



REPUBLIC OF CROATIA

MINISTRY OF FINANCE

**ANNUAL REPORT**  
**OF THE MINISTRY OF FINANCE**  
**FOR 2014**

Zagreb, 2015

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## **FOREWORD**

In 2014, unfavourable economic movements caused by global financial crisis continued in the Republic of Croatia, for the sixth year in a row. The gross domestic product of the Republic of Croatia in 2014 declined in real terms by 0.4 percent, which confirms the fact that the year 2014 was the sixth recession year. The possibilities to spur the economic growth by economic policy measures after deep six-year long recession 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 stronger fiscal consolidation was necessary.

Fiscal consolidation framework was determined by the Recommendations of the EU Council of Ministers for addressing the excessive budget deficit, adopted in January 2014. According to the adopted Recommendations, the Republic of Croatia was required to adopt fiscal consolidation measures of 2.3 percent of GDP in 2014 and by 1 percent of GDP in each of the following two years. In 2014, the Government of the Republic of Croatia realized the structural effort which exceeded the requirements from the Council Recommendations.

The fiscal policy measures of the Republic of Croatia were directed towards the fiscal consolidation on both the revenue and the expense side of the budget. The activities on the revenue side of the budget were directed towards the changes in tax regulations, reduction of grey economy and achievement of better collection of budget revenues. On the expense side of the budget, special attention was directed towards the budget deficit reduction by measures that do not impact negatively on the growth, 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 2014 is presented in the follow-up of the document for the purpose of promoting the dialogue on fiscal policy.



# 1. MACROECONOMIC DEVELOPMENTS IN 2014

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## 1.1 INTERNATIONAL ENVIRONMENT

The growth of global economy amounted to 3.4 percent<sup>1</sup> in 2014, which is almost equal to the growth rate realized in the previous year. The developed economies recorded the economic growth of 1.8 percent, while the growth of developing countries amounted to 4.6 percent. Among major developed economies, the real growth of gross domestic product of the USA amounted to 2.4 percent in 2014, while the real gross domestic product of Japan stagnated. Following the stagnation of the economic activity in 2013, in 2014 the growth of 1.3 percent was recorded in the European Union, while the real gross domestic product in the Eurozone was increased by 0.8 percent. During 2014, the inflation in the European Union slowed down from 1.5 percent realized in 2013 to 0.6 percent, while the inflation in the Eurozone slowed down from 1.4 percent to 0.4 percent. Considering the most important Croatian trading partners, Germany, Austria and Slovenia recorded economic growth in 2014, while negative trends in economic activity continued in Italy. The real growth of gross domestic product of Germany amounted to 1.6 percent in 2014, while the growth of Austrian economy amounted to 0.4 percent and Slovenia recorded the growth of 2.6 percent. In 2014, Italy recorded a real decrease in gross domestic product of 0.4 percent.

**Table 1.1: International environment – macroeconomic indicators**

	2010	2011	2012	2013	2014
<b>Real GDP growth, %</b>					
World	6.2	4.0	3.2	3.3	3.4
European Union	2.1	1.7	-0.5	0.1	1.3
Austria	1.9	2.8	0.8	0.3	0.4
Italy	1.7	0.6	-2.8	-1.7	-0.4
Germany	4.1	3.6	0.4	0.1	1.6
Slovenia	1.2	0.6	-2.6	-1.0	2.6
Euro area	2.0	1.6	-0.9	-0.4	0.8
<b>Inflation rate, %</b>					
European Union	2.1	3.1	2.6	1.5	0.6
Euro area	1.6	2.7	2.5	1.4	0.4
<b>Oil prices growth, %</b>	27.9	31.6	1.0	-0.9	-7.5

Source: Eurostat, International Monetary Fund

The index of primary commodity prices<sup>2</sup> on the global market recorded a decrease of 6.3 percent in 2014. The decrease in prices of crude oil (-7.5 percent), metals (-10.3 percent) and food (-4.2 percent) contributed the most to the decrease in prices of primary commodities. Crude oil prices decreased from USD 104.1 per barrel in 2013 to USD 96.2 per barrel in 2014.

