation also prescribes in more details the action to be taken by the Financial Agency regarding the registering and execution of received payment bases at the expense of a debtor. It also prescribes the actions to be taken by the Financial Agency regarding the implementation of enforcements by accounts of an individual debtor, and that it will continue, after initiating the pre-bankruptcy settlement procedure, to register and execute only those payment bases referring to the claims not derived from carrying out an activity such as child supporting, housing credit, etc. This prevents the debtor from misusing its position in relation to creditors that do not participate in the pre-bankruptcy settlement procedure.

In 2013, the Act on the Amendments to the General Taxation Act was adopted due to the alignment with the amendments to the EU *acquis communautaire* in the area of administrative cooperation and with an aim of fighting tax evasion and tax fraud, increasing state budget revenues, and safeguarding financial interests of EU member states. The alignments linked with the provisions of the Directive 2011/16/EU refer to the establishment of a broader area of the application of administrative cooperation, the deadlines for information exchange are defined, spontaneous information exchange is strengthened and encouraged, as well as the presence of officials from one member state in another, simultaneous controls over persons in two or more states, further strengthening of the provisions on the possibility to deliver acts via competent bodies of another member states. Along with the aforementioned, as of January 1, 2015, the provisions will enter into force referring to the obligation of the automatic information exchange with member states on the basis of which the information on certain categories of income and capital will be forwarded, referring to the residents of another member states. The alignments linked with the provisions of Directive 2010/24/EU refer to the determination of clearer rules and to the extension of the scope of mutual assistance for the recovery of foreign claims, which enables the recovery of all sorts of claims of public authorities, referring to taxes, customs, duties and other public levies.

For the purpose of the complete alignment with the Council Directive 2003/48/EC, the basic terms stated in the Directive are prescribed more precisely: interest payer, paying agent, paid interest, beneficial owner of interests, the term of the place of residence, and determination of the identity of a beneficial owner of interests. It was necessary to prescribe these terms more precisely in order to enable that the paid interest of a payer, the place of residence of which is in the Republic of Croatia, is taxed according to the regulations of the member state in which the beneficial owner is a resident. Regarding the alignment with the Misdemeanour Act, the selection of misdemeanours was carried out according to the degree thereof, as well as the grouping thereof in certain categories according to the degree of a misdemeanour. The level of a fine is aligned with the provisions of the Misdemeanour Act.

2.2 BUDGETARY CENTRAL GOVERNMENT REVENUE

Along with the negative movements in real economy during 2013, the revenues were also determined by legal changes in tax regulations which were the consequence of the membership of the Republic of Croatia in the EU, as of July 1, 2013. The amendments carried out on the revenue side of the budget are the result of the alignment with the EU directives, so the tax amendments covered primarily the value added tax and excise duties. In addition, in 2013, the measures oriented towards the strengthening of fiscal discipline carried on and they contributed to better collection of the budget revenues. According to that, as of January 1, 2013, the fiscalization process started to be gradually introduced, which represents the adoption of the application solution directed towards the better collection of tax revenues in cash transactions and towards the reduction of tax non-discipline. The fiscalization process is carried out in three phases. In the first phase, starting from January 1, 2013, the enterprises which, according to the accounting regulations, are classified as medium or large entrepreneurs and all entrepreneurs, irrespectively of their size, which carry out the service of accommodation and food preparation and serving, had to install electronic software appliances linked online with the Tax Administration. In the second phase, starting from April 1, 2013, the fiscalization obligation is introduced for retail and wholesale trade, repair of motor vehicles and motorcycles, and for persons performing the activities of independent professions (lawyers, notaries, doctors, translators, auditors, etc.). In the third phase, starting from July 1, 2013, the fiscalization becomes mandatory for all other entrepreneurs, except those that are not fiscalization subjects pursuant to the Act.

According to the final data on the state budget execution for 2013, total revenue of the Budgetary Central Government amounted to HRK 108.6 billion, which is for about HRK 1.7 billion less than the planned amount, that is, the budget was realized at the level of 98.5 percent of the plan. The deviations from the plan by single types of the revenues of the Budgetary Central Government are explained by single categories of revenues. In relation to the previous year, in 2013 the budget revenues registered a decrease of 0.9 percent, while their share in the value of gross domestic product was decreased from 33.2 percent of GDP in 2012 to 32.9 percent of GDP in 2013.

Table 2.1 Revenues of the Budgetary Central Government in the 2011-2013 Period

	(HRK 000)	2011	2012	2013 Plan	2013	Index 2012/2011	Index 2013/2012	Index 2013/ plan 2013
1	REVENUE	107.069.670	109.558.928	110.250.754	108.585.049	102,3	99,1	98,5
11	Taxes	61.422.186	64.693.898	64.120.151	63.044.946	105,3	97,5	98,3
111	Taxes on income, profits, and capital gains	8.595.516	8.966.867	7.742.816	7.738.141	104,3	86,3	99,9
1111	Payable by individuals	1.307.486	1.269.525	1.348.959	1.372.698	97,1	108,1	101,8
1112	Payable by corporations and other enterprises	7.288.030	7.697.342	6.393.857	6.365.443	105,6	82,7	99,6
113	Taxes on property	448.489	397.736	445.103	462.315	88,7	116,2	103,9
114	Taxes on goods and services	50.244.065	53.205.019	54.413.406	53.349.544	105,9	100,3	98,0
1141	General taxes on goods and services	37.847.826	40.778.865	41.491.823	40.388.379	107,7	99,0	97,3
11411	Value-added taxes	37.718.154	40.652.023	41.357.895	40.253.061	107,8	99,0	97,3
11412	Sales taxes	129.672	126.841	133.929	135.319	97,8	106,7	101,0
1142	Excises	11.215.054	11.206.489	11.663.690	11.682.936	99,9	104,3	100,2
1144	Taxes on specific services	30.995	30.444	36.729	28.132	98,2	92,4	76,6
1145	Taxes on use of goods, permission to use goods or perform activities	635.373	675.389	705.321	741.664	106,3	109,8	105,2
11452	Other taxes on use of goods, permission to use goods or perform activities	635.373	675.389	705.321	741.664	106,3	109,8	105,2
1146	Other taxes on goods and services	514.817	513.833	515.843	508.432	99,8	98,9	98,6
115	Taxes on international trade and transactions	1.766.356	1.754.364	1.169.523	1.159.371	99,3	66,1	99,1
116	Other taxes	367.761	369.912	349.303	335.576	100,6	90,7	96,1
12	Social contributions	38.605.067	37.845.871	37.458.424	37.149.263	98,0	98,2	99,2
121	Social security contributions	38.605.067	37.845.871	37.458.424	37.149.263	98,0	98,2	99,2
1211	Employee contributions	17.302.315	17.493.535	17.767.621	17.619.709	101,1	100,7	99,2
1212	Employer contributions	20.686.181	19.771.608	19.114.023	18.924.562	95,6	95,7	99,0
1213	Self-employed or nonemployed contributions	616.570	580.727	576.780	604.992	94,2	104,2	104,9
13	Grants	868.988	968.378	2.184.306	1.737.825	111,4	179,5	79,6
131	From foreign governments	39.130	20.024	5.943	6.274	51,2	31,3	105,6
1311	Grants	3.756	6.883	5.889	505	183,3	7,3	8,6
1312	From foreign governments	35.375	13.141	55	5.770	37,1	43,9	-
132	From international organizations	827.432	947.857	2.177.863	1.730.233	114,6	182,5	79,4
1321	Current	503.585	481.160	1.559.052	1.143.013	95,5	237,6	73,3
1322	Capital	323.847	466.698	618.811	587.220	144,1	125,8	94,9
133	From other general government units	2.426	497	500	1.317	20,5	265,3	263,5
14	Other revenue	6.173.430	6.050.782	6.487.873	6.653.016	98,0	110,0	102,5
141	Property income	1.869.510	1.963.801	1.846.672	1.748.331	105,0	89,0	94,7
1411	Interest	115.034	59.214	125.207	123.816	51,5	209,1	98,9
1412	Dividends	286.579	681.776	671.345	577.348	237,9	84,7	86,0
1413	Withdrawals from income of quasi-corporations	637.969	0	0	0	-	-	-
1415	Rent	829.928	1.222.812	1.050.120	1.047.166	147,3	85,6	99,7
142	Sales of goods and services	1.381.724	1.662.470	1.191.107	1.786.642	120,3	107,5	150,0
1422	Administrative fees	1.152.971	990.828	1.124.257	1.017.183	85,9	102,7	90,5
1423	Incidental sales by nonmarket establishments	228.752	671.643	66.850	769.459	293,6	114,6	-
143	Fines, penalties, and forfeits	534.434	525.955	537.234	580.941	98,4	110,5	108,1
144	Voluntary transfers other than grants	29.068	46.341	14.348	52.446	159,4	113,2	-
1441	Current	25.337	43.494	9.325	51.835	171,7	119,2	-
1442	Capital	3.730	2.846	5.024	611	76,3	21,5	12,2
145	Miscellaneous and unidentified revenue	2.358.694	1.852.214	2.898.512	2.484.657	78,5	134,1	85,7

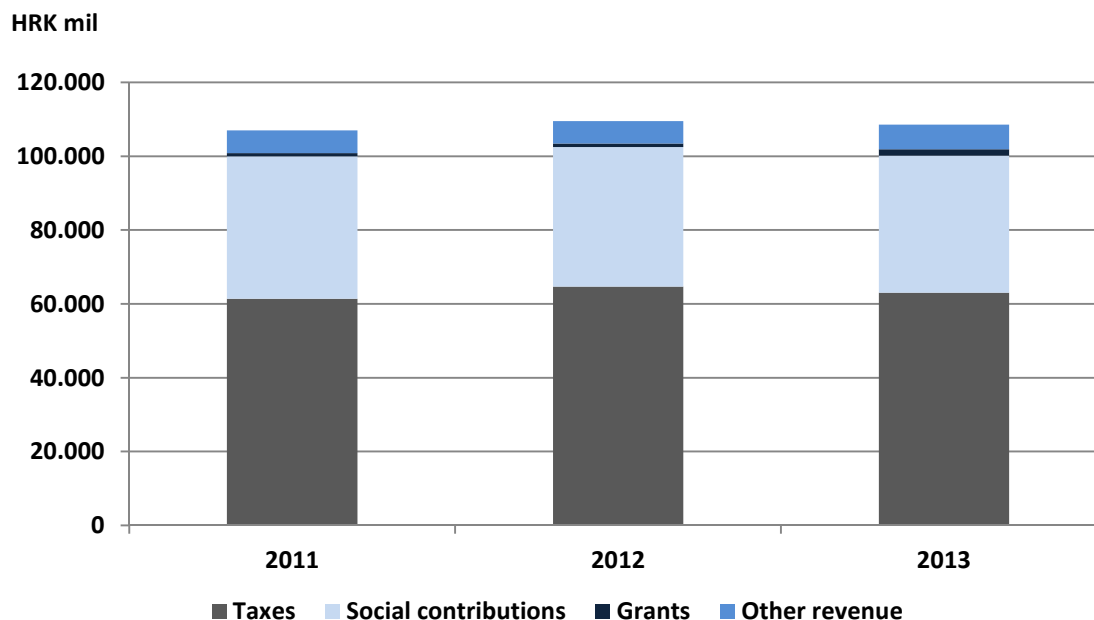
Source: Ministry of Finance

Within total revenues of the Budgetary Central Government, tax revenues represent the most significant item, with the share of 58.1 percent, and they are followed by the contributions with the share of 34.2 percent, while the remaining part refers to grants, property income, rental fees, revenues from administrative duties and other revenues. In the structure of total revenues of the Budgetary Central Government, there was a decrease in the share of revenues from taxes and contributions, while the share of other revenue categories was increased in relation to the previous year. The largest increase was registered in the revenues from grants, which fully refers to the increase in the means from EU Funds.

During 2013, there were some changes implemented in the taxation system that had a significant impact on the collection of the Budgetary Central Government revenues. Thus, the amendments were made to the Income Tax Act, Corporate Income Tax Act, Value-Added Tax Act, Act on Excise Duties, Act on Contributions, Act on Games of Chance and to the General Taxation Act.

Regulations on the level of excise duties on tobacco and oil derivatives were also amended. Legal amendments will be explained in more details in the follow-up.

Figure 2.1 Structure of the Budgetary Central Government Revenues in the 2011-2013 Period



Source:

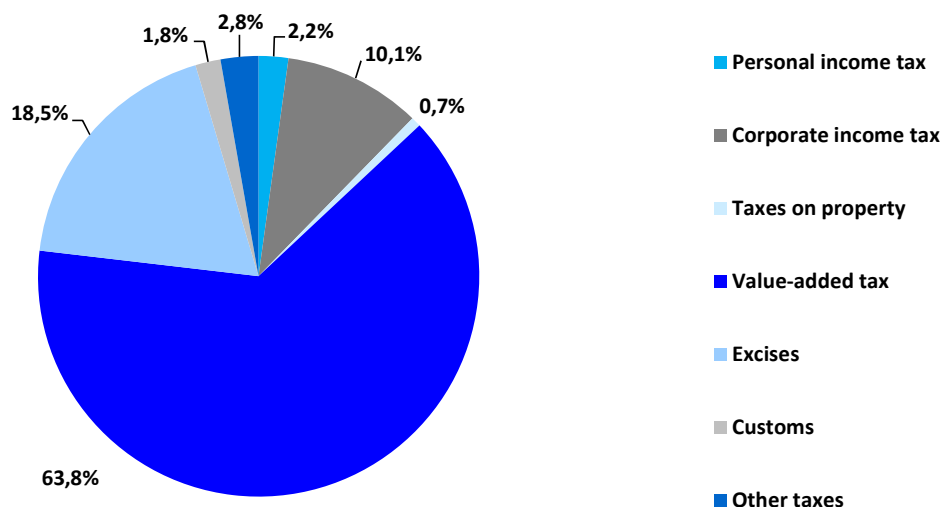
Ministry of Finance

2.2.1 Tax Revenue

In 2013, tax revenues were collected in the amount of HRK 63 billion, which was the year-on-year decrease of 2.5 percent, that is, they were by 1.7 percent less than in relation to the planned amount. At the same time, these revenues represent 58.1 percent of total revenues of the Budgetary Central Government and their share is reduced by 1 percentage point in relation to the previous year.

In the tax revenues structure, the most significant share have the revenue from VAT, which participates with 63.8 percent in total tax revenues. They are followed by the revenue from excise duties that represent 18.5 percent of total tax revenues and the revenue from corporate income tax with the share of 10.1 percent. Other tax revenues of the Budgetary Central Government have smaller share in total taxes. It is important to mention that due to the changes in tax regulations in relation to the previous year, the share of revenues from VAT and excise duties was increased, while the share of revenues from corporate income tax was decreased.

Figure 2.2 Tax Revenues Structure in 2013



Source: Ministry of Finance

Personal Income Tax

Revenues collected from the personal income tax are divided between the Budgetary Central Government and Local and Regional Self-Government Units. At the Budgetary Central Government level, the amount of HRK 1.4 billion was collected through the personal income tax, which is an increase by 8.1 percent in relation to 2012. Such an increase is the result of more efficiency achieved in collecting taxes and of fewer personal income tax returns per annual tax return than during the previous year. The trends in these revenues were influenced by the condition on the labour market as well as the whole-year effect of legal changes carried out in 2012. More precisely, the amendments implemented in the personal income tax system in 2012 provided the higher degree of progressivity. In addition, this Act complies with the provisions on pension bonuses, which, according to special regulations, became an integral part of the pension as of January 1, 2012, and, consequently, it is no longer exempt from taxation. Revenues refund from personal income tax by annual personal income tax return in 2013 amounted to HRK 551.8 million, which is by 10.8 percent less than in the previous year when it amounted to HRK 618.8 million.

Most of the personal income tax was collected by the taxation of income from non-self-employment and by the taxation of self-employment activities, and to the lesser extent by the taxation of property and property rights and by the taxation of capital.

In 2013, personal income tax was calculated as follows:

1. at the rate of 12 percent of tax base up to the level of the amount of basic personal allowance;
2. at the rate of 25 percent on the tax base difference between the amount of basic personal allowance and four times the amount of basic personal allowance;
3. at the rate of 40 percent on the tax base exceeding the four times the amount of basic personal allowance.

Basic personal allowance amounted to HRK 2,200.

Pensioners' personal allowance amounted to HRK 3,400.

In 2013, the Amendments to the Personal Income Tax Act² provided a legal framework for the introduction of a unique form for collecting data on paid receipts, accrued tax and contributions, and it will also be used for reporting on the receipts on which the personal income tax is not to be paid as well as on the receipts which are not considered as income. Furthermore, it is prescribed that the receipts paid from European Union Funds and programmes, via accredited bodies in the Republic of Croatia, and for the purpose of education and professional training, should be considered as receipts on which the personal income tax is not to be paid. Selling three properties of the same type or three property rights of the same type in the period of five years is not considered as income from self-employment activity any more, but as property and property rights income, and it is prescribed that within the procedure of verifying the source of property, the source of the entire property held by a natural person acquired as of January 1, 2005, should be verified.

In addition, the Act on the Amendments to the Personal Income Tax³, which entered into force on October 19, 2013, equalizes the right of personal allowance for Croatian residents and the residents of the EU and of the European Economic Area who realize the most part of income in the Republic of Croatia. It prescribes that in cases when a taxpayer-resident, according to the double taxation avoidance agreement, on the basis of the receipt realized from a foreign state or in a foreign state during the tax period pays the advance personal income tax from that receipt in the foreign state, he/she is not obliged to pay the advance personal income tax in his/her domestic country, which he/she is obliged to report to the Tax Administration, but in that case he/she is obliged to file an annual tax return, unless the republic of Croatia, in line with the agreement, exempts such income from taxation. The same is applied on the receipts of the residents transferred to work in a foreign state on the order of a domestic employer.

For pensions realized in a foreign state, the possibility was introduced to pay advance personal income tax upon a decision.

These Amendments introduce the possibility for the Tax Administration to publish on its website the list of the employers that for more than three months consecutively, that is, for more than three months in half a year, do not pay salaries to their employees, as well as the possibility to publish the list of those taxpayers whose personal income has been determined as a difference between the level of the property and the proved level of funds for the acquisition thereof.

By the end of 2013, the Personal Income Tax Act was amended one more time. These Amendments prescribe that the allocation to or optional purchase of own stocks by employees by more favourable conditions is to be considered as a receipt in kind on the basis of non-self-employment (salary) of these employees, and not any more as an income from capital. Along with the aforementioned, the tax relief system was also amended for the areas of special state concern and for mountain-hilly areas. As a consequence of this, taxpayers having permanent or temporary place of residence in the assisted areas of group I and in the area of the Town of Vukovar may use their personal allowance at the level of HRK 3200 per month, that is, taxpayers having permanent or temporary place of residence in the assisted areas of group II may use the personal allowance at the level of HRK 2700 per month.

² Official Gazette, number 144/2012

³ Official Gazette, number 125/2013

Taxpayers carrying out the activity in the area determined, according to special regulations on the regional development of the Republic of Croatia, as assisted area of group I or in the area of the Town of Vukovar, are exempt from paying personal income tax. The personal income tax is lowered by 50 percent for taxpayers carrying out the activity in the area determined, according to special regulations on the regional development, as assisted area of group II.

Corporate Income Tax

Revenues from the corporate income tax in 2013 were realized in somewhat larger amount than planned, that is, by 1.8 percent more than planned. The revenue from the corporate income tax was realized in the amount of HRK 6.4 billion, which registered a year-on-year decrease by 17.3 percent. The decrease in the revenues from the corporate income tax is the result of the decreased economic activity and of weaker business operations of economic subjects during 2012, since the corporate income tax is paid according to business results achieved by enterprises in the previous year. In addition, the amendments to the Corporate Income Tax Act, which were carried out in 2012, also had a negative effect on the revenues from corporate income tax and they introduce the possibility to reduce the corporate income tax base for the income realized in that tax period under the condition that it is registered as an increase in equity capital, that is that it is further invested. The effects of this legal provision on budget revenue were visible during 2013 when annual tax returns of the corporate income tax for 2012, in which entrepreneurs had a possibility to lower the tax base, were submitted and processed.

However, along with the possibility to reduce the tax base for reinvested profit, there was also a provision prescribing the denying of the right of reduced tax base if it is subsequently determined that the increase in equity capital has been realized with an aim to avoid tax payment (for example, the reduction in equity capital due to payment to stockholders and members of a company). In line with the amendments to the Corporate Income Tax Act, the Ordinance on Corporate Income Tax was also amended and the procedure of using tax relief for reinvested profit was prescribed.

At the end of 2012, the Ordinance on Corporate Income Tax was again amended when the amendments were carried out due to the application of the Act on Investment Promotion and Improving the Investment Climate, on the basis of which corporate income tax payers may pay corporate income tax by reduced tax rates. The Ordinance also prescribes declaring tax relief for realized investments at special ordinal numbers in corporate income tax return, and therefore, the corporate income tax form is also amended in a way that the set form is retained. This amendment had its full effect in 2013.

As of the day of entry of the Republic of Croatia to the European Union, the Council Directives 1990/435/EEC, 2003/7123/EC and 2006/98/EC started to be applied. These Directives determine in a special way the payment of withholding tax on dividends and corporate income (profit) shares among related enterprises. According to the mentioned Directives, in case of paying dividends or corporate income (profit) shares to the company having at least 10 percent of shares in the capital of the company (for at least 24 months), the withholding tax will not be accrued.

The amendments to the Corporate Income Tax Act were also carried out at the end of 2013, but the effect of the provisions of this Act was not visible until 2014. By the regulations of the Ministry of Regional

Development and EU Funds, the former tax relieves linked with the areas of special state concern are replaced by the new ones whereby the Ministry of Regional Development and EU Funds establishes the list of areas, local self-government units which have been evaluated, on the basis of the regional development index, as areas falling behind national average and the development of which should be additionally stimulated (the Regional Development Act). There is a tax relief prescribed for these areas for performing activities in assisted areas. The new division of assisted areas prescribes the tax relief for only local self-government units categorized in groups I and II according to the regional underdevelopment degree and only the most undeveloped local self-government units are stimulated. The amount of the exemption of paying corporate income tax is limited by the rules on small-value subsidies, but the relief does not have time limitation as it was the case according to the former regulations. Taxpayers performing an activity in the area of local self-government units categorized in group I by their regional development degree according to special regulations on the regional development of the Republic of Croatia and in the area of the Town of Vukovar, which employ have more than five employees with permanent contracts, whereby more than 50 percent of employees have permanent and temporary place of residence in the assisted areas of local self-government units, that is in the area of the Town of Vukovar, do not pay corporate income tax. Taxpayers carrying out an activity in the area of local self-government units classified in group II by their regional development degree according to special regulations on the regional development of the Republic of Croatia, which have more than five employees with permanent contracts, whereby more than 50 percent of employees have permanent and temporary place of residence in the assisted areas of local self-government units, that is in the area of the Town of Vukovar, pay 50 percent of the prescribed tax rate.

The same amendments to the Act prescribe, in order to mitigate the impact of the crisis for the poorest citizens, housing loan borrowers and entrepreneurs facing difficulties, that credit institutions may write off the claims against these citizens and entrepreneurs, whereby these claims represent tax-recognized expenditure of the credit institution without initiating court proceedings or enforcement procedures. Furthermore, the amendments were prescribed regarding the recognition of costs of interests among related persons (for the purpose of preventing tax evasion by related entrepreneurs), as well as the amendments regarding the recognition of representation costs, while the new List of tax havens was adopted due to paying withholding tax on received services by the rate of 20 percent. In addition, the possibility was prescribed to carry out the one-off write-off of claims from non-related natural persons, if the debt is outdated and amounts up to HRK 2,000 and if it was written-off by December 31, 2013.

Property Tax

In 2013, revenue from property tax, that is, real estate transfer tax revenue, was collected in the amount of HRK 462.3 million, which is a year-on-year increase of 16.2 percent, and it reflects the transfer on the real estate market. It was collected 3.9 percent more than the planned amount.

Value-Added Tax

Revenue from value-added tax is the most significant budget revenue and it represents 63.8 percent of total tax revenues, and 37.1 percent of total budget revenues. During 2013, the revenues from VAT were

realized in the amount of HRK 40.3 billion, which is by 1 percent less than in relation to the previous year. The value-added tax revenues depend on the personal consumption trend which, in 2013, was nominally increasing in relation to the previous year, but the decrease in the VAT revenues was primarily the result of the full-year effects of legal amendments carried out in 2012, as well as those carried out in 2013.

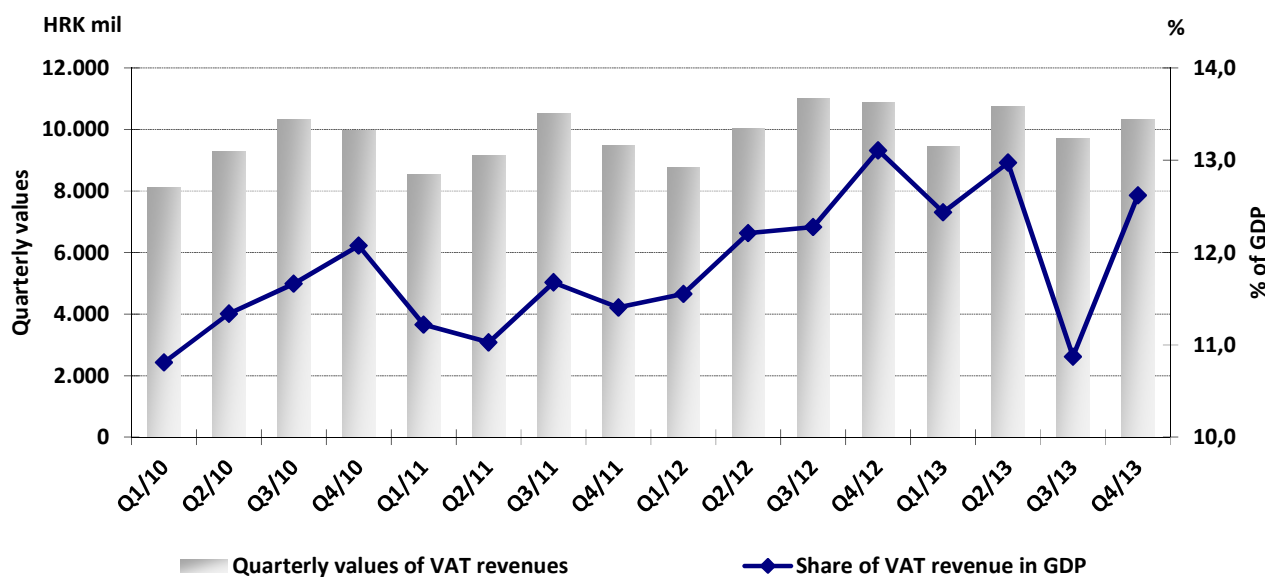
The amendments to the VAT Act of March 2012, but in force as of January 1, 2013, introduced the provision prescribing that the reduced VAT rate of 10 percent shall be applied to services of food preparation and food serving in catering establishments, and to services of preparation and serving of non-alcoholic beverages and drinks/tonics, wines and beers in those establishments, according to special regulations. In addition, on January 1, 2013, the amendments to the VAT Act entered into force, which put this Act in compliance with the taxation system in the EU, and it comprises the full annulment of the zero tax rate on value added, and the replacement thereof with the rate of 5 percent as the lowest possible rate prescribed by the EU legislation. Furthermore, the realization of the revenues from VAT was under great influence of the full-year effect of the increase in the general VAT rate from 23 percent to 25 percent and of the decrease in the rate of 10 percent on some products and services such as edible oils and fats, children food, water delivery, and white sugar. The great impact was also the better collection of taxes through the implementation of previously mentioned fiscalization as well as through the implementation of the old tax debts reprogramming. The Cash Transaction Fiscalization Act was adopted at the end of December. This Act introduces the fiscalization in cash transactions, as a set of measures which fiscalization subjects are obliged to implement, in order to ensure the supervision over the realized turnover in cash transactions. The adoption of the Cash Transaction Fiscalization Act introduced, in the Republic of Croatia, the model of registering turnover in cash transactions by using special fiscal software appliances for issuing receipts. This operates in a way that the internet connection is established with the Tax Administration and each receipt before the issuance thereof is recorded in the Tax Administration. Along with the Act, the Ordinance on Fiscalization in Cash Transactions was adopted as well. The Ordinance elaborates in more detail the implementation of the Cash Transaction Fiscalization Act, the instructions on the procedures of getting the certificate, length and type of string for the Unique Receipt ID (Croatian: JIR), structure of data on the receipt, the way of generating, length and type of string for the receipt issuer's security code, the form and structure of messages for business premises data, protocols and security mechanisms for the exchange of messages, application model in which central IT system is used for sending and signing messages, and the contents and the procedure of certification of the special book of receipts.

Along with the aforementioned, it is necessary to mention that by joining the EU, there was a one-off loss of about HRK 1.6 billion of revenues from VAT, due to shifts in the collection. By entry of the Republic of Croatia to the EU, all goods from member states, which were taxed on import before July 1, are now taxed as well as with domestic entrepreneurs, that is, after releasing the goods for consumption, which resulted in a one-off loss of the budget revenues from VAT. The largest amount of the revenues from value added tax was collected in June and October. The revenues in June were increased due to the increased collection of VAT on import. Due to the entry of the Republic of Croatia to the EU, as of July 1, 2013, Croatia has adopted the common customs policy of the EU towards third countries. For that reason, during June, somewhat more products than before were imported from countries which are not members of the EU. In October, those taxpayers who settle their VAT liability quarterly contributed to the increase in VAT revenues. In such a monthly dynamics, the influence of tourist consumption on the collection of revenues from VAT is not clearly declared, due to the mentioned change in method of calculation VAT on products from EU member states. Until 2013, the largest share in the VAT structure was held by the value added tax

paid on import. However, because of the different treatment of products and services coming from EU, currently the largest share in the VAT revenue is held by the value added tax collected on the delivery of goods.

The Value Added Tax Act was amended later during 2013. These amendments, which entered into force on the day of entry of the Republic of Croatia to the EU, the compliance with the Council Directive 2006/112/EC was fully executed.

Figure 2.3 Quarterly Value-Added Tax Revenue Trends in the 2011-2013 Period



Source: Ministry of Finance

Excises

In 2013, total revenues from excises were realized in the amount of HRK 11.7 billion, which approximately corresponds to the planned amount, and at same time represents an increase of 4.3 percent at a year-on-year level. The majority of revenues from excises record a decrease in relation to the previous year, while only the revenues from excise tax on energy sources and electricity, revenues from special tax on passenger cars, other motor vehicles, vessels and aircrafts, and revenues from special tax on coffee were increased.

In 2013, the revenues from excises were determined by numerous legal amendments the purpose of which was to bring the taxation system closer to EU legal regulations.

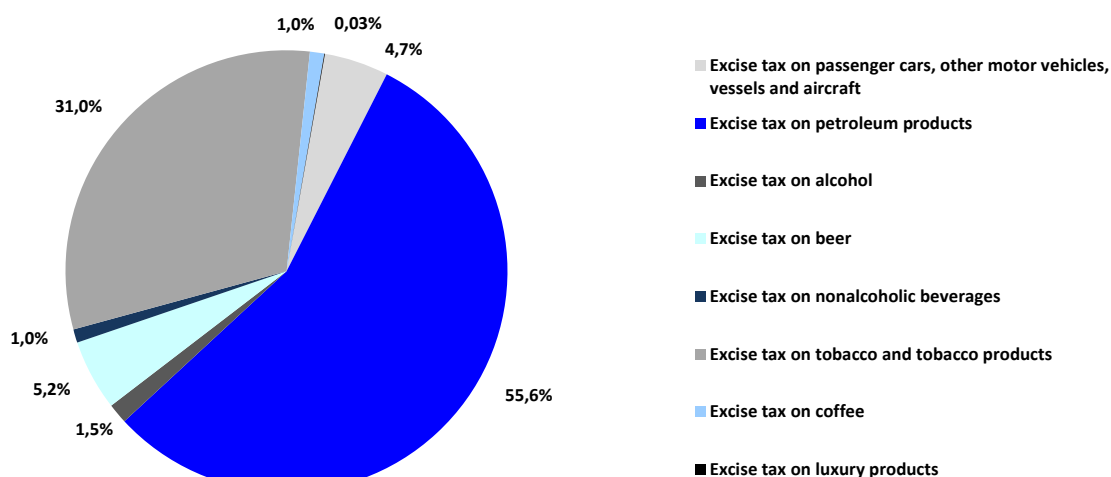
Table 2.2 Excise Duties Revenues Trends

(HRK 000)	2011	2012	2013 Plan	2013	Index 2012/2011	Index 2013/2012	Index 2013/2013 Plan
Excises	11.215.054	11.206.489	11.663.690	11.682.936	99,9	104,3	100,2
Excise tax on passenger cars, other motor vehicles, vessels and aircraft	663.585	532.226	546.529	550.826	80,2	103,5	100,8
Excise tax on petroleum products	5.978.413	5.678.586	6.340.020	6.496.009	95,0	114,4	102,5
Excise tax on alcohol	172.083	190.874	176.845	172.331	110,9	90,3	97,4
Excise tax on beer	653.951	631.038	626.595	606.557	96,5	96,1	96,8
Excise tax on nonalcoholic beverages	123.347	119.379	123.462	114.747	96,8	96,1	92,9
Excise tax on tobacco and tobacco products	3.473.375	3.915.174	3.722.472	3.616.934	112,7	92,4	97,2
Excise tax on coffee	126.424	116.045	124.316	122.012	91,8	105,1	98,1
Excise tax on luxury products	23.875	23.168	3.451	3.520	97,0	15,2	102,0

Source: Ministry of Finance

Excise taxes on energy sources and electricity, with the share of 55.6 percent, are the most significant in the structure of total excises, and they are followed by excise tax on tobacco products with the share of 31 percent. Excise tax on energy sources and electricity increased its share in total excises duties, while the share of the excise tax on tobacco products was decreased.

Figure 2.4 Excise Duties Revenues Structure in 2013



Source: Ministry of Finance

In 2013, the revenues from excise tax on energy sources and electricity, which were under the influence of significant legal amendments, were collected in the amount of HRK 6.5 billion, which, at a year-on-year level, represents the increase by 14.4 percent. The excise tax on energy sources were below the minimum level prescribed by the EU so it was necessary, in several occasions, to raise the excise tax on motor petrol and diesel fuels. In order to avoid, due to necessary adjustment, the increase in retail prices of petroleum derivatives, and thus the impact on final consumers, the fee received by HANDA (Croatian Compulsory Oil Stocks Agency) per litre of fuel which was included in the retail price of petroleum derivatives, was entirely transferred on the account of excise tax, starting from January 1, 2013. Further adjustment was also carried out in July 2013. The modification in the level of the excise tax on petroleum derivatives was carried out again in September. However, then the premium of energy entities was decreased for the amount of the

increase in the excise tax, and, therefore, this increase, as well as the one from January, did not have an impact on the retail price of petroleum derivatives. The Government Regulation from September introduces the change in the level of the excise tax for motor petrol and diesel fuels that are used as propellant in a way that all excise duties were increased by 10 lipas per litre of fuel, while the excise duties on heating oil was increased by 8 lipas per litre of fuel.

In addition, due to the alignment with the EU legislation, the excise tax on natural gas and electricity was also introduced. Along with retaining the mandatory exemptions from paying the excise tax defined by the Excise Duties Act, there are also some other exemptions introduced, which are envisaged as optional in the EU excise tax regulations. One of these exemptions is the exemption from paying the excise tax on natural gas and electricity used in households and on the electricity obtained from using the solar energy, wind power, wave power, tidal power or from geothermal sources, produced from biomass or products made of biomass, used for own purpose. As an optional exemption, there is also the exemption of energy sources having dual purpose, that is, which may be used for both the heating and chemical, metallurgic or electrolytic processes, and of electricity and energy sources used in mineralogical processes. This exemption was prescribed for the purpose of the protection of domestic production and competitiveness of domestic manufacturers on the single EU market.

Regarding the trends of delivered quantities of oil derivatives during 2013, it is visible that the consumption of motor petrol fuels is reduced, while the consumption of diesel fuels increases. Thus, the delivered quantities of unleaded motor petrol declined by 2.4 percent at a year-on-year level, while the delivered quantities of diesel fuel rose by 1 percent, and that of blue diesel by 0.7 percent.

Table 2.3 Delivered Quantities of Petroleum Products in 2012 and 2013

litres	BMB			DIESEL			BLUE DIESEL		
	2012	2013	Index 2013/2012	2012	2013	Index 2013/2012	2012	2013	Index 2013/2012
January	56,892,827	51,138,022	89.9	102,382,919	99,577,571	97.3	6,516,940	2,876,911	44.1
February	51,896,096	47,768,774	92.0	99,611,983	102,667,547	103.1	4,912,828	4,580,442	93.2
March	60,325,178	56,887,587	94.3	120,185,699	115,464,007	96.1	12,189,511	6,797,504	55.8
April	58,951,390	60,709,717	103.0	118,773,894	122,927,372	103.5	11,497,440	13,893,456	120.8
May	68,939,263	69,203,024	100.4	133,131,674	140,333,766	105.4	10,842,737	13,175,518	121.5
June	71,786,978	69,672,137	97.1	133,420,065	138,454,045	103.8	12,965,337	12,732,060	98.2
July	88,681,667	88,064,216	99.3	167,305,757	171,961,153	102.8	16,619,270	17,535,963	105.5
August	93,173,646	91,313,984	98.0	173,863,558	168,650,598	97.0	13,029,337	12,889,055	98.9
September	65,115,993	65,705,859	100.9	135,179,252	136,772,334	101.2	14,668,236	15,744,061	107.3
October	65,100,727	64,186,574	98.6	135,164,260	137,587,028	101.8	20,752,833	23,256,276	112.1
November	57,997,122	56,052,780	96.6	122,195,053	117,614,490	96.3	14,056,740	13,077,524	93.0
December	57,601,375	56,377,445	97.9	107,924,160	112,847,117	104.6	14,878,415	17,476,735	117.5
TOTAL	796,462,262	777,080,119	97.6	1,549,138,274	1,564,857,028	101.0	152,929,624	154,035,505	100.7

Source: Ministry of Finance - Customs administration

The revenue from excise tax on tobacco products is the second largest in the structure of excise tax. It is realized in the amount of HRK 3.6 billion and registers a year-on-year decline of 7.6 percent. The reason for that is the creation of stocks of tobacco products at manufacturers at the end of 2012, due to the increase in the excise tax on tobacco products. Because of the accumulated stocks by older prices, manufacturers had significantly lower deliveries of cigarettes in the first quarter of 2013 than usual monthly deliveries and therefore the paid tax was significantly lower than average. At the end of November 2012, the amount of the rate of proportional excise tax on cigarettes was changed in a way that it was increased from 33 percent to 36 percent of the retail price, as well as the amount of minimal excise tax from HRK 375 to HRK 486 for 1000 pieces of cigarettes. Increase in the excise tax on cigarettes is carried out in order to gradually

meet the minimum conditions and amounts of excise tax on cigarettes, prescribed by EU directives. Further alignment of the excise tax on tobacco products was carried out in June 2013 in a way that the amount of the proportional excise tax was increased to 37 percent of retail price, the amount of minimal excise tax to HRK 567 for 1000 pieces of cigarettes, and the amount of specific excise tax on cigarettes amounts to HRK 197 for 1000 pieces of cigarettes. In addition, in June, the level of the excise tax on fine-cut tobacco was also increased to the amount of 450 HRK/kg and on other tobacco for smoking to the amount of 380 HRK/kg. Furthermore, the legal amendments changed the system of marking tobacco products.

In 2013, the revenue from special tax on passenger cars, other motor vehicles, vessels and aircrafts registered a year-on-year increase by 3.5 percent in relation to 2012. This tax form also underwent significant tax amendments in order to be aligned with the EU legal regulations. The earlier Act on Special Taxes on Passenger cars, Other Motor Vehicles, Vessels and Aircrafts was not, to the significant extent, aligned with the principles of the Treaty on the Functioning of the European Union and it did not contain the provisions of the Directive 83/182/EEC, due to which it had to be aligned by the accession of the Republic of Croatia to the EU. The new Act On Excise Duties, which entered into force on July 1, 2013, prescribed the new model of taxation by the combined system of taxation by which the special tax is determined partly as a value criterion (on the basis of the percentage from selling price), and partly as an ecological criterion (depending on the CO₂ emission). The system by which the level of tax is determined depending on the CO₂ emission contributes to the realization of the goals of the Government of the Republic of Croatia for the reduction of the emissions of carbon dioxide prescribed by the Regulation on monitoring the greenhouse gas emission, policy and measures for the reduction thereof in the Republic of Croatia, that is, to the realization of obligations assumed during the negotiations on the accession to the EU. Along with the aforementioned, the categorization of vehicles as new or used ones in a linear way ceased to be used, since the established case law of the European Court of Justice is that used vehicles coming from other member states should not be treated in a discriminatory way. In the new Act on Special Tax on Motor Vehicles, aircrafts were exempt from taxation by special tax. It should be emphasized that only aircrafts for private use were taxed with the former act, and in the context of realized revenues, the further taxation of aircrafts by the special tax was not found purposeful nor justified.

In 2013, the revenues from excise tax on beer were realized in the amount of HRK 606.6 million and they register a year-on-year reduction by 3.9 percent. Such a realization is at the same time lower by 3.2 percent than the plan. The revenues from other excise tax products (excise tax on coffee, alcohol and alcoholic beverages, non-alcoholic beverages and luxury products) were collected in the amount of HRK 412.6 million, which represents 3.6 percent less than planned and 8.2 percent less than in the previous year. Within these revenues, the revenues from excise tax on coffee were realized in the amount of HRK 122 million and in relation to 2012 they register the increase by 5.1 percent. Excise tax on alcohol was realized in the amount of HRK 172.3 million and they register a year-on-year decrease by 9.7 percent. In 2013, by excise tax on non-alcoholic beverages, the amount of HRK 114.7 million of Budgetary Central Government revenues was collected, which represents 3.9 percent less than in the previous year. Special tax on luxury products was completely annulled as of January 1, 2013, since it had not been giving any significant contribution to total budget revenues, and its existence in the Republic of Croatia renders luxury products (such as gold) uncompetitive by price in relation to the markets of other EU states. In 2013, the revenue collected on the basis of this tax was collected on the basis of sold luxury products at the end of 2012, and, to the smaller extent, from payments of debts on the basis of this tax.

Revenue from Customs Duties

The revenues from taxes on international trade and transactions (customs) were realized in the amount of HRK 1.2 billion, which is by 33.9 percent less than in 2012. Such a significant reduction was the result of the accession of the Republic of Croatia to the EU, since the customs duties are no longer collected on the goods coming from EU.

Other Tax Revenue

Along with the main tax revenues described above, in 2013, within the tax revenues, taxes on special services, taxes on the use of goods or on the permission to use goods or for the performance of an activity, other taxes on goods and services and the category of other taxes, were also collected to the state budget.

The category of taxes on special services includes revenues from taxes on gains from games of chance and other taxes from games of chance that, in 2013, amounted to HRK 28.1 million. Fees for organizing games of chance amount to HRK 741.7 million and they belong to taxes on the use of goods or on the permission to use goods. In this way, in 2013, total revenues collected from organizing games of chance registered a year-on-year increase of 9.1 percent.

In 2013, the Act on the Amendments to the Act on Games of Chance was adopted. Since on March 26, 2013, the concessions for 19 companies were expired and on November 19, 2013 concessions for seven companies, and taking into consideration the fiscal effect on the state budget of the Republic of Croatia which is realized on the basis of the performance of this activity, the number of employees within this activity, as well as the significant financial investments in business operations, the Act was amended in a way that the right to organize games of chance on automatic machines may be prolonged to the organizers of games of chance on the basis of the approval by the Minister of Finance for the period of one year from the day of the expiry of the concession duration. The goal of the amendments to this Act was to ensure the continuation of organizers' business operations and the continuity of the state budget revenues.

Revenues from other taxes on goods and services include tax on automobile liability insurance premiums and tax on full-coverage car insurance (Kasko) premiums. These revenues were realized in the amount of HRK 508.4 million, which is a year-on-year decrease of 1.1 percent.

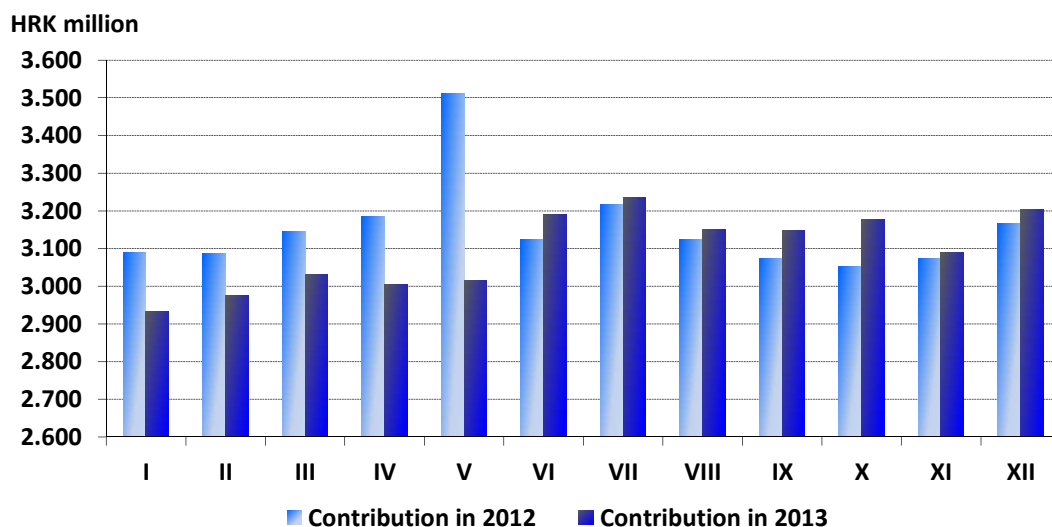
Other tax revenues, according to GFS 2001 methodology, include state administration and court fees and other revenues from taxes paid by natural persons. In 2013, this revenue category was realized in the amount of HRK 335.6 million, which represents a year-on-year decrease of 9.3 percent. The amount of HRK 331.7 million refers to the revenues collected from state administration and court fees and these revenues register a year-on-year decrease of 8.3 percent.

2.2.2 Social Security Contributions

Revenues from social security contributions are the second most significant category of Budgetary Central Government revenues, and they participate with 34.2 percent in total budget revenues. In 2013, the revenues from social security contributions amount to HRK 37.1 billion, which, at a year-on-year level, represents a reduction by 1.8 percent. Such a decrease is in line with the trends on the labour market in 2013 and is under the influence of a full-year effect of the amendments to the Contributions Act from 2012. As of May 1, 2012, the rate of contributions for mandatory health insurance, paid by employers on gross salary of their employees, has been reduced by two percentage points, from 15 to 13 percent. Along with the reduction of the rate of contributions for health insurance, the Regulation on the way of implementing the payment of contributions according to salary, receipts accompanying the salary, that is monthly basis for the accrual of contributions on the basis of the employment, also entered into force. This Regulation prevents the possibility to pay salary without paying contributions, and, at the same time, it also contributes to the strengthening of fiscal discipline and to better collection of revenues on the basis of social security contributions than it was possible to expect considering the trends on the labour market. This has partly mitigated the decline in the budget revenues incurred due to the reduction in the rate of contributions for health insurance. In relation to the planned amount, this revenue was realized at the level of 99.2 percent of the plan.