<sup>1</sup> Source: European Commission: *European Economic Forecast – Spring 2015*

<sup>2</sup> Source: International Monetary Fund

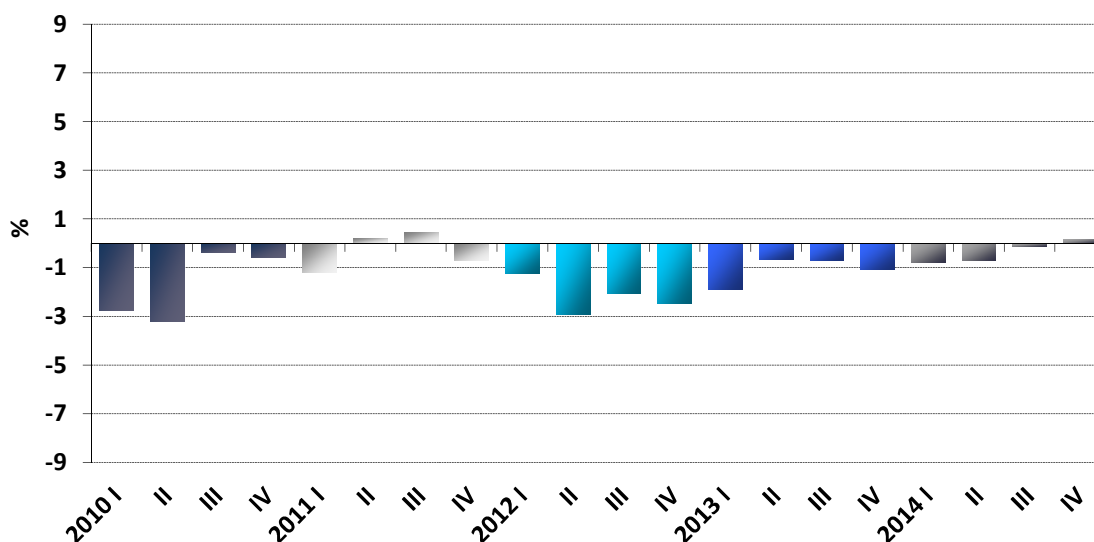
## 1.2 REAL SECTOR

The recession trends in domestic economy continued in 2014, for the sixth consecutive year. Gross domestic product (GDP) realized a real decrease of 0.4 percent. In contrast to the earlier years, industrial production and retail trade recorded an increase in 2014, tourism continued to register positive results, while negative trends continued within the construction sector. The absence of the economic growth unfavourably reflected on the labour market trends in 2014, while the average annual inflation rate slowed down to -0.2 percent.

### 1.2.1 Gross Domestic Product

Real decrease in gross domestic product amounted to 0.4 percent in 2014, which represents the slow-down of the decrease by 0.7 percentage points in relation to 2013. This was a result of the real year-on-year decrease in GDP of 0.8 percent in the first quarter, of 0.7 percent in the second quarter, of 0.2 percent in the third quarter, while in the last quarter of 2014, for the first time after twelve consecutive quarters of decrease, the year-on-year real increase in gross domestic product of 0.2 percent was recorded. Nominal gross domestic product amounted to HRK 328,431 million in 2014, which represents the decrease by 0.3 percent in relation to 2013, while the gross domestic product deflator remained unchanged in relation to the previous year.