Revenue from social contributions consists of employee contributions, employer contributions and self-employed and unemployed contributions. The largest share in total contributions refers to employer contributions that, in 2013, amounts to 50.9 percent and is decreased in relation to the previous year due to the reduction in the rate for health insurance. These contributions were collected in the amount of HRK 18.9 billion, whereby the largest part refers to the contributions for health insurance and the remaining part to employment contributions. Due to the full-year effect of the reduction in the rate of contributions for health insurance, these contributions register a year-on-year decrease of 4.3 percent. The following are, according to the importance in the structure of contributions, the employee contributions which represent 47.4 percent of total social security contributions in 2013, and the share thereof increases in relation to the previous year. The employee contributions almost completely refer to the contributions for pension insurance. Revenues from employee contributions were realized in the amount of HRK 17.6 billion and they register a year-on-year increase of 0.7 percent. Such an increase is a result of the improved collection of contributions, that is, of the application of the aforementioned Regulation. The smallest share in total social security contributions refers to the self-employed or unemployed contributions, and this category of contributions represents 1.6 percent of total revenues from contributions. These contributions were realized in the amount of HRK 605 million, and they include, in an equal ratio, contributions for health and pension insurance of persons performing as self-employed.

Figure 2.5 Social Security Contributions Trends in 2012 and 2013, by months



Source: Ministry of Finance

At the end of 2012, the Act on the Amendments to the Contributions Act was adopted, with the full application as of January 1, 2013. These Amendments provided the legal framework for the introduction of a unique report – Form JOPPD in the part referring to the reporting on the contributions obligations. The JOPPD Form serves as tax and contribution return, source of data for the establishment of an asset declaration of a receiver of receipts and as a possible source for creating an annual tax return. The new form will enable better supervisions over the accuracy of the accrual of contributions and taxes, and it will improve the collection procedure because the Tax Administration, in case of non-paying accrued liabilities, will immediately have at its disposal the enforcement document necessary for initiating the enforcement procedure.

The Contributions Act was also amended at the end of 2013, but to be applied in 2014. With these provisions, the Contributions Act is aligned with the Regulation (EC) number 883/2004 and the Regulation (EC) number 987/2009 on the coordination of the social security system. As of July 1, 2013, these provisions are a part of the legal system of the Republic of Croatia and are directly applied. The provisions of the Act additionally explain the contribution obligations for persons who, according to the provisions of the regulations, the legislation of the Republic of Croatia is applied to, especially for persons insured on the basis of the employment at the employer with registered headquarters or place of business in other member states, for persons who perform the activity of a self-employed person in other member states and for insured persons who realize the receipt, of which other income is determined, in other member states. Besides the aforementioned, the issue of an obligation of a special contribution for using health protection abroad is also arranged, as well as the issue of assuming the contribution obligation.

The provisions of the Contributions Act are aligned with the provisions of the Act on Mandatory Health Insurance and the Act on Mandatory Health Insurance and Health Care of Foreigners in the Republic of Croatia. There is also an obligation prescribed regarding the contribution for health protection at work for the persons insured on the basis of a farmer registered in a register of family agriculture farming. Another prescribed obligation is that of the contribution for health insurance for persons with permanent place of residence in, that is with the approved permanent residence in, the Republic of Croatia who were denied freedom by the decision of a competent court and they are situated in the organizational units of the

Ministry of Justice, and that of a special contribution for health protection at work for persons performing their work for public benefit in accordance with the Probation Act.

The provisions authorizing the Minister of Finance to temporarily arrange, by an implementing regulation, the issue of the obligation of contribution in case of the amendments to the regulations on mandatory insurances on the basis of which new insurance bases are introduced, are further elaborated.

2.2.3 Grants

In 2013, revenues from grants amounted to HRK 1.7 billion, whereby they realize a year-on-year increase of 79.5 percent. These revenues consist of grants from foreign governments, grants from international organizations and grants within general government. The most significant category of grants are grants from international organizations and EU institutions and bodies, representing 99 percent of total collected revenues from grants. The largest part of these funds refers to the use of means from European Union funds with the purpose of financing the approved projects. In 2013, the revenues from grants from foreign governments amounted to HRK 6.3 million, while the revenues from grants within general government amounted to HRK 1.3 million.

2.2.4 Property Income

The property income was realized in the amount of HRK 1.7 billion, which is 11 percent less than in 2012 and 5.3 percent less than planned. This income consists of interest revenues, dividend revenues and revenues from rents.

In 2013, dividend revenues amounted to HRK 577.3 million and are less by 15.3 percent than in 2012. At the item of dividend revenues, revenues from dividends and profits of state-owned companies were realized mostly. Thus, at this item, the largest paid revenue was the one from the profit of the Croatian National Bank in the amount of HRK 380.7 million. The following one, according to the size, was the revenue realized by the payment of INA dividend, and it amounted to HRK 154 million.

Interest revenues were realized in the amount of HRK 123.8 million, and they refer to the interests for given loans, interests by securities, interests on term deposits and demand deposits, and interests on arrears.

In 2013, revenues from rents were realized in the amount of HRK 1 billion, and they consist of concession revenues, revenues from property lease and rent, and other revenues from nonfinancial assets. Concession revenues have the most significant share in the revenues from rents, and in 2013 they were realized in the amount of HRK 800.6 million, which represents a year-on-year decrease of 12 percent. Concession revenues register a year-on-year decrease due to the reduction in the concession fee for radiofrequency from HRK 120 to 60 annually per subscriber. Within the structure of the revenues from nonfinancial assets, the amount of HRK 300 million is also included. This amount was paid by operators performing the activity of electronic communication networks and services, on the basis of one-off fees for 4G network. Other concession revenues were collected from the fees for concessions for frequencies, concessions on waters and water public good, concessions on roads, monthly concession fees for gambling houses, fees for concession on maritime good, fees for concession on public roads, fees for concession for customs areas,

and other concession fees. Regarding the revenues from property lease and rent, the largest part refers to the revenues from agricultural land lease, and at that item, the revenues from real estate lease, fees for easement on agricultural land in the ownership of the Republic of Croatia, fees for using agricultural land in the ownership of the Republic of Croatia and fees for easement in the woods owned by the Republic of Croatia were also realized. The largest items of other revenues from rents are monument annuity and fees for using oil harbours and oil pipelines.

2.2.5 Revenue from Sales of Goods and Services

Revenues from sales of goods and services consist of revenues from administrative fees and revenues from incidental sale on the market. In 2013, these revenues amounted to HRK 1.8 billion, which represents a year-on-year increase of 7.5 percent, whereby the revenues from incidental sale on the market amounted to HRK 769.5 million in 2013, while the revenues from administrative fees amounted to HRK 1 billion. In 2013, the revenues from administrative fees were higher by 2.7 percent than those realized during 2012, and they consist of the revenues collected on the basis of various public notary fees, fees from the sale of state stamp duties, state issued guarantee fees, fees for issued long-term securities, fees for issued border-crossing permits, fees and compensations paid by persons in transit, industrial property rights fees, and various other fees.

2.2.6 Revenue from Fines, Penalties and Forfeits, Voluntary Transfers and Miscellaneous and Unidentified Revenue

The revenues from fines, penalties and forfeits were realized in the amount of HRK 580.9 million and they register a year-on-year increase of 10.5 percent. The high year-on-year increase in these revenues was the result of the larger supervision of business operations carried out by economic entities as well as of the new model of charging fines for traffic misdemeanours. Revenues from penalties mostly consist of traffic fines, while the rest of the revenues of this item refer to penalties in tax, customs and foreign currency misdemeanours, penalties for economy offences and other administrative measures.

In 2013, voluntary transfers other than subsidies amounted to HRK 52.4 million, and at a year-on-year level they were increased by 13.2 percent.

In 2013, miscellaneous and unidentified revenues were collected in the amount of HRK 2.5 billion, which represents a year-on-year increase by 34.1 percent. The most significant revenues in this category are the revenues from supplemental health insurance. In 2013, the revenues from supplemental health insurance were realized in the amount of HRK 794.2 million, which is for 12.8 percent less than in 2012. Along with the revenues from supplemental health insurance, miscellaneous and unidentified revenues also consist of revenues from fire-insurance premiums, revenue based on the reimbursement of expenses from previous years, revenue from exchange gains, revenue from insurance-based damages, and other unspecified revenues. At the end of 2013, on the account of the refunds of unused funds from earlier periods, the unused funds realized by the Croatian Compulsory Oil Stocks Agency in previous years by collecting a part of excise duties from oil derivatives, were paid.

2.3 BUDGETARY CENTRAL GOVERNMENT EXPENSE

According to the GFS 2001 Methodology, the Budgetary Central Government expense in 2013 was realized in the amount of HRK 123.5 billion, which is for 1.2 percent less than the planned amount. At a year-on-year level, the expenses register an increase of 4 percent, that is, of HRK 4.8 billion. Such an increase is primarily the result of the payment of the contribution of the Republic of Croatia to the EU budget in the amount of HRK 1.8 billion and of settled liabilities of health institutions under financial recovery and of the Croatian Health Insurance Fund in the amount of HRK 3.3 billion.

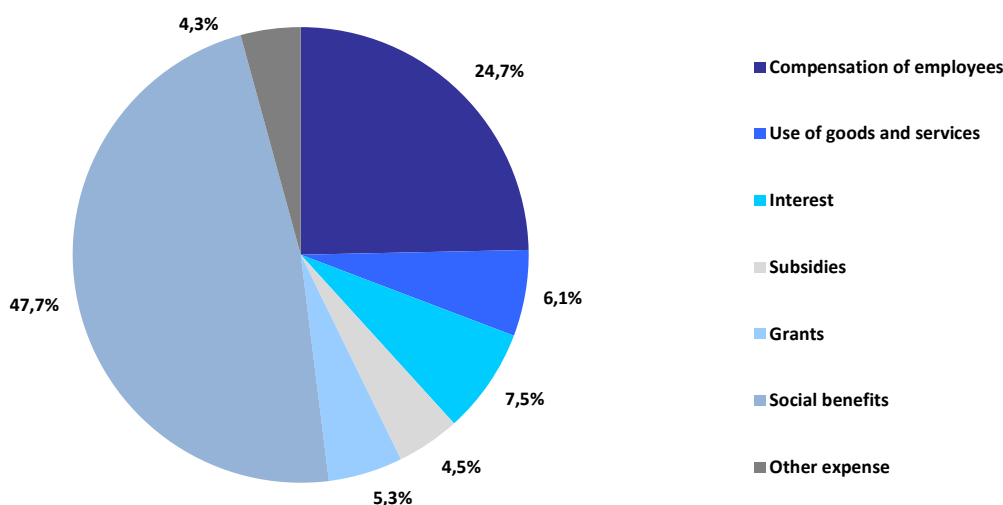
Table 2.4 Budgetary Central Government Expense in the 2011-2013 Period

(HRK 000)	2011	2012	2013 Plan	2013	Index 2012/2011	Index 2013/2012	Index 2013/2013 Plan
2 EXPENSE	119,939,511	118,729,992	125,029,344	123,505,883	99.0	104.0	98.8
21 Compensation of employees	31,737,350	31,383,210	30,849,819	30,461,818	98.9	97.1	98.7
211 Wages and salaries	26,932,391	26,910,038	26,618,146	26,286,011	99.9	97.7	98.8
212 Social contributions	4,804,959	4,473,172	4,231,673	4,175,807	93.1	93.4	98.7
22 Use of goods and services	7,943,604	7,406,320	7,833,765	7,537,416	93.2	101.8	96.2
24 Interest	7,097,592	8,335,656	9,475,665	9,259,196	117.4	111.1	97.7
241 To nonresidents	2,491,668	3,123,476	3,792,915	3,755,471	125.4	120.2	99.0
242 To residents other than general government	4,605,924	5,212,180	5,682,750	5,503,725	113.2	105.6	96.8
25 Subsidies	6,555,277	5,762,321	5,611,564	5,537,845	87.9	96.1	98.7
251 To public corporations	3,063,739	2,216,271	2,035,454	2,002,133	72.3	90.3	98.4
252 To private enterprises	3,491,538	3,546,050	3,576,110	3,535,712	101.6	99.7	98.9
26 Grants	5,083,665	4,843,769	6,625,535	6,511,699	95.3	134.4	98.3
261 To foreign governments	39,806	25,615	9,711	9,436	64.4	36.8	97.2
261 Current	34,346	21,078	4,111	4,111	61.4	19.5	100.0
261 Capital	5,459	4,537	5,600	5,326	83.1	117.4	95.1
262 To international organizations	212,234	247,448	2,059,457	2,056,525	116.6	-	99.9
262 Current	212,234	247,448	2,059,457	2,056,525	116.6	-	99.9
262 Capital	0	0	0	0	-	-	-
263 To other general government units	4,831,625	4,570,706	4,556,368	4,445,737	94.6	97.3	97.6
263 Current	2,468,917	2,440,511	2,386,306	2,362,235	98.8	96.8	99.0
263 Capital	2,362,708	2,130,195	2,170,062	2,083,502	90.2	97.8	96.0
27 Social benefits	56,482,968	56,169,850	59,059,174	58,943,356	99.4	104.9	99.8
271 Social security benefits	42,752,824	42,797,897	45,499,611	45,411,600	100.1	106.1	99.8
272 Social assistance benefits	13,602,326	13,240,668	13,487,867	13,392,974	97.3	101.2	99.3
273 Employer social benefits	127,817	131,285	71,696	138,782	102.7	105.7	193.6
28 Other expense	5,039,054	4,828,865	5,573,821	5,254,553	95.8	108.8	94.3
281 Property expense other than interest	12	66	75	340	-	-	-
282 Miscellaneous other expense	5,039,042	4,828,799	5,573,747	5,254,213	95.8	108.8	94.3
282 Current	2,018,297	2,068,407	2,425,045	2,316,424	102.5	112.0	95.5
282 Capital	3,020,745	2,760,392	3,148,702	2,937,789	91.4	106.4	93.3

Source: Ministry of Finance

Within the structure of realized expense for the observed period, the largest share of 47.7 percent refers to social benefits. They are followed by compensation of employees, with the share of 24.7 percent, interests with 7.5 percent, use of goods and services with 6.1 percent, grants with 5.3 percent, subsidies with 4.5 percent, and other expense with 4.3 percent.

Figure 2.6 Structure of the Budgetary Central Government Expense in 2013



Source: Ministry of Finance

2.3.1 Compensations of Employees

Expenses for the compensation of employees were realized in the amount of HRK 30.5 billion in 2013, which represents 1.3 percent less than the planned amount. It should be mentioned that this category, besides the salaries of civil servants and employees, also includes the salaries and accompanying employers' contributions on salaries of workers employed in health institutions owned by the Republic of Croatia, or local and regional self-government units. Within the structure of total expenses for compensation of employees, 86.3 percent represent the expenses for wages and salaries, and the remaining 13.7 percent for social contributions. In relation to 2012, these expenses were less by 2.9 percent or HRK 921.4 million, which is mostly the result of the reduction in the coefficients of civil and public servants' salaries by 3 percent as of April 2013, of the annulment of Christmas bonus and vacation bonus, and of the introduction of the central salary management system.

2.3.2 Use of Goods and Services

Expense for the use of goods and services was realized in the amount of HRK 7.5 billion, which is 3.8 percent less than the amount planned for 2013. At a year-on-year level, they register an increase of 1.8 percent or HRK 131.1 million. Such a trend is the result of the continuation of the application of rationalization and saving measures on these items, and particularly on the compensation of costs to employees, materials and energy expenses, and various services.

2.3.3 Interest

Interest expense in 2013 was realized in the amount of HRK 9.3 billion, which is for HRK 923.5 million more at a year-on-year level, that is, 2.3 percent less than planned for the observed year.

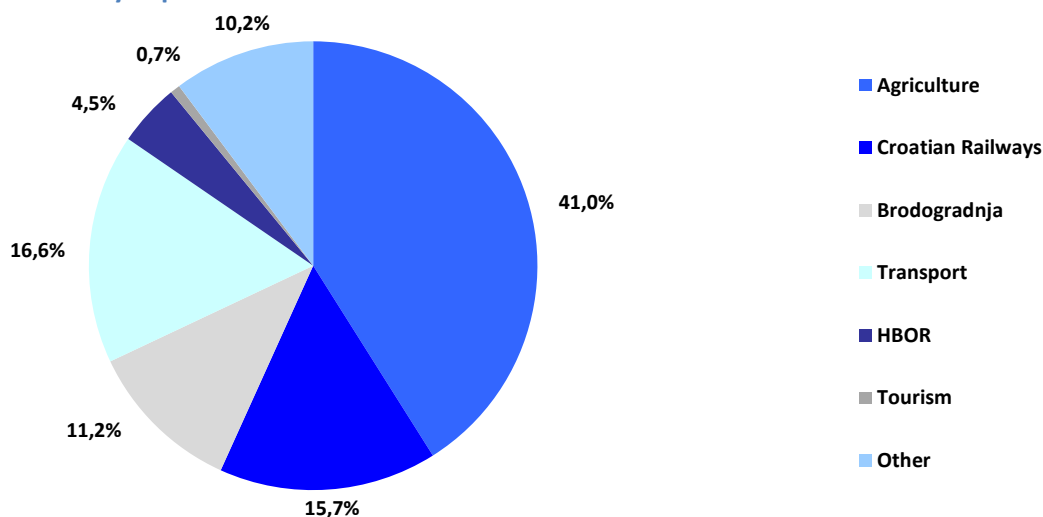
In respect of interests for issued bonds, the total of HRK 6.5 billion was secured, that is 69.9 percent of the total amount of interest expense. The remaining part refers to interests on the received domestic and foreign credits and loans, and on issued treasury bills.

2.3.4 Subsidies

Expense for subsidies were realized in the amount of HRK 5.5 billion, which was 1.3 percent less than the planned amount for 2013 and HRK 224.5 million at a year-on-year level.

Within these expenses, the subsidies to private enterprises represent 63.8 percent, while 36.2 percent went to public corporations. The largest part of total expense for subsidies refers to agricultural subsidies that were realized in the amount of HRK 2.3 billion which is HRK 532.2 million less than in the previous year. Such a reduction derives from the necessity to align with the EU Common Agricultural Policy, especially from direct payments in agriculture, but, among other things, is also the result of a larger supervision and control by the strengthening of which the irregularities in withdrawing budget funds are eliminated. Subsidies to the Croatian Railways were realized in the amount of HRK 870.8 million which is by HRK 335.8 million less at annual level. Savings were also registered regarding the subsidies in tourism in the amount of HRK 11.2 million. Subsidies to road, air and water traffic were paid in the amount of HRK 917.8 million. The increase in the subsidies to shipbuilding industry to the amount of HRK 622.3 million is in line with the obligations from the restructuring plans. The programme of preferential financing by credit programmes of the Croatian Bank for Reconstruction and Development in the amount of HRK 250 million aimed at creating the conditions for the strengthening of the competitiveness of economic entities.

Figure 2.7 Subsidy Expense Structure in 2013



Source: Ministry of Finance

2.3.5 Grants

In 2013, the expenses for grants were realized in the amount of HRK 6.5 billion, which was 1.7 percent less than planned for the observed year, and HRK 1.7 million more at a year-on-year level.

Out of total grants, 68.3 percent refers to grants to other general government units. Regarding that amount, 53.1 percent are current grants to other general government units that mostly refer to additional funding for equalization of decentralized functions, grants to local and regional self-government units on the basis of the criteria established by the Act on the Execution of the State Budget of the Republic of Croatia for 2013, grants to areas of special state concern and hilly-mountainous areas, and others. The remaining 46.9 percent are capital grants where the largest part refers to road charges for Hrvatske ceste (Croatian Roads).

Furthermore, during the year, current and capital grants were given for regional programmes (development of assisted areas, cross-border cooperation programme, programme of integral development of local community, etc.) and current grants for financing scientific activities, lease of town sports halls, lifelong learning programmes, public inter-city transport for students, etc.

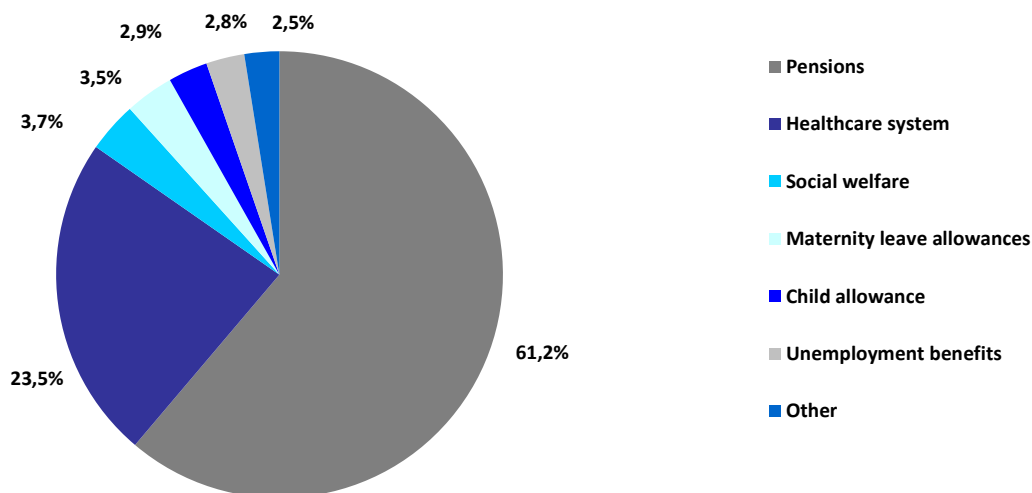
Other grants refer to grants to international organizations and foreign governments. In 2013, the grants to international organizations register a year-on-year increase of HRK 1.8 billion, which is mostly based on the obligation of paying the contribution to the EU budget from the day of acquiring member status, that is, as of July 1, 2013.

2.3.6 Social Benefits

Social benefits expense were realized in the amount of HRK 58.9 billion, that is, they were less by 0.2 than the amount planned for 2013 and by HRK 2.8 billion higher at a year-on-year level. Within their structure, 77 percent refers to the social security benefits, 22.7 percent to social assistance benefits, and the remaining 0.3 percent to employer social benefits.

In 2013, pensions and pension receipts and compensations in the healthcare system represented 84.7 percent of total social benefits. The pension expenses were realized in the amount of HRK 36.1 billion and the compensations in the healthcare system in the amount of HRK 13.8 billion. It is important to mention that the increase in expenses at the items of the Croatian Health Insurance Fund in relation to the realization in the previous year, was the result of the settlement of liabilities of institutions in the health sector that are owned by the state and are under financial recovery, and of the liabilities of the Croatian Health Insurance Fund as well on the basis of the financial recovery. During the year, the amount of HRK 2.2 billion was allocated for social welfare for particular population groups. Furthermore, maternity leave allowances amounted to HRK 2.1 billion, child allowance expense amounted to HRK 1.7 billion, and unemployment benefits to HRK 1.6 billion.

Figure 2.8 Social Benefits Structure in 2013



Source: Ministry of Finance

2.3.7 Other Expense

Other expense is divided between the property expenses other than interest, and miscellaneous other expenses that include other current and capital expenses. It amounted to HRK 5.3 billion which was 5.7 percent less than in relation to the amount planned for other expense and HRK 425.7 million more in relation to the previous year.

Other expenses mostly consist of transfers to Croatian Motorways (HAC), expense for housing care for the displaced, returnees and refugees, for the rehabilitation and development of the Town of Vukovar, investments in the modernisation of Croatian Railways (HŽ), student living standard and student accommodation and alimentation, investment in culture, aids to religious communities, etc. The largest item in this category of expense are capital miscellaneous other expenses in the amount of HRK 2.9 billion, of which HRK 1.4 billion refers to the transfer to HAC for the part of the corresponding fee in the fuel price, and HRK 302 million was allocated for capital grants to HŽ.

Pursuant to the international agreement between the Holy See and the Republic of Croatia, within the programme of aids for religious communities, specific amount from the funds allocated to the Catholic Church during 2013 refers to the settlement of debts from previous periods.

2.3.8 Budgetary Central Government Expenditure by Function

In line with the GFS 2001 methodology, according to which the overview of the functional classification of expenditure is presented in this chapter, the Budgetary Central Government expenditure includes total current expense increased by the expense for the acquisition of nonfinancial assets.

The overview of the realization of the Budgetary Central Government expenditure according to functional classification provides an insight into the execution of the expenditure with regard to the main functions that are met by the execution thereof, that is, it shows fiscal policy priorities within a certain time period.

The insight into the functional classification of expenditure also provides a proper international comparison and the analysis of public expenditure.

In 2013, the total Budgetary Central Government expenditure, according to the functional classification, amounted to HRK 125.1 billion, which represents a year-on-year increase of 4.4 percent or HRK 5.2 billion.

The largest allocations were directed towards social protection and health care, with the total share of 55.9 percent of total expenditure in 2013. The share of social protection expenditure in total expenditure was decreased by 0.8 percentage points in relation to 2012, while the share of health care expenditure was increased by 0.7 percentage points. Regarding the share of these categories of expenditure in GDP, it can be noticed that there was a year-on-year increase of 0.3 percentage points for social protection and 0.5 percentage points for health care.

The following larger allocations were to general public services and economic affairs. The expenditure for general public services, which mainly result from transactions related to public debt and executive and legislative affairs, increased their share in total expenditure by 1.7 percentage points, and in GDP by 0.8 percentage points. Expenditure for economic affairs decreased their share in total expenditure by 0.2 percentage points, while they increased it in GDP by 0.1 percentage point. In this group of expenditure, the most significant ones are expenditure for transport (especially road and railway transport), agriculture, forestry, fishery and hunting, and general economic, commercial and labour affairs.

Expenditure for education registers a decrease of their share in total expenditure by 0.3 percentage points, whereby the share in GDP remains unchanged. Expenditure for environment protection, housing and community amenity affairs and expenditure for recreation, culture and religion retain their share in GDP, as well as in total expenditure.

Expenditure for public order and safety, which traditionally refers to police force and judiciary, and the expenditure for services of housing and community amenity, primarily in the category of housing development, register a reduction of shares in total expenditure by 0.6 percentage points. Expenditure for defense reduced their share in total expenditure by 0.5 percentage points. These two expenditure categories register at the same time a reduction in their share in GDP by 0.1 percentage point.

Table 2.5 Budgetary Central Government Expenditure by Function in the 2011-2013 Period

(HRK 000)		2011	2012	2013	Index 2012/2011	Index 2013/2012
7	Total expenditure	121,425,489	119,837,973	125,069,894	98.7	104.4
701	General public services	14,059,500	14,767,291	17,494,703	105.0	118.5
702	Defense	5,008,713	4,792,880	4,412,503	95.7	92.1
703	Public order and safety	7,827,335	7,529,589	7,164,460	96.2	95.2
704	Economic affairs	12,954,014	12,013,410	12,281,471	92.7	102.2
705	Environment protection	641,062	461,872	462,102	72.0	100.0
706	Housing and community amenity affairs	1,398,986	1,107,461	1,049,721	79.2	94.8
707	Health	19,762,452	19,697,243	21,484,015	99.7	109.1
708	Recreation, culture and religion	1,661,596	1,591,743	1,711,795	95.8	107.5
709	Education	10,483,615	10,520,709	10,611,513	100.4	100.9
710	Social protection	47,628,215	47,355,775	48,397,611	99.4	102.2

Source: Ministry of Finance

2.4 TRANSACTIONS IN NONFINANCIAL ASSETS OF THE BUDGETARY CENTRAL GOVERNMENT

Transactions in nonfinancial assets include all expense associated with acquisition, that is, with the procurement of nonfinancial assets, as well as all receipts associated with the disposal of nonfinancial assets. In this regard, the amounts of net transactions in nonfinancial assets are also the net result of these acquisitions, procurements and disposals, that is, the total acquisition was reduced by total disposal of nonfinancial assets.

In 2013, total net acquisition of nonfinancial assets amounted to HRK 1.3 billion, which is a result of the procurement of nonfinancial assets in the amount of HRK 1.6 billion and of the disposal in the amount of HRK 259.5 million.

The acquisition of nonfinancial assets mostly referred to the acquisition of fixed assets, in which the acquisition of buildings and structures dominated with the amount of HRK 620.3 million, and of machinery and equipment in the amount of HRK 613.2 million. On the other hand, the disposal mostly referred to the disposal of buildings and structures within the fixed assets in the amount of HRK 239.2 million.

Net acquisition of inventories amounted to HRK 225.5 million, which is a result of the acquisition in the amount of HRK 226 million and which mostly refers to the formation of mandatory stocks of oil and oil derivatives, and of the disposal in the amount of HRK 536 thousand.

Total net acquisition of valuables amounted to HRK 1.3 million and it completely referred to the acquisition of valuables.

The acquisition of nonproduced assets amounted to HRK 58 million and it mostly referred to the acquisition of licences and other rights.

Table 2.6 Transactions in Nonfinancial Assets of the Budgetary Central Government in the 2011-2013 Period

(HRK 000)		2011	2012	2013	Index 2012/2011	Index 2013/2012
31	NET ACQUISITION OF NONFINANCIAL ASSETS	1.138.970	829.626	1.304.518	72,8	157,2
311	Fixed assets	1.118.710	772.151	1.036.609	69,0	134,2
311,1	Acquisitions: fixed assets	1.420.148	1.028.403	1.278.649	72,4	124,3
311,2	Disposals: fixed assets	301.438	256.251	242.040	85,0	94,5
3111	Buildings and structures	484.370	265.596	381.100	54,8	143,5
3111,1	Acquisitions: buildings and structures	783.289	514.471	620.335	65,7	120,6
3111,2	Disposals: buildings and structures	298.919	248.875	239.235	83,3	96,1
3112	Machinery and equipment	594.015	433.550	610.369	73,0	140,8
3112,1	Acquisitions: machinery and equipment	596.534	440.927	613.172	73,9	139,1
3112,2	Disposals: machinery and equipment	2.519	7.376	2.803	292,8	38,0
3113	Other fixed assets	40.325	73.005	45.140	181,0	61,8
3113,1	Acquisitions: other fixed assets	40.325	73.005	45.142	181,0	61,8
3113,2	Disposals: other fixed assets	0	0	2	-	-
312	Inventories	2.473	29.280	225.477	-	770,1
312,1	Acquisitions: inventories	3.237	33.475	226.012	-	675,2
312,2	Disposals: inventories	763,8	4.195	536	-	12,8
313	Valuables	3.741	3.494	1.333	93,4	38,1
313,1	Acquisitions: valuables	3.741	3.494	1.333	93,4	38,1
313,2	Disposals: valuables	0	0	0	-	-
314	Nonproduced assets	14.046	24.700	41.099	175,8	166,4
314,1	Acquisitions: nonproduced assets	58.852	42.610	58.018	72,4	136,2
314,2	Disposals: nonproduced assets	44.806	17.910	16.918	40,0	94,5
3141	Land	-42.728	-17.166	-16.095	40,2	93,8
3141,1	Acquisitions: land	1.988	744	823	37,4	110,7
3141,2	Disposals: land	44.716	17.910	16.918	40,1	94,5
3142	Subsoil assets	-90	0	0	-	-
3142,1	Acquisitions: subsoil assets	0	0	0	-	-
3142,2	Disposals: subsoil assets	90	0	0	-	-
3144	Intangible nonproduced assets	56.864	41.866	57.194	73,6	136,6
3144,1	Acquisitions: intangible nonproduced assets	56.864	41.866	57.194	73,6	136,6
3144,2	Disposals: intangible nonproduced assets	0	0	0	-	-

Source: Ministry of Finance

2.5 TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES OF THE BUDGETARY CENTRAL GOVERNMENT

Total net acquisition of financial assets of the Budgetary Central Government is a result of the difference between domestic and foreign acquisitions and disposals of financial assets and changes in currency and deposits.

In 2013, net acquisition of domestic financial assets in the amount of HRK 14 billion is a result of the net acquisition of loans in the amount of HRK 8.6 billion and the net acquisition of shares and other equity in the amount of HRK 625 million.

Net acquisition of domestic loans was the result of the acquisition of loans in the amount of HRK 8.8 billion and the disposal of loans in the amount of HRK 250.8 million. The acquisition of loans mostly referred to loans given to credit and other financial institutions in the public sector in the amount of HRK 7.6 billion.

They are followed by loans given to companies in the public sector (HRK 586.8 million), loans given to other government levels (HRK 355.6 million), loans to non-profit organizations, citizens and households (HRK 189.6 million) and loans to companies and small businesses outside public sector (HRK 49.7 million). Disposals of domestic loans referred to loan principal repayments by companies and small businesses outside public sector in the amount of HRK 126.8 million, to loan repayments by domestic non-profit organizations, citizens and households in the amount of HRK 57.3 million, and to loan repayments by other government levels in the amount of HRK 66.7 million.

Net acquisition of domestic shares and other equity in the amount of HRK 625 million was a result of the acquisitions of shares and other equity in the amount of HRK 670.5 million and of the disposals of shares and other equity in the amount of 45.5 million. Acquisition of domestic shares and other equity mostly referred to the shares and equity in the principal of credit institutions and other financial institutions in public sector, in the amount of HRK 670 million.

Foreign net acquisition of financial assets amounted to HRK 205.2 million and was mostly the result of the acquisition of shares and other equity in the amount of HRK 204.9 million.

Table 2.7 Transactions in Financial Assets of the Budgetary Central Government in the 2011-2013 Period

(HRK 000)		2011	2012	2013
32	NET ACQUISITION OF FINANCIAL ASSETS	-618,448	-461,514	14,214,400
321	Domestic	-623,788	-468,017	14,009,154
3212	Currency and deposits	-2,198,870	-1,208,562	4,825,878
3214	Loans	1,024,421	92,382	8,558,231
3214,1	Acquisition	1,841,105	857,099	8,809,020
3214,2	Disposal	816,684	764,717	250,789
3215	Shares and other equity	550,660	648,163	625,046
3215,1	Acquisition	550,660	650,353	670,510
3215,2	Disposal	0	2,190	45,464
322	Foreign	5,341	6,503	205,245
3224	Loans	0	0	315
3224,1	Acquisition	1,793	1,826	2,033
3224,2	Disposal	1,793	1,826	1,717
3225	Shares and other equity	5,341	6,503	204,930
3225,1	Acquisition	5,341	6,503	204,930
3225,2	Disposal	0	0	0

Source: Ministry of Finance

In 2013, total net incurrence of liabilities of the Budgetary Central Government amounted to HRK 30.4 billion, and it was the result of net incurrence of domestic liabilities in the amount of HRK 8.9 billion and of net incurrence of foreign liabilities in the amount of HRK 21.5 billion.

Net incurrence of domestic liabilities is the result of incurrence and repayments through securities other than shares and of loans on the domestic financial market. Total incurrence on the domestic market amounted to HRK 19.9 billion, while domestic repayments amounted to HRK 11 billion. Regarding the incurrence on the domestic financial market, HRK 11.4 billion referred to the incurrence through securities other than shares. Domestic repayments on the basis of securities other than shares amounted to HRK 4 billion. The incurrence through loans on the domestic financial market amounted to HRK 8.5 billion, while domestic repayments on amounted to HRK 7 billion.

Net incurrence of foreign liabilities included total foreign incurrence in the amount of HRK 22.7 billion and total foreign repayment in the amount of HRK 1.1 billion. In 2013, foreign incurrence was mostly realized through securities other than shares in total amount of HRK 18.8 billion. Incurrence through loans on the foreign financial market amounted to HRK 3.9 billion. Foreign repayments included the repayments of foreign loans in the amount of HRK 1.1 billion.

Considering total domestic and foreign incurrence, that is, total domestic and foreign repayments of the Budgetary Central Government in 2013, it should be noted that net incurrence of liabilities of Budgetary Central Government was a result of the difference between the incurrence in the amount of HRK 42.5 billion and repayments in the amount of HRK 12.1 billion.

Table 2.8 Transactions in Liabilities of the Budgetary Central Government in the 2011-2013 Period

(HRK 000)		2011	2012	2013
33	NET INCURRENCE OF LIABILITIES	13,390,363	9,539,175	30,439,751
33.1	Total repayments	11,320,894	11,059,657	12,104,801
33.2	Total incurrence	24,711,257	20,598,833	42,544,552
331	Domestic	4,793,136	1,413,994	8,904,914
331.1	Repayment	3,124,139	9,759,469	10,985,488
331.2	Incurrence	7,917,275	11,173,464	19,890,402
3313	Securities other than shares	3,023,835	6,035,183	7,357,785
3313,1	Repayment	2,689,441	3,902,510	4,000,000
3313,2	Incurrence	5,713,276	9,937,693	11,357,785
3314	Loans	1,769,302	-4,621,189	1,547,129
3314,1	Repayment	434,698	5,856,959	6,985,488
3314,2	Incurrence	2,203,999	1,235,770	8,532,617
332	Foreign	8,597,227	8,125,181	21,534,837
332.1	Repayment	8,196,755	1,300,188	1,119,313
332.2	Incurrence	16,793,982	9,425,369	22,654,150
3323	Securities other than shares	7,786,583	8,548,785	18,783,420
3323,1	Repayment	5,541,105	0	0
3323,2	Incurrence	13,327,688	8,548,785	18,783,420
3324	Loans	810,644	-423,604	2,751,417
3324,1	Repayment	2,655,650	1,300,188	1,119,313
3324,2	Incurrence	3,466,295	876,584	3,870,730

Source: Ministry of Finance

2.6 DEFICIT/SURPLUS MEASURES AND FINANCING OF THE BUDGETARY CENTRAL GOVERNMENT

Net operating balance, defined as a difference between the revenue and the expense of the Budgetary Central Government, amounted to HRK -14.9 billion in 2013.

As a budget deficit/surplus measure, the primary operating balance is also observed as an indicator of current fiscal policy because it excludes interest expenses from the previous calculation of deficit/surplus, and thereby the impact of previous deficits and the accumulated public debt. In 2013, primary operating balance amounted to HRK -5.7 billion, which represents an increase of HRK 4.8 billion in relation to 2012.

The category of net lending/borrowing is defined as a difference between net operating balance and net acquisition of nonfinancial assets. In 2013, net lending/borrowing was recorded at the level of HRK -16.2 billion or 4.9 percent of GDP. Total financing of that amount is a result of the previously described net incurrence of liabilities in the amount of HRK 30.4 billion and of net acquisition of financial assets in the amount of HRK 14.2 billion. In other words, the repayments were below incurrence on the liability side of the Budgetary Central Government, while on the financial assets side, disposals were below the acquisition of financial assets.

Table 2.9 Budgetary Central Government Deficit/Surplus and Financing in the 2011-2013 Period

(HRK 000)		2011	2012	2013
TRANSACTIONS AFFECTING NET WORTH				
1	Revenue	107,069,670	109,558,928	108,585,049
2	Expense	119,939,511	118,729,992	123,505,883
24	Interest	7,097,592	8,335,656	9,259,196
	Net - gross operating balance (1-2)	-12,869,841	-9,171,064	-14,920,833
	Primary operating balance (1-2+24)	-5,772,249	-835,407	-5,661,637
TRANSACTIONS IN NONFINANCIAL ASSETS				
31	Net acquisition of nonfinancial assets	1,138,970	829,626	1,304,518
	Net lending - borrowing (1-2-31)	-14,008,811	-10,000,689	-16,225,351
	Financing (33-32)	14,008,811	10,000,689	16,225,351
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES				
32	Net acquisition of financial assets	-618,448	-461,514	14,214,400
33	Net incurrence of liabilities	13,390,363	9,539,175	30,439,751

Source: Ministry of Finance

3. EXTRABUDGETARY USERS IN 2013

3.1 EXTRABUDGETARY USERS

During 2013, within the scope of the general government budget, there were five Extrabudgetary Users covered: Croatian Waters (Hrvatske vode - HV), Environmental Protection and Energy Efficiency Fund (Fond za zaštitu okoliša i energetska učinkovitost - FZOEU), Croatian Roads (Hrvatske ceste - HC), State Agency for Deposit Insurance and Bank Rehabilitation (Državna agencija za osiguranje štednih uloga i sanaciju banaka - DAB) and Government Asset Management Agency (Agencija za upravljanje državnom imovinom - AUDIO). As of October 1, 2013, the Restructuring and Sale Centre (Centar za restrukturiranje i prodaju - CERP) started to operate. According to Article 25 of the Act on the Management and Disposal of the Assets owned by the Republic of Croatia, CERP is a legal successor in relation to all rights and obligations of the annulled Government Asset Management Agency (AUDIO), the concluded contracts and initiated court and other proceedings which AUDIO is one of the parties in. Along with the newly-founded CERP, a part of the tasks that used to be carried out by AUDIO were assumed by the State Office for Government Asset Management (Državni ured za upravljanje državnom imovinom - DUUDI).

3.2 REVENUE OF EXTRABUDGETARY USERS

In 2013, total revenues of Extrabudgetary Users were realized in the amount of HRK 5.2 billion. By observing the structure thereof, the largest part or 39 percent refers to HV, 27.9 percent to HC, 20.2 percent to FZOEU, 11.6 percent to DAB and the rest to AUDIO, that is, to CERP.

Within the structure of total revenues of Extrabudgetary Users, the largest contribution comes from the revenues of sales of goods and services which, in 2013, were realized in the amount of HRK 2.6 billion. The largest part of these revenues refers to the revenues from administrative fees at HV (HRK 1.6 billion) and at FZOEU (HRK 953.5 million).

Total revenues from grants were realized in the amount of HRK 1.7 billion, whereby the grants from other general government units represent 99.8 percent. Out of that amount, the largest part refers to capital grants from the Budgetary Central Government within HC, while the rest refers to capital grants from the Budgetary Central Government to HV and FZOEU.

The collected property income amounted to HRK 185 million, of which DAB contributed the most (50.8 percent), followed by AUDIO (22.4 percent) and HV (10.5 percent). The largest revenue in that part, considering the amount, refers to the interests at DAB.

Besides that, Extrabudgetary Users realized HRK 580.5 million in miscellaneous and unidentified revenues, the most of which was realized by DAB (HRK 501.9 million), and HRK 99.9 million of revenues from voluntary transfer, except for state aid.

3.3 EXPENSE OF EXTRABUDGETARY USERS

In 2013, net acquisition of nonfinancial assets of Extrabudgetary Users amounted to HRK 2.3 billion. This amount was the result of the total acquisition of nonfinancial assets in the amount of HRK 2.4 billion and of revenues from the disposal of nonfinancial assets in the amount of HRK 28.8 million. Considering the types of nonfinancial assets, 93.1 percent refers to fixed assets, and the remaining 6.9 percent to transactions in nonproduced assets. Transactions in fixed assets in the largest part consist of the acquisition of buildings and structures of HC (HRK 1.1 billion) and HV (HRK 1 billion).

Nonproduced assets refer to the land acquisition in the amount of HRK 169.6 million, which was mostly realized by HC (HRK 155.5 million). The land disposal in the amount of HRK 10.2 million was entirely realized by AUDIO and CERP.

3.4 TRANSACTIONS IN NONFINANCIAL ASSETS OF EXTRABUDGETARY USERS

In 2013, net acquisition of nonfinancial assets of Extrabudgetary Users amounted to HRK 2.3 billion. This amount was the result of the total acquisition of nonfinancial assets in the amount of HRK 2.4 billion and of revenues from the disposal of nonfinancial assets in the amount of HRK 28.8 million. Considering the types of nonfinancial assets, 93.1 percent refers to fixed assets, and the remaining 6.9 percent to transactions in nonproduced assets. Transactions in fixed assets in the largest part consist of the acquisition of buildings and structures of HC (HRK 1.1 billion) and HV (HRK 1 billion).

Nonproduced assets refer to the land acquisition in the amount of HRK 169.6 million, which was mostly realized by HC (HRK 155.5 million). The land disposal in the amount of HRK 10.2 million was entirely realized by AUDIO and CERP.

Within the structure of net acquisition of financial assets of Extrabudgetary Users in 2013, currency and deposits recorded negative amounts (HRK 226.4 million), of which the largest part refers to HC. Net acquisition of loans was also recorded in the positive amount of HRK 87.6 million. This is the result of total acquisitions in the amount of HRK 110.8 million and of total disposals, that is, of the repayments of given loans in the amount of HRK 23.2 million. Net acquisition of shares and equity amounted to HRK 137.4 million, primarily as a result of acquisitions of shares and equity in the capital of AUDIO, that is, of CERP, in the amount of HRK 270 million and of disposals of shares and equity in the amount of HRK 132.6 million.

In the same period, net incurrence of liabilities of Extrabudgetary Users amounted to HRK 1.9 billion. This amount is the result of total incurrence of liabilities on both domestic and foreign market in the amount of HRK 3.1 billion and of domestic and foreign repayments in the amount of HRK 1.2 billion. At the same time, domestic incurrence of liabilities of Extrabudgetary Users amounted to HRK 1.9 billion, and the foreign one to HRK 38.2 million. All incurrences and all repayments in the observed period referred to the categories of

loans, and in terms of the amount, the most significant transactions in liabilities of Extrabudgetary Users were the ones realised, during 2013, in HC, followed by the ones realised in HV, CERP, that is, AUDIO.

3.5 TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES OF EXTRABUDGETARY USERS

Within the structure of net acquisition of financial assets of Extrabudgetary Users in 2013, currency and deposits recorded negative amounts (HRK 226.4 million), of which the largest part refers to HC. Net acquisition of loans was also recorded in the positive amount of HRK 87.6 million. This is the result of total acquisitions in the amount of HRK 110.8 million and of total disposals, that is, of the repayments of given loans in the amount of HRK 23.2 million. Net acquisition of shares and equity amounted to HRK 137.4 million, primarily as a result of acquisitions of shares and equity in the capital of AUDIO, that is, of CERP, in the amount of HRK 270 million and of disposals of shares and equity in the amount of HRK 132.6 million.

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Table 3.1 Transactions in Financial Assets and Liabilities of the Extrabudgetary Users in 2013

	(000 HRK)	Croatian Waters	Fund for Environmental Protection and Energy Efficiency	Croatian Roads Ltd.	State Agency for Deposit Insurance and Bank Rehabilitation	Agency for Management of the Public Property	Restructuring and Sale Center	TOTAL
32	Net acquisition of financial assets	-33,085	99,582	-251,763	58,832	64,989	209,657	148,212
321	Domestic	-33,085	99,582	-251,763	58,832	64,989	209,657	148,212
	Currency and deposits	-33,085	-44,724	-251,763	58,868	52,213	-7,919	-226,410
	Loans	0	-5,358	0	0	93,187	-235	87,594
	Acquisitions	0	14,782	0	0	95,976	0	110,758
	Disposals	0	20,140	0	0	2,789	235	23,164
	Shares and other equity	0	0	0	-36	-80,411	217,811	137,364
	Acquisitions	0	0	0	0	42,993	227,000	269,993
	Disposals	0	0	0	36	123,404	9,189	132,629
322	Foreign	0	0	0	0	0	0	0
33	Net incurrence of liabilities	523,720	0	1,054,368	0	129,399	228,005	1,935,492
331	Domestic	532,502	0	985,389	0	150,826	228,617	1,897,334
	Loans	532,502	0	985,389	0	150,826	228,617	1,897,334
	Repayments	447,170	0	553,624	0	34,174	391	1,035,359
	Incurrences	979,672	0	1,539,013	0	185,000	229,008	2,932,693
	Securities other than shares	0	0	0	0	0	0	0
	Repayments	0	0	0	0	0	0	0
	Incurrences	0	0	0	0	0	0	0
332	Foreign	-8,782	0	68,979	0	-21,427	-612	38,158
	Loans	-8,782	0	68,979	0	-21,427	-612	38,158
	Repayments	8,782	0	103,600	0	21,427	612	134,421
	Incurrences	0	0	172,579	0	0	0	172,579

Source: Ministry of Finance

3.6 DEFICIT/SURPLUS MEASURES AND FINANCING OF EXTRABUDGETARY USERS

Net operating balance of Extrabudgetary Users in 2013 amounted to HRK 561.8 million. At the same time, the primary operating balance amounted to HRK 989.8 million.

Net lending/borrowing amounted to HRK -1.8 billion, which represents 0.5 percent of GDP. Total financing is the difference between net incurrence of liabilities in the amount of HRK 1.9 billion and net acquisition of financial assets in the amount of HRK 148.2 million.

Table 3.2 Measures of Deficit/Surplus and Financing of the Extrabudgetary Users in 2013

(000 HRK)	Croatian Waters	Fund for Environmental Protection and Energy Efficiency	Croatian Roads Ltd.	State Agency for Deposit Insurance and Bank	Agency for Management of the Public Property	Restructuring and Sale Center	TOTAL
TRANSACTIONS AFFECTING NET WORTH							
1 Revenue	2,010,556	1,039,054	1,439,662	597,248	49,247	17,192	5,152,959
2 Expense	1,514,633	884,081	1,478,081	538,282	138,861	37,215	4,591,153
24 Interest	67,062	5	314,401	0	33,359	13,188	428,015
Net/Gross operating balance (1-2)	495,923	154,973	-38,419	58,966	-89,614	-20,023	561,806
Primary operating balance (1-2+24)	562,985	154,978	275,982	58,966	-56,255	-6,835	989,821
TRANSACTIONS IN NONFINANCIAL ASSETS							
31 Net acquisition of nonfinancial assets	1,052,728	55,391	1,267,712	134	-25,204	-1,675	2,349,086
Net lending/borrowing (1-2-31)	-556,805	99,582	-1,306,131	58,832	-64,410	-18,348	-1,787,280
Financing (33-32)	556,805	-99,582	1,306,131	-58,832	64,410	18,348	1,787,280
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES							
32 Net acquisition of financial assets	-33,085	99,582	-251,763	58,832	64,989	209,657	148,212
33 Net incurrence of liabilities	523,720	0	1,054,368	0	129,399	228,005	1,935,492

Source: Ministry of Finance

4. FINANCING OF LOCAL AND REGIONAL SELF-GOVERNMENT UNITS IN 2013

4.1 LEGAL FRAMEWORK

The Act on the Areas of Counties, Cities and Municipalities in the Republic of Croatia⁴ establishes the regional organizational structure of the Republic of Croatia and determines the territories of all counties, cities and municipalities in the Republic of Croatia, their titles and centres, way of determining and changing borders of municipalities and cities, the procedure preceding the change in regional organization and other issues important for regional organization of local and regional self-government units.

The territory of the Republic of Croatia consists of 576 local and regional self-government units, of which 20 units are regional self-government units (counties), 555 are local self-government units (127 towns and 428 municipalities) and the City of Zagreb which has a special status, that is, special rights and duties of both a city and a county.

A local and regional self-government unit (hereinafter referred to as: local unit) is a municipality, city or county the bodies of which carry out functions, execute tasks and adopt programmes prescribed by acts and decisions issued on the basis of law, for which the funds are provided in their budgets.

As a part of their self-government authority, municipalities and cities carry out tasks of local significance which directly address citizens' needs, and which are not assigned to state bodies by the Constitution or law, especially tasks referring to: improving settlements and lodgement, physical and urban planning, utility services, child care, social welfare, primary health care, upbringing and primary education, culture, physical education and sport, consumer protection and natural environment protection and improvement, fire-prevention and civil protection, transport on their territory, and other tasks in line with relevant acts.

Big cities are local self-government units that are also economic, financial, cultural, health, traffic and scientific centres of the development of a wider area having more than 35,000 inhabitants. As a part of their self-government authority, big cities, as well as cities which are county centres, carry out the same activities of local significance as other cities and municipalities do, along with some additional activities referring to: maintenance of public roads, issuance of construction and location permits and other documents concerning construction, implementation of physical planning documents and other activities in line with relevant acts.

As a part of their self-government authority, counties carry out the activities of regional significance, especially activities referring to: education, health care system, physical and urban-development planning, economic development, transport and transport infrastructure, maintenance of public roads, planning and development of a network of educational, health, social and cultural institutions, issuance of construction and location permits, other documents concerning construction and implementation of physical planning documents for the county area outside the big city area, and other activities in line with relevant acts.

Financing of local units is regulated by the Constitution⁵, Act on Local and Regional Self-Government⁶, Budget Act⁷, Act on Financing of Local and Regional Self-Government Units⁸, Act on Areas of Special State

⁴ Official Gazette, number 86/2006, 125/2006, 16/2007, 46/2010, 145/2010, 37/2013, 44/2013 and 45/2013

⁵ Official Gazette, number 56/1990, 135/1997, 8/1998 – consolidated version, 113/2000, 124/2000 – consolidated version, 28/2001, 41/2001 – consolidated version, 55/2001 – correction, 76/2010, 85/2010 – consolidated version

Concern⁹, Act on Hilly and Mountainous Areas¹⁰, Act on the City of Zagreb¹¹, Act on Islands¹², 2013 State Budget Execution Act¹³, special acts prescribing the decentralization of the services of elementary-school and secondary-school education, healthcare system, social welfare and fire-fighting, and by annual regulations of the Government of the Republic of Croatia by which minimum financial standards for financing of decentralized services are regulated. The Republic of Croatia is a signatory of the European Charter of Local Self-Government of the Council of Europe, which was ratified and confirmed by the Act on the Confirmation of the European Charter of Local Self-Government¹⁴. European Charter of Local Self-Government guarantees political, administrative and financial independence of local self-government units.

The Budget Act¹⁵ that entered into force on January 1, 2009, regulates three main areas:

1. area of budget planning, preparation and adoption for one year and of the projections for the next two years as well as the budget execution at both the state and local units levels;
2. area of managing budget funds, state assets and local units assets, and public debt, as well as borrowing and providing guarantees;
3. area of budget relations in the public sector, as well as of the relations between the budget and budgetary users, and the entities outside the budget system, that is outside public sector.

The Act on the Amendments to the Budget Act¹⁶ defines more precisely the development programmes plan as a document prepared for a three-year period containing goals and priorities of the development of local units linked with the programme and organizational classification of the budget. These Amendments to the Act prescribe the obligation of publishing semi-annual and annual reports on the budget execution on web pages of local and regional self-government units.

4.2 FINANCING OF LOCAL AND REGIONAL SELF-GOVERNMENT UNITS

The budget of a local and regional self-government unit is an act which estimates revenues and receipts and which determines expenditures and expenses of a local unit for one year, in line with the law and the decision issued pursuant to the law, and it is adopted by its representative body (county assembly, City Assembly of the City of Zagreb, and municipality and city council).

⁶ Official Gazette, number 33/2001, 60/2001, 129/2005, 109/2007, 125/2008, 36/2009, 150/2011, 25/2012 and 19/2013 – consolidated version

⁷ Official Gazette, number 87/2008 and 136/2012

⁸ Official Gazette, number 117/1993, 69/1997, 33/2000, 73/2000, 127/2000, 59/2001, 107/2001, 117/2001, 150/2002, 147/2003, 132/2006, 26/2007 – Decision of the Constitutional Court of the Republic of Croatia, 73/2008 and 25/2012

⁹ Official Gazette, number 86/2008, 57/2011 and 51/2013

¹⁰ Official Gazette, number 12/2002, 32/2002, 117/2003, 42/2005, 90/2005 and 80/2008

¹¹ Official Gazette, number 62/2001, 125/2008 and 36/2009

¹² Official Gazette, number 34/1999, 32/2002 and 33/2006

¹³ Official Gazette, number 139/2012, 53/2013 and 145/2013

¹⁴ Official Gazette – International Agreements, number 14/1997 and 4/2008

¹⁵ Official Gazette, number 87/2008

¹⁶ Official Gazette, number 136/2012

In the follow-up, there is an overview of budget outturn for 53 local units (City of Zagreb, twenty counties, all cities which are county centres and the following cities: Velika Gorica, Samobor, Vrbovec, Zaprešić, Crikvenica, Opatija, Vinkovci, Pula, Labin, Poreč, Rovinj and Umag).

4.2.1 Budget Revenues of Local and Regional Self-Government Units

Municipalities, cities and counties use their budget revenues for financing their self-government activities. The Act on Financing of Local and Regional Self-Government Units defines types of revenues, distribution thereof and rates, that is, the limits within which they are prescribed. Besides the aforementioned regulation, local and regional self-government units also have to adhere to other special acts and regulations that regulate various public spending areas, by which the units independently, but within legally prescribed framework, collect and determine the revenues by special regulations and capital revenues.

According to the data on the budget execution for 53 local units, total revenues in 2013 were realized in the amount of HRK 15.9 billion, which represents an increase of 5.6 percent in relation to the realization in previous year.

Table 4.1 Budget Revenue in the 2011-2013 Period for 53 Local Units

(HRK 000)		2011	2012	2013	Index 2012/2011	Index 2013/2012
1	REVENUE	14,763,088	15,035,185	15,881,175	101.8	105.6
11	Taxes	8,805,856	9,423,857	11,446,693	107.0	121.5
111	Taxes on income, profits, and capital gains	7,965,284	8,606,644	8,953,357	108.1	104.0
1111	Payable by individuals	7,965,284	8,606,644	8,953,357	108.1	104.0
113	Taxes on property	437,557	404,927	1,888,472	92.5	-
114	Taxes on goods and services	392,941	402,483	594,962	102.4	147.8
1141	General taxes on goods and services	51,404	55,378	80,982	107.7	146.2
11412	Sales taxes	51,404	55,378	80,982	107.7	146.2
1144	Taxes on specific services	13,167	12,840	11,334	97.5	88.3
1145	Taxes on use of goods, permission to use goods	323,113	328,973	502,647	101.8	152.8
11451	Motor vehicles taxes	249,977	250,959	423,991	100.4	168.9
11452	Other	73,136	78,014	78,656	106.7	100.8
1146	Other taxes on goods and services	5,256	5,291	0	100.7	-
116	Other taxes	10,075	9,804	9,902	97.3	101.0
13	Grants	2,122,230	1,798,058	2,080,283	84.7	115.7
131	From foreign governments	549	11	2,898	2.0	-
132	From international organizations	8,814	23,687	30,516	268.7	128.8
133	From other general government units	2,112,867	1,774,361	2,046,869	84.0	115.4
14	Other revenue	3,835,003	3,813,270	2,354,200	99.4	61.7
141	Property income	886,337	921,297	892,158	103.9	96.8
142	Sales of goods and services	2,684,869	2,509,775	953,003	93.5	38.0
1422	Administrative fees	2,422,160	2,280,181	665,078	94.1	29.2
1423	Incidental sales by nonmarket establishments	242,571	202,247	215,673	83.4	106.6
143	Fines, penalties, and forfeits	54,327	71,122	22,692	130.9	31.9
144	Voluntary transfers other than grants	33,759	55,680	99,677	164.9	179.0
145	Miscellaneous and unidentified revenue	175,710	255,396	386,670	145.4	151.4

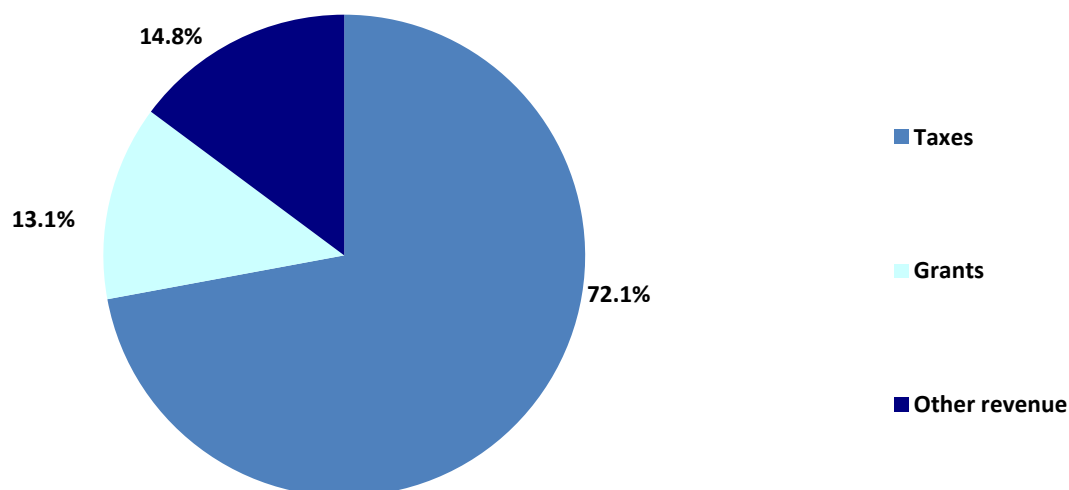
Source: Ministry of Finance

The most abundant revenues of local units are tax revenues. In 2013, they were realized in the amount of HRK 11.4 billion, which represents 72.1 percent of total revenues. In relation to 2012, tax revenues were increased by 21.5 percent.

Revenues from grants were realized in the amount of HRK 2.1 billion, that is by 15.7 percent more than in 2012. Their share in total revenues was 13.1 percent.

In 2013, there was also a reduction in other revenues which represent the second group of the most abundant revenues of local units (14.8 percent of total revenues). In relation to the previous year, they were decreased by 38.3 percent, that is, they amounted to HRK 2.4 billion.

Figure 4.1 Structure of Total Revenue of 53 Local Units in 2013



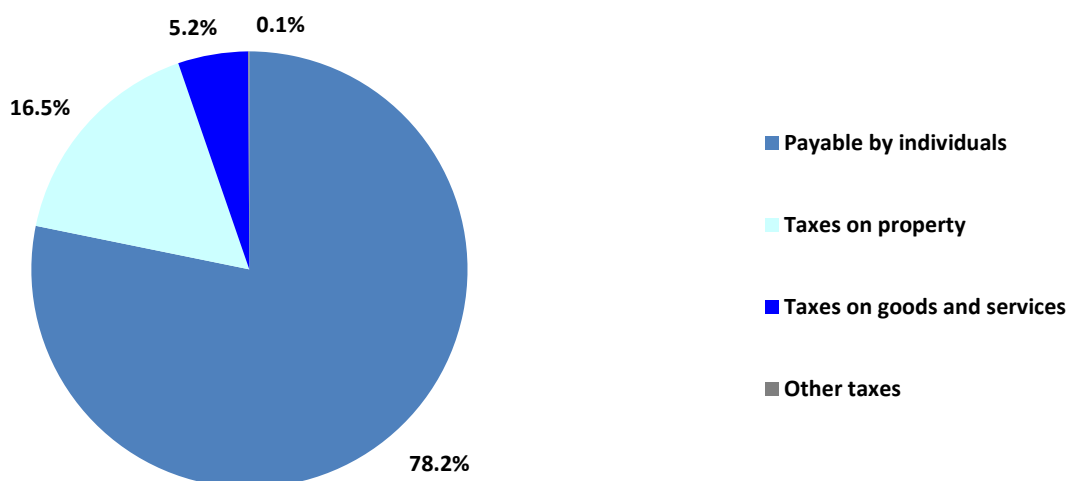
Source: Ministry of Finance

Taxes

The Act on Financing of Local Units defines the sources of funds by categories and types of revenues, and types of joint taxes and the distribution thereof among the state, counties, municipalities and cities.

Within the structure of tax revenues, the largest share comes from the revenues from personal income tax and the revenues from surtax to personal income tax, 78.2 percent, followed by the property tax the share of which in total revenues from taxes, in relation to the previous year, was increased by 12.2 percent, and, in 2013, it amounted to 16.5 percent of total revenues from taxes. Revenues from taxes on goods and services participate with the shares of 5.2 percent, while other taxes represent 0.1 percent of tax revenues of local units.

Figure 4.2 Structure of Tax Revenues for 53 Local Units in 2013



Source: Ministry of Finance

In 2013, the revenues from property tax were increased in relation to the previous year and they amounted to HRK 1.9 billion. The significant change in the revenue structure in terms of the increase in the revenues from property tax in Table 4.1 was not the result exclusively of the increase in the revenues of local units from property tax, but also of the change in the way of recording certain revenues entry under the property tax. The property taxes for 53 local units were increased at an annual level by 15.8 percent, from HRK 404.9 million in 2012 to HRK 468.9 million in 2013.

The Amendments to the Act on Financing of Local Units from 2001 and 2003, and the amendments to special acts created a legal framework for the decentralization of functions of elementary-school and secondary-school education, social welfare, healthcare and fire-fighting system (public fire-fighting brigades) to local and regional self-government units.

A part of the functions/expenses for education, health system and social welfare was transferred to 54 largest units – 20 counties, 33 cities and the City of Zagreb, and the regular activity of public fire-fighting brigades is financed by 161 municipalities/cities. Regarding the transferred functions, the units dispose of the additional share in personal income tax for each of these functions. The additional shares in personal income tax are used to cover the minimum financial standards determined by objectivized criteria regulated by annual decisions of the Government of the Republic of Croatia for respective areas. Furthermore, in line with the mentioned Act, the units which do not collect sufficient funds to cover the minimum financial standards, despite the additional shares in personal income tax, have the right to use the equalization fund from the funds for decentralized functions from the State Budget.

At the end of February 2013, the Government adopted individual decisions for the period of the whole 2013 on criteria and benchmarks for determining balance rights for financing the minimum financial standard of the public needs of secondary schools and students dormitories, elementary-school education, and the minimum financial standards applicable to material and financial expenses of the social welfare centres and for assistance in covering housing costs to users who use wood for heating, as well as for decentralized functions related to healthcare services and decentralized funding for homes for senior

citizens and the disabled, and for regular activity of public fire-fighting brigades¹⁷, and in August and September 2013, it adopted the amendments to thereof¹⁸. Pursuant to the Regulation on the Method for Calculating the Amount of Equalization Grants for Decentralized Functions of Local and Regional Self-Government Units for 2013¹⁹, total funding for decentralized functions was determined in the amount of HRK 2.22 billion, and they were distributed by units and purposes.

Table 4.2 Number of Local Units Financing the Decentralized Functions in 2013

	Health care	Social welfare	Secondary education	Primary education	Public fire brigades	Total number of units
City of Zagreb	1					1
Counties	20				-	20
Cities	-	-	-	31		75
Municipalities	-	-	-	2	41	88
TOTAL number of units financing respective function	21	21	21	54	161	184

Source: Ministry of Finance

Table 4.3 Financing of Decentralized Functions in 2013

(HRK 000)	Counties and the City of Zagreb	Cities	Municipalities	TOTAL
Health care	471,695			471,695
Social welfare	332,416			332,416
Secondary education	432,888			432,888
Primary education	660,650	220,802		881,451
Public fire brigades	59,799	231,904	30,780	322,483
TOTAL	1,957,448	452,705	30,780	2,440,934

Source: Ministry of Finance

The total amount of HRK 2.4 billion was distributed for financing of the decentralized functions in 2013. The largest part of that amount may be attributed to counties and the City of Zagreb with the total of HRK 2 billion of expenditures. According to the criterion of functions, the largest amount was spent for the function of elementary-school education in the amount of HRK 881.5 million. Regarding the expenditures, the elementary-school education is followed by the healthcare system, secondary-school education, social welfare, while the smallest amount of HRK 322.5 million was appropriated for the function of fire-fighting.

Grants

Grants are current or capital transfers to the budgets of local units from foreign governments, international organizations and other general government units. Total amount of grants includes a part of personal income tax obtained as an equalization grant from the State Budget for decentralized functions. In the fiscal year of 2013, total grants paid in the budgets of local units amounted to HRK 2.1 billion, which represents an increase by 15.7 percent in relation to the previous year.

¹⁷ Official Gazette, number 29/2013

¹⁸ Official Gazette, number 108/2013 and 123/2013

¹⁹ Official Gazette, number 29/2013

Table 4.4 Grants Revenue Achieved in 2011-2013 Period for 53 Local Units

(HRK 000)		2011	2012	2013	Index 2012/2011	Index 2013/2012
13	Grants	2,122,230	1,798,058	2,080,283	84.7	115.7
131	From foreign governments	549	11	2,898	2.0	-
1311	Current	481	11	2,893	2.3	-
1312	Capital	68	0	5	-	-
132	From international organizations	8,814	23,687	30,516	268.7	128.8
1321	Current	6,016	14,446	25,898	240.1	179.3
1322	Capital	2,798	9,241	4,618	-	50.0
133	From other general government units	2,112,867	1,774,361	2,046,869	84.0	115.4
1331	Current	1,669,772	1,462,860	1,666,637	87.6	113.9
1332	Capital	443,095	311,500	380,232	70.3	122.1

Source: Ministry of Finance

The grants from other general government units also include the grants realized by local and regional self-government units from the State Budget. Thus, counties, municipalities and cities of the first and the second groups of areas of special state concern, which meet the criteria for the calculation and allocation of grants, receive grants from the State Budget. The determination, allocation and use of these grants are established by the Act on the State Budget Execution for respective years. In the Act on the Execution of the State Budget of the Republic of Croatia for 2013, the aforementioned was regulated by Article 36.

In 2013, these grants were realized in the amount of HRK 86.3 million, which represents an increase of 3 percent in relation to the previous year. The grants were received by 13 counties, 12 cities and 39 municipalities of the first and the second group of areas of special state concern. The amounts of grants paid to counties range from HRK 572 thousand to HRK 7.1 million, depending on the fulfilment of the criteria for the calculation of grants; for cities, the amounts range from HRK 40.6 thousand to HRK 1.4 million, and for the municipalities, between HRK 86.2 thousand and HRK 4.4 million.

Table 4.5 Grants to Regional and Local Units in the Areas of Special State Concern from the State Budget in 2013

(HRK 000)	2011	2012	2013	Index 2012/2011	Index 2013/2012
Grants to Local Units	84,289	83,735	86,264	99.3	103.0
Grants to Counties	44,148	45,097	46,450	102.1	103.0
Grants to Cities	9,880	11,575	7,840	117.2	67.7
Grants to Municipalities	30,261	27,063	31,974	89.4	118.1

Source: Ministry of Finance

In line with the Act on the Execution of the State Budget, the counties have to distribute at least 75 percent of the amount of the received grant to municipalities and cities in the territory thereof which are not direct beneficiaries of these grants.

Counties may use the grants only for the capital programme investments, except for the procurement of passenger cars, while municipalities and cities may also use the grants for financing material and energy expenses.

Local self-government units in the areas of special state concern and hilly-mountainous areas also receive grants in the amount of corporate income tax, paid from the State Budget, that are realized in the area of special state concern and in the hilly-mountainous areas. The payment of these grants in 2013 was defined in Article 37 of the Act on the Execution of the State Budget of the Republic of Croatia for 2013. All 230 local units that are situated in the areas of special state concern and in hilly-mountainous areas received the grant in the amount of the corporate income tax realized on the territory thereof in total amount of

HRK 231.8 million, which, in comparison to the previous-year amount of HRK 266.9 million of refund on the basis of corporate income tax, represents a decrease of 13.1 percent. Out of the total amount of HRK 167.1 million of refund of corporate income tax to municipalities and cities in the area of special state concern in 2013, the municipalities and cities from the group II of the area of special state concern had the largest share in tax refunds, and they received HRK 97.1 million. In 2013, the amount of HRK 64.7 million was refunded to municipalities and cities in the hilly-mountainous areas on the same basis.

Table 4.6 Grants for Regional and Local Units from the State Budget in the Amount of Corporate Income Tax from their Territory in 2011-2013 Period

(HRK 000)	Total number of Units	out of which		2010			2011			2012		
		Cities	Municipalities	Cities	Municipalities	Total	Cities	Municipalities	Total	Cities	Municipalities	Total
Areas of special State concern	185	30	155	81,230	74,350	155,580	103,970	83,381	187,350	96,172	70,955	167,127
Group I	50	8	42	28,368	16,241	44,609	29,425	18,435	47,860	22,959	22,378	45,337
Group II	61	21	40	52,247	27,622	79,868	74,218	35,244	109,463	72,865	24,261	97,126
Group III	74	1	73	616	30,487	31,103	326	29,701	30,028	349	24,316	24,665
Hilly and mountainous areas	45	12	33	36,026	31,296	67,322	45,052	34,494	79,546	30,484	34,219	64,703
Total	230	42	188	117,256	105,646	222,902	149,021	117,875	266,896	126,657	105,173	231,830

Source: Ministry of Finance

Pursuant to the provisions of Article 35 of the Act on the Execution of the State Budget of the Republic of Croatia for 2013, personal income tax return was paid, based on annual return application, to taxpayers from the areas of special state concern (of first, second and third group) and hilly-mountainous areas, from the revenue which belongs to the State Budget, in the total amount of HRK 374.8 million. Since the personal income tax return is paid directly to taxpayers, citizens, the local units, on behalf of which the Republic of Croatia returns the overpaid amount of tax, do not register these funds as the received grant. Only 10.4 percent of total refunds of personal income tax in the areas of special state concern in 2013 was returned instead of counties, while the remaining 89.6 percent was returned instead of local self-government units, that is, the amount of 335.8 million.

Table 4.7 Personal Income Tax Return Based on an Annual Application which the State Returns on Behalf of Regional and Local Units in 2011-2013 Period

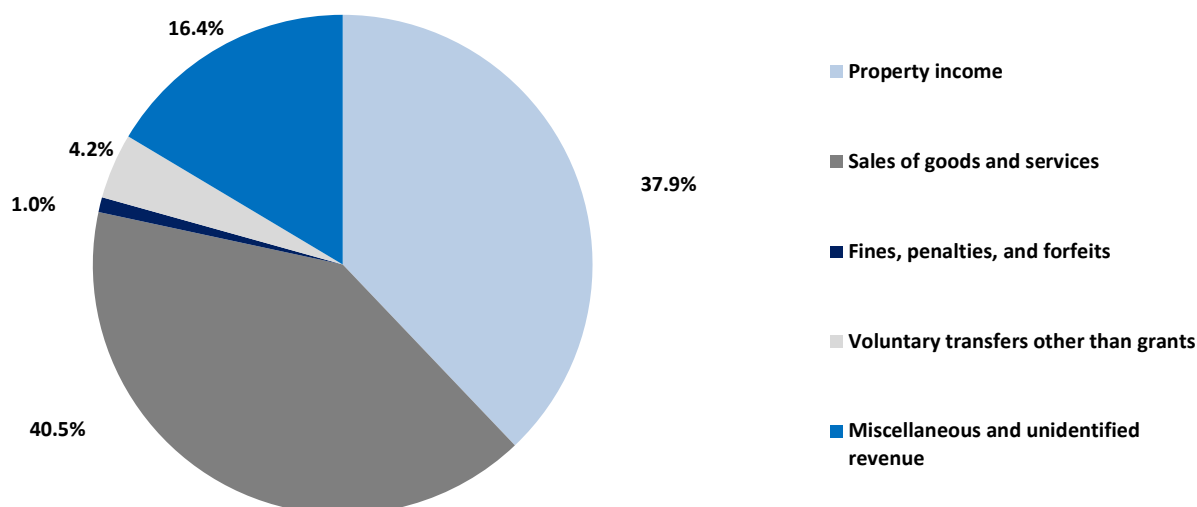
(HRK 000)	2011	2012	2013	Index 2012/2011	Index 2013/2012
Personal Income Tax Return	501,898	451,194	374,841	89.9	83.1
on behalf of regional units	51,840	46,206	39,023	89.1	84.5
on behalf of local units	450,058	404,988	335,818	90.0	82.9

Source: Ministry of Finance

Other Revenue

In 2013, other revenues, as the second most important revenues of local units, were realized in the amount of HRK 2.4 billion, which represents the reduction by 38.3 percent in relation to 2012. Other revenues of local and regional self-government units may be classified in five main categories: property income, revenues from sales of goods and services, fines, penalties and forfeits, voluntary transfers other than subsidies, and miscellaneous and unidentified revenues.

Figure 4.3 Structure of Other Revenues of 53 Local Units in 2013



Source: Ministry of Finance

In 2013, the revenues from sales of goods and services had a share of 40.5 percent in other revenues, in the amount of HRK 953 million, which represents the reduction by 62 percent in relation to the previous year. Revenues from sales of goods and services are revenues from the sales of fee stamps, residence charges, utility-service fees, utility-service payments and other fees.

The second group of revenues according to its size of the share in other revenues are property income with 37.9 percent which consists of the revenues from movables and immovables, concessions, fees for the use of space in power plants, mineral ore fees, fees for the use of public areas etc. In 2013, they were realized in the amount of HRK 892.2 million, which represents a decline by 3.2 percent in relation to 2012.

Miscellaneous and unidentified revenues amounted to HRK 386.7 million, and therefore, they were increased at a year-on-year level by 51.4 percent. Fines, penalties and forfeits amounted to HRK 22.7 million, which represents a decrease by 68.1 percent in relation to 2012, and voluntary transfers other than subsidies amounted to HRK 99.7 million, which represents an increase by 79 percent in relation to the previous year.

Revenues from fees and charges determined by special regulations are earmarked revenues that may be used only for activities for which they have been introduced. The introduction of these revenues and the amounts thereof are established by local units themselves within the legal framework.

4.2.2 Budget Expense of Local and Regional Self-Government Units

Budget expenses of counties, cities and municipalities are conditioned not only by laws and own decisions adopted pursuant to law that set up the obligations thereof, but also by the realization of budget revenues. Expenses of local units refer to the performance of activities that are under the competence of local and regional self-government.

Expense financing is planned on the basis of special laws and decisions made by the units, and the execution is ensured by decisions on budget execution, along with the obligation of budgetary users to use the funds rationally and efficiently for earmarked purposes, on the basis of the planned revenues in the budget.

In 2013, total executed expenses amounted to HRK 13.9 billion and in relation to 2012 they were increased by 4.5 percent. The largest part of the expenses refers to the use of goods and services (HRK 5.4 billion), due to financing of current expenses as part of decentralised functions and material expenses from within the scope of the activity of local units. Expenses for the use of goods and services include expenses necessary for the regular functioning of all users. The funds were spent on materials, energy, public lighting, cleaning of public areas, utilities and other services for regular needs, and expenses for regular maintenance of buildings and equipment. Expenses for the use of goods and services were increased by 2.9 percent in relation to 2012.

Table 4.8 Budget Expense in the 2011-2013 Period for 53 Local Units

(HRK 000)		2011	2012	2013	Index 2012/2011	Index 2013/2012
2	EXPENSE	12,661,547	13,269,948	13,860,755	104.8	104.5
21	Compensation of employees	3,604,127	3,717,421	3,678,957	103.1	99.0
211	Wages and salaries	3,088,997	3,210,747	3,191,714	103.9	99.4
212	Social contributions	515,130	506,675	487,242	98.4	96.2
22	Use of goods and services	4,998,530	5,228,358	5,381,866	104.6	102.9
24	Interest	126,181	134,863	112,617	106.9	83.5
25	Subsidies	1,043,625	1,037,691	1,179,666	99.4	113.7
251	To public corporations	882,406	891,619	1,043,335	101.0	117.0
252	To private enterprises	161,219	146,072	136,331	90.6	93.3
26	Grants	291,279	313,289	412,553	107.6	131.7
263	To other general government units	290,163	307,765	400,278	106.1	130.1
2631	Current	153,746	160,947	203,328	104.7	126.3
2632	Capital	136,417	146,818	196,950	107.6	134.1
27	Social benefits	652,601	710,944	916,056	108.9	128.9
272	Social assistance benefits	623,596	689,990	896,218	110.6	129.9
273	Employer social benefits	29,005	20,954	19,838	72.2	94.7
28	Other expense	1,945,205	2,127,383	2,179,040	109.4	102.4
282	Miscellaneous other expense	1,945,205	2,127,383	2,179,040	109.4	102.4
2821	Current	1,372,127	1,423,299	1,431,798	103.7	100.6
2822	Capital	573,078	704,084	747,242	122.9	106.1

Source: Ministry of Finance

Compensations of employees (salaries and contributions) were executed in the amount of HRK 3.7 billion, that is, in relation to the previous year, they were decreased by 1 percent. Besides the salaries of employees in local units' bodies, compensations of employees also include the salaries of their budgetary users (theatres, museums, libraries, kindergartens, etc.).

The interests amounted to HRK 112.6 million, which represents 16.5 percent less at a year-on-year level. They were mostly designated for the settlement of credit liabilities of local units from previous periods.

Subsidies are current transfers of funds that are given once or on a regular basis, and, according to purposes, they may be allocated for interests, employee training programmes, etc. They were executed in total amount of HRK 1.2 billion, that is, they were increased by 13.7 percent in relation to 2012. They were mostly intended for public corporations, while the smaller part thereof was intended for those outside the public sector – mostly farmers, craftsmen and independent traders, and small and medium entrepreneurs.

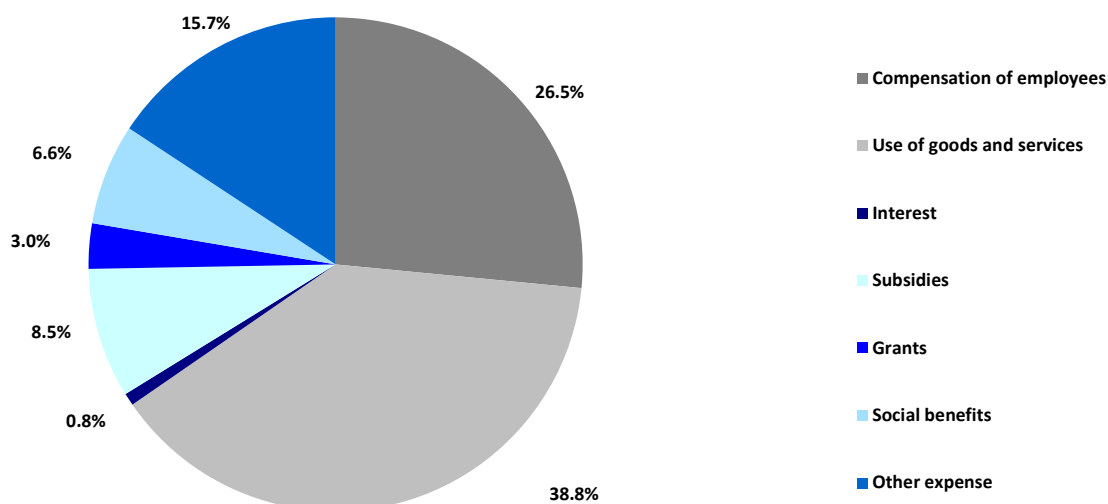
Expenses for social benefits were executed in total amount of HRK 916.1 million and were significantly increased at a year-on-year level, that is, by 28.9 percent in relation to previous year.

Grants are non-compulsory current and/or capital transfers that are allocated to budgetary users for co-financing of their current and capital expense. In 2013, these expenses amounted to HRK 412.6 million, which is 31.7 percent more than in relation to 2012. Current grants represented 52.2 percent, while capital grants represented 47.8 percent of total allocations for grants.

Other expenses include current and capital expenses which, in 2013, were executed in the amount of HRK 2.2 billion. In other words, they were increased by 2.4 percent at a year-on-year level. Looking at the structure of other expense, 65.7 percent of that amount refers to current other expenses, and the rest to capital other expenses. Other expenses are mostly intended for non-profit organisations for non-economic investments, reparations following natural disasters and the procurement of equipment, and for companies and non-profit institutions owned by local units for the acquisition of nonfinancial assets.

Within the structure of total expense, the expense for the use of goods and services accounted for 38.8 percent, compensations of employees accounted for 26.5 percent, other expense for 15.7 percent, subsidies for 8.5 percent, social benefits for 6.6 percent, grants for 3 percent and interests for 0.8 percent.

Figure 4.4 Structure of Total Expenses of 53 Local Units in 2013



Source: Ministry of Finance

4.3 TRANSACTIONS IN NONFINANCIAL ASSETS OF LOCAL AND REGIONAL SELF-GOVERNMENT UNITS

In 2013, net transactions in nonfinancial assets amounted to HRK 1.6 billion, which means that they were increased by 11.8 percent at a year-on-year level. Nonfinancial assets include fixed assets, valuables and

nonproduced assets. Fixed assets include buildings and structures, machinery and equipment and other fixed assets.

Expense for the acquisition of fixed assets amounted to HRK 1.9 billion, that is, they were increased by 21.6 percent in relation to 2012. The largest part of these referred to schools and healthcare institutions, cultural facilities, preschool institutions, entrepreneurial zones, business buildings, road reconstruction and construction, sport and recreational centres, furniture, equipment and other. Revenues from the disposal of fixed nonfinancial assets amounted to HRK 137.8 million.

Nonproduced nonfinancial assets comprise land, ore assets, other naturally occurring assets and other rights (concessions, licenses, patents, etc.). The largest part of the disposal of nonproduced nonfinancial assets realized in 2013 refers to land disposal in the amount of HRK 348.7 million. The majority of the acquisition of nonproduced nonfinancial assets is also in the land.

Table 4.9 Transactions in Nonfinancial Assets in the 2011-2013 Period for the 53 Local Units

(HRK 000)	2011	2012	2013	Index 2012/2011	Index 2013/2012
NET ACQUISITION OF NONFINANCIAL ASSETS	1,671,392	1,440,588	1,610,529	86.2	111.8
Fixed assets	1,642,846	1,427,353	1,791,997	86.9	125.5
Acquisitions: fixed assets	1,880,738	1,587,482	1,929,796	84.4	121.6
Disposals: fixed assets	237,892	160,129	137,800	67.3	86.1
Buildings and structures	1,330,805	1,140,733	1,430,724	85.7	125.4
Acquisition: buildings and structures	1,565,770	1,299,706	1,567,557	83.0	120.6
Disposal: buildings and structures	234,966	158,973	136,833	67.7	86.1
Machinery and equipment	247,130	233,789	313,554	94.6	134.1
Acquisition: machinery and equipment	248,822	234,914	314,502	94.4	133.9
Disposal: machinery and equipment	1,692	1,124	948	66.5	84.3
Other fixed assets	64,911	52,831	47,718	81.4	90.3
Acquisition: other fixed assets	66,146	52,862	47,737	79.9	90.3
Disposal: other fixed assets	1,235	32	19	2.6	59.5
Valuables	146	93	909	63.9	-
Acquisition: valuables	146	93	910	63.9	-
Disposal: valuables	0	0	1	-	-
Nonproduced assets	28,400	13,142	-182,377	46.3	-
Acquisition: nonproduced assets	243,344	146,075	168,014	60.0	115.0
Disposal: nonproduced assets	214,945	132,933	350,392	61.8	263.6
Land	-46,877	-27,653	-220,327	-	-
Acquisition: land	165,566	98,555	128,388	59.5	130.3
Disposal: land	212,443	126,208	348,715	59.4	276.3
Other naturally occurring assets	16	346	833	-	240.8
Acquisition: other naturally occurring assets	16	346	833	-	240.8
Disposal: other naturally occurring assets	0	0	0	-	-
Intangible nonproduced assets	75,260	40,449	37,117	53.7	91.8
Acquisition: intangible nonproduced assets	77,762	47,175	38,794	60.7	82.2
Disposal: intangible nonproduced assets	2,502	6,725	1,677	268.8	24.9

Source: Ministry of Finance

4.4 TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES OF LOCAL AND REGIONAL SELF-GOVERNMENT UNITS

In 2013, net acquisition of financial asset amounted to HRK 159.5 million, while net liabilities were reduced by HRK 250.4 million.

Net amount of transactions in financial asset is a result of expenses and receipts on the basis of financial asset and of changes in the status of currency and deposit. Transactions in financial asset include first of all:

- increase in the status of currency and deposit by HRK 104 million;
- acquisition of domestic loans, in the amount of HRK 63.4 million, and acquisitions of shares and equity shares in the capital of companies in the amount of HRK 39.8 million;
- disposals of loans, in the amount of HRK 42.7 million and disposals of shares and equity in companies in the amount of HRK 5 million.

Transactions in liabilities include incurrences and repayments of received loans on the basis of issued securities. In 2013, incurrences were carried out domestically, in total amount of HRK 272.8 million, and mostly by taking loans from domestic commercial banks (HRK 272.5 million). Repayments mostly referred to domestic loans (HRK 458.9 million), and in smaller part to domestic issued securities and foreign loans. Total repayments in 2013 amounted to HRK 523.1 million.

Table 4.10 Transactions in Financial Assets and Liabilities in the 2011-2013 Period for 53 Local Units

(HRK 000)	2011	2012	2013
NET ACQUISITION OF FINANCIAL ASSETS	440,757	247,184	159,538
Domestic	440,757	247,184	159,538
Currency and deposits	459,173	186,135	104,040
Securities other than shares	0	279	0
Loans	-5,665	6,531	20,673
Acquisitions	50,506	39,732	63,417
Disposals	56,171	33,201	42,744
Shares and other equity	-12,751	54,240	34,825
Acquisitions	18,791	60,171	39,835
Disposals	31,542	5,932	5,010
Other accounts receivable	0	0	0
Foreign	0	0	0
NET INCURRENCE OF LIABILITIES	10,608	-77,465	-250,354
Domestic	17,113	-71,266	-244,872
Securities other than shares	-80,891	-52,080	-58,477
Repayments	164,912	52,656	58,742
Incurrences	84,021	576	265
Loans	98,004	-19,186	-186,395
Repayments	394,015	408,389	458,890
Incurrences	492,019	389,204	272,495
Foreign	-6,505	-6,199	-5,482
Loans	-6,505	-6,199	-5,482
Repayments	6,505	6,199	5,482
Incurrences	0	0	0

Source: Ministry of Finance

Local units were given a possibility of incurrence for the financing of investments (capital projects), in line with the provisions of the Budget Act, act on the State Budget execution for single years and secondary legislation. Counties, cities and municipalities may incur a debt by taking credits and loans and by issuing

securities at the banks on the territory of the Republic of Croatia, and at international financial institutions for capital projects that are financed from their budgets and which were confirmed by the representative body with the prior consent of the Government.

The Budget Act prescribes the limit of liabilities, annual annuity and the base for determining the potential of borrowing. Annual annuity of loans, guarantees and other arrears can amount up to 20 percent of realized revenues of a unit in the year preceding the year in which the liabilities were incurred. This limit of 20 percent of debt (liability per credits, guarantees and consents, and arrears from previous periods) is not to be applied on projects co-financed or financed from the European Union funds, that is, for pre-financing of such projects. In addition, municipalities, cities and counties can issue guarantees for borrowing to a public institution or to a company founded and majority-owned by it. These guarantees are included in the aforementioned annual borrowing limit of the respective unit.

The units are also allowed to re-finance former loan liabilities due to more favourable loan conditions, primarily to the reduction of interest rates on the capital market. A loan that was taken with the approval of the Government and the rest of the debt based on issued securities, for the issuance of which the Government has given its consent, may also be re-financed under the condition that the re-financing does not increase the existing liabilities of the respective local unit.

The State Budget Execution Act (Article 17) prescribes the measures of limitation by means of which the Government can annually give its consent on borrowing to local units. In line with the Act, municipalities, cities and counties may apply for borrowing, and the Government could give its consent on borrowing in total value up to 2.5 percent of total realized revenues from business operations of all local units, stated in the financial report for 2012. 2.5 percent of total realized revenues in 2012 amounted to HRK 517.2 million, which means that, in 2013, local units could have borrowed up to that amount. The State Budget Execution Act also prescribes the derogation from the application of this limitation. More precisely, the provision on the limits of the amount up to which the Government may give its consent on borrowing is not applied to the units in the areas of special state concern, to the units that borrow for projects co-financed from the European Union pre-accession programmes, nor to the units that borrow for energy efficiency projects (ESCO projects).

Local units used these legal provisions in accordance with the regulations, primarily to finance the construction of municipal infrastructure, roads, public lighting, business zones, kindergartens, school-sport halls, healthcare centres etc.

4.5 DEFICIT/SURPLUS MEASURES AND FINANCING OF LOCAL AND REGIONAL SELF-GOVERNMENT UNITS

As a result of local unit revenues and expenses trends, net operating balance in 2013 amounted to HRK 2 billion. At the same time, the primary operating balance reached the level of HRK 2.1 billion.

If the net operating balance is reduced by the value of the net acquisition of nonfinancial assets, the result is the category of net lending/borrowing, which, in 2013, amounted to HRK 409.9 million. Financing of this

measure is a result of the difference between the net acquisition of financial assets in the amount of HRK 159.9 million and the net reduction in liabilities in the amount of HRK 250.4 million.

Table 4.11 Deficit/Surplus Measures and Financing in the 2011-2013 Period for 53 Local Units

(HRK 000)	2011	2012	2013
TRANSACTIONS AFFECTING NET WORTH			
1 Revenue	14,763,088	15,035,185	15,881,175
2 Expense	12,661,547	13,269,948	13,860,755
24 Interest	126,181	134,863	112,617
Net/Gross operating balance (1 - 2)	2,101,541	1,765,237	2,020,421
Primary operating balance (1 - 2 + 24)	2,227,722	1,900,099	2,133,038
TRANSACTIONS IN NONFINANCIAL ASSETS			
31 Net acquisition of nonfinancial assets	1,671,392	1,440,588	1,610,529
Net lending/borrowing (1 - 2 - 31)	430,149	324,649	409,892
Financing (33 - 32)	-430,149	-324,649	-409,892
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES			
32 Net acquisition of financial assets	440,757	247,184	159,538
33 Net incurrence of liabilities	10,608	-77,465	-250,354

Source: Ministry of Finance

5. TOTAL DEFICIT/SURPLUS OF THE CONSOLIDATED GENERAL GOVERNMENT IN 2013

5.1 TOTAL DEFICIT/SURPLUS OF THE CONSOLIDATED GENERAL GOVERNMENT

The calculation of total deficit of the General Government starts with the category of net lending/borrowing which represents the difference between revenue, expense and net acquisitions of nonfinancial assets. According to this, the trends in revenue and expense and acquisition of nonfinancial assets of the Consolidated General Government in 2013 resulted in net lending/borrowing in the amount of HRK -17.6 billion, that is, 5.3 percent of GDP, which is by 1.9 percentage point less than in relation to the 2012. The majority of the deficit of 4.9 percent of GDP was recorded at the level of the Budgetary Central Government, while the budget of Extrabudgetary Users recorded the deficit of 0.5 percent of GDP. The surplus of 0.1 percent of GDP was recorded at the level of 53 Local and Regional Self-Government Units, which is represented in the following tables.