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

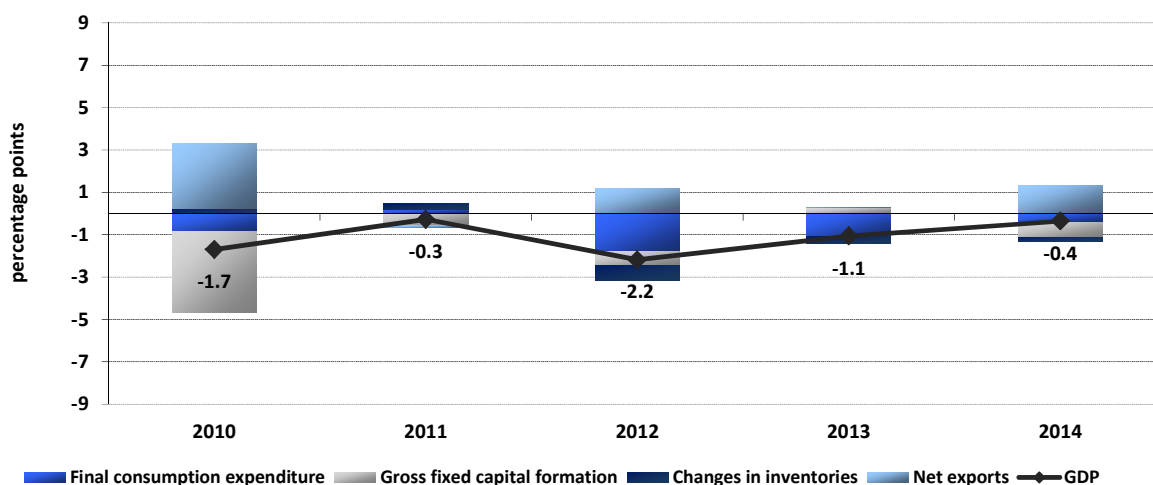


Source: Croatian Bureau of Statistics

### 1.2.2 Expenditure Side of Gross Domestic Product

In 2014, domestic demand continued to decline, while net foreign demand had a positive contribution to the GDP growth. The biggest negative contribution to the decrease in gross domestic product in 2014, in the amount of -1.8 percentage points, came from the import of goods and services, which recorded an increase of 4.3 percent. Considering the decline in the domestic demand, the increase in the import in 2014 was linked to the export. Gross investments in fixed capital contributed to the change in GDP with -0.7 percentage points, recording a real decrease of 3.6 percent, which is a stronger contraction compared to the previous three years. The negative contribution of the household consumption and government consumption to the change in GDP was the same and it amounted to -0.4 percentage points. The household consumption recorded a real decrease of 0.7 percent in 2014, under the influence of the continuation of unfavourable trends on the labour market and of household deleveraging. Limited by fiscal consolidation measures, the government consumption recorded a real decrease of 1.9 percent, which represents a stronger decline than in previous years. In line with the strengthening of the foreign demand for domestic goods and services in 2014, the export of goods and services positively influenced the change in GDP (contribution of +3.1 percentage points), recording an increase of 7.3 percent. Such trend in the export is primarily the consequence of the increased export of goods (real increase of 12.1 percent), while the export of services recorded a real increase of 3 percent. The change in inventories and the consumption by non-profit institutions serving households had a minor contribution to the change in GDP.

**Figure 1.2 Contributions of Individual Components to Gross Domestic Product Growth**



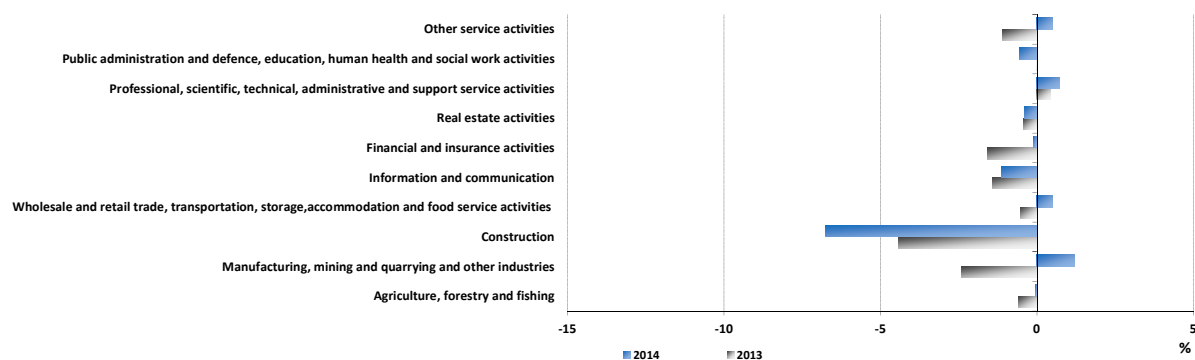
Source: Croatian Bureau of Statistics

### 1.2.3 Production Side of Gross Domestic Product

Total gross value added recorded areal decrease of 0.1 percent in 2014. The biggest contribution to the real decrease in gross value added came from the real reduction of gross value added in construction (-6.7 percent), which has been recording negative rates of change since the beginning of the recession. On the other hand, one of our most significant activities, manufacturing, recorded, after five consecutive years of

decline, a real increase in gross value added of 3.4 percent, and had the most significant positive contribution to the change in total gross value added. In addition, the wholesale and retail trade, transportation, storage, accommodation and food serving activities, recorded a real increase in gross value added of 0.5 percent in 2014.