Table 5.1 Total Deficit/Surplus of the Consolidated General Government in the 2009-2013 Period

CONSOLIDATED GENERAL GOVERNMENT					
(HRK 000)	2009	2010	2011	2012	2013
1 Revenue	128,089,920	123,715,244	123,034,566	126,138,159	125,876,374
2 Expense	132,447,149	133,658,424	132,888,884	132,449,869	138,305,892
31 Net acquisition nonfinancial assets	6,134,006	4,796,378	5,023,525	4,913,502	5,170,948
Net lending/borrowing (1-2-31)	-10,491,235	-14,739,559	-14,877,843	-11,225,212	-17,600,466
GDP, %	-3.2	-4.5	-4.5	-3.4	-5.3

Source: Ministry of Finance

Table 5.2 Total Deficit/Surplus of the Consolidated General Government according to Government Level in the 2009-2013 Period

BUDGETARY CENTRAL GOVERNMENT					
(HRK 000)	2009	2010	2011	2012	2013
1 Revenue	110,257,947	107,466,351	107,069,670	109,558,928	108,585,049
2 Expense	117,923,992	120,323,332	119,939,511	118,729,992	123,505,883
31 Net acquisition nonfinancial assets	1,963,401	1,232,366	1,138,970	829,626	1,304,518
Net lending/borrowing (1-2-31)	-9,629,446	-14,089,347	-14,008,811	-10,000,689	-16,225,351
GDP, %	-2.9	-4.3	-4.2	-3.0	-4.9
EXTRABUDGETARY USERS					
(HRK 000)	2009	2010	2011	2012	2013
1 Revenue	5,659,418	5,060,498	5,114,098	5,019,625	5,132,750
2 Expense	4,454,571	4,122,233	4,200,116	3,925,508	4,661,855
31 Net acquisition nonfinancial assets	1,414,481	1,395,484	2,213,163	2,643,288	2,255,902
Net lending/borrowing (1-2-31)	-209,634	-457,219	-1,299,181	-1,549,171	-1,785,007
GDP, %	-0.1	-0.1	-0.4	-0.5	-0.5
JEDINICE LOKALNE I PODRUČNE (REGIONALNE) SAMOUPRAVE					
(HRK 000)	2009	2010	2011	2012	2013
1 Revenue	16,062,945	15,041,812	14,763,088	15,035,185	15,881,175
2 Expense	13,958,975	13,066,277	12,661,547	13,269,948	13,860,755
31 Net acquisition nonfinancial assets	2,756,124	2,168,528	1,671,392	1,440,588	1,610,529
Net lending/borrowing (1-2-31)	-652,155	-192,993	430,149	324,649	409,892
GDP, %	-0.2	-0.1	0.1	0.1	0.1

Source: Ministry of Finance

As of September 2013, due to the need of the adjustment of the reporting according to EU, the calculations for the full scope of local government have also been introduced for the reports by GFS 2001 Methodology, the data of which are kept according to the budget accounting, that is, for all 576 local and regional self-government units (including own and earmarked revenues and corresponding expenses of their budgetary

users) and county directorates for roads as Extrabudgetary Users of counties, along with the use of data according to the modified accounting principle of the occurrence of an event instead of the earlier ones according to the cash flow. The deficit of the budgetary central government and the deficit of Extrabudgetary Users of the state budget shall be expressed according to the same principles as in the previous years.

Tables 5.1 and 5.2 are presented according to the earlier methodology. The result of the application of the new scope and calculation method for the local government in 2013 was the following one: the budget of local and regional self-government units, which, for the first time, includes 572 units that have submitted their financial statements within the set deadline, and county directorates for roads, registered the surplus of HRK 688.9 million or 0.2 percent of GDP. If the deficit of the budgetary central government of HRK 16.2 billion and the deficit of Extrabudgetary Users of HRK 1.8 billion are added to that, the general government deficit reached the level of HRK 17.3 billion or 5.3 percent of GDP.

5.2 EXCESSIVE BUDGET DEFICIT REPORT

As of the accession to the EU on July 1, 2013, the Republic of Croatia participates in the fiscal supervision process which includes the cooperation between the Eurostat, the European Commission and individual EU member states. The fiscal supervision implies the regular preparation of the Reports on the excessive budget deficit and on the level of the general government debt (Fiscal Report) twice a year, at the end of March and at the end of September. The Fiscal Report for the Republic of Croatia was, for the first time, published in October 2013 and has since been published in April and October every year on the web pages of Eurostat and Croatian Bureau of Statistics.

The Fiscal Report contains new fiscal statistics series of the Republic of Croatia aligned with the European statistical methodology, ESA 95, with certain adjustments, which significantly differ in relation to the statistical data series expressed according to the national chart of accounts and GFS 2001 statistical methodology of IMF. The differences primarily derive from:

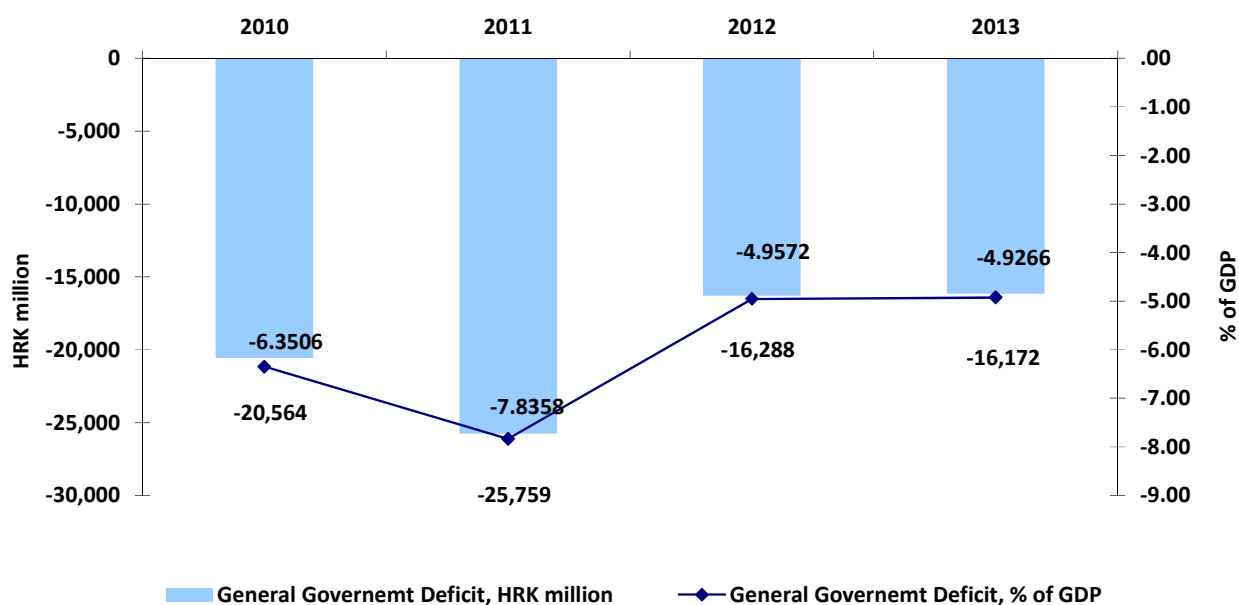
- the different scope of units included in the government sector – for example, Croatian National Television (HRT), HŽ Infrastructure are included, while DAB was excluded;
- the different treatment of certain transactions which have been registered so far, but have not been included in the deficit, and now, according to the rules of the Fiscal Report methodology, they have to be included:
 - payments upon called guarantees which the state is a guarantor for
 - mandatory statistical assumption of the whole remaining part of the guaranteed debt in the third year of the repeated guarantee calling – the cases of shipyards
 - acquisition of shares in companies registering losses or when, generally, no significant return/profit is expected from shares
 - including the payments of compensations to pensioners into the deficit, etc.;
- the application of the accrual principle according to which the entire liability is registered at the moment of the occurrence irrespectively of the payment dynamics, and the expense is expressed in that year, that is, it is included in the calculation of the deficit of that year.

On the basis of the Fiscal Report of October 2013, in December of the same year, the European Commission adopted the Decision on the existence of the excessive budget deficit in the Republic of Croatia since the deficit exceeds the defined limit of 3 percent of GDP. Then, in January 2014, the EU Council adopted the Country Specific Recommendations for the Republic of Croatia with an aim of correcting the excessive budget deficit by 2016. The Croatia was recommended to adopt consolidation measures in the amount of 2.3 percent of GDP in 2014 and of 1 percent of GDP in 2015 and 2016.

In line with the Fiscal Report of April 2014, which also includes the execution of the general government in 2013, the following trends are present. In 2010 and 2011, there was a noticeable increase in the general government deficit from 6.4 percent of GDP to 7.8 percent of GDP, which primarily derives from the absence of structural reforms necessary for the long-term sustainability of public finances. The statistically prescribed assumption of liabilities by guaranteed debts of public companies, primarily shipyards, as well as the payment of guarantees, had the largest impact on the trends in deficit. The result of the implementation of measures on both the revenue and expense side of the budget in 2012 was the fiscal consolidation and the reduction of the deficit to the level of 5 percent of GDP. In 2013, the general government deficit amounted to HRK 16.2 billion or 4.9 percent of GDP.

The figure below shows the general government deficit in the 2010-2013 period, according to the ESA 95 Methodology.

Figure 5.1 General Government Deficit According to the ESA 95 Methodology in 2010–2013 Period



Source: Croatian Bureau of Statistics, Ministry of Finance

6. PUBLIC DEBT OF THE REPUBLIC OF CROATIA AND INTERNATIONAL FINANCIAL RELATIONS IN 2013

6.1 PUBLIC DEBT OF THE REPUBLIC OF CROATIA

The State Budget Act²⁰ prescribes the main objective of borrowing and debt management, aimed at securing the financial needs of the state budget by achieving the lowest medium-term and long-term financing cost, while taking a reasonable degree of risk.

The State Budget Act defines the state debt as the debt of the central budget, and the public debt as the debt of the general budget. The central budget includes state budget and financial plans of Extrabudgetary Users of the state budget. The general budget is defined as the central budget together with the budgets of local and regional self-government units and Extrabudgetary Users from local and regional self-government units.

Table 6.1 shows the trends of the public debt of the Republic of Croatia in the period from 2008 until 2013. At the end of 2013, total public debt amounted to HRK 250 billion, which is 75.7 percent of nominal GDP for 2013. Total domestic and foreign guarantees issued by the Republic of Croatia amounted to HRK 23.9 billion at the end of 2013, of which the guarantees given to the Croatian Bank for Reconstruction and Development (HBOR) amounted to HRK 16.7 billion for the same period.

²⁰ Official Gazette, number 87/2008 and 136/2012

Table 6.1 Public Debt in the 2008-2013 Period

PUBLIC DEBT at the end of the period, in HRK million	2008	2009	2010	2011	2012	2013
1. Domestic debt of general government	73,339.7	86,218.2	104,361.8	125,709.1	131,504.2	152,273.7
1.1. Domestic debt of central government	67,713.2	79,871.7	100,607.5	121,855.1	127,736.2	147,749.4
Short-term debt securities	14,982.7	18,148.9	17,198.1	19,308.5	18,259.6	22,838.9
Long-term debt securities	36,035.8	36,828.5	48,710.8	55,891.2	63,118.4	71,821.7
Loans	16,694.7	24,894.3	34,698.6	46,655.4	46,358.2	53,088.8
1.2. Domestic debt of social security funds	3,242.3	3,904.0	1.0	2.2	1.6	0.9
Short-term debt securities						
Long-term debt securities						
Loans	3,242.3	3,904.0	1.0	2.2	1.6	0.9
1.3. Domestic debt of local government	2,384.2	2,442.5	3,753.3	3,851.8	3,766.4	4,523.4
Short-term debt securities						
Long-term debt securities	416.2	406.8	384.9	260.2	209.1	151.7
Loans	1,968.0	2,035.7	3,368.4	3,591.6	3,557.3	4,371.7
2. External debt of general government	51,912.6	60,936.2	68,725.7	73,602.0	81,494.0	97,787.5
2.1. External debt of central government	49,492.9	58,307.9	68,069.0	73,037.4	80,981.3	97,304.1
Short-term debt securities	183.5	1,301.4	3,520.5	1,205.3	895.1	539.8
Long-term debt securities	22,141.3	28,091.2	30,790.1	35,979.1	45,121.8	60,016.0
Loans	27,168.1	28,915.3	33,758.4	35,853.0	34,964.5	36,748.3
2.2. External debt of social security funds	1,998.0	1,891.9	0.0	0.0	0.0	0.0
Short-term debt securities						
Long-term debt securities						
Loans	1,998.0	1,891.9				
2.3. External debt of local government	421.7	736.4	656.7	564.6	512.7	483.4
Short-term debt securities						
Long-term debt securities	165.8	165.3	165.8	133.6	132.5	132.7
Loans	255.9	571.1	490.9	431.0	380.2	350.7
Total (1+2)	125,252.3	147,154.4	173,087.5	199,311.1	212,998.2	250,061.2
PUBLIC DEBT (% of GDP)	36.0%	44.5%	52.8%	59.9%	64.5%	75.7%
Supplement: Central government guarantees						
1. Domestic	10,439.4	9,238.5	10,586.4	6,293.2	9,568.1	7,970.8
o/w Guarantees to CBRD	807.9	41.4	2,641.3	2,256.3	5,610.6	4,309.7
o/w Guarantees for CBRD loans	1,642.1	1,374.7	1,177.3	802.0	823.6	825.1
2. External	13,847.9	16,239.9	18,845.7	16,174.7	15,382.2	15,940.3
o/w Guarantees to CBRD	9,970.3	12,305.6	11,912.8	11,021.3	10,677.3	11,546.9

Source: Croatian National Bank, Ministry of Finance

6.1.1 Credit Rating of the Republic of Croatia

The Republic of Croatia received credit ratings of three leading specialised credit rating agencies, Moody's Investors Service, Standard & Poor's (S&P) and Fitch Ratings. Apart from these, the Republic of Croatia also received the rating from the Japanese R&I credit rating agency, specialised in rating those that issue securities in Japan.

S&P, Moody's and Fitch Ratings granted their initial ratings to the Republic of Croatia in January 1997, while the Japanese rating agency R&I granted its rating to the Republic of Croatia in 1998.

Each year, these agencies verify the granted credit ratings, and after the verification carried out in 2013, the rating agencies Moody's Investors Service and Fitch Ratings lowered the credit rating of the Republic of Croatia. Table 6.2 provides an overview of the credit ratings of the Republic of Croatia at the end of 2013.

Table 6.2 Overview of Credit Ratings of the Republic of Croatia at the End of 2013

	Long Term Rating Foreign Currency	Long Term Rating Domestic Currency	Short Term Rating Foreign Currency
Mood's Investors Service	Ba1/ <i>stable outlook</i>	Ba1	
Standard & Poors	BB+/ <i>negative outlook</i>	BB+	B
Fitch Ratings	BB+/ <i>stable outlook</i>	BBB-	B
R & I	BBB/ <i>stable outlook</i>		

Source: Ministry of Finance

Table 6.3 Comparison of Credit Ratings at the End of 2013

Country	Moody's (Long-term Rating in Foreign Currency)	Standard and Poor's (Long-term Rating in Foreign Currency)
Bulgaria	Baa2	BBB
Czech Republic	A1	AA-
Croatia	Ba1	BB+
Hungary	Ba1	BB
Poland	A2	A-
Romania	Baa3	BB+
Slovakia	A2	A

Source: Ministry of Finance

6.1.2 Domestic Debt of the State Budget in 2013

Domestic Debt Categories

During 2013, the domestic debt of the Republic of Croatia was increased from HRK 103.3 billion, as it had been at the end of 2012, to HRK 113.7 billion, as it was at the end of 2013. The increase in domestic debt during 2013 was realized by issuing bonds on the domestic capital market, by an increased net inscription of treasury bills.

Table 6.4 The Central Domestic Debt of the Republic of Croatia in thousand HRK, 31 December

Debt Item	Original currency	2012		2013		Maturity (Year)	Coupon
		Amount owed in original	Amount owed in HRK	Amount owed in original	Amount owed in HRK		
Bonds – Series 05 D-14	EUR	650,000	4,904,656	650,000	4,964,468	2014	5.500%
Bonds – Series 07 D-19	EUR	500,000	3,772,812	500,000	3,818,822	2019	5.375%
Bonds – Series 09 D-15	EUR	350,000	2,640,968	350,000	2,673,175	2015	4.250%
Bonds – Series 10 D-15	HRK	5,500,000	5,500,000	5,500,000	5,500,000	2015	5.250%
Bonds – Series 11 D-13	HRK	4,000,000	4,000,000			2013	4.500%
Bonds – Series 12 D-17	HRK	5,500,000	5,500,000	5,500,000	5,500,000	2017	4.750%
Bonds – Series 13 D-20	HRK	5,000,000	5,000,000	5,000,000	5,000,000	2020	6.750%
Bonds – Series 14 D-20	EUR	1,000,000	7,545,624	1,000,000	7,637,643	2020	6.500%
Bonds – Series 15 D-17	HRK	4,000,000	4,000,000	4,000,000	4,000,000	2017	6.250%
Bonds – Series 16 D-16	HRK	3,500,000	3,500,000	3,500,000	3,500,000	2016	5.750%
Bonds – Series 17 D-22	EUR	1,000,000	7,545,624	1,000,000	7,637,643	2022	6.500%
Bonds – Series 18 D-18	HRK			2,750,000	2,750,000	2018	5.250%
Bonds – Series 19 D-24	EUR			750,000	5,728,232	2024	5.750%
Syndicated Foreign Currency Loan I	EUR	500,000	3,772,812	500,000	3,818,822	2014	4.578%
Syndicated Foreign Currency Loan II	EUR	380,000	2,867,337	290,590	2,219,423	2016	4.369%
Syndicated Foreign Currency Loan III	EUR	750,000	5,659,218	692,500	5,289,068	2016	4.487%
Other FX loans	EUR	208,000	1,569,490	247,667	1,891,590	2018	5.500%
Long term loan - EUR	EUR			265,000	2,023,975	2016	4.560%
Long term loan - HRK	HRK			1,288,000	1,288,000	2018	5.000%
Other medium and long term debt	HRK	7,248,103	7,248,103	7,295,587	7,295,587		
Midium and long term debt			75,026,644		82,536,447		
Treasury Bills	HRK	15,625,000	15,625,000	20,810,000	20,810,000		
Treasury Bills VK	EUR	592,784	4,472,925	355,380	2,714,266		
Treasury Bills FX	EUR	763,920	5,764,253	700,000	5,346,350		
Other short term debt	HRK	2,365,281	2,365,281	2,268,551	2,268,551		
Short term debt			28,227,459		31,139,167		
Total debt			103,254,103		113,675,613		

Source: Ministry of Finance

In July 2013, the Republic of Croatia issued domestic market bonds in the amount of HRK 2,750 million.

The bonds were issued per price of 99.957 percent of the nominal amount. Interest coupon rate is unchangeable and it amounts to 5.25 percent annually. The bonds are due on July 10, 2018.

In addition, in July 2013, the Republic of Croatia issued the bonds in the amount of EUR 750 million in HRK equivalent. The bonds were issued per price of 99.919 percent of the nominal amount. Interest coupon rate is unchangeable and it amounts to 5.75 percent annually. The bonds are due on July 10, 2024.

Table 6.5 Amortisation of Domestic Debt

(HRK million)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Amortisation	14,671.09	13,034.05	10,579.80	11,028.06	3,014.35	3,866.46	12,681.60	43.96	7,681.60	43.96	5,772.19
Bonds – Series 05 D-14	4,964.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 07 D-19	0.00	0.00	0.00	0.00	0.00	3,818.82	0.00	0.00	0.00	0.00	0.00
Bonds – Series 09 D-15	0.00	2,673.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 10 D-15	0.00	5,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 11 D-13	0.00	0.00	0.00	5,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 12 D-17	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	0.00	0.00	0.00	0.00
Bonds – Series 13 D-20	0.00	0.00	0.00	0.00	0.00	0.00	7,637.64	0.00	0.00	0.00	0.00
Bonds – Series 14 D-20	0.00	0.00	0.00	4,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 15 D-17	0.00	0.00	3,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 16 D-16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,637.64	0.00	0.00
Bonds – Series 17 D-22	0.00	0.00	0.00	0.00	2,750.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 18 D-18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,728.23
Bonds – Series 19 D-24	2,545.88	636.47	636.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Syndicated FX Loan I	739.80	739.80	739.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Syndicated FX Loan II	3,672.43	808.31	808.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Syndicated FX Loan III	600.81	600.82	535.35	76.12	76.12	0.00	0.00	0.00	0.00	0.00	0.00
Long term loan	397.33	397.33	2,421.30	64.00	32.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	1,750.37	1,678.14	1,938.57	1,387.94	156.23	47.64	43.96	43.96	43.96	43.96	43.96
Payment of Interest	4,379.08	3,723.28	3,137.67	2,539.28	2,061.16	1,911.62	1,289.30	870.61	867.52	366.47	360.43
Bonds – Series 05 D-14	136.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 07 D-19	205.26	205.26	205.26	205.26	205.26	205.26	0.00	0.00	0.00	0.00	0.00
Bonds – Series 09 D-15	113.61	113.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 10 D-15	288.75	288.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 11 D-13	261.25	261.25	261.25	130.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 12 D-17	337.50	337.50	337.50	337.50	337.50	337.50	168.75	0.00	0.00	0.00	0.00
Bonds – Series 13 D-20	496.45	496.45	496.45	496.45	496.45	496.45	248.22	0.00	0.00	0.00	0.00
Bonds – Series 14 D-20	250.00	250.00	250.00	250.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 15 D-17	201.25	201.25	201.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 16 D-16	496.45	496.45	496.45	496.45	496.45	496.45	496.45	496.45	496.45	0.00	0.00
Bonds – Series 17 D-22	144.38	144.38	144.38	144.38	144.38	0.00	0.00	0.00	0.00	0.00	0.00
Bonds – Series 18 D-18	329.37	329.37	329.37	329.37	329.37	329.37	329.37	329.37	329.37	329.37	329.37
Bonds – Series 19 D-24	125.61	51.73	22.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Syndicated FX Loan I	81.70	49.03	16.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Syndicated FX Loan II	245.90	76.82	38.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Syndicated FX Loan III	99.55	67.15	34.85	7.06	3.06	0.00	0.00	0.00	0.00	0.00	0.00
Long term loan	190.54	103.21	63.37	4.16	0.83	0.00	0.00	0.00	0.00	0.00	0.00
Other	375.00	251.07	240.46	138.03	47.87	46.59	46.51	44.79	41.70	37.10	31.06
Total	19,050.17	16,757.33	13,717.47	13,567.34	5,075.50	5,778.08	13,970.91	914.57	8,549.12	410.43	6,132.63

Exchange rate: Mid exchange rate of the CNB as of 31st December 2013

Source: Ministry of Finance

In July 2013, HRK 4 billion of bonds, issued in 2006, matured and were redeemed.

All bonds of the Republic of Croatia were listed in the first quotation of Zagreb Stock Exchange, where, at the end of 2013, total of twelve emissions of bonds of the Republic of Croatia were listed (the list of these, with terms and conditions, is presented in table 6.6).

Table 6.6 Overview of Domestic Bonds Issued by the Republic of Croatia

DAB-O-03CA	DAB-O-05CA
Issuer: State Agency for Deposit Insurance and Bank Rehabilitation EUR 105,000,000 3 years 8% coupon Lead managers: Privredna banka Zagreb and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 19 December 2000 Date of Maturity: 19 December 2003 The bond was fully repaid at maturity.	Issuer: State Agency for Deposit Insurance and Bank Rehabilitation EUR 225,000,000 5 years 8.375% coupon Lead managers: Privredna banka Zagreb and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 19 December 2000 Date of Maturity: 19 December 2005 The bond was fully repaid at maturity.
HZZO Bonds HZZO-O-047A	Bonds – Series 01 D-04 RHMF-O-049A
Issuer: Croatian Institute for Health Insurance EUR 222,000,000 4 years 8.5% coupon Lead manager: Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 19 July 2000 Date of Maturity: 19 July 2004 The bond was fully repaid at maturity.	Issuer: Republic of Croatia EUR 200,000,000 3 years 6.5% coupon Lead managers: Privredna banka Zagreb and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 20 September 2001 Date of Maturity: 20 September 2004 The bond was fully repaid at maturity.
Bonds – Series 02 D-08 RHMF-O-08CA	Bonds – Series 03 D-12 RHMF-O-125A
Issuer: Republic of Croatia EUR 200,000,000 7 years 6.875% coupon Lead managers: Privredna banka Zagreb and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 14 December 2001 Date of Maturity: 14 December 2008 The bond was fully repaid at maturity.	Issuer: Republic of Croatia EUR 500,000,000 10 years 6.875% coupon Lead managers: Privredna banka Zagreb, Zagrebačka banka Zagreb and Raiffeisen bank Zagreb Listing: Zagreb Stock Exchange Date of Issue: 23 May 2002 Date of Maturity: 23 May 2012 The bond was fully repaid at maturity.
Bonds – Series 04 D-08 RHMF-O-085A	Bonds – Series 05 D-14 RHMF-O-142A
Issuer: Republic of Croatia HRK 1,000,000,000 5 years 6.125% coupon Lead managers: Riječka banka Rijeka i Splitska banka Split Listing: Zagreb Stock Exchange Date of Issue: 28 May 2003 Date of Maturity: 28 May 2008 The bond was fully repaid at maturity.	Issuer: Republic of Croatia EUR 650,000,000 10 years 5.5% coupon Lead managers: Privredna banka Zagreb, Zagrebačka banka Zagreb and Raiffeisen bank Zagreb Listing: Zagreb Stock Exchange Date of Issue: 10 February 2004 Date of Maturity: 10 February 2014

<p>Bonds – Series 06 D-07 RHMF-O-077A</p> <p>Issuer: Republic of Croatia EUR 400,000,000 3 years 3.875% coupon Lead managers: Privredna banka Zagreb, Zagrebačka banka Zagreb and Raiffeisen bank Zagreb Listing: Zagreb Stock Exchange Date of Issue: 7 July 2004 Date of Maturity: 7 July 2007 The bond was fully repaid at maturity.</p>	<p>Bonds – Series 07 D-19 RHMF-O-19BA</p> <p>Issuer: Republic of Croatia EUR 500,000,000 15 years 5.375% coupon Lead managers: Erste&Steiermarkische Bank, Privredna banka Zagreb, Zagrebačka banka Zagreb and Raiffeisenbank Zagreb Listing: Zagreb Stock Exchange Date of Issue: 29 November 2004 Date of Maturity: 29 November 2019</p>
<p>Bonds – Series 08 D-10 RHMF-O-103A</p> <p>Issuer: Republic of Croatia HRK 3,000,000,000 5 years 6.750% coupon Lead managers: Privredna banka Zagreb, Zagrebačka banka Zagreb and Raiffeisen bank Zagreb Listing: Zagreb Stock Exchange Date of Issue: 8 March 2005 Date of Maturity: 8 March 2010 The bond was fully repaid at maturity.</p>	<p>Bonds – Series 09 D-15 RHMF-O-157A</p> <p>Issuer: Republic of Croatia EUR 350,000,000 10 years 4.25% coupon Lead manager: Erste&Steiermarkische Bank Listing: Zagreb Stock Exchange Date of Issue: 14 July 2005 Date of Maturity: 14 July 2015</p>
<p>Bonds – Series 10 D-15 RHMF-O-15CA</p> <p>Issuer: Republic of Croatia HRK 5,500,000,000 10 years 5.25% coupon Lead managers: Erste&Steiermärkische Bank, HVB Splitska banka, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 15 December 2005 Date of Maturity: 15 December 2015</p>	<p>Bonds – Series 11 D-13 RHMF-O-137A</p> <p>Issuer: Republic of Croatia HRK 4,000,000,000 7 years 4.50% coupon Lead managers: Erste&Steiermärkische Bank, HVB Splitska banka, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 11 July 2006 Date of Maturity: 11 July 2013 The bond was fully repaid at maturity.</p>
<p>Bonds – Series 12 D-17 RHMF-O-172A</p> <p>Issuer: Republic of Croatia HRK 5,500,000,000 10 years 4.75% coupon Lead managers: Erste&Steiermärkische Bank, SG Splitska banka, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 8 February 2007 Date of Maturity: 8 February 2017</p>	<p>Bonds – Series 13 D-20 RHMF-O-203A</p> <p>Issuer: Republic of Croatia HRK 5,000,000,000 10 years 6.75% coupon Lead managers: Erste&Steiermärkische Bank, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 5 March 2010 Date of Maturity: 5 March 2020</p>

Bonds – Series 14 D-20 RHMF-O-203E Issuer: Republic of Croatia EUR 1,000,000,000 10 years 6.5% coupon Lead managers: Erste&Steiermärkische Bank, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 5 March 2010 Date of Maturity: 5 March 2020	Bonds – Series 15 D-17 RHMF-O-17BA Issuer: Republic of Croatia HRK 4,000,000,000 7 years 6.25% coupon Lead managers: Erste&Steiermärkische Bank, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 25 November 2010 Date of Maturity: 25 November 2017
Bonds – Series 16 D-16 RHMF-O-167A Issuer: Republic of Croatia HRK 3,500,000,000 5 years 5,75% coupon Lead managers: Erste&Steiermärkische Bank, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 22 July 2011 Date of Maturity: 22 July 2016	Bonds – Series 17 D-22 RHMF-O-227E Issuer: Republic of Croatia EUR 1,000,000,000 11 years 6,5% coupon Lead managers: Erste&Steiermärkische Bank, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 22 July 2011 Date of Maturity: 22 July 2022
Bonds – Series 18 D-18 RHMF-O-187A Issuer: Republic of Croatia HRK 2,750,000,000 5 years 5,25% coupon Lead managers: Erste&Steiermärkische Bank, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 10 July 2013 Date of Maturity: 10 July 2018	Bond – Serie 19 D-24 RHMF-O-247E Issuer: Republic of Croatia EUR 750,000,000 11 years 5,75% coupon Lead managers: Erste&Steiermärkische Bank, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb Listing: Zagreb Stock Exchange Date of Issue: 10 July 2013 Date of Maturity: 10 July 2024

Source: Ministry of Finance

Treasury Bills

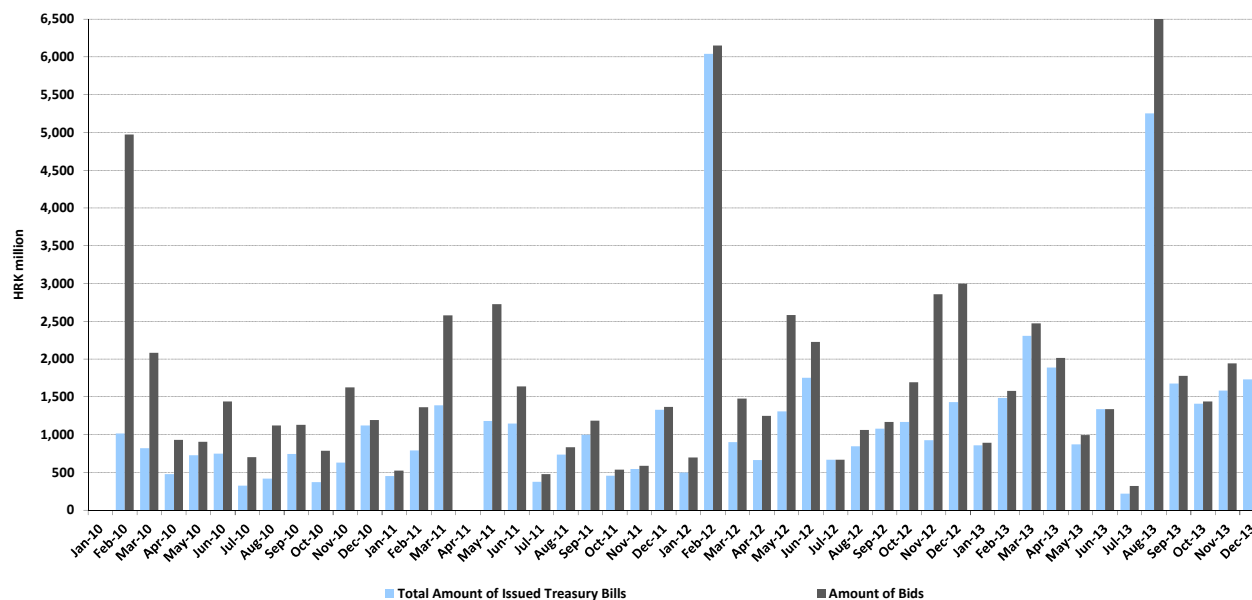
The Ministry of Finance of the Republic of Croatia carries out the treasury bills auctions in line with the Rules and conditions for treasury bills auctions, by using the Bloomberg electronic bond auction system (BAS).

During 2013, there were 29 treasury bills auctions held, with the total of 122 issuances of which 76 were HRK issuances, 45 issuances of treasury bills expressed in EUR and payable in HRK, and one issuance of Euro FX treasury bills. Regarding the HRK issuances of treasury bills, 20 were 91-days issuances, 28 were 182-days issuances, 28 were 364-days issuances. Regarding the treasury bills expressed in EUR and payable in HRK, 20 were 91-days issuances and 25 were 364-days issuances. In 2013, there was one 547-days issuance of Euro FX treasury bills.

In 2013, total of HRK 27.95 billion of treasury bills, EUR 464.8 million (payable in HRK) of treasury bills and EUR 700 million of Euro FX treasury bills were issued at treasury bills auctions. At the same time, HRK 22.76 billion and EUR 702.2 million of treasury bills and EUR 763.92 million of FX treasury bills were redeemed.

The condition of total inscribed treasury bills increased from HRK 25.9 billion, as it had amounted to at the end of 2012, to HRK 28.9 billion at the end of 2013.

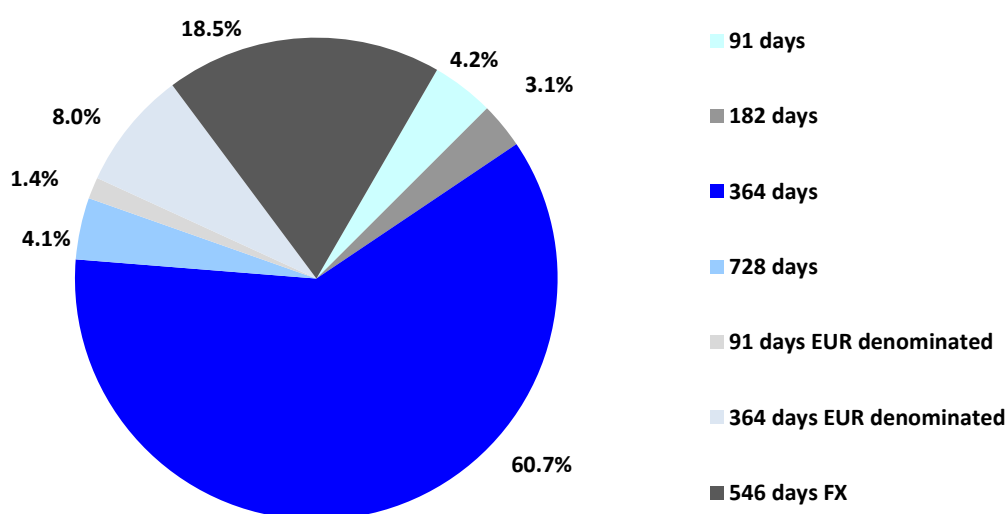
Figure 6.1 Results of Treasury Bills Auctions



Source: Ministry of Finance

At the end of 2013, out of the total amount of inscribed treasury bills of the Ministry of Finance, the largest share was held by HRK treasury bills with the maturity term of 364 days with 60.7 percent, and Euro FX treasury bills with the maturity term of 547 days with 18.5 percent. Out of total amount of inscribed treasury bills, treasury bills with the maturity term of 364 days, expressed in euro represent 18 percent and treasury bills with the maturity term of 91 days represent 4.2 percent.

Figure 6.2 Maturity Structure of Treasury Bills as of 31st December 2013

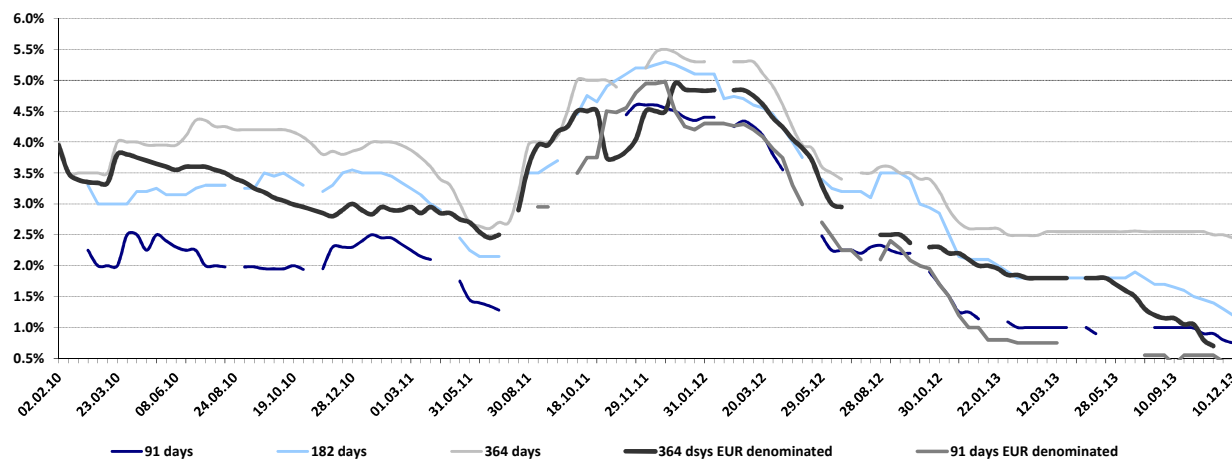


Source: Ministry of Finance

During 2013, there was a reduction in interest rates for treasury bills in relation to 2012. Interest rates for treasury bills with the maturity term of 91 days were reduced from 1.25 percent, as they had amounted to

at the end of 2012, to 0.75 percent, as they amounted to at the end of 2013. Interest rates for treasury bills with the maturity term of 182 days were reduced from 2.1 percent to 1.2 percent, while those with the maturity term of 364 days were reduced from 2.6 percent to 2.4 percent. Interest rates for treasury bills with a currency clause and with the maturity term of 91 days were reduced from 1 percent, as they had amounted to at the end of 2012, to 0.45 percent, as they amounted to at the end of 2013, while interest rates for treasury bills with a currency clause and with the maturity term of 364 days were reduced from 2.1 percent to 0.7 percent.

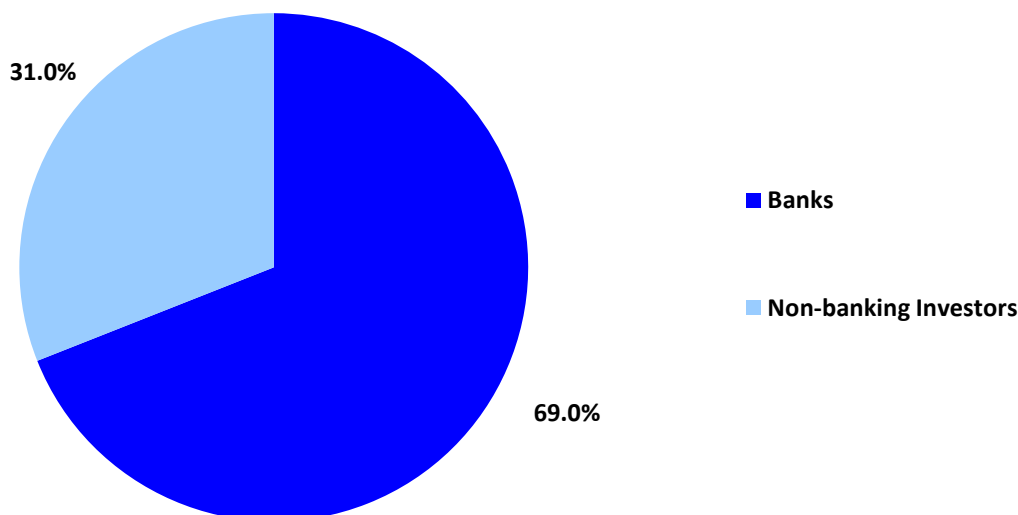
Figure 6.3 Interest Rates of Treasury Bills



Source: Ministry of Finance

During 2013, the share of the banking sector in the structure of buyers of treasury bills was decreased in relation to 2012. The share of the banking sector in total inscribed bills at the end of 2013 amounted to 69 percent, while at the end of 2012 it had amounted to 71 percent.

Figure 6.4 Structure of Treasury Bills by Investors as of 31st December 2013



Source: Ministry of Finance

6.1.3 Foreign Debt of the Republic of Croatia

International Bonds of the Republic of Croatia

At the end of 2013, the total of nine emissions of Croatian Government bonds were listed on foreign capital markets.

Table 6.7 Overview of the International Bonds Issued by the Republic of Croatia

London Club Series A: US\$ 857,796,000 3 years grace period, 11 years repayment US\$ 6 Month LIBOR+81.25 bp Listing: Luxembourg Date of Issue: 31 July 1996 Date of Maturity: 31 July 2010 The Bond was fully repaid at maturity.	London Club Series B: US\$ 604,426,000 10 years repayment US\$ 6 Month LIBOR+81.25 bp Listing: Luxembourg Date of Issue: 31 July 1996 Date of Maturity: 31 July 2006 The Bond was fully repaid at maturity.
Euro-dollar bonds: US\$ 300 million 5 years, bullet 7% coupon (80 bps over 5-year Treasuries) Lead managers: Merrill Lynch and UBS Listing: Luxembourg Date of Issue: 6 February 1997 Date of Maturity: 27 February 2002 The Bond was fully repaid at maturity.	Euro-DEM bonds: DEM 300 million 7 years, bullet 6.125% coupon (95 bps over Relevant Bund) Lead managers: Credit Suisse and Deutsche Morgan Grenfell Listing: Frankfurt Date of Issue: 1 July 1997 Date of Maturity: 16 July 2004 The Bond was fully repaid at maturity.
Matador Bonds: ESP 15 billion 3 years, bullet 6.5 % coupon (225 bps over Relevant Spanish Bonds) Lead managers: Santander Investment Listing: Madrid Date of Issue: 4 March 1998 Date of Maturity: 26 March 2001 The Bond was fully repaid at maturity.	Euro-EUR bonds / I: EUR 300 million 7 godina, bullet 7.375 % coupon (375 bps over 7-years German Bund) Lead managers: Credit Suisse and Dresdner Kleinwort Benson Listing: Luxembourg Date of Issue: 23 February 1999 Date of Maturity: 10 March 2006 The Bond was fully repaid at maturity.
Samurai bond / I: JPY 25 billion 5 years, bullet 4% coupon (310 bps over 5-year Yen LIBOR) Lead manager: Daiwa Securities SB Listing: Tokyo Date of Issue: 14 December 1999 Date of Maturity: 14 December 2004 The Bond was fully repaid at maturity.	Euro-EUR bonds / II: EUR 500 million 5 years, bullet 7 % coupon (210 bps over 5-year German Bund) Lead manager: Dresdner Kleinwort Benson Listing: Luxembourg Date of Issue: 28 March 2000 Date of Maturity: 28 March 2005 The Bond was fully repaid at maturity.
Samurai bond / II: JPY 40 billion 7 years, bullet 3% coupon (135 bps over 7-year Yen LIBOR) Lead manager: Daiwa Securities SB Listing: Tokyo Date of Issue: 11 July 2000 Date of Maturity: 11 July 2007 The Bond was fully repaid at maturity.	Samurai bond / III: JPY 25 billion 5 years, bullet 2.5% coupon (152 bps over 5-year Yen LIBOR) Lead manager: Daiwa Securities SB Listing: Tokyo Date of Issue: 6 February 2001 Date of Maturity: 23 February 2006 The Bond was fully repaid at maturity.

<p>Euro-EUR bonds / III: EUR 750 milion 10 years, bullet 6.75 % coupon (215 bps over 10-year German Bund) Lead managers: JP Morgan and Deutsche Bank Listing: Luxembourg Date of Issue: 6 March 2001 Date of Maturity: 14 March 2011 The Bond was fully repaid at maturity.</p>	<p>Euro-EUR bonds / IV: EUR 500 milion 7 years, bullet 6.25 % coupon (158 bps over 7-year German Bund) Lead managers: Deutsche Bank and CSFB Listing: Luxembourg Date of Issue: 28 January 2002 Date of Maturity: 11 February 2009 The Bond was fully repaid at maturity.</p>
<p>Samurai bond / IV: JPY 25 billion 6 years, bullet 2.15% coupon (144 bps over 6-year Yen LIBOR) Lead managers: Daiwa Securities SMBC and Nomura Securities Date of Issue: 26 June 2002 Date of Maturity: 26 June 2008 The Bond was fully repaid at maturity.</p>	<p>Euro-EUR bonds / V: EUR 500 milion 7 years, bullet 4.625 % coupon (95 bps over 7-year Euribor) Lead managers: Deutsche Bank and Citigroup Listing: Luxembourg Date of Issue: 24 February 2003 Date of Maturity: 24 February 2010 The Bond was fully repaid at maturity.</p>
<p>Samurai bond / V: JPY 25 billion 6 years, bullet 1.23% coupon (99bps over 6-year Yen LIBOR) Lead managers: Daiwa Securities SMBC and Nomura Securities Date of Issue: 26 June 2003 Date of Maturity: 26 June 2009 The Bond was fully repaid at maturity.</p>	<p>Euro-EUR bonds / VI: EUR 500 milion 10 years, bullet 5 % coupon (100 bps over 10-year Euribor) Lead managers: JP Morgan and UBS Investment Bank Listing: Luxembourg Date of Issue: 15 April 2004 Date of Maturity: 15 April 2014</p>
<p>Euro-EUR bonds / VII: EUR 750 milion 6 years, bullet 6.5 % coupon (369.2 bps over 10-year German Bund) Lead managers: BNP Paribas, Deutsche Bank and Unicredit Listing: Luxembourg Date of Issue: 5 June 2009 Date of Maturity: 5 January 2015</p>	<p>Euro-USD bonds / I: USD 1,5 billion 10 years, bullet 6.75% coupon (350 bps over 10-years US Treasury) Lead managers: Barclays Capital, Citigroup and JP Morgan Listing: Luxembourg Date of Issue: 5 November 2009 Date of Maturity: 5 November 2019</p>
<p>Euro-USD bonds / II: USD 1,25 billion (cross currency swap - 1,4165 USD za 1 euro) 10 years, bullet 6.625% coupon (381.3 bp over 10-years US Treasury) Lead managers: Barclays Capital, Citigroup and JP Morgan Listing: Luxembourg Date of Issue: 14 July 2010 Date of Maturity: 14 July 2020</p>	<p>Euro-USD bonds / III: USD 1,5 billion (cross currency swap - 1,3875 USD za 1 euro) 10 years, bullet 6,375% coupon (340 bp over 10-years US Treasury) Lead managers: Barclays Bank Plc, Deutsche Bank AG and JP Morgan Securities Ltd Listing: Luxembourg Date of Issue: 24 March 2011 Date of Maturity: 24 March 2021</p>
<p>Euro-EUR bonds / VIII: EUR 750 milion 7 years, bullet 5,875 % coupon Lead manager: Deutsche Bank A.G. London Branch, HSBC Bank Plc., Zagrebačka banka Zagreb, Erste Group Bank A.G. and Raiffeisen Bank Internacional A.G. Listing: Luxembourg Date of Issue: 8 July 2011 Date of Maturity: 9 July 2018</p>	<p>Euro-USD bonds / IV: USD 1,5 billion (cross currency swap - 1,3110 USD za 1 euro) 5 years, bullet 6,25% coupon Lead manager: Citigroup Global Markets Limited, Deutsche Bank AG London and JP Morgan Securities Ltd Listing: Luxembourg Date of Issue: 27 April 2012 Date of Maturity: 27 April 2017</p>

Euro-USD bonds / V:	Euro-USD bonds / VI:
USD 1,5 billion (cross currency swap - 1,2849 USD za 1 euro)	USD 1,75 billion (cross currency swap - 1,3490 USD za 1 euro)
10 years, bullet	10 years, bullet
5,50% coupon	6,00% coupon
Lead manager: Deutsche Bank AG London Branch, Goldman Sachs International, J.P. Morgan Securities plc i Merrill Lynch	Lead manager: Barclays Bank PLC, BNP Paribas, Deutsche Bank AG London Branch, J.P. Morgan Securities plc
Listing: Luxembourg	Listing: Luxembourg
Date of Issue: 4 April 2013	Date of Issue: 26 November 2013
Date of Maturity: 4 April 2023	Date of Maturity: 26 January 2024

Source: Ministry of Finance

In April 2013, the Republic of Croatia issued Eurobonds in the amount of USD 1.5 billion, with the maturity term of 10 years and the unchangeable annual interest rate of 5.50 percent.

As protection from inter-currency exchange rate changes, incoming payments and all outgoing payments of interests and principal of these bonds are converted into EUR according to the fixed exchange rate of USD 1.2849 for EUR 1.

For the purpose of the acquisition of funds necessary for the repayment of a part of the government debt the maturity of which is in 2014, in November, the Republic of Croatia borrowed the amount of USD 1.75 billion in the international financial market by issuing Eurobonds. The interest coupon is unchangeable and it amounts to 6.00 percent annually. The bonds maturity date is January 26, 2024.

As protection from inter-currency exchange rate changes, incoming payments and all outgoing payments of interests and principal of these bonds will be converted into EUR according to the fixed exchange rate of USD 1.3490 for EUR 1.

The successful placement of the bonds of the Republic of Croatia on the international financial market indicates that international financial market estimates the management of Croatian economy and monetary policy in globally complex conditions as positive.

Out of the total of nine international bonds, the repayment projection of which is shown in table 6.8, three are denominated in EUR, and six in USD. The total nominal value of all seven emissions of Croatian bonds on international markets at the end of 2013 amounted to EUR 8.5 billion.

Table 6.8 Projection of Repayments of International Bonds issued by the Republic of Croatia

		Amount in (EUR*)	2014 (EUR*)	2015 (EUR*)	2016 (EUR*)	2017 (EUR*)	2018 (EUR*)	2019 (EUR*)	2020 (EUR*)	2021 (EUR*)	2022 (EUR*)	2023 (EUR*)	2024 (EUR*)	
EUR 500.000.000	Principal	500,000,000	500,000,000											
5.0 % Maturity: 2014	Interest	25,000,000												
EUR 750.000.000	Principal	750,000,000	0	750,000,000										
6.5 % Maturity: 2015	Interest	48,750,000	48,750,000											
USD 1.500.000.000	Principal	1,089,799,563	0	0	0	1,089,799,563								
6.25% Maturity: 2017	Interest	68,112,473	68,112,473	68,112,473	34,056,236									
EUR 750.000.000	Principal	750,000,000	0	0	0	0	750,000,000							
5.875% Maturity: 2018	Interest	44,062,500	44,062,500	44,062,500	44,062,500	44,062,500								
USD 1.500.000.000	Principal	1,089,799,563	0	0	0	0	1,089,799,563							
6.75 % Maturity: 2019	Interest	73,561,470	73,561,470	73,561,470	73,561,470	73,561,470	73,561,470							
USD 1.250.000.000	Principal	908,166,302	0	0	0	0	0	0	908,166,302					
6.625 % Maturity: 2020	Interest	60,166,018	60,166,018	60,166,018	60,166,018	60,166,018	60,166,018	60,166,018						
USD 1.500.000.000	Principal	1,089,799,563	0	0	0	0	0	0	1,089,799,563					
6.375% Maturity: 2021	Interest	69,474,722	69,474,722	69,474,722	69,474,722	69,474,722	69,474,722	69,474,722	34,737,361					
USD 1.500.000.000	Principal	1,089,799,563	0	0	0	0	0	0	0	1,089,799,563				
5.500% Maturity: 2023	Interest	59,938,976	59,938,976	59,938,976	59,938,976	59,938,976	59,938,976	59,938,976	59,938,976	59,938,976	29,969,488			
USD 1.750.000.000	Principal	1,271,432,823	0	0	0	0	0	0	0	0	0	1,271,432,823		
6.000% Maturity: 2024	Interest	50,857,313	76,285,969	76,285,969	76,285,969	76,285,969	76,285,969	76,285,969	76,285,969	76,285,969	76,285,969	76,285,969	38,142,985	
Principal Repayment (EUR*)		500,000,000	750,000,000	0	1,089,799,563	750,000,000	1,089,799,563	908,166,302	1,089,799,563	0	1,089,799,563	1,271,432,823		
Interest Payment (EUR*)		499,923,472	500,352,128	451,602,128	417,545,892	383,489,655	339,427,155	265,865,685	170,962,306	136,224,945	106,255,457	38,142,985		
Total Servicing Costs (EUR*)		999,923,472	1,250,352,128	451,602,128	1,507,345,454	1,133,489,655	1,429,226,718	1,174,031,987	1,260,761,869	136,224,945	1,196,055,020	1,309,575,808		
Total Principal Outstanding (at year end) (EUR*)		8,038,797,375	7,288,797,375	7,288,797,375	6,198,997,813	5,448,997,813	4,359,198,250	3,451,031,948	2,361,232,385	2,361,232,385	1,271,432,823	0		

* Exchange rate: Mid exchange rate of the CNB as of 31st December 2013

Source: Ministry of Finance

6.2 INTERNATIONAL FINANCIAL RELATIONS IN 2013

The Ministry of Finance, within its scope, develops and implements the cooperation with international financial institutions (World Bank Group, European Bank for Reconstruction and Development, European Investment Bank, Council of Europe Development Bank, Inter-American Development Bank), organizations and their management and expert bodies. The cooperation with these institutions is based on the strategies and policies of the Government of the Republic of Croatia for solving structural and development problems, realization of the sustainable growth and creation, maintenance and strengthening of the international reputation of the Republic of Croatia. The Ministry of Finance carries out the financial obligations derived from the membership of the Republic of Croatia in international financial institutions and pursuant to the concluded contracts on loans and/or grants.

6.2.1 Relations with International Financial Institutions

The most significant event for the Republic of Croatia in 2013 was the accession to the European Union as a full member state. On the basis of the membership in the European Union, the representatives of the Republic of Croatia, equally with other member states, participate in the work of European institutions. Thus, the Republic of Croatia became a full member state of the European Investment Bank, having for the first time its representative as a Director in the Board of Directors.

In addition, in 2013, the Government of the Republic of Croatia, in cooperation with international financial institutions, adopted medium-term strategies of cooperation with the World Bank and the European Bank for Reconstruction and Development.

Furthermore, in cooperation with international financial institutions and the Croatian Chamber of Economy, the possibilities of participating in the tenders for works and services, released by the World Bank and Inter-American Development Bank, were presented to Croatian private companies. The same presentation is planned for 2014 in cooperation with the European Bank for Reconstruction and Development.

In 2013, the amount of EUR 417 million was disbursed from the loans of international financial institutions for financing of public projects in the Republic of Croatia. The amount of EUR 313 million was paid towards international financial institutions for the repayment of principals, interests, fees and other costs. The result of the aforementioned was a positive cash flow from international financial institutions towards the Republic of Croatia in the amount of EUR 104 million. The reason for such an achievement is the successful implementation of project activities by individual loans, which contributes to the long-term sustainable growth and development.

International Bank for Reconstruction and Development (IBRD)

The role of IBRD and its financial support to the Republic of Croatia are defined within the International Bank for Reconstruction and Development and International Finance Corporation and Multilateral Investment Guarantee Agency Country Partnership Strategy for the Republic of Croatia for the Period FY14 – FY17, adopted by the Government of the Republic of Croatia at its session held on May 29, 2013, and by the World Bank Board of Executive Directors at its session held on June 27, 2013. The extension of the previous World Bank and the Republic of Croatia Partnership Strategy for FY 2009 to FY 2012 by June 30, 2013 was accepted by the Government of the Republic of Croatia at its session held on July 5, 2012. Within the new Partnership Strategy, the World Bank will support the Republic of Croatia in the realization of the goal that the EU membership is based on stable economic position through the cooperation on the basis of three mutually connected pillars of the Strategy. Within the first pillar, the emphasis is on public finances and on giving support to fiscal consolidation with an aim of realizing the sustainable growth through the rationalization of expenditures; the second pillar is focused on the realization of the improvement in the field of competitiveness, while the third pillar refers to the increase of benefits from the membership of the Republic of Croatia in EU through strengthening of the capacity for implementing aligned policies, increase in the capacity for the withdrawal of funds from EU funds and providing assistance so that these funds are used effectively. The Strategy encompasses the IBRD indicative financing envelope in the amount of USD 800 million. This envelope would be directed towards the reduction in financing of projects by loans and on the use of new Instruments of the World Bank: (i) Programme for Results (PforR), linked to and complementing the Development Policy Loans as a support to reforms in some sectors; and (ii) Reimbursable Advisory Services (RAS) mostly in the form of analytical and advisory activities focused on current structural and institutional challenges for the Republic of Croatia.

New Loans Contracted with IBRD in 2013 and Loans in Preparation during 2013

During 2013, one new loan agreement was concluded with IBRD for the Second Science and Technology Project (IBRD Loan No. 82580-HR, in the amount of EUR 20 million), through which the capacity building for the absorption of means from EU funds and research and innovation programmes are financed. The beneficiaries of the funds of this loan are: Ministry of Science, Education and Sport, Business-Innovation Agency of the Republic of Croatia (BICRO) and "Unity through Knowledge" Fund.

In 2013, the preparation of the Second Economic Recovery Development Policy Loan continued (amount of the potential loan is EUR 150 million).

Overview of Loans, Disbursed Funds and Outstanding Debt to IBRD

In the period from 1994 to the end of 2013, IBRD granted, for financing of projects and programmes in the Republic of Croatia, the amount of EUR 1.9 billion²¹ and USD 647.03 million, through a total of 53 long-term loans (table 6.9), of which 36 were direct loans and 17 sovereign guarantee loans²². In line with the decisions of the IBRD Management and with current practice, towards the borrowers that timely settle their liabilities by contracted loans, savings of EUR 1.6 million and USD 304.1 thousand were achieved for direct loans and sovereign guarantee loans. During 2013, the accrued interest were paid semi-annually at the following floating rates, depending on the type of loan: a) for Currency Pooled Loans – CPL – from 1.30 percent to 1.49 percent; b) for Variable Spread Loans – VS: 1) contracted in EUR or converted into EUR – from 0.29 percent to 0.95 percent; 2) contracted in USD – from 0.86 percent to 1.11 percent, and c) for Fixed Spread Loans – FS, contracted in or converted into EUR – from 0.29 percent to 1.52 percent. Front-end Fees were calculated and paid at a rate of 0.25 percent of the contracted loan amount, and Commitment Charges at a rate of 0.25 percent.

²¹ This amount in EUR is a sum of the amount of loans originally contracted in EUR and the amount of loans originally contracted in DEM and then converted in EUR.

²² Loan no. 30690-HR, granted in the amount of USD 28 million, was taken over on the basis of the Act on Ratification of the Guarantee Agreement between the Republic of Croatia and IBRD and the Loan Assumption Agreement between the Republic of Croatia and IBRD, concluded on February 25, 1993 (Official Gazette-International Agreements, number 7/1994). In January 2001, the amount of approximately USD 1.98 million that had not been disbursed was called off, and the loan was closed for disbursement. The loan was paid off in 2004.

Table 6.9 Overview of IBRD Loans Concluded in the Period 1994 to 2013, with a Review of Outstanding Debt and Funds Disbursement Overview, as of 31 December 2013 and Disbursed Funds During 2013

DIRECT LOANS									
Signing Date	The Act published in Official Gazette No.:	Effective / Closing Date	Currency	Loan Amount	Disbursed	Undisbursed	Outstanding	Principal Repayment, First and Last	Disbursed in 2013
Emergency Reconstruction Project - loan no. 37600 - HR CPL									
27.06.1994	7/1994	19.08.1994 31.12.1999	000 USD	128,000.00	128,000.00	0.00	0.00	15.12.1998 15.06.2011	0.00
Health Project - loan no. 38430 - HR CPL (1)									
08.03.1995	7/1995	17.08.1995 31.12.1999	000 USD	38,925.50	38,925.50	0.00	0.00	15.06.2000 15.12.2011	0.00
Highway Sector Project - loan no. 38690 - HR CPL (2)									
27.04.1995	8/1995	26.07.1995 30.06.2001	000 USD	79,878.49	79,878.49	0.00	0.00	15.12.1999 15.06.2012	0.00
Capital Market Development Project - loan no. 39990 - HR VSL									
23.04.1996	1/1996 and 9/1996	22.07.1996 30.06.1999	000 EUR	7,260.35	7,260.35	0.00	0.00	15.10.2001 15.04.2013	0.00
Farmer Support Services Project - loan no. 39880 - HR CPL (3)									
23.04.1996	1/1996 and 9/1996	22.07.1996 31.12.2002	000 USD	14,258.75	14,258.75	0.00	0.00	01.09.2001 01.03.2013	0.00
Technical Assistance Project - loan no. 39890 - HR VSL									
23.04.1996	1/1996 and 8/1996	22.07.1996 30.04.2000	000 USD	5,000.00	5,000.00	0.00	0.00	15.10.2001 15.04.2013	0.00
Emergency Reconstruction Transport and Mine Clearing Project - loan no. 41040 - HR VSL (4)									
04.12.1996	3/1997	04.03.1997 31.12.2001	000 EUR	74,797.17	74,797.17	0.00	0.00	15.07.2002 15.01.2012	0.00
Coastal Forest Reconstruction Project - loan no. 41190 - HR CPL (5)									
31.01.1997	8/1997	31.07.1997 30.06.2003	000 USD	38,589.31	38,589.31	0.00	0.00	15.06.2002 15.12.2013	0.00
Enterprise and Financial Sector Adjustments Loan - loan no. 41590 - HR VSL EFSAL									
04.06.1997	17/1997	05.11.1997 31.12.2001	000 EUR	81,806.70	81,806.70	0.00	0.00	15.12.2002 15.06.2012	0.00
Reconstruction Project for Eastern Slavonia, Baranja and Western Srijem - loan no. 43510 - HR VSL (6)									
08.09.1998	15/1998	06.01.1999 31.12.2004	000 EUR	36,600.50	36,600.50	0.00	0.00	15.01.2004 15.07.2013	0.00
Railway Modernization and Restructuring Project - loan no. 44330 - HR VSL (7)									
20.01.1999	4/1999	09.06.1999 30.06.2005	000 EUR	85,398.55	85,398.55	0.00	4,270.00	15.09.2004 15.03.2014	0.00
Technical Assistance Project for Institutional and Legislative Changes for Private Sector Development - loan no. 44600 - HR VSL (8)									
05.05.1999	8/1999	03.08.1999 30.06.2006	000 USD	7,253.43	7,253.43	0.00	361.97	15.10.2004 15.04.2014	0.00
Health System Project - loan no. 45130 - HR VSL (9)									
07.10.1999	14/1999	28.03.2000 30.12.2005	000 USD	26,155.16	26,155.16	0.00	2,595.86	15.06.2005 15.12.2014	0.00
Trade and Transport Facilitation in Southeast Europe Project - loan no. 45820 - HR VSL (10)									
27.10.2000	5/2001	02.05.2001 31.03.2005	000 EUR	13,813.21	13,813.21	0.00	2,763.61	15.05.2006 15.11.2015	0.00
Court and Bankruptcy Administration Project - loan no. 46130 - HR VSL (11)									
03.07.2001	14/2001 and 5/2002	29.01.2002 31.01.2007	000 USD	4,636.27	4,636.27	0.00	1,143.07	15.12.2006 15.06.2016	0.00
Structural Adjustment Loan - loan no. 46410 - HR VSL SAL									
05.12.2001	2/2002 and 5/2002	08.02.2002 31.10.2003	000 USD	202,000.00	202,000.00	0.00	60,600.00	15.04.2007 15.10.2016	0.00
Pension System Investment Project - loan no. 46720 - HR VSL (12)									
17.09.2002	2/2003 and 6/2003	20.02.2003 31.12.2008	000 USD	21,221.14	21,221.14	0.00	6,895.50	15.11.2007 15.05.2017	0.00
Real Property Registration and Cadastre Project - loan no. 46740 - HR VSL (13)									
18.09.2002	2/2003 and 6/2003	20.02.2003 30.06.2010	000 EUR	25,973.29	25,973.29	0.00	10,384.74	15.05.2008 15.11.2017	0.00
Coastal Cities Pollution Control Project - loan no. 72260 - HR FSL (14)									
02.07.2004	11/2004 and 2/2005	17.12.2004 30.11.2009	000 EUR	39,047.24	39,047.24	0.00	21,630.95	15.10.2009 15.04.2019	0.00
Social and Economic Recovery Project - loan no. 72830 - HR FSL (15)									
02.05.2005	9/2005 and 11/2005	30.09.2005 31.12.2010	000 EUR	34,894.90	34,894.90	0.00	20,976.32	15.05.2010 15.11.2019	0.00
Social Welfare Development Project - loan no. 73070 - HR FSL (16)									
06.07.2005	11/2005	30.01.2006 31.03.2011	000 EUR	30,887.85	30,887.85	0.00	20,069.00	15.11.2010 15.05.2020	0.00

REPUBLIC OF CROATIA
MINISTRY OF FINANCE
ANNUAL REPORT FOR 2013

Signing Date	The Act published in Official Gazette No.:	Effective / Closing Date	Currency	Loan Amount	Disbursed	Undisbursed	Outstanding	Principal Repayment, First and Last	Disbursed in 2013
Science and Technology Project - loan no. 73200 - HR FSL (17)									
16.09.2005	12/2005 and 5/2006	11.05.2006 31.05.2011	000 EUR	29,750.47	29,750.47	0.00	19,780.55	15.11.2010 15.05.2020	0.00
Programmatic Adjustment Loan (PAL) - loan no. 73300 - HR FSL PAL									
20.09.2005	12/2005 and 3/2006	19.12.2005 30.06.2006	000 EUR	150,000.00	150,000.00	0.00	150,000.00	15.09.2015	0.00
Education Sector Development Project - loan no. 73320 - HR FSL (18)									
17.10.2005	12/2005 and 1/2007	15.03.2006 30.09.2011	000 EUR	66,282.45	66,282.45	0.00	44,327.10	15.11.2010 15.05.2020	0.00
Agricultural Acquis Cohesion Project - loan no. 73600 - HR FSL (19)									
08.05.2006	10/2006 and 1/2007	21.11.2006 31.07.2012	000 EUR	25,016.16	25,016.16	0.00	18,311.73	15.04.2011 15.10.2020	-188.36
Second Programmatic Adjustment Loan - loan no. 74500 - HR FSL PAL 2 (20)									
11.06.2007	7/2007 and 3/2008	28.04.2008 31.10.2008	000 EUR	100,000.00	100,000.00	0.00	85,000.00	15.10.2012 15.04.2022	0.00
Inland Waters Project - loan no. 74530 - HR FSL (21)									
12.06.2007	8/2007	29.01.2008 31.12.2012	000 EUR	92,035.32	92,035.32	0.00	77,601.77	15.04.2012 15.10.2022	6,635.66
Revenue Administration Modernization Project - loan no. 74710 - HR FSL (22)									
03.07.2007	8/2007	21.12.2007 30.06.2015	000 EUR	23,500.00	12,113.96	11,386.04	10,881.24	01.11.2012 01.05.2022	4,916.03
Development of Emergency Medical Services and Investment Planning Project - loan no. 75980 - HR IFL FS									
21.10.2008	12/2008	15.01.2009 30.12.2013	000 EUR	18,100.00	15,660.62	2,439.38	15,427.81	15.10.2013 15.04.2038	5,725.81
Coastal Cities Pollution Control Project 2 - loan no. 76400 - HR IFL FS									
06.02.2009	4/2009	04.06.2009 30.09.2014	000 EUR	60,000.00	31,168.48	28,831.52	31,168.48	15.04.2014 15.10.2023	12,888.68
Fiscal, Social and Financial Sector Development Policy Loan - loan no. 78460 - HR IFL FS DPL									
13.01.2010	1/2010	17.02.2010 30.04.2010	000 EUR	200,000.00	200,000.00	0.00	200,000.00	15.05.2025	0.00
Justice Sector Support Project - loan no. 78880 - HR IFL FS (23)									
13.04.2010	4/2010	12.07.2010 30.06.2015	000 EUR	17,000.00	8,312.84	8,687.16	8,312.84	15.10.2027	2,033.22
European Union Natura 2000 Integration Project - loan no. 80210 - HR IFL FS (24)									
22.02.2011	7/2011	19.05.2011 30.04.2016	000 EUR	20,800.00	7,208.39	13,591.61	7,208.39	15.05.2016 15.11.2030	1,902.44
Economic Recovery Development Policy Loan - loan no. 80630 - HR IFL FS ERDPL									
10.05.2011	8/2011	14.06.2011 31.12.2011	000 EUR	150,000.00	150,000.00	0.00	150,000.00	15.04.2026	0.00
Integrated Land Administration System Project - loan no. 80860 - HR IFL FS (25)									
17.08.2011	13/2011	15.11.2011 31.10.2015	000 EUR	16,500.00	4,191.34	12,308.66	4,191.34	15.11.2015 15.05.2031	1,766.43
Second Science and Technology Project - loan no. 82580 - HR IFL FS (26)									
22.05.2013.	7/2013	31.07.2013. 30.06.2017.	000 EUR	20,000.00	3,321.44	16,678.56	3,321.44	15.05.2017 15.11.2022	3,321.44
TOTAL DIRECT LOANS			000 USD	565,918.05	565,918.05	0.00	71,596.40		0.00
				100.00%	100.00%	0.00%			
			000 EUR	1,419,464.16	1,325,541.23	93,922.93	905,627.31	39,001.35	
				100.00%	93.38%	6.62%			

SOVEREIGN GUARANTEE LOANS									
Signing Date	The Act published in Official Gazette No.:	Effective / Closing Date	Currency	Loan Amount	Disbursed	Undisbursed	Outstanding	Principal Repayment, First and Last	Disbursed in 2013
Istria Water Supply and Sewerage Project - loan no. 30690 - HR CPL (27)									
01.02.1990 (undertaken 25.02.1993)	7/1994	31.05.1990 30.06.2000	000 USD	26,016.29	26,016.29	0.00	0.00	15.10.1994 15.04.2004	0.00
Investment Recovery Project (4 loans) - loans no. 42460 - HR VSL (Varaždinska banka - Zagrebačka banka d.d.), 42470 - HR VSL (Dalmatinska banka d.d. - OTP banka), 42480 - HR VSL (Slavonska banka d.d. - Hypo Alpe-Adria Bank d.d.) and 42490 - HR VSL (Alpe Jadran banka d.d. - bankrupt) (28)									
04.12.1997	3/1998	17.03.1998 31.12.2002	000 EUR	21,589.50	21,589.50	0.00	0.00	15.03.2003 15.09.2012	0.00
Municipal Environmental Infrastructure Project - loan no. 43520 - HR VSL (Croatian Bank for Reconstruction and Development)									
25.09.1998	2/1999	28.06.1999 31.12.2007	000 EUR	33,233.97	33,233.97	0.00	0.00	15.11.2003 15.05.2013	0.00
Rijeka Gateway Project - loan no. 47140 - HR VSL (Croatian Motorways) (29)									
12.07.2003	16/2003 and 18/2003	10.10.2003 31.12.2010	000 EUR	8,061.29	8,061.29	0.00	3,562.14	15.12.2008 15.06.2018	0.00
Rijeka Gateway Project - loan no. 47150 - HR VSL (Port of Rijeka Authority) (30)									
12.07.2003	16/2003 and 18/2003	10.10.2003 31.08.2011	000 USD	55,100.00	55,100.00	0.00	24,795.00	15.12.2008 15.06.2018	0.00
Rijeka Gateway Project - loan no. 47160 - HR VSL (Croatian Roads)									
12.07.2003	16/2003 and 18/2003	10.10.2003 30.09.2009	000 EUR	76,200.00	76,200.00	0.00	34,290.00	15.12.2008 15.06.2018	0.00
Energy Efficiency Project - loan no. 71980 - HR FSL (HEP d.d.) - prepaid									
10.11.2003	3/2004	08.04.2004 30.06.2010	000 EUR	4,400.00	4,400.00	0.00	0.00	15.04.2009 15.10.2019	0.00
District Heating Project - loan no. 48280 - HR VSL (HEP - Toplinarstvo d.o.o.) - prepaid									
11.09.2006	1/2007	09.03.2007 30.06.2010	000 EUR	24,000.00	24,000.00	0.00	0.00	15.03.2012 15.09.2021	0.00
Trade and Transport Integration Project - loan no. 74100 - HR FSL (Port of Ploče Authority) (31)									
20.11.2006	3/2007 and 1/2008	20.03.2007 30.06.2014	000 EUR	58,800.00	39,655.10	19,144.90	32,070.58	01.04.2012 01.10.2021	246.05
Additional Loan for the Rijeka Gateway Project - loan no. 47151 - HR VSL (Port of Rijeka Authority) (32)									
11.06.2007	9/2007 and 1/2008	21.11.2007 30.09.2012	000 EUR	19,045.29	19,045.29	0.00	13,396.04	15.10.2011 15.04.2020	0.00
Rijeka Gateway II Project - loan no. 76380 - HR IFL VS (Port of Rijeka Authority)									
17.04.2009	6/2009 and 8/2009	14.07.2009 15.12.2014	000 EUR	84,000.00	11,577.14	72,422.86	11,577.14	15.03.2019 15.09.2031	9,358.25
Export Finance Intermediation Loan Project - loan no. 77740 - HR IFL FS (Croatian Bank for Reconstruction and Development) (33)									
02.09.2009	11/2009	25.11.2009 31.08.2013	000 EUR	99,881.56	99,881.56	0.00	99,881.56	15.10.2016 15.10.2037	5,002.80
Additional Financing for Trade and Transport Integration Project - loan no. 80770 - HR IFL VS (Port of Ploče Authority)									
14.09.2011	15/2011	08.12.2011 30.06.2014	000 EUR	50,000.00	24,553.58	25,446.42	24,553.58	15.11.2023 15.05.2034	19,000.00
Additional Financing for the Export Finance Intermediation Loan Project - loan no. 81930 - HR IFL FS (Croatian Bank for Reconstruction and Development)									
29.10.2012	1/2013	24.01.2013. 31.08.2015.	000 EUR	50,000.00	10,000.00	40,000.00	10,000.00	15.10.2019 15.10.2040	10,000.00
TOTAL SOVEREIGN GUARANTEE LOANS			000 USD	81,116.29	81,116.29	0.00	24,795.00		0.00
			100.00%	100.00%	0.00%				
			000 EUR	529,211.61	372,197.43	157,014.18	229,331.04		43,607.10
			100.00%	70.33%	29.67%				
TOTAL DIRECT + SOVEREIGN GUARANTEE LOANS			000 USD	647,034.34	647,034.34	0.00	96,391.40		0.00
			100.00%	100.00%	0.00%				
			000 EUR	1,948,675.77	1,697,738.66	250,937.11	1,134,958.35		82,608.45
			100.00%	87.12%	12.88%				

Source: Ministry of Finance

Notes:

Loans no. 39990, 41040, 41590, 43510, 42460, 42470, 42480, 42490 and 43520 are contracted in DEM and on 30 November 2001 they were converted into Eur.

- 1 - a loan of USD 40 million contracted ; cancelled: USD 1.1 million
- 2 - a loan of USD 80 million contracted; cancelled: USD 121.5 thousand
- 3 - a loan of USD 17 million contracted; cancelled: USD 2.7 million
- 4 - cancelled: EUR 2.4 million
- 5 - a loan of USD 42 million contracted; cancelled: USD 3.4 million
- 6 - cancelled: EUR 1.2 million
- 7 - a loan of EUR 85.4 million contracted; cancelled: EUR 1.5 thousand

- 8 - a loan of USD 7.3 million contracted; cancelled: USD 46.6 thousand
- 9 - a loan of USD 29 million contracted; cancelled: USD 2.8 million
- 10 - a loan of EUR 14.8 million contracted; cancelled: EUR 986.8 thousand
- 11 - a loan of EUR 5 million contracted; cancelled: EUR 363.7 thousand
- 12 - Pension System Investment Project was prepared from pre-loan in the amount of USD 1.8 million, which was closed, yet only USD 657.2 thousand was disbursed. That amount is included within the disbursed funds of the loan no. 46720 - HR. A loan of USD 27.3 million contracted; cancelled: USD 6.1 million
- 13 - a loan of EUR 26 million contracted; cancelled: EUR 26.7 thousand
- 14 - a loan of EUR 40 million contracted; cancelled: EUR 820.9 thousand; return of funds: 131.9 thousand
- 15 - a loan of EUR 35 million contracted; cancelled: EUR 105.1 thousand
- 16 - a loan of EUR 31 million contracted; cancelled: EUR 112.2 thousand
- 17 - a loan of EUR 31 million contracted; cancelled: EUR 1.2 million
- 18 - a loan of EUR 67.8 million contracted; cancelled: EUR 1.5 million
- 19 - Agricultural Acquis Cohesion Project was prepared from the pre-loan in the amount of USD 1.9 million; however, only USD 788.74 thousand was disbursed. That amount is included within the funds withdrawn from the loan no. 73600-HR
- 20 - a loan of EUR 150 million contracted; cancelled: EUR 50 million
- 21 - a loan of EUR 50 million contracted; cancelled: EUR 25 million
- 22 - Justice Sector Support Project was prepared from the pre-loan in the amount of USD 653 thousand; however, only USD 432 thousand was disbursed. That amount is included within the funds withdrawn from the loan no. 78880-HR
- 23 - European Union Natura 2000 Integration Project was prepared from the pre-loan in the amount of USD 500 thousand, however, only USD 491,1 thousand was disbursed. That amount is included within the funds withdrawn from the loan no. 80210-HR
- 24 - Integrated Land Administration System Project was prepared from the pre-loan in the amount of USD 1.5 million; however, only USD 1.2 million was disbursed. That amount is included within the funds withdrawn from the loan no. 80860-HR
- 25 - loan undertaken on February 25, 1993, contracted in the amount of USD 28 million; cancelled: USD 1.9 million
- 26 - For the implementation of the Project, four loans were contracted (users are the banks cited in the table)
- 27 - a loan of EUR 15.7 million contracted; cancelled: EUR 7.6 million
- 28 - Rijeka Getaway Project was prepared from pre-loan in the amount of USD 1.5 million, however, only USD 684.3 thousand was disbursed. That amount is included within the disbursed funds of the Loan no. 47150 - HR
- 29 - Trade and Transport Integration Project was prepared from pre-loan in the amount of USD 1.8 million, however, only USD 534.3 thousand was disbursed. That amount is included within the disbursed funds of the Loan no. 74100 - HR
- 30 - a loan of EUR 35.3 million contracted; cancelled: EUR 15 million

Participation of the Republic of Croatia in the General Capital Increase of IBRD

Pursuant to the Decision of the Government of the Republic of Croatia of March 17, 2011²³, the Republic of Croatia participated in the general IBRD capital increase in 2011. In that context, in 2013 the payment of annual instalment of the capital for the benefit of IBRD was also executed.

²³ Official Gazette, number 34/2011

European Bank for Reconstruction and Development (EBRD²⁴)

The value of the granted loans/investments of the EBRD in the Republic of Croatia from 1994 until the end of 2013 amounted to more than EUR 3 billion for 144 projects the total value of which reached EUR 8 billion. The Bank also provided approximately EUR 30.8 million of technical assistance for various projects.

In the structure of funding per sectors, the dominant ones are infrastructure (33 percent), financial institutions (33 percent), entrepreneurship (25 percent), and energy (9 percent). Out of the total number of concluded projects, the dominant ones are those in the private sector (68 percent). Within the Strategy for Croatia for the period 2013-2016, EBRD identifies the following priorities: 1. Mitigating the impact of the crisis and restoring sustainable growth (financing of working capital, long-term capital and investment in the restructuring of companies); 2. Leveraging the benefits of EU accession to advance transition (enhancing competitiveness and use of EU funds); and 3. Restructuring and commercialising public sector enterprises (improvement of financial condition and support for the reform of public companies in the infrastructure sector).

EBRD Investments in the Republic of Croatia in 2013

During 2013, EBRD concluded eight contracts with the total of EUR 213.6 million for financing of projects worth EUR 417.2 million, of which EUR 160.6 million was approved for six projects in the private sector, worth EUR 356.3 million, while EUR 53 million is intended for two projects in the public sector, worth EUR 60.9 million. In addition, during 2013, EBRD also approved EUR 10 million for financing of one project in the public sector, worth EUR 10.3 million. The conclusion of the loan contract is expected during 2014.

Overview of Loans, Disbursement of Funds and State of Debt towards EBRD

In the period between 1994 and the end of 2013, EBRD granted a total of 23 loans for financing of public projects in the Republic of Croatia (in the total amount of USD 66.2 million and EUR 671.5 million), 3 of which are direct loans and 20 sovereign guarantee loans (table 6.10.). Interests for loans contracted or converted in EUR were paid semi-annually with rates ranging from 1.11 percent to 3.26 percent, and interests for loans obtained in USD were paid in semi-annual rates ranging from 1.42 percent to 1.53 percent. Front-end fees were calculated and charged at a contract rate of 1 percent of the contracted loan amount, and commitment charges were calculated and charged at a rate of 0.5 percent annually.

²⁴ The Republic of Croatia has been a full-right member of the European Bank for Reconstruction and Development (EBRD) since April 15, 1993, and it owns 0.37 percent of shares in its capital and it has 0.37 percent voting power. In the EBRD Board of Directors, the Republic of Croatia, together with four other states, is represented by the Director from Hungary.

Table 6.10 Overview of EBRD Loans Concluded in the Period 1994 to 2013 with a Review of Outstanding Debt and Funds Disbursement Overview, as of 31 December 2013 and Disbursed Funds During 2013

DIRECT LOANS									
Signing date	The Act published in Official Gazette No.:	Closing date	Currency	Loan amount in 000 USD/000 EUR	Disbursed in 000 USD/000 EUR	Undisbursed in 000 USD/000 EUR	Outstanding in 000 USD/000 EUR	Principal maturity date: first and last	Disbursed in 2013, in 000 USD/000 EUR
Air Navigation System Project - Loan No. 231 (1)									
21.09.1994	13/1994	31.12.2001	USD	19,735.52	19,735.52	0.00	0.00	21.09.1996 21.03.2004	0.00
Croatian Highway Reconstruction Project (HC) - Loan No. 286 (2)									
17.01.1995	6/1995	28.02.1999	EUR	36,195.88	36,195.88	0.00	0.00	10.04.1998 10.10.2009	0.00
Croatia Wholesale Markets Project - Loan No. 627 (3)									
08.12.1997	7/1998	24.03.2002	EUR	3,203.56	3,203.56	0.00	0.00	24.05.2002 24.11.2011	0.00
TOTAL DIRECT LOANS				USD	19,735.52	19,735.52	0.00	0.00	0.00
				EUR	39,399.44	39,399.44	0.00	0.00	0.00

SOVEREIGN GUARANTEE LOANS									
Signing date	The Act published in Official Gazette No.:	Closing date	Currency	Loan amount in 000 USD/000 EUR	Disbursed in 000 USD/000 EUR	Undisbursed in 000 USD/000 EUR	Outstanding in 000 USD/000 EUR	Principal maturity date: first and last	Disbursed in 2013, in 000 USD/000 EUR
Croatia Electricity Network Reconstruction Project (HEP) - Loan No. 283									
02.02.1995	6/1995	30.06.2000	EUR	32,211.39	32,211.39	0.00	0.00	10.03.1998 10.03.2005	0.00
Croatian Tourism Credit Line (Croatian Bank for Reconstruction and Development) - Loan No. 443									
26.06.1996	1/1996 and 10/1996	01.05.1998	EUR	25,564.59	25,564.59	0.00	0.00	23.12.1998 23.12.2002	0.00
Municipal Environmental Infrastructure Investment Programme (Croatian Bank for Reconstruction and Development) - Loan No. 494 (4)									
09.12.1996	4/1997	31.01.2004	EUR	31,575.22	31,575.22	0.00	0.00	10.04.2001 10.10.2011	0.00
Croatian Railways Locomotive Rehabilitation Project (CR - Infrastructure) - Loan No. 733									
08.12.1998	4/1999	05.02.2004	USD	35,000.00	35,000.00	0.00	0.00	20.05.2002 20.11.2013	0.00
The Small and Medium Entrepreneurship Project (Croatian Bank for Reconstruction and Development) - Loan No. 923 - prepaid (5)									
20.03.2001	9/2001 and 5/2002	19.09.2004	EUR	4,685.36	4,685.36	0.00	0.00	Principal prepayment as of 05.08.2005	0.00
Zagreb-Rijeka Motorway Project (Rijeka - Zagreb Motorway) - Loan No. 975 (6)									
22.10.2001	8/2002	08.01.2008	EUR	60,000.00	60,000.00	0.00	24,000.00	12.05.2005 12.11.2019	0.00
EBRD-Refund Guarantee Facility (Uljanik Shipyard-construction of the tanker No. 450) - Loan No. 18149									
26.02.2002	7/2002 and 11/2002	4 guarantees issued until 07.12.2004	USD	11,490.00	11,490.00	0.00	0.00	guarantees returned on 03.03.2005	0.00
Zagreb Area Control Centre Project - Loan No. 25800 (7)									
05.09.2002	14/2002	31.12.2006	EUR	24,944.05	24,944.05	0.00	0.00	20.11.2005 20.05.2013	0.00
Croatia-Motorway Rehabilitation Project (Corridor X: Zabok-Zagreb-Brodski Stupnik) (Croatian Motorways) - Loan No. 27171 (8)									
13.12.2002	10/2003	01.09.2006	EUR	45,254.45	45,254.45	0.00	15,066.77	20.05.2006 20.11.2017	0.00
Croatia Corridor X Motorway Completion Project (Županja-Lipovac) (Croatian Motorways) - Loan No. 31848 (9)									
12.11.2003	6/2004	09.12.2007	EUR	44,983.88	44,983.88	0.00	24,037.73	20.05.2007 20.11.2021	0.00
Port of Dubrovnik Infrastructure Modernization Project (Port of Dubrovnik Authority) - Loan No. 13451 (10)									
01.02.2005	7 and 11/2005 and 9/2010	31.12.2012	EUR	32,724.08	32,724.08	0.00	16,773.78	10.04.2008 10.10.2017	0.00
Motorway Rijeka-Zagreb Phase IIB (Kikovica-Susica) (Rijeka - Zagreb Motorway) - Loan No. 35790									
26.07.2006	11/2006	01.10.2010	EUR	50,000.00	50,000.00	0.00	41,666.67	17.12.2010 17.06.2031	0.00
Rijeka Bypass Project (Croatian Roads) - Loan No. 31849 (11)									
12.12.2006	4/2007 and 1/2008	31.12.2012	EUR	33,347.05	33,347.05	0.00	28,163.55	23.09.2010 23.09.2031	0.00
Port of Ploče Bulk Terminal/Trade and Transport Integration Project (Port of Ploče Authority) - Loan No. 36127 - prepaid (12)									
09.11.2007	2/2008	31.07.2012	EUR	338.19	338.19	0.00	0.00	20.03.2012 20.09.2022	0.00
Plinacro Gas Storage Project (Plinacro d.o.o.) - Loan No. 40223									
13.05.2009	6/2009	30.04.2010	EUR	70,000.00	70,000.00	0.00	14,000.00	15.05.2010 15.11.2014	0.00
Port of Šibenik Infrastructure Modernization Project (Port of Šibenik Authority) - Loan No. 39749 (13)									
15.05.2010	8/2010 and 10/2010	15.05.2014	EUR	10,000.00	4,683.78	5,316.22	4,683.78	20.05.2014 20.05.2025	2,871.34
Corridor Vc completion Project (Croatian Motorways) - Loan No. 41325									
24.11.2010	4/2011	31.12.2016.	EUR	60,630.00	33,569.40	27,060.60	33,569.40	15.03.2014 15.03.2026	17,466.37
Modernising Air Navigation System in the Republic of Croatia (Croatia Control) - Loan No. 42754									
29.09.2011	15/2011	31.12.2015.	EUR	47,000.00	40,363.08	6,636.92	40,363.08	20.05.2015 20.03.2025	9,534.20
Financing of Port of Split infrastructure rehabilitation Project (Port of Split Authority) - Loan No. 42542									
17.12.2012	3/2013	29.03.2015	EUR	18,800.00	188.00	18,612.00	188.00	10.03.2017 10.03.2028	188.00
HŽ Infrastructure Modernisation Project (HŽ Infrastruktura) - Loan No. 44467									
16.12.2013	in procedure	30.06.2016	EUR	40,000.00	0.00	40,000.00	0.00	15.11.2016 15.05.2028	0.00
TOTAL SOVEREIGN GUARANTEE LOANS				USD	46,490.00	46,490.00	0.00	0.00	0.00
				EUR	632,058.26	534,432.52	97,625.74	242,512.76	30,059.91
TOTAL				USD	66,225.52	66,225.52	0.00	0.00	0.00
DIRECT + SOVEREIGN GUARANTEE LOANS				EUR	671,457.70	573,831.96	97,625.74	242,512.76	30,059.91

Source: Ministry of Finance

Notes:

1 - loan contracted in the amount of USD 22 million; cancelled: USD 2.3 million

2 - loan contracted in the amount of DEM 70.9 million; cancelled: DEM 107 thousand. Loan converted into EUR

3 - loan contracted in the amount of DEM 33.5 million; cancelled: total DEM 27.2 million and EUR 11.4 thousand. Loan converted into EUR

4 - loan contracted in the amount of DEM 105 million; cancelled: total DEM 24.6 million and EUR 9.6 million. Loan converted into EUR

5 - loan contracted in the amount of EUR 12 million; cancelled: EUR 7.3 million

6 - loan contracted in the amount of EUR 90 million; EBRD reduced the loan for the amount of EUR 30 million

7 - loan contracted in the amount of EUR 25 million; cancelled: EUR 55.9 thousand

8 - loan contracted in the amount of EUR 46.5 million; cancelled: EUR 1.2 million

9 - loan contracted in the amount of EUR 45 million; cancelled: EUR 16.1 thousand

10 - loan contracted in the amount of EUR 34.5 million; cancelled: EUR 1.8 million

11 - loan contracted in the amount of EUR 40 million; cancelled: EUR 6.7 million

12 - loan contracted in the amount of EUR 11.2 million; cancelled: EUR 10.9 million

Council of Europe Development Bank (CEB²⁵)

In 2013, the CEB approved EUR 90 million for financing of projects in the Republic of Croatia. This refers to the loan to the Croatian Bank for Reconstruction and Development²⁶ (no. FP 1804 (2013)), designated for financing of investment projects of micro, small and medium-sized enterprises and sub-projects of utility infrastructure for improving the living standards in town and rural areas, carried out by local and regional self-governments and/or other public sector entities throughout Croatia. The withdrawal of funds of this loan is expected upon the finalization of the earlier project with an identical purpose, contracted between the Croatian Bank for Reconstruction and Development and CEB in 2012. The cooperation of the Republic of Croatia with the CEB was also taking place in the area of the implementation of earlier granted loans/projects for health, culture and water management sectors as well as for building utility and social infrastructure on Croatian islands, while the preparation of the project for prison system continued. CEB is also ready, in line with the CEB mandate, to participate in co-financing of projects to be financed in the Republic of Croatia by EU funds within the framework of Operational Programmes.

Overview of Loans, Disbursement of Funds and State of Debt towards the CEB

In the period from 1998 until the end of 2013, the Republic of Croatia directly contracted 14 framework loans with the CEB for co-financing of projects, and it provided guarantees for 5 CEB framework loans to the Croatian Bank for Reconstruction and Development (table 6.11.). All direct framework loans and sovereign guarantee loans were being disbursed on the basis of supplemental disbursement agreements, in instalments, each of which was considered a separate loan. The instalments of direct loans were contracted in EUR and USD, at a fixed interest rate and with the repayment period ranging from 5 to 15 years, with a maximum 5-year grace period. Since the instalments contracted in USD had been repaid earlier, during 2013, only the repayment of instalments contracted in EUR was carried out at the rates ranging from 2.65

²⁵ The Republic of Croatia became a full member of Council of Europe Development Bank (CEB) on June 24, 1997, and it owns 0.391 percent of its shares and has 0.391 of voting power. The Republic of Croatia is represented by one representative in the Governing Board of the CEB and one representative in its Administrative Council.

²⁶ According to the Act on the Croatian Bank for Reconstruction and Development (Official Gazette, number 138/2006), the Republic of Croatia "guarantees for the liabilities of the Croatian Bank for Reconstruction and Development unconditionally, irrevocably and on first demand, and without issuing any special guarantee document".

percent to 4.86 percent. In 2013, the disbursement of funds was executed for the benefit of the "Research, Reconstruction and Revitalization of the Cultural Heritage of Ilok – Vukovar - Vučedol" Project (EUR 2.3 million were disbursed at the fixed interest rate of 2.84 percent), the "Financing of Health Facilities throughout the Republic of Croatia" Project (EUR 14 million were disbursed at the fixed interest rate of 2.84 percent) and the "Municipal Water Financing Facility" Project (EUR 10.5 million were disbursed at the fixed interest rate of 3.17 percent).

The instalments of CEB framework loans to the Croatian Bank for Reconstruction and Development were contracted in EUR, with the repayment period ranging from 8 to 15 years, including the grace period of 2 to 5 years for the repayment of the principal. Some instalments are paid off at the floating interest rate based on EURIBOR increased by fixed margin ranging from 0.24 percent to 0.29 percent, while other instalments were contracted at fixed interest rates ranging from 1.99 percent to 4.37 percent. In 2013, the funds of the loans approved for the Croatian Bank for Reconstruction and Development were disbursed for the benefit of Partial financing of investment projects undertaken by micro, small and medium-sized enterprises (SMEs) and local and regional authorities and/or other public sector entities throughout Croatia (for SMEs, the instalment of EUR 19.1 million was disbursed at the fixed interest rate of only 1.99 percent, while for other end beneficiaries of this loan EUR 5.9 million were also disbursed at the fixed interest rate of 2.47 percent).

Table 6.11 Overview of CEB Loans Concluded in the Period 1998 to 2013 with a Review of Outstanding Debt and Funds Disbursement Overview, as of 31 December 2013 and Disbursed Funds During 2013

DIRECT LOANS							
Signing date	The Act published in Official Gazette No.:	Framework Loan amount in 000 HRK	Disbursed in 000 HRK	Undisbursed in 000 HRK	Outstanding in currency (000 EUR)	Outstanding in currency (000 USD)	Disbursed in 2013, in 000 HRK
Reconstruction of Health Facilities in Eastern Slavonia - Loan No. F/P 1278 (1998)							
16.07.1998	13/1998 and 15/1998	172,744.13	172,744.13	0.00	0.00	0.00	0.00
Rehabilitation of School Facilities in Eastern Slavonia - Loan No. F/P 1279 (1998) (1)							
16.07.1998	13/1998 and 15/1998	66,380.80	66,380.80	0.00	0.00	0.00	0.00
Reconstruction / Repair of 41 School Facilities in Croatia - Loan No. F/P 1352 (1999) (2)							
19.01.2001 26.01.2001	7/2001	96,935.64	96,935.64	0.00	498.80	0.00	0.00
Reconstruction and Housing Project for the Return of Displaced Persons and Refugees in the Republic of Croatia - Loan No. F/P 1378 (2000)							
02.02.2001 07.02.2001	7/2001	232,000.00	232,000.00	0.00	0.00	0.00	0.00
Cultural Heritage Restoration Project of the Franciscan Monastery "Male braće" in Dubrovnik - Loan No. F/P 1379 (2000) (3)							
19.06.2001	14/2001 and 2/2002	10,324.79	10,324.79	0.00	169.94	0.00	0.00
Project for the Renovation and Modernization of the "Andrija Štampar" School of Public Health in Zg and of the International Centre for Health Service Management "Andrija Štampar" in Du - Loan No. F/P 1419 (2001)							
29.03.2002	10/2002 and 12/2002	21,395.00	21,395.00	0.00	489.90	0.00	0.00
Investments in Health Facilities throughout Croatia - Loan No. F/P 1351 (1999) (4)							
23.10.2001 30.10.2001	9/2002 and 12/2002	186,054.94	186,054.94	0.00	9,460.00	0.00	0.00
Sustainable Return of Displaced Persons and Refugees - Loan No. F/P 1435 (2002) (5)							
03.01.2004 30.01.2004	6/2004	292,304.13	292,304.13	0.00	12,411.40	0.00	0.00
Construction and Reconstruction of School Facilities in the Republic of Croatia - Loan No. F/P 1456 (2003) ADD 1 (6)							
15.12.2004	5/2005 and 8/2005	399,786.37	399,786.37	0.00	32,786.00	0.00	0.00
Construction of Municipal and Social Infrastructure Facilities on Croatian Islands - Loan No. F/P 1498 (2004)							
15.12.2004	5/2005, 8/2005, 5/2010 and	193,364.37	173,485.64	19,878.73	20,170.30	0.00	0.00
Project "Research, Reconstruction and Revitalization of Cultural Heritage Ilok-Vukovar-Vučedol" - Loan No. F/P 1511 (2005)							
23.05.2005	8/2005, 9/2005, 3/2010 and	169,716.26	169,716.26	0.00	21,638.00	0.00	17,859.90
Financing of Health Facilities throughout the Republic of Croatia - Loan No. F/P 1576 (2006) W (7)							
01.06.2007	9/2007 and 1/2008	327,044.99	327,044.99	0.00	44,137.81	0.00	107,326.06
TOTAL DIRECT LOANS		2,168,051.42	2,148,172.69	19,878.73	141,762.15	0.00	125,185.96
		100.00%	99.08%	0.92%			
DIRECT LOANS SIGNED IN EUR							
Signing date	The Act published in Official Gazette No.:	Framework Loan amount in 000 EUR	Disbursed in 000 EUR	Undisbursed in 000 EUR	Outstanding in currency 000 EUR	Disbursed in 2013, in 000 EUR	
Extension and rehabilitation of the Zagreb Prison - Loan No. F/P 1725 (2010) (8)							
26.10.2011 04.11.2011	8/2012 and 1/2013	6,480.00	0.00	6,480.00	0.00	0.00	
Municipal Water Financing Facility - Loan No. F/P 1751 (2011) (9)							
27.06.2012 29.06.2012	7/2012 and 8/2012	75,000.00	10,500.00	64,500.00	10,500.00	10,500.00	
TOTAL DIRECT LOANS SIGNED IN EUR		81,480.00	10,500.00	70,980.00	10,500.00	10,500.00	
		100.00%	12.89%	87.11%			

SOVEREIGN GUARANTEE LOANS						
Signing date	The Act published in Official Gazette No.:	Framework Loan amount in 000 EUR	Disbursed in 000 EUR	Undisbursed in 000 EUR	Outstanding in currency 000 EUR	Disbursed in 2013, in 000 EUR
Small and Medium-sized Enterprises Credit Programme Financing - Loan No. F/P 1392 (2000) ADD 1 (Croatian Bank for Reconstruction and Development)						
13., 20. and 27.04.2006	9/2006 and 1/2007	8,000.00	8,000.00	0.00	2,000.00	0.00
Financing of Productive Investment Projects in Small and Medium-sized Enterprises (SMEs) throughout Croatia - Loan No. F/P 1646 (2008) (Croatian Bank for Reconstruction and Development) (10)						
17.12.2008	-	50,000.00	50,000.00	0.00	34,375.00	0.00
Partial financing of productive investment projects in micro, small and medium.sized enterprises (SMEs) throughout Croatia - Loan No. F/P 1690 (2009) (Croatian Bank for Reconstruction and Development) (11)						
08.02.2010	-	50,000.00	50,000.00	0.00	47,539.84	0.00
Partial financing of investment projects undertaken by micro, small and medium-sized enterprises (SMEs) and local and regional authorities and/or other related public sector entities throughout Croatia - Loan No. F/P 1775 (2012) (12)						
31.07.2012	-	50,000.00	50,000.00	0.00	50,000.00	25,000.00
Partial financing of investment projects undertaken by micro, small and medium-sized enterprises (SMEs) and local and regional authorities and/or other related public sector entities in the Republic of Croatia - Loan No. F/P 1804 (2013) (13)						
08.07.2013	-	90,000.00	0.00	90,000.00	0.00	0.00
TOTAL SOVEREIGN GUARANTEE LOANS		248,000.00	158,000.00	90,000.00	133,914.84	25,000.00
		100.00%	63.71%	36.29%		
TOTAL			000 EUR		286,176.99	
DIRECT LOANS + SOVEREIGN GUARANTEE LOANS			000 USD		0.00	

Source: Ministry of Finance

Notes:

- 1 - loan contracted in the amount of HRK 67.4 million; cancelled: in the amount of HRK 987.2 thousand
- 2 - loan contracted in the amount of HRK 98.7 million; cancelled: in the amount of HRK 1.7 million
- 3 - loan contracted in the amount of HRK 10.3 million; cancelled: in the amount of HRK 0.7 thousand
- 4 - loan contracted in the amount of HRK 186.8 million; cancelled: in the amount of HRK 782.1 thousand
- 5 - loan contracted in the amount of HRK 292.3 million; cancelled: in the amount of HRK 46.9 thousand
- 6 - loan contracted in the amount of HRK 402.5 million; cancelled: in the amount of HRK 2.7 million
- 7 - loan closing date has been contracted: 31 December 2013
- 8 - loan closing date has been contracted: 30 June 2014
- 9 - loan closing date has been contracted: 30 June 2015
- 10 - loan closing date has been contracted: 30 June 2013
- 11 - loan closing date has been contracted: 30 June 2013
- 12 - loan closing date has been contracted: 31 December 2014

European Investment Bank (EIB²⁷)

EIB has been financing projects in the Republic of Croatia with long-term loans since 2001. By the end of 2013, EIB approved loans in the total amount of EUR 3.5 billion for financing of 47 projects in the Republic

²⁷ Activities of the European Investment Bank (EIB) in the Republic of Croatia have been regulated by the Framework Agreement between the Republic of Croatia and the European Investment Bank, since December 13, 2000. On the basis of the Framework Agreement, the EIB Board of Governors approved, on February 6, 2001, the provision of loans for investment projects in the Republic of Croatia, which enabled the signing of the first loan contracts. By joining the EU, the Republic of Croatia will become a member of the EIB.

of Croatia. In 2013, EIB approved a total of EUR 630 million for financing of five new projects, of which the total of EUR 500 million were approved for two public sector projects. The remaining EUR 130 million were approved by EIB for three private sector projects²⁸, by which the amount of EIB investments in the private sector since 2001 reached EUR 603.2 million.

During 2013, the following loan agreements were signed with EIB for the financing of public sector projects:

- loan no. FINo. 82.288 (EUR 250 million) with state guarantee, for the Project of small and medium entrepreneurship (SME) and medium capitalized enterprises IV/A; beneficiary: Croatian Bank for Reconstruction and Development (HBOR);
- loan no. FINo. 82.833 (EUR 250 million) with state guarantee, for the Project of small and medium entrepreneurship (SME) and medium capitalized enterprises IV/B; beneficiary: Croatian Bank for Reconstruction and Development (HBOR).

Overview of Loans, Disbursement of Funds and State of Debt towards the EIB

In the period from 2001 until the end of 2013, EIB granted 30 loans for financing of public projects in the total amount of EUR 2.9 billion. Of the aforementioned, 7 were direct loans in the total amount of EUR 519.9 million, and 23 were sovereign guarantee loans, in the total amount of EUR 2.4 billion (table 6.12).

Table 6.12 Overview of EIB Loans Contracted in the 2001-2013 Period, with a Review of Outstanding Debt and Funds Disbursement Overview, as of 31 December 2013 and Disbursed Funds During 2013

DIRECT LOANS							
Signing Date	The Act published in Official Gazette No.:	Loan Amount in 000 EUR	Disbursed in 000 EUR	Undisbursed in 000 EUR	Outstanding in 000 EUR	Closing Date	Disbursed in 2013, in 000 EUR
Project "Croatian Railway, Corridor Vc" - loan FINo. 21.051 (CR - Infrastructure) (1)							
24. and 31.05.2001	2/2002	39,000.00	39,000.00	0.00	23,272.10	31.12.2007 CLOSED	0.00
Project "Municipal Infrastructure Framework Loan" - loan FINo. 22.165 (ex MRDFWM / MMATI) (2)							
30.07.2003	16/2003	49,082.01	49,082.01	0.00	41,291.21	30.09.2008 CLOSED	0.00
Project "Municipal Infrastructure Multi-Sector Framework Loan" - loan FINo. 22.881 (MRDEUF) (3)							
20 and 24.12.2004	7/2005	106,800.00	106,800.00	0.00	105,300.00	31.12.2012	0.00
Co-financing EU IPA ISPA 2007-2011 - loan FINo. 25.749 (MoF)							
30.09.2010	10/2010	200,000.00	140,626.13	59,373.87	140,626.13	30.09.2015	26,226.13
Island & Coastal Infrastructure Facility - loan FINo. 31.146 (MRDEUF)							
15.09.2011	16/2011	25,000.00	7,000.00	18,000.00	7,000.00	30.07.2015	7,000.00
Project "Municipal Water Financing Facility" - loan FINo. 31.176 (Croatian Waters)							
18.10.2011	15/2011	75,000.00	10,500.00	64,500.00	10,500.00	15.10.2015	10,500.00
Project "Mainland Infrastructure Facility (Integral Development of Local Community)" - loan FINo. 31.806 (MRDEUF)							
18.10.2011	15/2011	25,000.00	0.00	25,000.00	0.00	30.07.2015	0.00
TOTAL DIRECT LOANS		519,882.01	353,008.14	166,873.87	327,989.44		43,726.13

²⁸ Loan without sovereign guarantee for the "Expansion of Zagreb Airport" Project in the amount of EUR 80 million and two loans to commercial banks without sovereign guarantee in the amounts of EUR 35 million and EUR 15 million for financing small and medium-sized entrepreneurship, medium capitalized enterprises and other priority crediting.

SOVEREIGN GUARANTEE LOANS							
Signing Date	The Act published in Official Gazette No.:	Loan Amount in 000 EUR	Disbursed in 000 EUR	Undisbursed in 000 EUR	Outstanding in 000 EUR	Closing Date	Disbursed in 2013, in 000 EUR
Project Rehabilitation of National roads (Croatian Roads) - loan FINo. 21.262							
29.10.2001	4/2002	60,000.00	60,000.00	0.00	49,942.22	30.06.2007 CLOSED	0.00
HBOR Global Loan (Croatian Bank for Reconstruction and Development) - loan FINo. 21.316							
26.11.2001	4/2002	10,000.00	10,000.00	0.00	0.00	26.11.2004 CLOSED	0.00
"Rijeka - Zagreb Motorway Project" (Rijeka - Zagreb Motorway) - loan FINo. 21.609							
24.6.2002	10/2002	60,000.00	60,000.00	0.00	40,551.67	30.12.2007 CLOSED	0.00
"Zagreb Air Traffic Control Project" (Croatia Control) - loan FINo. 21.677							
11. and 12.09.2002	14/2002	20,000.00	20,000.00	0.00	7,430.56	30.06.2007 CLOSED	0.00
Project "Rehabilitation of Motorways" (Croatian Motorways) - loan FINo. 21.850							
13.12.2002	10/2003	50,000.00	50,000.00	0.00	32,643.06	13.12.2006 CLOSED	0.00
"Plinacro Gas Pipelines Project" (Plinacro) - loan FINo. 22.374							
16.12.2003	3/2004	90,000.00	90,000.00	0.00	73,333.33	01.12.2007 CLOSED	0.00
Project "Zupanja - Lipovac Motorway Section" (Croatian Motorways) - loan FINo. 22.639							
22. and 29.07.2004	1/2005	45,000.00	45,000.00	0.00	38,445.24	01.04.2007 CLOSED	0.00
Project "Croatian Roads - Split By-pass" (Croatian Roads) - loan FINo. 23.135 (4)							
20.07.2005	2/2006	42,900.00	18,000.00	24,900.00	17,694.91	31.12.2013	0.00
Project "Rijeka-Zagreb Motorway Completion" (Rijeka - Zagreb Motorway) - loan FINo. 23.419							
09.03.2006	8/2006	210,000.00	210,000.00	0.00	196,032.69	08.03.2009 CLOSED	0.00
Project "Croatian Rodas Rehabilitation II" (Croatian Roads) - loan FINo. 23.780							
12.12.2006	5/2007	60,000.00	60,000.00	0.00	59,052.03	11.12.2010 CLOSED	0.00
Project "Plinacro Gas Pipelines II" (Plinacro) - loan FINo. 24.067							
31.07.2007	11/2007	190,000.00	190,000.00	0.00	190,000.00	31.7.2012 CLOSED	0.00
Project "Zadar New Port" (Port of Zadar Authority) - loan FINo. 24.093							
07.09.2007	10/2007	100,000.00	66,200.00	33,800.00	66,200.00	31.12.2014	16,000.00
HBOR Global Loan IIA (Croatian Bank for Reconstruction and Development) - loan FINo. 24.125							
16.10.2007	-	40,000.00	40,000.00	0.00	21,176.47	16.04.2009 CLOSED	0.00
HBOR Global Loan IIB (Croatian Bank for Reconstruction and Development) - loan FINo. 24.500							
20.06.2008	-	60,000.00	60,000.00	0.00	49,411.76	20.12.2009 CLOSED	0.00
"HBOR Loan for SME's and Mid-Cap" (Croatian Bank for Reconstruction and Development) - loan FINo. 24.891							
24.03.2009	-	250,000.00	250,000.00	0.00	245,939.77	31.03.2011 CLOSED	0.00
Project "Croatian roads rehabilitation II/B" (Croatian Roads) - loan FINo. 25.417							
28. and 30.12.2009	4/2010	60,000.00	40,000.00	20,000.00	40,000.00	11.11.2014	20,000.00
Project "DINA VCM-PVC Plant Construction" (Croatian Bank for Reconstruction and Development) - loan FINo. 25.533 (5)							
15.04.2010	-	0.00	0.00	0.00	0.00	15.4.2012 CANCELLED	0.00
"HBOR Loan for SME's and Mid-Cap II" (Croatian Bank for Reconstruction and Development) - loan no. FINo. 25.534							
15.04.2010	-	250,000.00	250,000.00	0.00	250,000.00	15.07.2012 CLOSED	0.00
Corridor VC (Croatian Motorways) - loan FINo. 31.205							
15.09.2011	15/2011	60,000.00	19,364.44	40,635.56	19,364.44	31.12.2014	14,340.55
HBOR Loan for SME's and Mid-Cap III/A (Croatian Bank for Reconstruction and Development) - loan no. FINo. 81.304							
10.02.2012	-	150,000.00	150,000.00	0.00	150,000.00	10.02.2014	23,800.00
HBOR Loan for SME's and Mid-Cap III/B (Croatian Bank for Reconstruction and Development) - loan no. FINo. 81.830							
18.09.2012	-	100,000.00	73,983.01	26,016.99	73,983.01	18.09.2014	73,983.01
HBOR Loan for SME's and Mid-Cap IV/A (Croatian Bank for Reconstruction and Development) - loan no. FINo. 82.288							
25.01.2013	-	250,000.00	60,439.22	189,560.78	60,439.22	01.02.2015	60,439.22
HBOR Loan for SME's and Mid-Cap IV/B (Croatian Bank for Reconstruction and Development) - loan no. FINo. 82.833							
12.07.2013	-	250,000.00	0.00	250,000.00	0.00	15.07.2015	0.00

SOVEREIGN GUARANTEE LOANS							
Signing Date	The Act published in Official Gazette No.:	Loan Amount in 000 EUR	Disbursed in 000 EUR	Undisbursed in 000 EUR	Outstanding in 000 EUR	Closing Date	Disbursed in 2013, in 000 EUR
TOTAL LOANS WITH THE GUARANTEE OF THE REPUBLIC OF CROATIA		2,407,900.00	1,822,986.67	584,913.33	1,681,640.38		208,562.78
GRAND TOTAL DIRECT + GUARANTEED		2,927,782.01	2,175,994.81	751,787.20	2,009,629.82		252,288.91

Source: Ministry of Finance

Notes:

- 1 - The contracted amount was EUR 40 million; cancelled: EUR 1 million
- 2 - The contracted amount was EUR 50 million; cancelled: EUR 918 thousand
- 3 - The contracted amount was EUR 60 million; cancelled: EUR 17.1 million
- 4 - The contracted amount was EUR 34 million; cancelled: EUR 34 million

EIB loans are disbursed in instalments. All instalments, except those disbursed for the implementation of the “Rijeka – Zagreb Motorway” Project and the “Rijeka – Zagreb Motorway Completion” Project, were disbursed at fixed interest rates (semi-annual payment of interests), which ranged from 1.826 percent to 5.26 percent in the period from 2001 until the end of 2013. During 2013, 16 instalments were disbursed in the total amount of EUR 252.3 million. When disbursing funds from the loan at fixed interest rate, in 2013, that rate was ranging from 1.926 percent to 3.483 percent, while no instalments were disbursed at floating interest rates in 2013.

Projects in Preparation during 2013

During 2013, the activities for the preparation of the loan for the continuation of the construction of university campuses in Osijek, Pula, Rijeka, Dubrovnik, Zagreb and Split were carried out, which was planned in the amount of approximately EUR 186 million, and the activities for the preparation of two new loans to HBOR in total amount of EUR 800 million, of which EUR 500 million would be intended for financing of SMEs and EUR 300 million for medium capitalized companies which invest in infrastructure, environment protection and projects based on knowledge.

Subscribed share of the Republic of Croatia in EIB capital

As of the day of the accession to the European Union, the Republic of Croatia became the member state of EIB and it should carry out the payments for the benefit of EIB’s subscribed capital and reserves. As of July 1, 2013, total subscribed capital of the Republic of Croatia to EIB amounts to EUR 891.2 million. Out of that amount, EUR 811.7 million refers to callable capital and EUR 79.5 million to paid-in capital. The payment of capital will be executed through 8 instalments, starting on November 30, 2013, and ending on May 31, 2018. Besides that, the Republic of Croatia will also be obliged to pay the contribution to EIB’s reserves in the amount of EUR 128.4 million, and the payment thereof will also be executed in 8 instalments, starting on November 30, 2013, and ending on May 31, 2018.

Inter-American Development Bank (IDB²⁹)

Pursuant to the Decision of the Government of the Republic of Croatia, of January 27, 2011³⁰, in 2011, the Republic of Croatia participated in the general IDB capital increase and in the replenishment of the Fund for Special Operation (FSO) of the Inter-American Development Bank. In that context, in 2013, the payment of annual instalments of the capital for the benefit of IDB and of contributions for the benefit of the FSO was executed.

Overview of Grants

In the period from 1995 until the end of 2013, 63 grant agreements were signed for the implementation of projects in the Republic of Croatia, in the area of infrastructure, environmental protection and private sector development, and structural adjustments in health care, social protection, agriculture, education, public finances and judicial system sectors (table 6.13.). In 2013, the EIB grant for the Project of Technical Assistance for Student Accommodation at Rijeka and Osijek Universities in Croatia was contracted in the amount of EUR 2.7 million.

²⁹ IDB is the oldest regional development bank in the world, founded in 1959 with the purpose of contributing to the process of economic and social development in the region of Latin America and the Caribbean. The Republic of Croatia has been a full member of the IDB since December 16, 1993. Based on the total of USD 48.5 million in the IDB capital (USD 2.1 million of paid-in capital and USD 46.4 million of callable capital), the Republic of Croatia owns 4.018 shares of IDB, that is, 0.05 percent of voting power. In the IDB Board of Executive Directors, the Republic of Croatia, together with five other states, is represented by the Executive Director from Japan. Based on the membership in IDB, the Republic of Croatia has the right to participate in projects financed by the IDB, and it has co-decision-making rights, granted on the basis of the shares in IDB capital. The Republic of Croatia belongs to the group of countries that are not beneficiaries of the IDB loans.

³⁰ Official Gazette, number 16/2011

Table 6.13 Overview of Grants Administrated through the IBRD, Grants given by the Kingdom of the Netherlands, Federal Republic of Germany, EBRD and Grant Administrated through the EIB on 31st December 2013

No.	Year of Granting	Grant Reference	Grant Name	Curr	Contracted Amount of Grant in the Payment Currency (000)	Cancelled Amount in the Payment Currencies (000)	Undisbursed Amount in the Payment Currency (000)
A. Grants Administrated through the International Bank for Reconstruction and Development (IBRD)							
1.	1995	28851 (closed)	Preparation of Procurement Legislation	USD	148.00	101.47	0.00
2.	1995	29116 (closed)	Private Farmer Support Services Project	JPY	56,600.00	13,888.31	0.00
3.	1995	29117 (closed)	Costal Forrest Reconstruction and Protection Project	JPY	21,200.00	146.62	0.00
4.	1995	29314 (closed)	Public Sector Adjustment - PSAL	JPY	75,600.00	5,504.82	0.00
5.	1995	29315 (closed)	Agriculture Structural Adjustment Project	JPY	29,400.00	24,096.29	0.00
6.	1995	29316 (closed)	Railway Project	JPY	58,800.00	5,457.69	0.00
7.	1996	29486 (closed)	Municipal Environmental Infrastructure Investment Project	USD	500.00	0.44	0.00
8.	1996	29674 (closed)	Zagreb Urban Transport Project	USD	800.00	0.00	0.00
9.	1997	28360 (closed)	Biodiversity Strategy and Action Plan	USD	102.00	0.00	0.00
10.	1997	27098 (closed)	Private Sector Development Project	USD	398.00	216.25	0.00
11.	1997	25539 (closed)	Public Finance Management Project	USD	314.00	130.49	0.00
12.	1997	25229 (closed)	Enterprise and Financial Sector Adjustment Project	JPY	28,900.00	21,561.55	0.00
13.	1998	27099 (closed)	Eastern Slavonija Emergency Reconstruction Project	USD	200.00	3.05	0.00
14.	1998	25139 (closed)	Health Project II	USD	418.26	2.16	0.00
15.	1998	25597 (closed)	Sava River Flood Protection Project	USD	476.15	0.00	0.00
16.	1999	20574 (closed)	Information Development Program	USD	80.00	0.00	0.00
17.	1999	27259 (closed)	Environmental Policy Development and Regulatory Capacity Building	USD	276.49	7.67	0.00
18.	1999	22644 (closed)	Kopački rit Wetlands	USD	750.00	0.44	0.00
19.	1999	25799 (closed)	Municipal Environmental Infrastructure Project	USD	216.84	0.05	0.00
20.	1999	26113 (closed)	Bankruptcy Technical Assistance Project	USD	253.70	110.26	0.00
21.	1999	23163 (closed)	Karst Ecosystem Conservation Project	USD	230.00	0.11	0.00
22.	1999	26112 (closed)	Rijeka Port Project	USD	337.50	0.01	0.00
23.	2000	27386 (closed)	Capacity Building for Social and Economic Communications	USD	400.00	8.51	0.00
24.	2001	26262 (closed)	Social Protection Project	USD	200.00	0.00	0.00
25.	2001	26441 (closed)	Adriatic Municipal Water Pollution Control Project	USD	325.00	0.00	0.00
26.	2001	29810 (closed)	Social Protection Project	GBP	352.80	2.83	0.00
27.	2003	52381 (closed)	Zagreb Municipal Nutrient Reduction Project	USD	350.00	350.00	0.00
28.	2002	50539 (closed)	Karst Ecosystem Conservation Project	USD	5,070.00	104.48	0.00
29.	2002	50513 (closed)	Social and Economic Recovery Project	USD	425.36	27.84	0.00
30.	2003	51107 (closed)	Renewable Energy Sources Project	USD	350.00	15.93	0.00
31.	2003	52014 (closed)	Institutional Capacity Building for Monitoring Judicial Efficiency	USD	350.00	47.82	0.00
32.	2003	52062 (closed)	Strengthening Budget Management	USD	368.00	9.46	0.00
33.	2003	51781 (closed)	Real Property Registration and Cadastre Project	EUR	5,018.13	0.51	0.00
34.	2003	52141 (closed)	Energy Efficiency Project	USD	7,000.00	116.66	0.00
35.	2003	52844 (closed)	Regional Integrated Ecosystem Management of the Neretva-Trebišnjica River Basin	USD	145.00	6.20	0.00
36.	2004	52657 (closed)	Real Property Registration and Cadastre Project: Maritime Domain Support	EUR	1,960.00	0.00	0.00
37.	2004	53149 (closed)	Preparation of the Education Sector Support Project	USD	766.15	396.55	0.00
38.	2005	53150 (closed)	Preparation of the Sustainable Health System Project	USD	425.00	1.46	0.00
39.	2005	53242 (closed)	Co-financing of the Karst Ecosystem Conservation Project	USD	200.00	14.00	0.00
40.	2005	54973 (closed)	Renewable Energy Resources Project	USD	5,500.00	1,463.86	0.00
41.	2005	55104 (closed)	Real Property Registration and Cadastre Project, Phase II Support	EUR	4,410.00	0.00	0.00
42.	2005	55789 (closed)	Statistical Capacity Building	USD	89.75	5.66	0.00
43.	2006	54882 (closed)	Technical Assistance to Support the Implementation of the Coastal Cities Pollution Control Project	USD	2,461.67	0.03	0.00
44.	2006	56237 (closed)	Co-financing the Social Welfare Development Project	SEK	14,700.00	90.69	0.00
45.	2006	56572 (closed)	Preparation of the Inland Waters Project	USD	500.00	15.61	0.00
46.	2006	56514 (closed)	Public Administration Reform Support	SEK	8,550.00	0.00	0.00
47.	2006	56498 (closed)	Technical Assistance to Support the Implementation of the Agricultural Acquis Cohesion Project	USD	4,750.06	103.73	0.00
48.	2007	90642 (closed)	Enhancing Corporate Financial Reporting in Croatia	USD	260.00	60.00	0.00
49.	2008	90845 (closed)	Agricultural Pollution Control Project	USD	5,000.00	37.22	0.00
50.	2008	91967	Neretva and Trebišnjica Management Project	USD	2,000.00	0.00	691.13
51.	2009	92704	Coastal Cities Pollution Control Project 2	USD	6,400.00	0.00	5,596.29
52.	2012	12382	Modernization of the Treasury Systems in Croatia	EUR	165.11	0.00	165.11
TOTAL (1. - 52.):				USD	48,836.93	3,357.42	6,287.42
				JPY	270,500.00	70,655.28	0.00
				GBP	352.80	2.83	0.00
				EUR	11,553.24	0.51	165.11
				SEK	23,250.00	90.69	0.00
TOTAL (1. - 52.) expressed in:				EUR	51,935.34		
B. Grants given by the Kingdom of the Netherlands							
1.	2004	5105 CF (closed)	Development of Financial Management Information System (FMIS) Strategy Study	EUR	30.00	0.00	0.00
2.	2004	5105 CF (closed)	Financial Management Information System Rationalization (FMIS) Study	EUR	30.00	0.00	0.00
3.	2007	5105 CF (closed)	Project of Development of the HRM for Ministry of Finance Croatia	EUR	44.82	0.00	0.00
4.	2008	NOK07/HR/3/1 (closed)	Development of HRM and Adaptation of the Conference Halls and Rearrangement of the Archive with Library	EUR	523.50	154.13	0.00
5.	2008	NOK07/HR/3/2 (closed)	Ministry of Finance - Business Intelligence System	EUR	300.00	0.00	5.96
TOTAL (1. - 5.):				EUR	928.32	154.13	5.96
C. Grants given by the Federal Republic of Germany							
1.	2005	-	Financing Consultants' services for the refinancing of sub-loans extended for the purpose of extending water supply and wastewater facilities in the territory of the Republic of Croatia	EUR	802.29	0.00	466.20
2.	2009	-	Financial Contribution for the Promotion of Energy Efficiency and Renewable Energies in Croatia	EUR	1,500.00	0.00	176.49
3.	2010	-	Financial Contribution to the Project Loan Funding Facility for Water Supply and Waste Water Projects in the Republic of Croatia, Phase II	EUR	1,000.00	0.00	643.25
4.	2011	-	Grant for financing Consultant Services for the phase III of the project "Water Supply and wastewater disposal in the Republic of Croatia"	EUR	980.00	0.00	980.00
TOTAL (1. - 4.):				EUR	4,282.29	0.00	2,265.94

D. Grants given by the European Bank for Reconstruction and Development (EBRD)

1.	2010	closed	A Refurbishment of Heating and Hot water System of the Home for Children and Young People Tuškanac Project	EUR	120.00	0.00	0.00
TOTAL				EUR	120.00	0.00	0.00

E. Grants Administrated through the European Investment Bank (EIB)

1.	2013	WB7-HR-SOC-04	Technical Assistance for Student Accommodation at Rijeka and Osijek Universities in Croatia	EUR	2,688.00	0.00	2,688.00
TOTAL				EUR	2,688.00	0.00	2,688.00

TOTAL (A. + B. + C. + D. + E.):				USD	48,836.93	3,357.42	6,287.42
				JPY	270,500.00	70,655.28	0.00
				GBP	352.80	2.83	0.00
				EUR	19,571.85	154.64	5,125.01
				SEK	23,250.00	90.69	0.00
TOTAL (A. + B. + C. + D. + E.) expressed in:				EUR	59,953.95		

Source: Ministry of Finance

7. RELATIONS WITH THE EUROPEAN UNION IN 2013

7.1 FINANCIAL MANAGEMENT OF FUNDS FROM IPA PRE-ACCESSION PROGRAMME

In 2013, the Ministry of Finance was efficiently managing the IPA pre-accession programme funds in decentralized implementation system, that is, in the system without ex-ante controls by the Delegation of the European Union through Component I – Transition Assistance and Institution Building, Component II – Cross-border Cooperation, Component III – Regional Development and Component IV – Human Resources Development, and Component V – Rural Development (IPARD). The decisions on transferring to the completely decentralized implementation was made by the European Commission for Components I and II on February 12, 2013, for Component III on January 24, 2013 and for Component IV on February 19, 2013, after the Republic of Croatia fulfilled the set benchmarks. By this, one of the main preconditions for the accreditation of the system for EU funds implementation after the accession of the Republic of Croatia to the European Union was fulfilled.

In 2013, pre-accession programmes of the first ISPA generation were successfully closed, while the closing of CARDS and PHARE programmes started.

During 2013, the Ministry of Finance requested funds from the European Commission in the amount of EUR 125.44 million, of which EUR 127.01 million were received. In the same period, the implementing bodies were paid the amount of EUR 133.19 million.

Table 7.1 Allocated, contracted, requested, received and paid funds up to 31 December 2013

PROGRAMME	ALLOCATED FUNDS	CONTRACTED FUNDS	CONTRACTED / ALLOCATED	REQUESTED FUNDS	RECEIVED FUNDS	PAID FUNDS	PAID / CONTRACTED
CARDS 2003	29,366,415	28,685,886	97.7%	28,537,956	26,654,146	27,224,233	94.9%
CARDS 2004	46,573,630	44,065,285	94.6%	43,730,289	40,275,992	41,480,710	94.1%
PHARE 2005	73,141,000	63,910,862	87.4%	64,457,531	58,478,285	58,478,285	91.5%
PHARE 2006	64,148,500	54,669,487	85.2%	56,689,700	51,399,322	51,433,945	94.1%
ISPA	59,000,000	57,359,136	97.2%	50,465,833	49,169,221	50,022,443	87.2%
SAPARD	25,000,000	15,425,682	61.7%	13,960,234	13,512,864	11,635,802	75.4%
IPA Component I 2007	44,554,000	41,426,850	93.0%	41,402,400	39,354,663	38,903,893	93.9%
IPA Component I 2008	41,374,000	39,464,588	95.4%	37,567,679	37,458,730	34,043,177	86.3%
IPA Component I 2009	42,101,430	39,564,988	94.0%	37,653,541	37,653,541	31,815,184	80.4%
IPA Component I 2010	38,623,458	28,229,128	73.1%	27,669,937	27,669,937	18,342,355	65.0%
IPA Component I 2011	33,829,128	8,096,697	23.9%	9,739,493	9,739,493	7,223,300	89.2%
IPA Component I 2012	35,219,859	5,092,494	14.5%	8,013,197	8,013,197	5,000,461	0.0%
IPA 2008 Nuclear Safety	952,000	676,847	71.1%	643,004	643,004	474,014	70.0%
IPA 2011 Nuclear Safety	808,750	136,143	16.8%	242,625	242,625	81,686	60.0%
IPA Component II 2007	2,653,020	2,586,715	97.5%	2,495,584	2,457,379	2,302,914	89.0%
IPA Component II 2008	2,706,080	2,700,483	99.8%	2,594,932	2,570,101	2,363,003	87.5%
IPA Component II 2009	2,760,202	2,579,647	93.5%	2,450,664	2,450,664	1,822,096	70.6%
IPA Component II 2010	2,200,000	2,199,993	100.0%	1,729,999	1,492,843	1,191,647	54.2%
IPA Component II 2011	2,200,000	2,147,682	97.6%	1,726,683	1,528,624	1,332,134	62.0%
IPA Component II 2012	2,500,000	0	0.0%	150,000	150,000	0	0.0%
IPA Component II 2013	2,500,000	0	0.0%	150,000	150,000	0	0.0%
IPA Component IIIa / OP Transport	236,983,305	79,815,159	33.7%	70,749,754	58,983,051	53,596,317	67.2%
IPA Component IIIb / OP Environmental Protection	281,099,011	96,290,131	34.3%	71,475,930	59,178,853	40,518,805	42.1%
IPA Component IIIc / OP Regional Competitiveness	187,779,595	65,817,347	35.1%	47,725,778	38,666,587	45,076,648	68.5%
IPA Component IV / OP Human Resources Management	152,413,107	70,587,534	46.3%	44,747,578	44,747,571	54,357,470	77.0%
IPARD	144,283,680	72,035,220	49.9%	44,883,476	44,883,476	33,332,648	46.3%
TOTAL	1,554,770,170	823,563,983	53.0%	711,653,799	657,524,170	612,053,168	74.3%

Source: Ministry of Finance

In 2013, the Ministry of Finance was subject to six audit missions by the European Commission auditors. The purpose of these audits was to verify the compliance of the established financial management system with accreditation criteria and of the work with the prescribed procedures of IPA programmes, as well as the verification of the compliance with the criteria for the implementation of EU funds.

7.2 USE OF EUROPEAN UNION FUNDS (STRUCTURAL FUNDS AND THE COHESION FUND)

On July 1, 2013, the Republic of Croatia became the full-right member of the European Union. As of that date, the means from structural funds (European Regional Development Fund and European Social Fund) and from the Cohesion Fund have become available to it. Operational Programmes within IPA components III and IV were replaced by Operational Programmes: Transport, Environment Protection, Regional Competitiveness and Human Resources Development, and they continue to be financed from the European Union funds, while IPA Components I, II and V continue to be carried out according to IPA rules until the closure thereof.

Within the implementation of European Union funds, the Ministry of Finance has the role of Authorising Body in charge of the authorization of incurred costs and sending the Statement of expenditure to the European Commission, as well as the role of the Payment Implementing Body, and individual payments towards the beneficiaries are carried out through the national payment system via state treasury.

The Ministry of Finance, in cooperation with the Ministry of Regional Development and European Union Funds, has actively participated in the preparation of the structure for the implementation of EU funds, as well as in the process of assessing the compliance with the set criteria. In the first half of 2013, common national rules were completed, arranging the actions to be taken in all areas of the implementation of European Union funds. The Ministry of Finance was responsible for the preparation of the rules on the verification of projects in terms of the execution of contract obligations, payment process which has been integrated in the unique payment system of the state treasury and authorization of costs, audit trail, and irregularities and collection of irregularly spent funds.

7.3 SYSTEM OF MONITORING THE IMPLEMENTATION OF IPA PRE-ACCESSION PROGRAMME AND EUROPEAN UNION FUNDS

In the first half of 2013, all competent institutions involved in the implementation of IPA programme used the Management Information System (MIS). This system enables an efficient monitoring of all projects financed through IPA components I-IV, from contracting to payment, as well as monitoring of requests for funds addressed to the European Commission. The system also includes the indicators of performance of certain projects and, to a great extent, facilitates the review and control of all important information. After the accession, the data referring to IPA Components III and IV were transferred to the new Information system for monitoring the implementation of the Cohesion Fund instruments, which has been established through the project financed from the European Union funds and carried out by the Ministry of Regional Development and European Union Funds in cooperation with the Ministry of Finance. The production of the aforementioned information system is one of the preconditions for obtaining the approval for the implementation of the European Union Funds and the Ministry of Finance largely contributed to the development of the application in the part referring to the authorization of incurred costs, preparation of the Statement on expenditures and sending the request to the European Commission.

7.4 STARTING TO FUNCTION IN THE CIRCUMSTANCES OF FULL EU MEMBERSHIP AND PROJECTS FROM EU ASSISTANCE PROGRAMMES

Since the Republic of Croatia became a full-fledged EU member, the activities carried out during 2013 may be divided to those referring to the finalization of pre-accession activities, linked with the fulfilment of obligations assumed during the negotiation process and the activities linked with the continuation of the process of transposing the EU *acquis communautaire* into the national legislation, and to the fulfilment of obligations and activities linked with actions to be taken under the conditions of the full-right membership.

With an aim of strengthening the role and importance of EU affairs within the Ministry of Finance, the new Regulation on Internal Organization³¹ was adopted, according to which, as of September 1, 2013, the Sector for European Union was established to carry out professional and coordination tasks linked with the actions of the Ministry of Finance within EU, which, among other things, include the tasks linked with the fulfilment of obligations assumed in the process of pre-accession negotiations, participation in the preparation of expert backgrounds for the participation of the representatives of the Ministry of Finance in EU bodies, and with monitoring and analysing the activities of other EU financial institutions.

Regarding the coordination system at the national level, the Ministry of Finance participates in the work of the Interdepartmental Working Group for European Affairs at the Ministry of Foreign and European Affairs (founded by the Decision of the Government of the Republic of Croatia in June 2013³²) and of the Coordination Body for Foreign and European Policy (permanent working body of the Government of the Republic of Croatia), within which the position proposals to be presented by the representatives of the Republic of Croatia in respective decision-making procedures and/or discussions at the level of the European Union, are reviewed and prepared, and where, at the same time, other issues, necessary for the participation of the representatives of the Republic of Croatia in the work of the Council of the European Union and European Council, are considered.

In order to strengthen the coordination of European affairs within the Ministry of Finance, the procedures have been adopted for establishing the internal EU coordination of the Ministry of Finance. This coordination reviews and adopts position proposals of the Republic of Croatia for the meetings of the Economic and Financial Affairs Council (ECOFIN), and position proposals for committees and working groups within the framework of EU, that are under the competence of the Ministry of Finance. Position proposals that have been adopted at the internal EU coordination of the Ministry of Finance are delivered to the Interdepartmental Working Group at the Ministry of Foreign and European Affairs for the review and the adoption thereof.

Pre-accession activities in the first half of 2013 refer to the continuation of the monitoring process and, in terms of that, to the preparation of regular monitoring reports and reports on the self-assessment of the progress of the Republic of Croatia. Formal framework for these activities was set up through the Programme of the Government of the Republic of Croatia for transposition and implementation of the EU *acquis communautaire* in 2013, and the accompanying Revised Action Plan of the Government of the Republic of Croatia adopted in October 2012.

³¹ Official Gazette, number 78/2013

³² Official Gazette, number 78/2013

In the course of the accession negotiations, the Ministry of Finance participated in seventeen chapters as an implementing and/or co-implementing authority, while it was an implementing authority in the following chapters: 9. Financial Services, 16. Taxation, 29. Customs Union, 32. Financial Control and 33. Financial and Budgetary Provisions. Therefore, in 2013, the Ministry of Finance continued with all activities on the fulfilment of the assumed obligations and measures from under its competence.

Within the frameworks of Chapter 9 - Financial Services, during 2013, Credit Institutions Act³³, Act on Compulsory Insurance within Transport³⁴, Act on the Amendments to the Capital Market Act³⁵, Act on the Amendments to the Insurance Act³⁶, Financial Conglomerates Act³⁷, Act on the Amendments to the Accounting Act³⁸ and Act on the Amendments to the Tax Advisory Act³⁹ were adopted.

Regarding Chapter 16 - Taxation, during 2013, the harmonisation of legislation continued and Act on Special Tax on Motor Vehicles⁴⁰, Act on the Amendments to the General Tax Act⁴¹, Act on the Value Added Tax⁴², and Act on the Amendments to the Act on Financial Operations and Pre-Bankruptcy Settlement⁴³ were adopted.

Regarding Chapter 29 - Customs Union, in the context of further adjustment of national legislation, during 2013, Act on the Implementation of EU Customs Regulations⁴⁴, Excise Duty Act⁴⁵ and Act on the Implementation of EU Customs Regulations⁴⁶ were adopted.

Regarding Chapter 32 – Financial Supervision, during 2013, the activities directed towards the fulfilment of the remaining obligations and towards the strengthening of administrative capacities continued and the National Anti-Fraud Strategy in the field of the Protection of EU Financial Interests in the Republic of Croatia for the period 2013-2015, together with the accompanying Action Plan (Conclusion of the Government of the Republic of Croatia of January 23, 2014) was adopted.

According to the Revised Action Plan of the Government of the Republic of Croatia, the necessity of intensifying the activities for the finalization of border inspection posts in the Neum Corridor was stated as the first priority measure under the competence of the Ministry of Finance. Pursuant to the EC Monitoring Report on Croatia's state of preparedness for EU membership, of March 2013, it was stated that these were expected to be put into operation by the accession date, which was realized within the set deadline.

The second priority obligation of the Ministry of Finance referred to the adoption of the Act on the Amendments to the Act on Financial Operations and Pre-Bankruptcy Settlement⁴⁷ for the purpose of combating late payments in commercial transactions.

³³ Official Gazette, number 54/2013 and 159/2013

³⁴ Official Gazette, number 76/2013

³⁵ Official Gazette, number 54/2013 and 159/2013

³⁶ Official Gazette, number 54/2013

³⁷ Official Gazette, number 54/2013

³⁸ Official Gazette, number 54/2013

³⁹ Official Gazette, number 76/2013

⁴⁰ Official Gazette, number 15/2013

⁴¹ Official Gazette, number 73/2013

⁴² Official Gazette, number 73/2013

⁴³ Official Gazette, number 81/2013

⁴⁴ Official Gazette, number 54/2013

⁴⁵ Official Gazette, number 22/2013 and 81/2013

⁴⁶ Official Gazette, number 54/2013

After the accession to the EU on July 1, 2013, the Republic of Croatia, which used to be an active observer state, became a full-fledged member. As a consequence of the aforementioned, the Ministry of Finance continued with the activities linked with regular participation at the meetings of the Economic and Financial Affairs Council (ECOFIN), and sectors and other organizational units of the Ministry of Finance continuously monitored the policies from under their competences and participated in the preparatory activities for the participation of the representatives of the Ministry of Finance at ECOFIN meetings, as well as at the meetings of other committees of the Council, like Economic and Financial Committee, Economic and Financial Committee - alternates, Economic Policy Committee and Financial Services Committee, as well as other working bodies of the Council in which the Ministry of Finance is an implementing authority (Working Party on Own resources, Financial Counselors Working Party, Working Party on Financial Services, Working Party on Tax questions, Code of Conduct Group (Business Taxation), High Level Working Party, Budget Committee, Working Group on Combating fraud, Working Party on Insurance, Ad hoc Working Party on economic governance, Export Credits Group, Ad hoc Working Party on Banking Supervision Mechanism, and Ad hoc Working Party on Single Resolution Mechanism).

The Ministry of Finance, as a co-implementing authority, also participated in the preparations for the participation of Croatian representatives at the meetings of the European Council, and other formations of the Council like Competitiveness Council (COMPETE) and regularly, on a weekly basis, it prepared backgrounds from under its competence for the meetings of the Permanent representatives of EU member states, in the formation of COREPER I and II. In addition, the representatives of the Ministry of Finance participated at the meetings of SHERPA regarding the issues of further deepening of the Economic and Monetary Union.

Furthermore, following the entry of the Republic of Croatia to the EU, the Permanent representation of the Republic of Croatia to the EU was established (which replaced the Mission of the Republic of Croatia to the EU from the pre-accession period), and, with an aim of raising the work quality and coverage of topics from the area of finance, budget, tax and customs policies, this representation was strengthened by the experts from the Ministry of Finance.

In the follow-up, there is an overview of legal and sub-legal acts adopted in 2013, by which the legislation of the Republic of Croatia was harmonized with the regulations of the European Union from under the competence of the Ministry of Finance.

⁴⁷ Official Gazette, number 81/2013

Table 7.2 Overview of Legal and Sub-Legal Acts (Regulations) by which the Legislation of the Republic of Croatia is Harmonized with EU Regulations from within the Scope of the Ministry of Finance, for 2013

LEGISLATIVE OVERVIEW OF CROATIA'S PROGRAMME FOR TRANSPOSITION AND IMPLEMENTATION OF ACQUIS COMMUNAUTAIRE FOR 2013 - JURISDICTION OF MINISTRY OF FINANCE		
No.	Measure	Status
LEGISLATIVE MEASURE		
1.	Act on Excise Duty on the Motor Vehicles	OG 15/13
2.	Excise Duties Act	OG 22/13
3.	Act on Amendments to the Accounting Act	OG 54/13
4.	Financial Conglomerates Act	OG 54/13
5.	Act on Amendments to the Insurance Act	OG 54/13
6.	Act on Amendments to the Capital Market Act	OG 54/13
7.	Act on the Implementation of the Regulation Governing Payment System	OG 54/13
8.	Act on the Implementation of Regulation (EU) No 236/2012 of the European Parliament and the Council of 14 March 2012 on short selling and certain aspects of credit default swaps	OG 54/13
9.	Act on the Implementation of the Regulation (EU) No 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC derivatives, central counter parties and trade repositories	OG 54/13
10.	Act on Implementing Costumes Regulations of EU	OG 54/13
11.	Act on Amendments to the Credit Institutions Act	OG 54/13
12.	Act on Amendments to the Croatia National Bank Act	OG 54/13
13.	Value Added Tax Act	OG 73/13, 99/13, 148/13, 153/13
14.	State Aid Act	OG 72/13
15.	Act on Transparency of Public Resources Flow	OG 72/13
16.	Act on Amendments to the Act on Compulsory Insurance within the Transport Sector	OG 76/13
17.	Act on Amendments to the General Tax Act	OG 73/13
18.	Act on Amendments to the Tax Advisory Law	OG 76/13
19.	Act on Amendments to the Foreign Exchange Act	OG 76/13
20.	Act on Amendments to the Law on Administrative Fees	OG 80/13
21.	Act on Amendments to the Insurance Deposit Act	OG 80/13
22.	Act on Amendments to the Act on Financial Transactions and Pre-bankruptcy Settlement	OG 81/13
23.	Act on Amendments to the Excise Duties Act	OG 81/13
24.	Act on Implementing Regulation of EU on European Venture Capital Funds	OG 123/13
25.	Act on Implementing Regulation of EU on European Social Entrepreneurship Funds	OG 123/13
26.	Act on Amendments to the Fiscal Responsibility Act	OG 19/14
27.	Credit Institutions Act	OG 159/13
28.	Act on Amendments to the Capital Market Act	OG 159/13
29.	Act on the Financial Stability Council	OG 159/13
SECONDARY LEGISLATION		
1.	Regulation on Amendments to the Regulation on Implementation of Costume Code	OG 10/13
2.	Ordinance on Excise Duties	OG 64/13
3.	Regulation of the Amount of Excise Duty on Cigarettes and Fine-Cut Tobacco and other Types of Tobacco	OG 66/13
4.	Regulation on Amendments to the Regulation on the Amount of Excise Duty on Gasoline, Gas oil and Kerosene to drive	OG 76/13
5.	Ordinance on Completing the Unified Customs Declaration	OG 77/13
6.	Ordinance on Amendments of the Ordinance on the obligation to inform the consumer about the additional assumptions for the calculation of the effective interest rate	OG 124/13
7.	The Ordinance on the Value Added Tax	OG 79/13, 85/13, 6/13
8.	The Ordinance on the procedure of exercising value added tax and excise duties exemption by diplomatic and consular representative offices, institutions and bodies of the European Union and International organizations	OG 160/13

Source: Ministry of Finance

On the day of entry into the European Union, the Republic of Croatia has become the full-right member of EIB and it started to participate in the management bodies of EIB – Board of Governors and Board of Directors. The Minister of Finance participates in the work of the Board of Governors as one of 28 governors who decide on the credit policy guidelines, approval of annual financial statements and balance sheets, financing of operations outside EU, increase in the EIB capital and on the appointment of the members of the Board of Directors, Management and Audit Committees.

There are 29 members in the Board of Directors (one from each member state and the representative of the European Commission), and it meets ten times a year and it decides on EIB operations and borrowing, while supervising the management of EIB. Mrs. Vladimira Ivandić, head of the Sector for European Union, has been appointed in the Board of Directors for a period of five years.

During 2013, the Ministry of Finance continued to use the funds from Component I (Transition Assistance and Institution Building) of IPA pre-accession program, through successful preparation and implementation of projects with an aim of strengthening the operational capability and administrative capacity of the Ministry. In addition, in 2013, the Ministry of Finance continued with the procedure of project programming and preparation of tender documentation for the use of funds of the Transition Facility which, in line with Article 30 of the Accession Agreement, is available to the Republic of Croatia in the first year after the accession to the EU, and with the purpose of strengthening institutional and administrative capability for the implementation of the EU *acquis communautaire* in the areas that could not be financed from EU structural instruments.

In the follow-up, there is a detailed overview of the projects of the Ministry of Finance within the framework of IPA Programme Component I during 2013.

Table 7.3 Projects from EU Assistance Programme the beneficiary of which is the Ministry of Finance - in 2013

Project title	Project purpose	Type of contract and Budget in 000 EUR	Project status in 2013
Ministry of Finance - Headquarters			
IPA 2009 FPPRAC Enhancing the functioning of Croatian AFCOS system with the aim of efficient protection of EU financial interests	To develop further Croatian AFCOS system and assure the efficient and appropriate protection of EU financial interests in the Republic of Croatia by widening of competences and roles of the AFCOS system bodies within the EU Structural Instruments environment.	Twinning Light 230	Contracting and end of project activities implementation
IPA 2008 FPP RAC Raising public awareness on the importance of the Public Internal Financial Control system in the Republic of Croatia	Strengthening the importance of financial management, control and internal audit with the aim of standardization and raising awareness of importance of PIFC as an integral part of the public administration reform.	Framework contract 200	Final report approved
IPA 2010 FF RAC Strengthening the competence of the public internal auditors in the Republic of Croatia in auditing Cohesion and Structural Funds in line with the best EU practice	Supporting the Central Harmonisation Unit of the MoF in upgrading the methodology for internal auditors, particularly in auditing the Cohesion and Structural Funds in order to ensure proper, efficient and effective use of EU funds	Twinning Light 250	Evaluation of offers

Tax Administration			
IPA 2008 FPP RAC Strengthening of the Tax Administration in the fight against corruption	Enhancing the transparency of the Tax Administration in the detection and prosecution of corruption offences.	Twinning Light 230	Final report approval
IPA 2008 FPP RAC Development of IT solution for exchange of information related to the Savings Directive	Designing and development of IT solution for efficient exchange of information related to the Savings Directive with the aim of suppressing tax evasion.	Framework contract 200	End of project activities implementation and final report approval
IPA 2009 Enhancement of the administrative capacity of Tax Administration in the field of audit	Strengthening the Tax Administration in the field of audit and fight against tax fraud in accordance the EU best practice.	Twinning 1.000	Project activities implementation
IPA 2010 Enhancement of the CTA administrative and institutional capacity in the field of application of VAT EU common system	Strengthening the administrative and institutional capacity of the Tax Administration for the purpose of successfully implementing EU common market VAT regulations.	Twinning 800	Project activities implementation
IPA 2010 FF RAC Strengthening the administrative capacity of Croatian Tax Administration on mutual cooperation in the field of taxation	Strengthening the administrative capacity of Tax Administration by training the Central Liaison Office Staff for the implementation of administrative cooperation and mutual assistance tasks.	Twinning Light 244.4	End of project activities implementation and final report approval
IPA 2010 FF RAC Supporting the capacity of CTA for further development of EU information exchange systems	Further strengthening of the EU information exchange system by improving procedures, establishing a monitoring and management system and education of Tax Administration employees.	Twinning Light 222.2	Project contracted
IPA 2011 FFRAC Strengthening the Administrative Capacity of Croatian Tax Administration Concerning Investigation of Criminal Tax Acts	Tax Administration capacity building in the field of suppressing money laundering, financial investigations and fight against tax evasion after EU accession.	Twinning Light 189	Tender documentation drafting
IPA 2012 FFRAC Human Resources Management Information System	Providing IT support to the realisation of the major strategies of the Croatian Tax Administration by improving the management of human resources.	Technical Assistance 200	Tender documentation drafting
IPA 2013 Strengthening of the Croatian Tax Administration's Government to Business (G2B) capacities through consolidation of IT systems	Overall consolidation of IT systems into single system providing access in one-stop-shop manner, creation of new functionalities, automation and ease of access to users, which will lead to increased usage of e-services, in order to achieve higher efficiency in tax payer data management, increased tax compliance, improved tax collection and more efficient fight against tax fraud.	Technical assistance 1,550	Tender documentation drafting
Transition facility - New Croatian Tax Administration Information System Applications	To develop and implement new CTA Information System applications for creation of new functionalities and upgrading of e-services for taxpayers.	Technical assistance, Twinning Light and procurement 3,300	Programming and tender documentation drafting
Transition facility - Croatian Tax Administration Human Resources Management System	Further enforcement of EU legislation in the field of taxation by further strengthening of CTA HRM and IT functions.	Technical assistance, Twinning Light and procurement 1,000	Programming and tender documentation drafting
Customs Administration			
IPA 2007 Development of the customs laboratories in Croatia	Further development of the Customs Laboratory to achieve operational capacity in line with EU requirements.	Twinning and Supply 2,900	Final report approval (Twinning) and implementation of project activities (Supply)
IPA 2007 Supply of equipment for the Croatian Customs Administration Anti-smuggling Mobile Units	Strengthening of customs control and supervision in the customs territory of Croatia.	Supply 5,600	Implementation of project activities
IPA 2010 Integrated border management	Further development of operational border management and control effectiveness at the border crossing points that would ensure the public security.	Twinning and Supply 7,645	End of project activities (Twinning) and procurement notice published (Supply)
IPA 2010 FFRAC Introducing Quality Assurance in CAP and Excise Goods Controls of the Croatian Customs Laboratory	Supporting the compliance of the customs laboratory control with the best EU practice.	Twinning Light 250	Evaluation of offers
IPA 2010 Harmonization of the Croatian Customs Administration with the Standards, Organization and Operational Methodology of EU Post-clearance Control and Audit	To set up an effective system of post-clearance control and audit and audit service that allows the Customs Administration to improve implementation of its tasks (customs clearance and control of goods, revenue collection) and to facilitate balancing of increasingly free trade with an efficient customs control system in line with all relevant EU regulations.	Twinning Light 189	Evaluation of offers
IPA 2012 Supply of IT equipment for Croatian Customs Administration	Efficient and effective implementation of customs systems required to connect with the EU IT systems aiming to enable the exchange of information between European Commission and EU Member States with special focus on implementing and managing all the elements of safety and security of ICT.	Supply 2,000	Contracting

Source: Ministry of Finance

In 2013, total of eight projects from Component I of IPA 2007, IPA 2008, IPA 2009 and IPA 2010 programmes were being carried out, with the total value of EUR 11.4 million.

During 2013, the implementation of contracted activities for four projects of the Ministry of Finance was successfully completed, with the total value of EUR 1.2 million. These four projects are the following ones:

- IPA 2008 FPPRAC Development of IT solution for the exchange of information concerning the Savings Directive,
- IPA 2008 FPPRAC Further enhancing of Croatian AFCOS system with the aim of efficient protection of EU financial interests,
- IPA 2010 Integrated border management – Twinning,
- IPA 2010 FF RAC Strengthening of the administrative capacity of Tax Administration in the field of tax mutual cooperation.

During 2013, three projects of the total value of EUR 952,222 were contracted within IPA Component I, with the Ministry of Finance as the beneficiary:

- IPA 2009 FPPRAC Further development of the AFCOS system with an aim of the protection of EU financial interests in the Republic of Croatia (contracted activities for this project were completed during the same year),
- IPA 2010 Integrated border management – Twinning (contracted activities for this project were completed during the same year),
- IPA 2010 FF RAC Support to the capability of Tax Administration in further strengthening of the system of the information exchange with EU.

For the purpose of further strengthening of operational and administrative capacities, during 2013 there was a continuation of activities concerning programming, tender documentation preparation and tender procedure implementation for project proposals within the IPA Programme Component I, as follows:

Programming and final preparation of tender documentation based on comments made by the Central Finance and Contracting Agency (CFCA) and the EU Delegation for the projects of the total value of EUR 1.9 million:

- IPA 2011 FF RAC Strengthening the Administrative Capacity of Croatian Tax Administration Concerning Investigation of Criminal Tax Acts,
- IPA 2012 FF RAC Human Resources Management Information System,
- IPA 2013 Strengthening of CTA's Government to Business (G2B) Capacities through Consolidation of IT Systems.
- Preparation and beginning of tender procedure (publication of tender):
 - IPA 2010 Integrated Border Management – procurement (Lot 1 – Customs control equipment, total value of EUR 1.7 million);
- Completion of tender procedure (the most favourable bidder has been selected, but the contract has not been signed yet):
 - IPA 2010 Strengthening the Competence of Public Internal Auditors in the Republic of Croatia in Auditing Cohesion and Structural Funds in Line with the Best EU Practice,
 - IPA 2010 FF RAC Introducing Quality Assurance in CAP and Excise Goods Control of the Croatian Customs Laboratory,
 - IPA 2010 FF RAC Harmonization of the Croatian Customs Administration with Standards, Organization and Operational Methodology of EU Post-clearance Control and Audit,
 - IPA 2012 – Supply of IT Equipment for the Customs Administration.

Within the process of the Transition Facility programming, the Ministry of Finance continued with the process of programming and preparation of the first draft tender documentation for two projects of the Tax Administration of the Ministry of Finance: New Croatian Tax Administration Information System Application and Croatian Tax Administration Human Resources Management Connected System, of the joint total value of EUR 4.3 million.

During 2013, the Ministry of Finance, together with other state administration bodies, within the framework of the thematic goal of Strengthening the institutional capacity and efficient public administration, the leading institution of which is the Ministry of State Administration, continued the programming process for the use of structural instruments of the European Union within the framework of the financial perspective 2014-2020.

The Republic of Croatia also participates in the European Union Programmes the aim of which is to promote the cooperation between member states in different areas of EU policies. Based on the special item in the General Budget of the European Union, the Union Programmes were intended only for member states. Considering the fact that in the first half of 2013, the Republic of Croatia participated in these Programmes as a candidate country which did not contribute to the European Union budget yet, it paid the participation fee. The Ministry of Finance is competent for Customs 2013 and Fiscalis 2013 programmes, for which it paid the participation fee in the amount of nine thousand euro, that is, ten thousand euro, respectively. The Customs 2013 programme includes the coordination of operation of customs services in member states, while the Fiscalis 2013 programme is intended for the improvement of the tax system on the internal market by stimulating the cooperation in the field of the taxation policy.

INTERNAL ORGANIZATION OF THE MINISTRY OF FINANCE IN 2013

INTERNAL ORGANIZATION OF THE MINISTRY OF FINANCE IN 2013

In 2013, the internal organization of the Ministry of Finance is regulated by the Regulation on the Internal Organization of the Ministry of Finance⁴⁸.

For the performance of tasks from within the scope of the Ministry of Finance, according to the valid internal organization for 2013, the following organizational units are established by the Regulation on the Internal Organization of the Ministry of Finance:

1. Office of the Minister;
2. General Secretariat;
3. Directorate for Macroeconomic Analysis, Economy, Financial System, European Union and International Financial Relations;
4. State Treasury;
5. Directorate for Financial Management, Internal Audit and Supervision;
6. Independent Sector for Second-Instance Administrative Procedure;

Administrative units within the Ministry, founded by special acts, are:

1. Tax Administration;
2. Customs Administration.

For the performance of tasks from within the scope of the General Secretariat, the following units are established: Sector for Human Resources and Legal Affairs; Service for General Affairs; Service for Financial-Planning and Accounting Tasks; Information System Sector and Communications Service.

For the performance of tasks from within the scope of the Directorate for Macroeconomic Analysis, Economy, Financial System, European Union and International Financial Relations, the following units are established: Bureau for Macroeconomic Analysis and Planning; Sector for Economy; Sector for Financial System; Sector for European Union and Sector for International Financial Relations.

For the performance of tasks from within the scope of the State Treasury, the following units are established: Sector for Budget Preparation and Financing of Local and Regional Self-Government Units; Sector for Budget Execution; Sector for Public Debt Management; Sector for the Support to the State Treasury and Sector for the Tasks of the National Fund.

For the performance of tasks from within the scope of the Directorate for Financial Management, Internal Audit and Supervision, the following units are established: Financial Inspectorate; Anti-Money Laundering Office; Sector for Harmonization of Internal Audit and Financial Control; Sector for Financial and Budget Supervision; Service for Construction and Maintenance of Border Crossings; Internal Audit Service; Service for Internal Supervision and Service for Combating Irregularities and Fraud.

For the performance of tasks from within the scope of the Independent Sector for Second-Instance Administrative Procedure, the following units are established: Service for Second-Instance Tax Procedure;

⁴⁸ Official Gazette, number 32/2012, 67/2012, 124/2012, 78/13 and 102/13

Service for Second-Instance Customs Procedure and Service for Administrative Supervision and Representation.

For the performance of tasks from within the scope of the administrative units founded by special acts - Tax Administration and Customs Administration, the central office and regional offices are established.

Within the framework of the Tax Administration, the Central Office, Large Taxpayers Office and 20 regional offices were established. The following units are established within the Central Office: Sector for Normative Activity and Self-Taxation; Sector for Tax Determination Business Processes and IT System Development; Supervision Sector; Collection Sector; Sector for Human Resources Management, Finance and Legal Affairs; Sector for European Affairs and International Cooperation, and Sector for Strategy and Development.

Within the framework of the Customs Administration, there are the Central Office and four regional customs offices within which customs offices and border customs offices are established. The following units are established within the Central Office: Sector for Joint Affairs; Sector for European Affairs and International Cooperation; Sector for Internal Supervision and Control; Sector for Human Resources Management and Legal Affairs; Finance Sector; Sector for Customs System and Procedures; Sector for Excise Duties and Special Taxes; Sector for Customs Tariff, Value and Origin; Supervision Sector; IT System sector and Customs Laboratory Sector.

In 2013, the internal organization was amended by the Regulation on the Amendments to the Regulation on the Internal Organization of the Ministry of Finance⁴⁹ and by the Regulation on the Amendments to the Regulation on the Internal Organization of the Ministry of Finance⁵⁰.

These Regulations amended the internal organization of the Ministry of Finance (central office), Customs Administration and Central Office of the Tax Administration. The most significant amendments of the internal organization referred to the internal organization of the Customs Administration that were the result of the obligation of the acquisition of the full-fledged membership of the Republic of Croatia in the European Union.

Ministry of Finance (Central Office)

Considering the scope of work that derived from the acquisition of the full-fledged membership in the European Union, regarding the coordination of European affairs and participation of the representatives of the Ministry of Finance in the work of the working bodies of the European Commission and the Council of the European Union, the scope of the Sector for European Union and International Financial Relations was extended and the Sector was reorganized in the Sector for European Union and Sector for International Financial Institutions.

The scope of work of the Sector for the Support to the State Treasury was also extended with the tasks referring to the implementation of the procedures for payment postponement, debt repayment in

⁴⁹ Official Gazette, number 78/2013

⁵⁰ Official Gazette, number 102/2013

instalments and selling, write-off or partial write-off of claims according to the Budget Act and implementing regulations according to the Regulation on the criteria, benchmarks and procedure for the payment postponement, debt repayment in instalments and selling, write-off or partial write-off of claims⁵¹ adopted pursuant to the Budget Act.

For the performance of the tasks regarding the construction and maintenance of border-crossings which, due to the need of establishing and ensuring the functioning of the border-crossings system for the efficient movement of persons, goods and services through borders, represent specific and particularly complex tasks of special state interest, the Service for the Construction and Maintenance of Border-Crossings was reorganized into the Sector for the Construction and Maintenance of Border-Crossings.

Within the Directorate for Financial Management, Internal Audit and Supervision, the Service for Combating Irregularities and Frauds was established, which had previously been established as the Independent Service for Combating Irregularities and Fraud. Regarding the performance of tasks of the financial and budget supervision, the Sector for Budget Supervision and Supervision of Concessions was reorganized into the Sector for Financial and Budget Supervision.

Customs Administration

The amendments to the internal organization of the Customs Administration were also conditioned by the obligations derived from the process of adjustment to the conditions of functioning in the EU, since the Republic of Croatia became the part of the EU unique customs area on July 1, 2013, the consequence of which was a direct application of the entire EU customs legislation.

The baseline for the preparation of the new organization was, to the greatest extent, the redefined role of the customs service in a way that the former national actions on the border line of the Republic of Croatia became the actions on the external borders of the European Union, as well as the adjustment of organizational forms to the extension of tasks, that is, to the extension of the scope of work of the customs service, as well as the provision of flexibility, that is, of the mobility of customs servants so that the customs service could fulfil its general goals, which are more efficient collection of revenues to the state budget and strengthening of the security component.

The Customs Administration was obliged to create all necessary preconditions for the EU *acquis communautaire* in the area of customs and excise duty system to be applied as of the first day of the membership in the European Union in a regular and unique way, that is, in a way which is in line with the good practice of customs services of the European Union member states. The adjustment to the conditions of the functioning within the European Union also implied taking over some additional tasks under the circumstances in which the Customs Administration directly applies the European customs regulations from Chapter 29 of the European Union *acquis communautaire* – Customs Union, and also provides the implementation of the European Union *acquis communautaire* in other chapters, such as chapters covering judiciary and safety system, tax system, financial and budget system, financial supervision, statistics, free movement of goods, intellectual property right, etc.

⁵¹ Official Gazette, number 52/2013

Additional tasks derived from the process of the adjustment to the conditions of functioning in the European Union and generally changed environment of customs actions were seen in the following important segments of work that had to be entirely covered by the amendments to the organization, particularly, inter alia, the application of the system of Common European Customs Tariff and Quotas System (TARIC system and quotas, ITMS, etc.); application of the common European trade and agricultural policy; application of the system of supervision of export incentives in agriculture; provision of conditions for proper use of IT systems that ensure interoperability and interconnectivity through which the implementation of the European Union *acquis communautaire* is achieved and the connectivity and information exchange with appropriate IT systems of the European Union member states and European Commission is provided (Help Desk and use of various IT transaction and reference systems, Excise Liaison Office, implementation of NCTS transit procedure, unique system of identification and registration of economic subjects, etc.); implementation of security measures regarding the goods that are imported and/or exported from the customs area; development of a completely new system of processing the Single Administrative Document, which is compatible with complex requirements of the European customs legislation and applicable regulations from outside the customs system and in line with the characteristics of different special systems that support the process of collecting customs duties on goods in the context of the development of compatible IT systems in the European Union.

Following the entry into force of the Regulation on the Modernised Customs Code (EC) number 450/2008, the European Commission adopted the Communication to the Council, the European Parliament and the European Economic and Social Committee-Strategy for the evolution of the Customs Union (COM (2008) 169), in which it recommended the establishment of the strategic framework for the customs that includes common strategic goals referring to the protection of the society and financial interests of the European Union through the development of efficient measures against illegal, limited and forbidden goods, and development of effective risk assessment as a part of the fight against terrorism and crime, support to the competitiveness of the European economy through the modernization of customs working methods and development of new standards, facilitating legal trade through the improvement of the customs supervision system in order to reduce the disturbances in the movement of goods as well as the administrative burden for the economy, and the development and strengthening of the cooperation among customs bodies as well as with other state bodies and economic community. For the purpose of fulfilling these strategic goals and of building and maintaining the efficient customs bodies, the European Commission invited all member states to continue with the adjustment and improvement of customs working methods by continuously investing in their capabilities, competences and resources.

The amendments to the internal organization of the Customs Administration amended the scope of the Central office in which there are eleven sectors established. At the regional level, four regional customs offices were established instead of seven customs houses, and customs stations and customs sections were annulled while customs offices and border customs offices were formed.

Tax Administration

Taking into account the changed circumstances that were the result of the accession of the Republic of Croatia to the European Union, and for the purpose of more efficient, effective and functional management

of the Tax Administration, the changes within the organization of the work of sectors and services in the Central Office of the Tax Administration were carried out.

By the new organization of the Central office of the Tax Administration, the number of sectors was reduced from twelve to seven. The Sector for Normative Activity and Self-Taxation was established by joining three sectors: Sector for Taxation System, Sector for the System of Service towards Taxpayers and Sector for Games of Chance and Local Taxes. The Sector for Tax Determination Business Processes and IT System Development was established by joining the Sector for Application Solutions, Tax Records, Statistics and Registers and the IT System Sector.

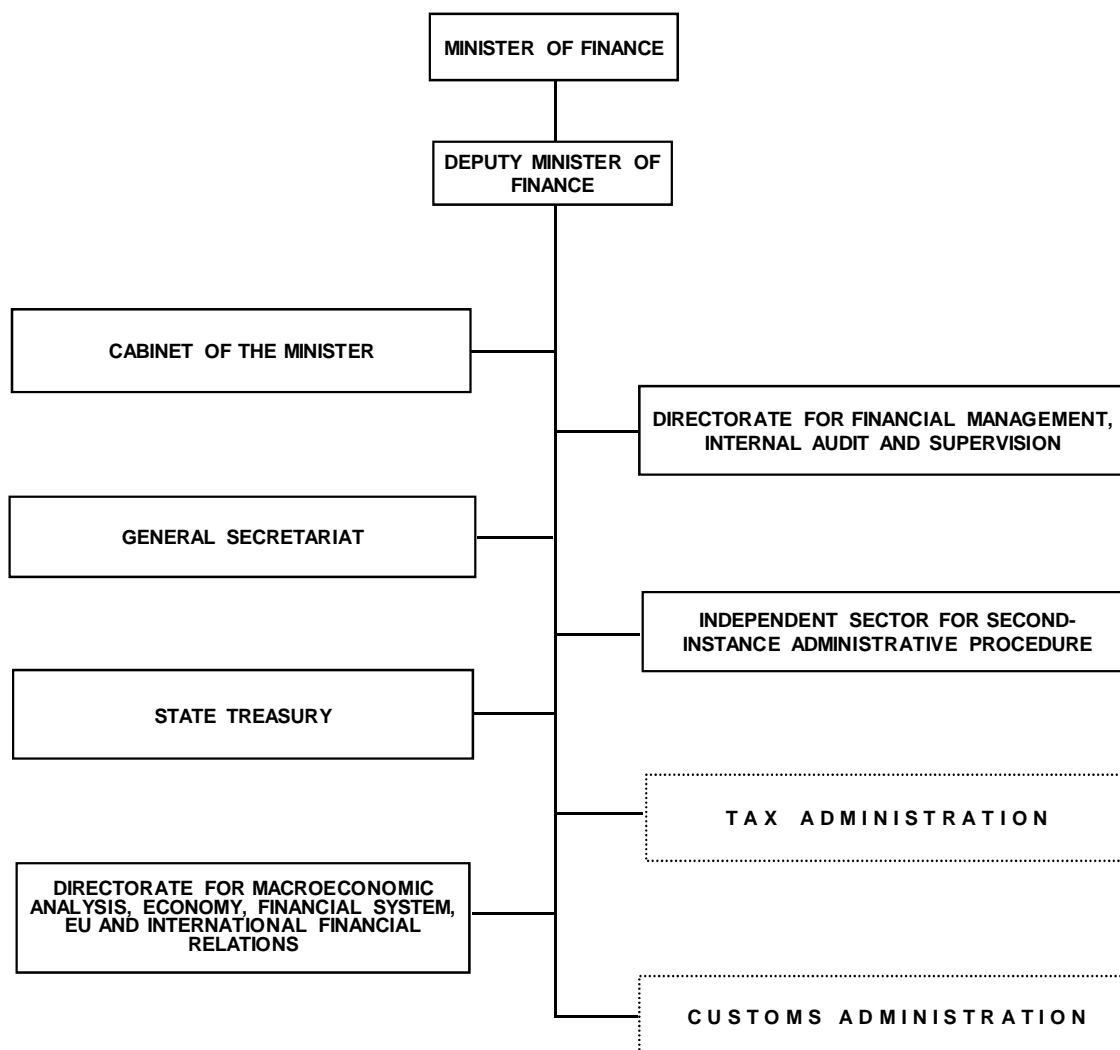
The organization of the Supervision Sector was also amended. Item 4.7 of the Tax Administration Supervision Strategy for the period 2013-2017 prescribes the improvement of the organizational structure of tax supervision in a way that tax supervision is organized within the Large Taxpayers Office and in five regional centres. In this context, the amendments were carried out within the former organization of the Central office, Supervision Sector so that the organization recommended in the Strategy could be realized.

The Sector for Human Resources Management, Finance and Legal Affairs was established by joining the Sector for Planning, Management, Development and Professional Training of Human Resources and the Sector for General, Legal, Accounting Tasks.

Within the Sector for European Affairs and International Cooperation, the Service for Double Taxation Avoidance was established, considering the international character of the performance of tasks of this Service. This Service had previously been established within the Sector for Tax System.

The organization of the Sector for Strategy and Development was also amended in line with the recommendations of the International Monetary Fund. Within this Sector, the following services were established: Service for *Ex-Ante* Control and Service for *Ex-Post* Control. These Services had been established within the framework of the Sector for Financial Management and Control, which was annulled.

ORGANIZATIONAL STRUCTURE – ORGANIGRAM OF THE MINISTRY OF FINANCE⁵²



⁵² Regulation on the Internal Organization of the Ministry of Finance (Official Gazette 32/2012, 67/2012, 124/2012 and 102/2013)

APPENDICES

Appendix 1 Basic Macroeconomic Indicators of Croatian Economy

	2009	2010	2011	2012	2013
GDP, current prices (HRK million)	330,966	328,041	332,587	330,456	330,135
GDP, real growth (%)	-7.4	-1.7	-0.3	-2.2	-0.9
GDP, current prices (EUR million)	45,093	45,022	44,737	43,959	43,591
GDP per capita (EUR)	10,471	10,479	10,446	10,297	10,250
Consumer price index, average (%)	2.4	1.1	2.3	3.4	2.2
Industrial producer price index, average, (%)	-0.4	4.3	6.3	7.0	0.5
Number of registered unemployed persons, average	263,174	302,425	305,333	324,323	345,112
Registered unemployment rate, average (%)	14.9	17.4	17.8	18.9	20.2
Labour force survey unemployment rate, average (%)	9.1	11.8	13.5	15.8	17.3
Average monthly gross wage, HRK	7,711	7,679	7,796	7,875	7,939
Average monthly net wage, HRK	5,311	5,343	5,441	5,478	5,515
Industrial production volume index (gross indices), growth rate (%)	-	-1.5	-1.2	-5.6	-2.0
Retail trade turnover, real growth rate (%)	-11.3	-2.6	1.0	-4.3	-0.4
Number of tourist nights, growth rate (%)	-1.4	2.6	7.0	4.0	3.3
Construction work index (basic indices), growth rate (%)	-6.8	-15.8	-8.7	-9.7	-4.6
Exchange rate HRK/EUR, average	7.34	7.29	7.43	7.52	7.57
Exchange rate HRK/USD, average	5.28	5.50	5.34	5.85	5.71
Foreign trade balance (HRK million)	-56,479	-45,405	-49,802	-49,519	-52,457
Exports (HRK million)	55,272	64,892	71,234	72,381	72,595
Imports (HRK million)	111,751	110,297	121,036	121,899	125,052
Current account balance (EUR million)	-2,304	-503	-360	-61	341
Current account balance (% of GDP)	-5.1	-1.1	-0.8	-0.1	0.8
External debt, end of period (EUR million)	45,600	46,908	46,397	45,276	45,920
External debt, end of period (% of GDP)	101.1	104.2	103.7	103.0	105.3
International reserves of CNB, end of period (EUR million)	10,376	10,660	11,195	11,236	12,908
Interest rate on treasury bills of 91 days maturity, end of period (%)	4.70	2.30	4.55	1.25	0.75
ZIBOR (3 m), average (%)	8.96	2.43	3.15	3.43	1.51

Source: Central Bureau of Statistics, Croatian National Bank, Ministry of Finance

Appendix 2 Budgetary Central Government Revenue in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUE	110,257,947	107,466,351	107,069,670	109,558,928	102.3	108,585,049	99.1
11	Taxes	63,678,926	62,856,582	61,422,186	64,693,898	105.3	63,044,946	97.5
111	Taxes on income, profits, and capital gains	10,839,269	7,608,630	8,595,516	8,966,867	104.3	7,738,141	86.3
1111	Payable by individuals	1,399,411	1,201,546	1,307,486	1,269,525	97.1	1,372,698	108.1
1112	Payable by corporations and other enterprises	9,439,858	6,407,084	7,288,030	7,697,342	105.6	6,365,443	82.7
113	Taxes on property	532,297	443,983	448,489	397,736	88.7	462,315	116.2
1134	Taxes on financial and capital transactions	532,297	443,983	448,489	397,736	88.7	462,315	116.2
114	Taxes on goods and services	49,238,277	50,980,460	50,244,065	53,205,019	105.9	53,349,544	100.3
1141	General taxes on goods and services	37,173,833	37,812,425	37,847,826	40,778,865	107.7	40,388,379	99.0
11411	Value-added taxes	37,050,354	37,688,520	37,718,154	40,652,023	107.8	40,253,061	99.0
11412	Sales taxes	123,479	123,905	129,672	126,841	97.8	135,319	106.7
1142	Excises	10,998,910	11,972,326	11,215,054	11,206,489	99.9	11,682,936	104.3
1144	Taxes on specific services	14,964	10,486	30,995	30,444	98.2	28,132	92.4
1145	Taxes on use of goods and on permission to use goods or perform activities	517,870	661,146	635,373	675,389	106.3	741,664	109.8
11452	Other	517,870	661,146	635,373	675,389	106.3	741,664	109.8
1146	Other taxes on goods and services	532,700	524,078	514,817	513,833	99.8	508,432	98.9
115	Taxes on international trade and transactions	1,721,164	1,644,448	1,766,356	1,754,364	99.3	1,159,371	66.1
1151	Customs and other import duties	1,721,164	1,644,448	1,766,356	1,754,364	99.3	1,159,371	66.1
116	Other taxes	1,347,920	2,179,061	367,761	369,912	100.6	335,576	90.7
12	Social contributions	39,994,739	38,712,382	38,605,067	37,845,871	98.0	37,149,263	98.2
121	Social security contributions	39,994,739	38,712,382	38,605,067	37,845,871	98.0	37,149,263	98.2
1211	Employee contributions	17,925,299	17,290,552	17,302,315	17,493,535	101.1	17,619,709	100.7
1212	Employer contributions	21,373,979	20,783,571	20,686,181	19,771,608	95.6	18,924,562	95.7
1213	Self-employed or nonemployed contributions	695,462	638,260	616,570	580,727	94.2	604,992	104.2
13	Grants	616,307	637,087	868,988	968,378	111.4	1,737,825	179.5
131	From foreign governments	5,450	13,236	39,130	20,024	51.2	6,274	31.3
1311	Current	3,992	12,811	3,756	6,883	183.3	505	7.3
1312	Capital	1,457	424	35,375	13,141	37.1	5,770	43.9
132	From international organizations	604,122	615,102	827,432	947,857	114.6	1,730,233	182.5
1321	Current	446,523	382,815	503,585	481,160	95.5	1,143,013	237.6
1322	Capital	157,599	232,287	323,847	466,698	144.1	587,220	125.8
133	From other general government units	6,735	8,749	2,426	497	20.5	1,317	265.3
1331	Current	4,800	6,100	0	0	-	1,241	-
1332	Capital	1,935	2,649	2,426	497	20.5	77	15.5
14	Other revenue	5,967,975	5,260,300	6,173,430	6,050,782	98.0	6,653,016	110.0
141	Property income	2,367,214	1,298,345	1,869,510	1,963,801	105.0	1,748,331	89.0
1411	Interest	123,488	125,088	115,034	59,214	51.5	123,816	209.1
1412	Dividends	106,625	111,303	286,579	681,776	237.9	577,348	84.7
1413	Withdrawals from income of quasi-corporations	1,342,502	318,939	637,969	0	-	0	-
1415	Rent	794,600	743,015	829,928	1,222,812	147.3	1,047,166	85.6
142	Sales of goods and services	1,682,037	1,856,422	1,381,724	1,662,470	120.3	1,786,642	107.5
1422	Administrative fees	981,712	1,190,921	1,152,971	990,828	85.9	1,017,183	102.7
1423	Incidental sales by nonmarket establishments	700,325	665,501	228,752	671,643	293.6	769,459	114.6
143	Fines, penalties, and forfeits	515,461	524,795	534,434	525,955	98.4	580,941	110.5
144	Voluntary transfers other than grants	15,865	15,940	29,068	46,341	159.4	52,446	113.2
1441	Current	11,551	12,656	25,337	43,494	171.7	51,835	119.2
1442	Capital	4,314	3,284	3,730	2,846	76.3	611	21.5
145	Miscellaneous and unidentified revenue	1,387,397	1,564,799	2,358,694	1,852,214	78.5	2,484,657	134.1

Source: Ministry of Finance

Appendix 3 Budgetary Central Government Expense in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
2	EXPENSE	117,923,992	120,323,332	119,939,511	118,729,992	99.0	123,505,883	104.0
21	Compensation of employees	31,289,325	31,096,464	31,737,350	31,383,210	98.9	30,461,818	97.1
211	Wages and salaries	26,555,399	26,391,104	26,932,391	26,910,038	99.9	26,286,011	97.7
212	Social contributions	4,733,926	4,705,360	4,804,959	4,473,172	93.1	4,175,807	93.4
2121	Actual social contributions	4,733,926	4,705,360	4,804,959	4,473,172	93.1	4,175,807	93.4
22	Use of goods and services	7,363,814	7,655,745	7,943,604	7,406,320	93.2	7,537,416	101.8
23	Consumption of fixed capital	0	0	0	0	-	0	-
24	Interest	5,225,174	6,236,482	7,097,592	8,335,656	117.4	9,259,196	111.1
241	To nonresidents	1,391,408	1,723,831	2,491,668	3,123,476	125.4	3,755,471	120.2
242	To residents other than general government	3,833,767	4,512,651	4,605,924	5,212,180	113.2	5,503,725	105.6
243	To other general government units	0	0	0	0	-	0	-
25	Subsidies	6,710,033	6,582,192	6,555,277	5,762,321	87.9	5,537,845	96.1
251	To public corporations	3,134,258	3,186,622	3,063,739	2,216,271	72.3	2,002,133	90.3
252	To private enterprises	3,575,775	3,395,569	3,491,538	3,546,050	101.6	3,535,712	99.7
26	Grants	5,559,586	5,778,575	5,083,665	4,843,769	95.3	6,511,699	134.4
261	To foreign governments	78,184	58,594	39,806	25,615	64.4	9,436	36.8
2611	Current	68,150	49,412	34,346	21,078	61.4	4,111	19.5
2612	Capital	10,034	9,181	5,459	4,537	83.1	5,326	117.4
262	To international organizations	134,031	175,808	212,234	247,448	116.6	2,056,525	-
2621	Current	133,061	175,808	212,234	247,448	116.6	2,056,525	-
2622	Capital	970	0	0	0	-	0	-
263	To other general government units	5,347,372	5,544,174	4,831,625	4,570,706	94.6	4,445,737	97.3
2631	Current	2,598,678	2,663,291	2,468,917	2,440,511	98.8	2,362,235	96.8
2632	Capital	2,748,694	2,880,883	2,362,708	2,130,195	90.2	2,083,502	97.8
27	Social benefits	56,148,498	56,906,555	56,482,968	56,169,850	99.4	58,943,356	104.9
271	Social security benefits	40,605,352	43,008,291	42,752,824	42,797,897	100.1	45,411,600	106.1
272	Social assistance benefits	15,258,436	13,728,987	13,602,326	13,240,668	97.3	13,392,974	101.2
273	Employer social benefits	284,709	169,277	127,817	131,285	102.7	138,782	105.7
28	Other expense	5,627,561	6,067,319	5,039,054	4,828,865	95.8	5,254,553	108.8
281	Property expenditures other than interest	7,730	88	12	66	-	340	-
282	Miscellaneous Other Expenditures	5,619,832	6,067,231	5,039,042	4,828,799	95.8	5,254,213	108.8
2821	Current	2,174,864	2,280,627	2,018,297	2,068,407	102.5	2,316,424	112.0
2822	Capital	3,444,968	3,786,604	3,020,745	2,760,392	91.4	2,937,789	106.4

Source: Ministry of Finance

Appendix 4 Transactions in Nonfinancial Assets of the Budgetary Central Government in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
31	NET ACQUISITION OF NONFINANCIAL ASSETS	1,963,401	1,232,366	1,138,970	829,626	72.8	1,304,518	157.2
311	Fixed assets	1,839,720	1,200,398	1,118,710	772,151	69.0	1,036,609	134.2
311,1	Acquisitions: fixed assets	2,097,601	1,466,817	1,420,148	1,028,403	72.4	1,278,649	124.3
311,2	Disposals: fixed assets	257,881	266,419	301,438	256,251	85.0	242,040	94.5
3111	Buildings and structures	824,283	608,822	484,370	265,596	54.8	381,100	143.5
3111,1	Acquisitions: buildings and structures	1,076,215	872,737	783,289	514,471	65.7	620,335	120.6
3111,2	Disposals: buildings and structures	251,932	263,915	298,919	248,875	83.3	239,235	96.1
3112	Machinery and equipment	931,108	529,521	594,015	433,550	73.0	610,369	140.8
3112,1	Acquisitions: machinery and equipment	937,057	532,022	596,534	440,927	73.9	613,172	139.1
3112,2	Disposals: machinery and equipment	5,949	2,502	2,519	7,376	292.8	2,803	38.0
3113	Other fixed assets	84,330	62,056	40,325	73,005	181.0	45,140	61.8
3113,1	Acquisitions: other fixed assets	84,330	62,058	40,325	73,005	181.0	45,142	61.8
3113,2	Disposals: other fixed assets	0	2	0	0	-	2	-
312	Inventories	35,412	10,955	2,473	29,280	-	225,477	-
312,1	Acquisitions: inventories	43,144	16,910	3,237	33,475	-	226,012	-
312,2	Disposals: inventories	7,732	5,954	764	4,195	-	536	12.8
313	Valuables	8,929	6,136	3,741	3,494	93.4	1,333	38.1
313,1	Acquisitions: valuables	8,929	6,136	3,741	3,494	93.4	1,333	38.1
314	Nonproduced assets	79,340	14,877	14,046	24,700	175.8	41,099	166.4
314,1	Acquisitions: nonproduced assets	117,733	60,809	58,852	42,610	72.4	58,018	136.2
314,2	Disposals: nonproduced assets	38,392	45,933	44,806	17,910	40.0	16,918	94.5
3141	Land	-38,175	-45,536	-42,728	-17,166	-	-16,095	-
3141,1	Acquisitions: land	125	396	1,988	744	37.4	823	110.7
3141,2	Disposals: land	38,300	45,933	44,716	17,910	40.1	16,918	94.5
3142	Subsoil assets	-93	0	-90	0	-	0	-
3142,2	Disposals: subsoil assets	93	0	90	0	-	0	-
3143	Other naturally occurring assets	0	0	0	0	-	0	-
3144	Intangible nonproduced assets	117,608	60,413	56,864	41,866	73.6	57,194	136.6
3144,1	Acquisitions: intangible nonproduced assets	117,608	60,413	56,864	41,866	73.6	57,194	136.6
3144,2	Disposals: intangible nonproduced assets	0	0	0	0	-	0	-

Source: Ministry of Finance

Appendix 5 Transactions in Financial Assets of the Budgetary Central Government in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	2013
32	NET ACQUISITION OF FINANCIAL ASSETS	6,825,544	2,022,682	-618,448	-461,514	14,214,400
321	Domestic	6,823,196	2,022,294	-623,788	-468,017	14,009,154
3212	Currency and deposits	4,127,800	569,502	-2,198,870	-1,208,562	4,825,878
3213	Securities other than shares	0	0	0	0	0
3214	Loans	2,316,757	657,093	1,024,421	92,382	8,558,231
3214,1	Acquisitions: Loans	2,458,939	1,366,444	1,841,105	857,099	8,809,020
3214,2	Disposals: Loans	142,181	709,351	816,684	764,717	250,789
3215	Shares and other equity	378,639	795,699	550,660	648,163	625,046
3215,1	Acquisitions: Shares and other equity	387,017	803,044	550,660	650,353	670,510
3215,2	Disposals: Shares and other equity	8,378	7,345	0	2,190	45,464
3216	Insurance technical reserves	0	0	0	0	0
3217	Financial derivatives	0	0	0	0	0
3218	Other accounts receivable	0	0	0	0	0
322	Foreign	2,348	388	5,341	6,503	205,245
3222	Currency and deposits	0	0	0	0	0
3223	Securities other than shares	0	0	0	0	0
3224	Loans	1,447	388	0	0	315
3224,1	Acquisitions: Loans	1,447	2,365	1,793	1,826	2,033
3224,2	Disposals: Loans	0	1,977	1,793	1,826	1,717
3225	Shares and other equity	901	0	5,341	6,503	204,930
3225,1	Acquisitions: Shares and other equity	901	0	5,341	6,503	204,930
3225,2	Disposals: Shares and other equity	0	0	0	0	0
3226	Insurance technical reserves	0	0	0	0	0
3227	Financial derivatives	0	0	0	0	0
3228	Other accounts receivable	0	0	0	0	0
323	Monetary gold and SDRs	0	0	0	0	0

Source: Ministry of Finance

Appendix 6 Transactions in Liabilities of the Budgetary Central Government in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	2013
33	NET INCURRENCE OF LIABILITIES	16,454,990	16,112,029	13,390,363	9,539,175	30,439,751
33.1	Total repayments	9,700,319	17,999,196	11,320,894	11,059,657	12,104,801
33.2	Total incurrence	26,155,309	34,111,225	24,711,257	20,598,833	42,544,552
331	Domestic	9,576,610	11,835,071	4,793,136	1,413,994	8,904,914
331.1	Repayments	2,704,283	12,815,011	3,124,139	9,759,469	10,985,488
331.2	Incurrence	12,280,893	24,650,082	7,917,275	11,173,464	19,890,402
3312	Currency and deposits	0	0	0	0	0
3313	Securities other than shares	4,855,440	12,222,784	3,023,835	6,035,183	7,357,785
3313,1	Repayments: Securities other than shares	273,892	3,289,266	2,689,441	3,902,510	4,000,000
3313,2	Incurrences: Securities other than shares	5,129,332	15,512,050	5,713,276	9,937,693	11,357,785
3314	Loans	4,721,170	-387,713	1,769,302	-4,621,189	1,547,129
3314,1	Repayments: Loans	2,430,391	9,525,745	434,698	5,856,959	6,985,488
3314,2	Incurrences: Loans	7,151,562	9,138,032	2,203,999	1,235,770	8,532,617
3316	Insurance technical reserves	0	0	0	0	0
3317	Financial derivatives	0	0	0	0	0
3318	Other accounts payable	0	0	0	0	0
332	Foreign	6,878,380	4,276,958	8,597,227	8,125,181	21,534,837
332.1	Repayments	6,996,036	5,184,185	8,196,755	1,300,188	1,119,313
332.2	Incurrence	13,874,416	9,461,143	16,793,982	9,425,369	22,654,150
3322	Currency and deposits	0	0	0	0	0
3323	Securities other than shares	7,801,073	3,517,533	7,786,583	8,548,785	18,783,420
3323,1	Repayments: Securities other than shares	5,054,565	3,655,005	5,541,105	0	0
3323,2	Incurrences: Securities other than shares	12,855,638	7,172,538	13,327,688	8,548,785	18,783,420
3324	Loans	-922,693	759,425	810,644	-423,604	2,751,417
3324,1	Repayments: Loans	1,941,471	1,529,180	2,655,650	1,300,188	1,119,313
3324,2	Incurrences: Loans	1,018,778	2,288,606	3,466,295	876,584	3,870,730
3326	Insurance technical reserves	0	0	0	0	0
3327	Financial derivatives	0	0	0	0	0
3328	Other accounts payable	0	0	0	0	0

Source: Ministry of Finance

Appendix 7 Transactions of Extrabudgetary Users in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUE	5,504,483	5,385,019	5,054,264	5,004,055	99.0	5,152,959	103.0
11	Taxes	0	0	0	0	-	0	-
12	Social contributions	0	0	0	0	-	0	-
13	Grants	1,711,086	2,037,959	1,751,716	1,695,170	96.8	1,693,347	99.9
131	From foreign governments	0	0	0	0	-	0	-
132	From international organizations	3,397	1,772	2,740	1,557	56.8	2,900	186.3
133	From other general government units	1,707,689	2,036,187	1,748,976	1,693,613	96.8	1,690,447	99.8
1331	Current	15,364	4,381	1,138	8,402	-	1,407	16.7
1332	Capital	1,692,325	2,031,806	1,747,838	1,685,211	96.4	1,689,040	100.2
14	Other revenue	3,793,397	3,347,060	3,302,548	3,308,885	100.2	3,459,612	104.6
2	EXPENSE	4,305,463	4,280,491	4,206,006	3,879,986	92.2	4,591,154	118.3
21	Compensation of employees	285,596	275,140	266,748	280,393	105.1	302,483	107.9
211	Wages and salaries	245,800	237,166	229,371	244,015	106.4	266,658	109.3
212	Social contributions	39,796	37,974	37,377	36,378	97.3	35,825	98.5
22	Use of goods and services	2,480,509	2,650,887	2,420,195	2,361,121	97.6	2,541,721	107.6
24	Interest	284,640	315,291	347,031	378,323	109.0	428,015	113.1
241	To nonresidents	57,659	32,158	50,455	47,690	94.5	41,518	87.1
242	To residents other than general government	226,981	283,133	296,576	330,633	111.5	384,529	116.3
25	Subsidies	89,673	44,923	7,154	983	13.7	12,722	-
251	To public corporations	26,770	4,642	0	145	-	9,450	-
252	To private enterprises	62,903	40,281	7,154	838	11.7	3,272	-
26	Grants	233,938	178,673	126,493	141,598	111.9	336,943	238.0
263	To other general government units	233,938	178,673	126,493	141,598	111.9	336,943	238.0
2631	Current	4,800	6,100	0	787	-	3,568	-
2632	Capital	229,138	172,573	126,493	140,811	111.3	333,375	236.8
27	Social benefits	218	112	0	0	-	0	-
271	Social security benefits	218	112	0	0	-	0	-
28	Other expense	930,889	815,465	1,038,385	717,568	69.1	969,270	135.1
31	NET ACQUISITION OF NONFINANCIAL ASSETS	1,637,738	1,446,955	2,233,531	2,303,439	103.1	2,349,086	102.0
31.1	Acquisition of nonfinancial assets	1,659,443	1,455,114	2,265,942	2,334,270	103.0	2,377,872	101.9
31.2	Disposal of nonfinancial assets	21,705	8,159	32,411	30,831	95.1	28,786	93.4
32	NET ACQUISITION OF FINANCIAL ASSETS	538,324	873,486	458,803	479,212		148,212	
321	Domestic	538,324	873,486	458,803	479,212		148,212	
322	Foreign	0	0	0	0		0	
33	NET INCURRENCE OF LIABILITIES	977,042	1,215,913	1,844,076	1,658,582		1,935,492	
331	Domestic	553,629	1,136,957	1,849,477	1,727,739		1,897,334	
332	Foreign	423,413	78,956	-5,401	-69,157		38,158	

Source: Ministry of Finance

Appendix 8 Transactions of the Croatian Waters in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUE	2,253,976	1,998,161	1,919,586	1,860,067	96.9	2,010,557	108.1
11	Taxes	0	0	0	0	-	0	-
12	Social contributions	0	0	0	0	-	0	-
13	Grants	342,007	334,354	339,390	288,672	85.1	298,199	103.3
131	From foreign governments	0	0	0	0	-	0	-
132	From international organizations	3,397	1,772	2,740	1,557	56.8	2,482	159.4
133	From other general government units	338,610	332,582	336,650	287,115	85.3	295,717	103.0
1331	Current	15,364	4,381	700	3,130	-	3	-
1332	Capital	323,246	328,201	335,950	283,985	84.5	295,714	104.1
14	Other revenue	1,911,969	1,663,807	1,580,196	1,571,395	99.4	1,712,358	109.0
2	EXPENSE	1,748,448	1,779,441	1,459,634	1,455,994	99.8	1,514,633	104.0
21	Compensation of employees	129,458	125,800	118,327	117,691	99.5	121,755	103.5
211	Wages and salaries	111,542	108,907	101,870	102,460	100.6	106,351	103.8
212	Social contributions	17,916	16,893	16,457	15,231	92.6	15,404	101.1
22	Use of goods and services	1,060,458	1,109,460	930,804	875,886	94.1	834,018	95.2
24	Interest	29,863	17,828	30,438	46,035	151.2	67,062	145.7
241	To nonresidents	2,793	1,764	1,282	813	63.4	339	41.7
242	To residents other than general government	27,070	16,064	29,156	45,222	155.1	64,755	143.2
25	Subsidies	0	0	0	0	-	0	-
251	To public corporations	0	0	0	0	-	0	-
252	To private enterprises	0	0	0	0	-	0	-
26	Grants	76,101	53,797	28,447	30,257	106.4	69,152	228.5
263	To other general government units	76,101	53,797	28,447	30,257	106.4	69,152	228.5
2631	Current	4,800	6,100	0	740	-	358	48.4
2632	Capital	71,301	47,697	28,447	29,517	103.8	68,794	233.1
27	Social benefits	0	0	0	0	-	0	-
271	Social security benefits	0	0	0	0	-	0	-
28	Other expense	452,568	472,556	351,618	386,125	109.8	422,646	109.5
31	NET ACQUISITION OF NONFINANCIAL ASSETS	274,314	378,952	1,185,008	1,319,375	111.3	1,052,728	79.8
31.1	Acquisition of nonfinancial assets	275,598	379,044	1,185,123	1,319,451	111.3	1,053,503	79.8
31.2	Disposal of nonfinancial assets	1,284	92	115	76	66.1	775	-
32	NET ACQUISITION OF FINANCIAL ASSETS	222,116	-72,616	38,016	-161,607	-	-33,085	-
321	Domestic	222,116	-72,616	38,016	-161,607	-	-33,085	-
322	Foreign	0	0	0	0	-	0	-
33	NET INCURRENCE OF LIABILITIES	-9,098	87,616	763,072	753,695	-	523,720	-
331	Domestic	-115,831	105,053	777,014	767,823	-	532,502	-
332	Foreign	106,733	-17,437	-13,942	-14,128	-	-8,782	-

Source: Ministry of Finance

Appendix 9 Transactions of the Fund for Environmental Protection and Energy Efficiency in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUE	1.168.578	1.040.675	1.091.289	1.056.742	96,8	1.039.054	98,3
11	Taxes	0	0	0	0	-	0	-
12	Social contributions	0	0	0	0	-	0	-
13	Grants	0	0	22.246	7.457	33,5	6.946	93,1
131	From foreign governments	0	0	0	0	-	0	-
132	From international organizations	0	0	0	0	-	418	-
133	From other general government units	0	0	22.246	7.457	33,5	6.528	87,5
1331	Current	0	0	438	1.631	-	1.404	86,1
1332	Capital	0	0	21.808	5.826	26,7	5.124	88,0
14	Other revenue	1.168.578	1.040.675	1.069.043	1.049.285	98,2	1.032.108	98,4
2	EXPENSE	1.159.521	1.004.188	915.778	959.728	104,8	884.081	92,1
21	Compensation of employees	21.331	20.240	23.411	28.432	121,4	30.494	107,3
211	Wages and salaries	18.310	17.327	20.077	24.854	123,8	26.714	107,5
212	Social contributions	3.021	2.913	3.334	3.578	107,3	3.780	105,6
22	Use of goods and services	874.856	784.653	763.362	797.901	104,5	713.611	89,4
24	Interest	32	501	139	4.517	-	5	-
241	To nonresidents	0	0	0	0	-	0	-
242	To residents other than general government	32	501	139	4.517	-	5	-
25	Subsidies	89.673	44.923	7.154	983	13,7	3.418	-
251	To public corporations	26.770	4.642	0	145	-	146	100,7
252	To private enterprises	62.903	40.281	7.154	838	11,7	3.272	-
26	Grants	157.329	124.876	98.046	111.341	113,6	126.265	113,4
263	To other general government units	157.329	124.876	98.046	111.341	113,6	126.265	113,4
2631	Current	0	0	0	47	-	3.210	-
2632	Capital	157.329	124.876	98.046	111.294	113,5	123.055	110,6
27	Social benefits	0	0	0	0	-	0	-
271	Social security benefits	0	0	0	0	-	0	-
28	Other expense	16.300	28.995	23.666	16.554	69,9	10.288	62,1
31	NET ACQUISITION OF NONFINANCIAL ASSETS	6.656	1.582	62.344	20.141	32,3	55.391	275,0
31,1	Acquisition of nonfinancial assets	6.656	1.608	62.344	20.365	32,7	55.394	272,0
31,2	Disposal of nonfinancial assets	0	26	0	224	-	3	1,3
32	NET ACQUISITION OF FINANCIAL ASSETS	2.401	34.905	113.167	76.873	-	99.582	-
321	Domestic	2.401	34.905	113.167	76.873	-	99.582	-
322	Foreign	0	0	0	0	-	0	-
33	NET INCURRENCE OF LIABILITIES	0	0	0	0	-	0	-
331	Domestic	0	0	0	0	-	0	-
332	Foreign	0	0	0	0	-	0	-

Source: Ministry of Finance

Appendix 10 Transactions of the Croatian Roads in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUE	1.481.919	1.789.839	1.447.462	1.454.458	100,5	1.439.662	99,0
11	Taxes	0	0	0	0	-	0	-
12	Social contributions	0	0	0	0	-	0	-
13	Grants	1.369.079	1.703.605	1.390.000	1.399.041	100,7	1.388.202	99,2
131	From foreign governments	0	0	0	0	-	0	-
132	From international organizations	0	0	0	0	-	0	-
133	From other general government units	1.369.079	1.703.605	1.390.000	1.399.041	100,7	1.388.202	99,2
1331	Current	0	0	0	3.641	-	0	-
1332	Capital	1.369.079	1.703.605	1.390.000	1.395.400	100,4	1.388.202	99,5
14	Other revenue	112.840	86.234	57.462	55.417	96,4	51.460	92,9
2	EXPENSE	1.048.486	1.405.891	1.320.918	1.276.972	96,7	1.478.081	115,7
21	Compensation of employees	93.383	88.674	86.815	87.801	101,1	90.933	103,6
211	Wages and salaries	80.372	76.234	74.613	76.132	102,0	79.470	104,4
212	Social contributions	13.011	12.440	12.202	11.669	95,6	11.463	98,2
22	Use of goods and services	524.661	739.205	686.539	655.091	95,4	920.487	140,5
24	Interest	221.474	268.159	283.868	295.772	104,2	314.401	106,3
241	To nonresidents	47.942	24.988	44.021	43.466	98,7	39.107	90,0
242	To residents other than general government	173.532	243.171	239.847	252.306	105,2	275.294	109,1
25	Subsidies	0	0	0	0	-	0	-
251	To public corporations	0	0	0	0	-	0	-
252	To private enterprises	0	0	0	0	-	0	-
26	Grants	508	0	0	0	-	141.526	-
263	To other general government units	508	0	0	0	-	141.526	-
2631	Current	0	0	0	0	-	0	-
2632	Capital	508	0	0	0	-	141.526	-
27	Social benefits	0	0	0	0	-	0	-
271	Social security benefits	0	0	0	0	-	0	-
28	Other expense	208.460	309.853	263.696	238.308	90,4	10.734	4,5
31	NET ACQUISITION OF NONFINANCIAL ASSETS	1.371.041	1.069.699	1.013.340	983.156	97,0	1.267.712	128,9
31,1	Acquisition of nonfinancial assets	1.376.092	1.070.880	1.017.552	985.528	96,9	1.268.295	128,7
31,2	Disposal of nonfinancial assets	5.051	1.181	4.212	2.372	56,3	583	24,6
32	NET ACQUISITION OF FINANCIAL ASSETS	41.652	356.936	48.973	113.328	-	-251.763	-
321	Domestic	41.652	356.936	48.973	113.328	-	-251.763	-
322	Foreign	0	0	0	0	-	0	-
33	NET INCURRENCE OF LIABILITIES	979.260	1.042.687	935.769	918.998	-	1.054.369	-
331	Domestic	696.394	926.845	895.422	946.007	-	985.390	-
332	Foreign	282.866	115.842	40.347	-27.009	-	68.979	-

Source: Ministry of Finance

Appendix 11 Transactions of the State Agency for Deposit Insurance and Bank Rehabilitation in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUE	566,470	529,642	552,819	576,101	104.2	597,248	103.7
11	Taxes	0	0	0	0	-	0	-
12	Social contributions	0	0	0	0	-	0	-
13	Grants	0	0	0	0	-	0	-
131	From foreign governments	0	0	0	0	-	0	-
132	From international organizations	0	0	0	0	-	0	-
133	From other general government units	0	0	0	0	-	0	-
1331	Current	0	0	0	0	-	0	-
1332	Capital	0	0	0	0	-	0	-
14	Other revenue	566,470	529,642	552,819	576,101	104.2	597,248	103.7
2	EXPENSE	267,167	16,967	408,867	89,460	21.9	538,282	-
21	Compensation of employees	7,159	7,215	7,454	7,482	100.4	6,051	80.9
211	Wages and salaries	6,134	6,184	6,389	6,486	101.5	5,297	81.7
212	Social contributions	1,025	1,031	1,065	996	93.5	754	75.7
22	Use of goods and services	5,493	5,307	10,917	5,687	52.1	6,745	118.6
24	Interest	736	272	191	117	61.3	0	-
241	To nonresidents	0	0	0	0	-	0	-
242	To residents other than general government	736	272	191	117	61.3	0	-
25	Subsidies	0	0	0	0	-	0	-
251	To public corporations	0	0	0	0	-	0	-
252	To private enterprises	0	0	0	0	-	0	-
26	Grants	0	0	0	0	-	0	-
263	To other general government units	0	0	0	0	-	0	-
2631	Current	0	0	0	0	-	0	-
2632	Capital	0	0	0	0	-	0	-
27	Social benefits	218	112	0	0	-	0	-
271	Social security benefits	218	112	0	0	-	0	-
28	Other expense	253,561	4,061	390,305	76,174	19.5	525,486	-
31	NET ACQUISITION OF NONFINANCIAL ASSETS	258	2,657	312	145	46.5	134	92.4
31.1	Acquisition of nonfinancial assets	258	2,657	312	145	46.5	134	92.4
31.2	Disposal of nonfinancial assets	0	0	0	0	-	0	-
32	NET ACQUISITION OF FINANCIAL ASSETS	299,045	510,018	143,640	486,496		58,832	
321	Domestic	299,045	510,018	143,640	486,496		58,832	
322	Foreign	0	0	0	0		0	
33	NET INCURRENCE OF LIABILITIES	0	0	0	0		0	
331	Domestic	0	0	0	0		0	
332	Foreign	0	0	0	0		0	

Source: Ministry of Finance

Appendix 12 Transactions of the Government Asset Management Agency in 2011-2013 Period*

	(HRK 000)	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUE	41.216	56.687	137,5	49.247	86,9
11	Taxes	0	0	-	0	-
12	Social contributions	0	0	-	0	-
13	Grants	80	0	-	0	-
131	From foreign governments	0	0	-	0	-
132	From international organizations	0	0	-	0	-
133	From other general government units	80	0	-	0	-
1331	Current	0	0	-	0	-
1332	Capital	80	0	-	0	-
14	Other revenue	41.136	56.687	137,8	49.247	86,9
2	EXPENSE	84.648	97.832	115,6	138.861	141,9
21	Compensation of employees	25.041	38.987	155,7	38.098	97,7
211	Wages and salaries	21.537	34.083	158,3	34.561	101,4
212	Social contributions	3.504	4.904	140,0	3.537	72,1
22	Use of goods and services	24.374	26.556	109,0	58.046	218,6
24	Interest	26.133	31.882	122,0	33.359	104,6
241	To nonresidents	3.847	3.411	88,7	1.640	48,1
242	To residents other than general government	22.286	28.471	127,8	31.719	111,4
25	Subsidies	0	0	-	9.304	-
251	To public corporations	0	0	-	9.304	-
252	To private enterprises	0	0	-	0	-
26	Grants	0	0	-	0	-
263	To other general government units	0	0	-	0	-
2631	Current	0	0	-	0	-
2632	Capital	0	0	-	0	-
27	Social benefits	0	0	-	0	-
271	Social security benefits	0	0	-	0	-
28	Other expense	9.100	407	4,5	54	13,3
31	NET ACQUISITION OF NONFINANCIAL ASSETS	-26.544	-19.378	-	-25.204	-
31,1	Acquisition of nonfinancial assets	611	8.781	-	398	4,5
31,2	Disposal of nonfinancial assets	27.155	28.159	103,7	25.602	90,9
32	NET ACQUISITION OF FINANCIAL ASSETS	52.016	-35.878		64.989	
321	Domestic	52.016	-35.878		64.989	
322	Inozemna	0	0		0	
33	NET INCURRENCE OF LIABILITIES	68.904	-14.111		129.399	
331	Domestic	88.580	13.909		150.826	
332	Foreign	-19.676	-28.020		-21.427	

*Note: Government Asset Management Agency (AUDIO) operates since 1st April 2011. It has included HFP and a former Budgetary Central Government user - Central State Administrative Office for State Property Management.

As of the 1st October 2013 Restructuring and Sale Centre (CERP) started operating. According to Article 25 of Management and Disposition of Property in Ownership of the Republic of Croatia Law (Official Gazette, number 94/2013), CERP is legal successor of all rights and obligations of abolished Agency for Management of the Public Property (AUDIO), made contracts and initiated court and other proceedings in which AUDIO was one of the parties. In addition to newly established CERP, AUDIO's business was also taken over by the State Property Management Administration.

Source: Ministry of Finance

Appendix 13 Transactions of the Restructuring and Sale Centre (CERP) in 2013*

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUE	114.086.889	110.831.567	110.406.122	112.883.471	102,2	112.051.132	99,3
	Budgetary Central Government	110.251.211	107.457.602	107.067.244	109.558.431	102,3	108.581.764	99,1
	Extrabudgetary Users	3.835.678	3.373.965	3.338.878	3.325.040	99,6	3.469.368	104,3
	Croatian Waters	1.954.250	1.690.712	1.594.280	1.580.154	99,1	1.715.167	108,5
	Fund for Environmental Protection and Energy Efficiency	1.168.578	1.040.675	1.091.289	1.056.681	96,8	1.039.054	98,3
	Croatian Roads Ltd.	112.840	86.234	57.462	55.417	96,4	51.460	92,9
	State Agency for Deposit Insurance and Bank Rehabilitation	566.470	529.642	552.819	576.101	104,2	597.248	103,7
	Croatian Privatization Fund	33.540	26.702	1.892	-	-	-	-
	Government Asset Management Agency	-	-	41.136	56.687	137,8	49.247	86,9
	Restructuring and Sale Centre	-	-	-	-	-	17.192	-
2	EXPENSE	120.553.914	122.584.020	122.427.705	120.930.466	98,8	126.410.159	104,5
	Budgetary Central Government	116.255.187	118.312.278	118.224.125	117.050.976	99,0	121.822.292	104,1
	Extrabudgetary Users	4.298.728	4.271.742	4.203.581	3.879.490	92,3	4.587.868	118,3
	Croatian Waters	1.742.098	1.771.232	1.458.210	1.455.498	99,8	1.512.665	103,9
	Fund for Environmental Protection and Energy Efficiency	1.159.136	1.003.648	914.777	959.728	104,9	882.764	92,0
	Croatian Roads Ltd.	1.048.486	1.405.891	1.320.918	1.276.972	96,7	1.478.081	115,7
	State Agency for Deposit Insurance and Bank Rehabilitation	267.167	16.967	408.867	89.460	21,9	538.282	-
	Croatian Privatization Fund	81.841	74.004	16.161	-	-	-	-
	Government Asset Management Agency	-	-	84.648	97.832	115,6	138.861	141,9
	Restructuring and Sale Centre	-	-	-	-	-	37.215	-
31	NET ACQUISITION OF NONFINANCIAL ASSETS	3.601.139	2.679.321	3.372.501	3.133.065	92,9	3.653.604	116,6
	Acquisition	3.926.849	3.005.786	3.751.920	3.442.252	91,7	3.941.883	114,5
	Budgetary Central Government	2.267.406	1.550.672	1.485.978	1.107.982	74,6	1.564.011	141,2
	Extrabudgetary Users	1.659.443	1.455.114	2.265.942	2.334.270	103,0	2.377.872	101,9
	Disposals	325.710	326.465	379.419	309.187	81,5	288.280	93,2
	Budgetary Central Government	304.005	318.306	347.008	278.356	80,2	259.494	93,2
	Extrabudgetary Users	21.705	8.159	32.411	30.831	95,1	28.786	93,4
32	NET ACQUISITION OF FINANCIAL ASSETS	7.363.868	2.816.593	-353.868	-165.706		14.146.115	
321	Domestic	7.361.520	2.816.205	-359.208	-172.209		13.940.869	
	Budgetary Central Government	6.823.196	1.942.719	-818.011	-651.421		13.792.657	
	Extrabudgetary Users	538.324	873.486	458.803	479.212		148.212	
322	Foreign	2.348	388	5.341	6.503		205.245	
	Budgetary Central Government	2.348	388	5.341	6.503		205.245	
	Extrabudgetary Users	0	0	0	0		0	
33	NET INCURRENCE OF LIABILITIES	17.432.032	17.248.367	15.040.216	11.014.353		32.158.746	
331	Domestic	10.130.239	12.892.453	6.448.390	2.958.329		10.585.751	
	Budgetary Central Government	9.576.610	11.835.071	4.793.136	1.413.994		8.904.914	
	Extrabudgetary Users	553.629	1.057.382	1.655.254	1.544.335		1.680.837	
332	Foreign	7.301.793	4.355.914	8.591.826	8.056.024		21.572.995	
	Budgetary Central Government	6.878.380	4.276.958	8.597.227	8.125.181		21.534.837	
	Extrabudgetary Users	423.413	78.956	-5.401	-69.157		38.158	

*Note: As of the 1st October 2013 Restructuring and Sale Centre (CERP) started operating. According to Article 25 of Management and Disposition of Property in Ownership of the Republic of Croatia Law (Official Gazette, number 94/2013), CERP is legal successor of all rights and obligations of abolished Agency for Management of the Public Property (AUDIO), made contracts and initiated court and other proceedings in which AUDIO was one of the parties. In addition to newly established CERP, AUDIO's business was also taken over by the State Property Management Administration.

Source: Ministry of Finance

Appendix 14 Consolidated Central Government in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUE	114,086,889	110,831,567	110,406,122	112,883,471	102.2	112,051,132	99.3
11	Taxes	63,678,926	62,856,582	61,422,186	64,693,898	105.3	63,044,946	97.5
111	Taxes on income, profits, and capital gains	10,839,269	7,608,630	8,595,516	8,966,867	104.3	7,738,141	86.3
1111	Payable by individuals	1,399,411	1,201,546	1,307,486	1,269,525	97.1	1,372,698	108.1
1112	Payable by corporations and other enterprises	9,439,858	6,407,084	7,288,030	7,697,342	105.6	6,365,443	82.7
113	Taxes on property	532,297	443,983	448,489	397,736	88.7	462,315	116.2
114	Taxes on goods and services	49,238,277	50,980,460	50,244,065	53,205,019	105.9	53,349,544	100.3
1141	General taxes on goods and services	37,173,833	37,812,425	37,847,826	40,778,865	107.7	40,388,379	99.0
11411	Value-added taxes	37,050,354	37,688,520	37,718,154	40,652,023	107.8	40,253,061	99.0
11412	Sales taxes	123,479	123,905	129,672	126,841	97.8	135,319	106.7
1142	Excises	10,998,910	11,972,326	11,215,054	11,206,489	99.9	11,682,936	104.3
115	Taxes on international trade and transactions	1,721,164	1,644,448	1,766,356	1,754,364	99.3	1,159,371	66.1
116	Other taxes	1,347,920	2,179,061	367,761	369,912	100.6	335,576	90.7
12	Social contributions	39,994,739	38,712,382	38,605,067	37,845,871	98.0	37,149,263	98.2
13	Grants	651,853	655,243	902,892	984,036	109.0	1,746,263	177.5
14	Other revenue	9,761,372	8,607,360	9,475,978	9,359,667	98.8	10,110,660	108.0
2	EXPENSE	120,553,914	122,584,020	122,427,705	120,930,466	98.8	126,410,159	104.5
21	Compensation of employees	31,574,921	31,371,604	32,004,098	31,663,603	98.9	30,764,301	97.2
211	Wages and salaries	26,801,199	26,628,270	27,161,762	27,154,053	100.0	26,552,669	97.8
212	Social contributions	4,773,722	4,743,334	4,842,336	4,509,550	93.1	4,211,632	93.4
22	Use of goods and services	9,844,323	10,306,632	10,363,799	9,767,441	94.2	10,079,137	103.2
24	Interest	5,509,814	6,551,773	7,444,623	8,713,979	117.1	9,685,243	111.1
241	To nonresidents	1,449,067	1,755,989	2,542,123	3,171,166	124.7	3,796,989	119.7
242	To residents other than general government	4,060,748	4,795,784	4,902,500	5,542,813	113.1	5,888,254	106.2
25	Subsidies	6,799,706	6,627,115	6,562,431	5,763,304	87.8	5,550,567	96.3
251	To public corporations	3,161,028	3,191,264	3,063,739	2,216,416	72.3	2,011,583	90.8
252	To private enterprises	3,638,678	3,435,850	3,498,692	3,546,888	101.4	3,538,984	99.8
26	Grants	4,117,984	3,937,445	3,492,346	3,305,855	94.7	5,163,733	156.2
261	To foreign governments	78,184	58,594	39,806	25,615	64.4	9,436	36.8
262	To international organizations	134,031	175,808	212,234	247,448	116.6	2,056,525	-
263	To other general government units	3,905,769	3,703,043	3,240,307	3,032,792	93.6	3,097,772	102.1
27	Social benefits	56,148,716	56,906,667	56,482,968	56,169,850	99.4	58,943,356	104.9
271	Social security benefits	40,605,570	43,008,403	42,752,824	42,797,897	100.1	45,411,600	106.1
272	Social assistance benefits	15,258,436	13,728,987	13,602,326	13,240,668	97.3	13,392,974	101.2
273	Employer social benefits	284,709	169,277	127,817	131,285	102.7	138,782	105.7
28	Other expense	6,558,450	6,882,784	6,077,439	5,546,433	91.3	6,223,822	112.2
281	Property expense other than interest	7,730	88	12	66	-	340	-
282	Miscellaneous other expense	6,550,721	6,882,696	6,077,427	5,546,367	91.3	6,223,482	112.2
2821	Current	2,462,124	2,325,290	2,475,222	2,172,666	87.8	2,865,866	131.9
2822	Capital	4,088,597	4,557,406	3,602,205	3,373,701	93.7	3,357,616	99.5
31	NET ACQUISITION OF NONFINANCIAL ASSETS	3,601,139	2,679,321	3,372,501	3,133,065	92.9	3,653,604	116.6
311	Fixed assets	3,230,665	2,487,200	3,213,053	2,949,185	91.8	3,223,778	109.3
312	Inventories	35,412	10,955	2,473	29,280	-	225,477	-
313	Valuables	8,929	6,136	3,741	3,494	93.4	1,333	38.1
314	Nonproduced assets	326,133	175,030	153,234	151,105	98.6	203,016	134.4
32	NET ACQUISITION OF FINANCIAL ASSETS	7,363,868	2,816,593	-353,868	-165,706		14,146,115	
321	Domestic	7,361,520	2,816,205	-359,208	-172,209		13,940,869	
322	Foreign	2,348	388	5,341	6,503		205,245	
33	NET INCURRENCE OF LIABILITIES	17,432,032	17,248,367	15,040,216	11,014,353		32,158,746	
331	Domestic	10,130,239	12,892,453	6,448,390	2,958,329		10,585,751	
332	Foreign	7,301,793	4,355,914	8,591,826	8,056,024		21,572,995	

Source: Ministry of Finance

Appendix 15 Consolidated Central Government by Government Level in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUE	114,086,889	110,831,567	110,406,122	112,883,471	102.2	112,051,132	99.3
	Budgetary Central Government	110,251,211	107,457,602	107,067,244	109,558,431	102.3	108,581,764	99.1
	Extrabudgetary Users	3,835,678	3,373,965	3,338,878	3,325,040	99.6	3,469,368	104.3
	Croatian Waters	1,954,250	1,690,712	1,594,280	1,580,154	99.1	1,715,167	108.5
	Fund for Environmental Protection and Energy Efficiency	1,168,578	1,040,675	1,091,289	1,056,681	96.8	1,039,054	98.3
	Croatian Roads Ltd.	112,840	86,234	57,462	55,417	96.4	51,460	92.9
	State Agency for Deposit Insurance and Bank Rehabilitation	566,470	529,642	552,819	576,101	104.2	597,248	103.7
	Croatian Privatization Fund	33,540	26,702	1,892	-	-	-	-
	Government Asset Management Agency	-	-	41,136	56,687	137.8	49,247	86.9
	Restructuring and Sale Centre	-	-	-	-	-	17,192	-
2	EXPENSE	120,553,914	122,584,020	122,427,705	120,930,466	98.8	126,410,159	104.5
	Budgetary Central Government	116,255,187	118,312,278	118,224,125	117,050,976	99.0	121,822,292	104.1
	Extrabudgetary Users	4,298,728	4,271,742	4,203,581	3,879,490	92.3	4,587,868	118.3
	Croatian Waters	1,742,098	1,771,232	1,458,210	1,455,498	99.8	1,512,665	103.9
	Fund for Environmental Protection and Energy Efficiency	1,159,136	1,003,648	914,777	959,728	104.9	882,764	92.0
	Croatian Roads Ltd.	1,048,486	1,405,891	1,320,918	1,276,972	96.7	1,478,081	115.7
	State Agency for Deposit Insurance and Bank Rehabilitation	267,167	16,967	408,867	89,460	21.9	538,282	-
	Croatian Privatization Fund	81,841	74,004	16,161	-	-	-	-
	Government Asset Management Agency	-	-	84,648	97,832	115.6	138,861	141.9
	Restructuring and Sale Centre	-	-	-	-	-	37,215	-
31	NET ACQUISITION OF NONFINANCIAL ASSETS	3,601,139	2,679,321	3,372,501	3,133,065	92.9	3,653,604	116.6
	Acquisition	3,926,849	3,005,786	3,751,920	3,442,252	91.7	3,941,883	114.5
	Budgetary Central Government	2,267,406	1,550,672	1,485,978	1,107,982	74.6	1,564,011	141.2
	Extrabudgetary Users	1,659,443	1,455,114	2,265,942	2,334,270	103.0	2,377,872	101.9
	Disposals	325,710	326,465	379,419	309,187	81.5	288,280	93.2
	Budgetary Central Government	304,005	318,306	347,008	278,356	80.2	259,494	93.2
	Extrabudgetary Users	21,705	8,159	32,411	30,831	95.1	28,786	93.4
32	NET ACQUISITION OF FINANCIAL ASSETS	7,363,868	2,816,593	-353,868	-165,706		14,146,115	
321	Domestic	7,361,520	2,816,205	-359,208	-172,209		13,940,869	
	Budgetary Central Government	6,823,196	1,942,719	-818,011	-651,421		13,792,657	
	Extrabudgetary Users	538,324	873,486	458,803	479,212		148,212	
322	Foreign	2,348	388	5,341	6,503		205,245	
	Budgetary Central Government	2,348	388	5,341	6,503		205,245	
	Extrabudgetary Users	0	0	0	0		0	
33	NET INCURRENCE OF LIABILITIES	17,432,032	17,248,367	15,040,216	11,014,353		32,158,746	
331	Domestic	10,130,239	12,892,453	6,448,390	2,958,329		10,585,751	
	Budgetary Central Government	9,576,610	11,835,071	4,793,136	1,413,994		8,904,914	
	Extrabudgetary Users	553,629	1,057,382	1,655,254	1,544,335		1,680,837	
332	Foreign	7,301,793	4,355,914	8,591,826	8,056,024		21,572,995	
	Budgetary Central Government	6,878,380	4,276,958	8,597,227	8,125,181		21,534,837	
	Extrabudgetary Users	423,413	78,956	-5,401	-69,157		38,158	

Source: Ministry of Finance

Appendix 16 Local Government (53 Units, 32 Cities, Counties and the City of Zagreb) in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUE	16,062,945	15,041,812	14,763,088	15,035,185	101.8	15,881,175	105.6
11	Taxes	9,891,927	8,872,440	8,805,856	9,423,857	107.0	11,446,693	121.5
111	Taxes on income, profits, and capital gains	8,961,506	8,021,829	7,965,284	8,606,644	108.1	8,953,357	104.0
1111	Payable by individuals	8,961,506	8,021,829	7,965,284	8,606,644	108.1	8,953,357	104.0
1112	Payable by corporations and other enterprises	0	0	0	0	-	0	-
113	Taxes on property	512,708	439,983	437,557	404,927	92.5	1,888,472	-
114	Taxes on goods and services	406,662	398,714	392,941	402,483	102.4	594,962	147.8
1141	General taxes on goods and services	52,947	49,883	51,405	55,378	107.7	80,982	146.2
11411	Value-added taxes	0	0	0	0	-	0	-
11412	Sales taxes	52,947	49,883	51,405	55,378	107.7	80,982	146.2
1142	Excises	0	0	0	0	-	0	-
115	Taxes on international trade and transactions	0	0	0	0	-	0	-
116	Other taxes	11,052	11,913	10,075	9,804	97.3	9,902	101.0
12	Social contributions	0	0	0	0	-	0	-
13	Grants	2,034,478	2,147,948	2,122,230	1,798,058	84.7	2,080,283	115.7
131	From foreign governments	1,248	3,776	549	11	2.0	2,898	-
132	From international organizations	1,946	2,367	8,814	23,687	268.7	30,516	128.8
133	From other general government units	2,031,284	2,141,806	2,112,867	1,774,361	84.0	2,046,869	115.4
14	Other revenue	4,136,540	4,021,424	3,835,003	3,813,270	99.4	2,354,200	61.7
2	EXPENSE	13,958,975	13,066,277	12,661,547	13,269,948	104.8	13,860,755	104.5
21	Compensation of employees	3,665,254	3,622,102	3,604,127	3,717,421	103.1	3,678,957	99.0
211	Wages and salaries	3,175,226	3,133,718	3,088,997	3,210,747	103.9	3,191,714	99.4
212	Social contributions	490,028	488,383	515,130	506,675	98.4	487,242	96.2
22	Use of goods and services	5,167,299	4,995,571	4,998,530	5,228,358	104.6	5,381,866	102.9
24	Interest	115,495	102,517	126,181	134,863	106.9	112,617	83.5
241	To nonresidents	1,511	352	583	179	30.7	94	52.7
242	To residents other than general government	113,976	102,147	125,597	134,589	107.2	112,523	83.6
25	Subsidies	1,275,536	1,253,408	1,043,625	1,037,691	99.4	1,179,666	113.7
251	To public corporations	1,078,024	1,066,185	882,406	891,619	101.0	1,043,335	117.0
252	To private enterprises	197,512	187,223	161,219	146,072	90.6	136,331	93.3
26	Grants	328,602	299,226	291,279	313,289	107.6	412,553	131.7
261	To foreign governments	0	0	510	707	138.5	6,168	-
262	To international organizations	0	0	605	4,817	-	6,107	126.8
263	To other general government units	328,602	299,226	290,163	307,765	106.1	400,278	130.1
2631	Current	182,045	167,229	153,746	160,947	104.7	203,328	126.3
2632	Capital	146,557	131,997	136,417	146,818	107.6	196,950	134.1
27	Social benefits	779,170	647,916	652,601	710,944	108.9	916,056	128.9
271	Social security benefits	0	0	0	0	-	0	-
272	Social assistance benefits	755,214	616,744	623,596	689,990	110.6	896,218	129.9
273	Employer social benefits	23,956	31,172	29,005	20,954	72.2	19,838	94.7
28	Other expense	2,627,619	2,145,538	1,945,205	2,127,383	109.4	2,179,040	102.4
281	Property expense other than interest	0	0	0	0	-	0	-
282	Miscellaneous other expense	2,627,619	2,145,538	1,945,205	2,127,383	109.4	2,179,040	102.4
2821	Current	1,609,480	1,483,437	1,372,127	1,423,299	103.7	1,431,798	100.6
2822	Capital	1,018,139	662,101	573,078	704,084	122.9	747,242	106.1
31	NET ACQUISITION OF NONFINANCIAL ASSETS	2,756,124	2,168,528	1,671,392	1,440,588	86.2	1,610,529	111.8
311	Fixed assets	2,773,332	2,223,776	1,642,846	1,427,353	86.9	1,791,997	125.5
312	Inventories	0	0	0	0	-	0	-
313	Valuables	203	69	146	93	63.7	909	-
314	Nonproduced assets	-17,411	-55,318	28,400	13,142	46.3	-182,377	-
32	NET ACQUISITION OF FINANCIAL ASSETS	-634,558	-226,342	440,757	247,184		159,538	
321	Domestic	-634,558	-226,342	440,757	247,184		159,538	
322	Foreign	0	0	0	0		0	
33	NET INCURRENCE OF LIABILITIES	17,596	-33,349	10,608	-77,465		-250,354	
331	Domestic	39,441	-20,901	17,113	-71,266		-244,872	
332	Foreign	-21,844	-12,448	-6,505	-6,199		-5,482	

Source: Ministry of Finance

Appendix 17 Consolidated General Government in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUE	128,087,106	123,709,173	123,024,529	126,131,604	102.5	125,878,640	99.8
11	Taxes	73,570,853	71,729,021	70,228,042	74,117,755	105.5	74,491,639	100.5
111	Taxes on income, profits, and capital gains	19,800,774	15,630,459	16,560,799	17,573,511	106.1	16,691,498	95.0
1111	Payable by individuals	10,360,916	9,223,376	9,272,770	9,876,169	106.5	10,326,054	104.6
1112	Payable by corporations and other enterprises	9,439,858	6,407,084	7,288,030	7,697,342	105.6	6,365,443	82.7
113	Taxes on property	1,045,005	883,966	886,046	802,663	90.6	2,350,786	292.9
114	Taxes on goods and services	49,644,939	51,379,174	50,637,006	53,607,502	105.9	53,944,506	100.6
1141	General taxes on goods and services	37,226,780	37,862,308	37,899,231	40,834,243	107.7	40,469,361	99.1
11411	Value-added taxes	37,050,354	37,688,520	37,718,154	40,652,023	107.8	40,253,061	99.0
11412	Sales taxes	176,427	173,788	181,077	182,220	100.6	216,300	118.7
1142	Excises	10,998,910	11,972,326	11,215,054	11,206,489	99.9	11,682,936	104.3
115	Taxes on international trade and transactions	1,721,164	1,644,448	1,766,356	1,754,364	99.3	1,159,371	66.1
116	Other taxes	1,358,971	2,190,974	377,836	379,715	100.5	345,478	91.0
12	Social contributions	39,994,739	38,712,382	38,605,067	37,845,871	98.0	37,149,263	98.2
121	Social security contributions	39,994,739	38,712,382	38,605,067	37,845,871	98.0	37,149,263	98.2
13	Grants	623,603	638,985	880,441	995,042	113.0	1,772,879	178.2
14	Other revenue	13,897,911	12,628,784	13,310,980	13,172,936	99.0	12,464,859	94.6
2	EXPENSE	132,450,162	133,486,090	132,944,571	132,413,362	99.6	138,217,247	104.4
21	Compensation of employees	35,240,175	34,993,705	35,608,225	35,381,024	99.4	34,443,258	97.3
211	Wages and salaries	29,976,425	29,761,988	30,250,759	30,364,799	100.4	29,744,383	98.0
212	Social contributions	5,263,750	5,231,717	5,357,466	5,016,225	93.6	4,698,875	93.7
22	Use of goods and services	15,011,623	15,302,203	15,362,330	14,995,799	97.6	15,461,004	103.1
24	Interest	5,625,309	6,654,290	7,570,804	8,848,842	116.9	9,797,860	110.7
241	To nonresidents	1,450,578	1,756,342	2,542,706	3,171,345	124.7	3,797,083	119.7
242	To residents other than general government	4,174,724	4,897,931	5,028,097	5,677,402	112.9	6,000,777	105.7
25	Subsidies	8,075,242	7,880,522	7,606,056	6,800,995	89.4	6,730,232	99.0
251	To public corporations	4,239,052	4,257,449	3,946,146	3,108,035	78.8	3,054,917	98.3
252	To private enterprises	3,836,190	3,623,073	3,659,911	3,692,959	100.9	3,675,315	99.5
26	Grants	2,383,858	2,072,465	1,638,943	1,832,092	111.8	3,522,619	192.3
261	To foreign governments	78,184	58,594	40,316	26,322	65.3	15,605	59.3
262	To international organizations	134,031	175,808	212,840	252,265	118.5	2,062,633	-
263	To other general government units	2,171,643	1,838,063	1,385,788	1,553,505	112.1	1,444,382	93.0
27	Social benefits	56,927,886	57,554,583	57,135,569	56,880,795	99.6	59,859,412	105.2
271	Social security benefits	40,605,570	43,008,403	42,752,824	42,797,897	100.1	45,411,600	106.1
272	Social assistance benefits	16,013,650	14,345,732	14,225,922	13,930,658	97.9	14,289,193	102.6
273	Employer social benefits	308,665	200,449	156,822	152,240	97.1	158,619	104.2
28	Other expense	9,186,070	9,028,322	8,022,645	7,673,816	95.7	8,402,862	109.5
281	Property expense other than interest	7,730	88	12	66	-	340	-
282	Miscellaneous other expense	9,178,340	9,028,234	8,022,632	7,673,750	95.7	8,402,522	109.5
2821	Current	4,071,604	3,808,726	3,847,349	3,595,965	93.5	4,297,664	119.5
2822	Capital	5,106,736	5,219,508	4,175,283	4,077,785	97.7	4,104,858	100.7
31	NET ACQUISITION OF NONFINANCIAL ASSETS	6,357,263	4,847,849	5,043,893	4,573,653	90.7	5,264,132	115.1
311	Fixed assets	6,003,997	4,710,976	4,855,899	4,376,538	90.1	5,015,774	114.6
312	Inventories	35,412	10,955	2,473	29,280	-	225,477	-
313	Valuables	9,132	6,206	3,888	3,587	92.3	2,242	62.5
314	Nonproduced assets	308,723	119,712	181,634	164,247	90.4	20,639	12.6
32	NET ACQUISITION OF FINANCIAL ASSETS	6,729,333	2,590,507	87,221	58,456		14,305,668	
321	Domestic	6,726,985	2,590,119	81,880	51,953		14,100,423	
322	Foreign	2,348	388	5,341	6,503		205,245	
33	NET INCURRENCE OF LIABILITIES	17,449,652	17,215,273	15,051,156	10,913,866		31,908,407	
331	Domestic	10,169,704	12,871,808	6,465,835	2,864,041		10,340,894	
332	Foreign	7,279,948	4,343,466	8,585,321	8,049,825		21,567,513	

Source: Ministry of Finance

Appendix 18 Consolidated General Government by Government Level in the 2009-2013 Period

	(HRK 000)	2009	2010	2011	2012	Index 2012/2011	2013	Index 2013/2012
1	REVENUES	128,087,106	123,709,173	123,024,529	126,131,604	102.5	125,878,640	99.8
	Budgetary Central Government	110,251,211	107,457,602	107,067,244	109,558,431	102.3	108,581,764	99.1
	Extrabudgetary Users	3,804,235	3,351,565	3,307,063	3,312,348	100.2	3,462,570	104.5
	Croatian Waters	1,922,807	1,668,312	1,584,711	1,574,858	99.4	1,714,897	108.9
	Fund for Environmental Protection and Energy Efficiency	1,168,578	1,040,675	1,069,043	1,049,285	98.2	1,032,526	98.4
	Croatian Roads Ltd.	112,840	86,234	57,462	55,417	96.4	51,460	92.9
	State Agency for Deposit Insurance and Bank Rehabilitation	566,470	529,642	552,819	576,101	104.2	597,248	103.7
	Croatian Privatization Fund	33,540	26,702	1,892	-	-	-	-
	Government Asset Management Agency	-	-	41,136	56,687	137.8	49,247	86.9
	Restructuring and Sale Centre	-	-	-	-	-	17,192	-
	Local Government	14,031,661	12,900,006	12,650,221	13,260,825	104.8	13,834,306	104.3
2	EXPENSE	132,450,162	133,486,090	132,944,571	132,413,362	99.6	138,217,247	104.4
	Budgetary Central Government	114,305,037	116,237,015	116,163,322	115,318,008	99.3	119,880,768	104.0
	Extrabudgetary Users	4,217,593	4,205,199	4,151,516	3,838,098	92.5	4,482,523	116.8
	Croatian Waters	1,709,514	1,754,034	1,436,668	1,439,851	100.2	1,455,114	101.1
	Fund for Environmental Protection and Energy Efficiency	1,111,094	954,303	884,255	933,983	105.6	834,970	89.4
	Croatian Roads Ltd.	1,047,978	1,405,891	1,320,918	1,276,972	96.7	1,478,081	115.7
	State Agency for Deposit Insurance and Bank Rehabilitation	267,167	16,967	408,867	89,460	21.9	538,282	-
	Croatian Privatization Fund	81,841	74,004	16,161	-	-	-	-
	Government Asset Management Agency	-	-	84,648	97,832	115.6	138,861	141.9
	Restructuring and Sale Centre	-	-	-	-	-	37,215	-
	Local Government	13,927,532	13,043,877	12,629,732	13,257,257	105.0	13,853,957	104.5
31	NET ACQUISITION OF NONFINANCIAL ASSETS	6,357,263	4,847,849	5,043,893	4,573,653	90.7	5,264,132	115.1
	Acquisition	7,132,386	5,626,796	5,876,148	5,175,902	88.1	6,040,604	116.7
	Budgetary Central Government	2,267,406	1,550,672	1,485,978	1,107,982	74.6	1,564,011	141.2
	Extrabudgetary Users	1,659,443	1,455,114	2,265,942	2,334,270	103.0	2,377,872	101.9
	Local Government	3,205,537	2,621,009	2,124,228	1,733,651	81.6	2,098,721	121.1
	Disposals	775,123	778,947	832,255	602,250	72.4	776,472	128.9
	Budgetary Central Government	304,005	318,306	347,008	278,356	80.2	259,494	93.2
	Extrabudgetary Users	21,705	8,159	32,411	30,831	95.1	28,786	93.4
	Local Government	449,413	452,482	452,836	293,063	64.7	488,192	166.6
32	NET ACQUISITION OF FINANCIAL ASSETS	6,729,333	2,590,507	87,221	58,456		14,305,668	
321	Domestic	6,726,985	2,590,119	81,880	51,953		14,100,423	
	Budgetary Central Government	6,823,220	1,942,756	-817,680	-674,443		13,792,673	
	Extrabudgetary Users	538,324	873,486	458,803	479,212		148,212	
	Local Government	-634,558	-226,123	440,757	247,184		159,538	
322	Foreign	2,348	388	5,341	6,503		205,245	
	Budgetary Central Government	2,348	388	5,341	6,503		205,245	
	Extrabudgetary Users	0	0	0	0		0	
	Local Government	0	0	0	0		0	
33	NET INCURRENCE OF LIABILITIES	17,449,652	17,215,273	15,051,156	10,913,866		31,908,407	
331	Domestic	10,169,704	12,871,808	6,465,835	2,864,041		10,340,894	
	Budgetary Central Government	9,576,610	11,835,071	4,793,136	1,413,994		8,904,914	
	Extrabudgetary Users	553,629	1,057,382	1,655,254	1,544,335		1,680,837	
	Local Government	39,465	-20,645	17,444	-94,288		-244,857	
332	Foreign	7,279,948	4,343,466	8,585,321	8,049,825		21,567,513	
	Budgetary Central Government	6,878,380	4,276,958	8,597,227	8,125,181		21,534,837	
	Extrabudgetary Users	423,413	78,956	-5,401	-69,157		38,158	
	Local Government	-21,844	-12,448	-6,505	-6,199		-5,482	

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