**Figure 1.3 Real Growth of Gross Value Added by Activities**



Source: Croatian Bureau of Statistics

### **Industrial Production**

In 2014, after five consecutive years of decline, there was an increase in the industrial production. In 2014, the increase in the industrial production amounted to 1.3 percent in relation to 2013. The production increase was recorded in all industrial groups except the energy sector. In 2014, the most significant contribution to the positive trend in total production came from the increase in the production of non-durable consumer goods (3.2 percent) and of intermediate goods (3.4 percent). The production of durable consumer goods increased by 4.4 percent, production of capital goods by 0.5 percent, while the energy production decreased by 6.2 percent in 2014. Considering the activities, the largest contribution to the year-on-year increase in total industrial production in 2014 came from manufacturing, which has the largest share in total industrial production (77.8 percent), and it recorded an increase of 3.1 percent. Mining and quarrying decreased by 6.4 percent, while the electricity, gas, steam and air-conditioning supply recorded a decrease of 5.2 percent in 2014. The analysis of production activity by individual section of activities shows that the biggest contribution to the increase in total industry in 2014 came from the increase in the production of rubber and plastic products, basic pharmaceutical products and pharmaceutical preparations, electrical equipment and wearing apparel. On the other hand, the largest negative contribution to the trend in industrial production in 2014 came from the electricity, gas, steam and air-conditioning supply and the production of fabricated metal products, except machinery and equipment.

### **Construction**

Negative movements in the construction industry continued in 2014. The construction work index recorded a reduction of 7.3 percent in 2014, which is a stronger decline in relation to the previous year. The construction works on buildings decreased by 2.9 percent, while the civil engineering works (roads,

railways, pipelines, bridges, sports grounds, etc.) recorded a decrease of 10.6 percent. Total number of issued building permits continued to record a reduction in 2014, but it had a significantly lower decrease in comparison to previous years. The number of issued building permits decreased by 1.5 percent in 2014, while in 2013, the reduction amounted to almost 20 percent.

### ***Retail Trade***

After two consecutive years of decline, during the whole 2014, the retail trade turnover recorded a slight real increase of 0.3 percent. Original, unadjusted indices show that the most significant nominal increase in retail trade turnover in 2014 was in the turnover of motor vehicles, parts and accessories for motor vehicles, motorcycles and parts, and other non-specialized stores.

### ***Tourism***

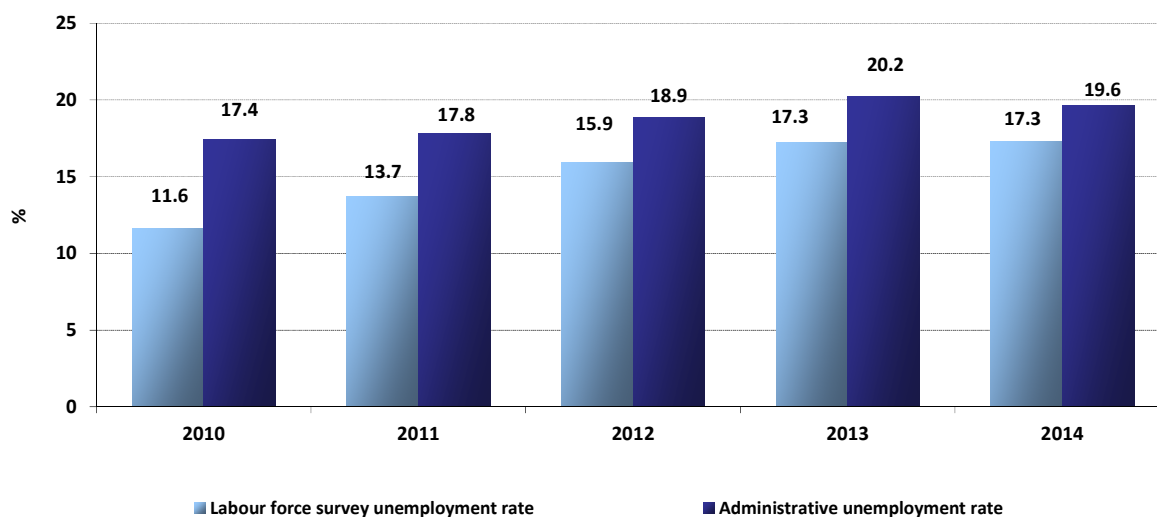
In 2014, positive trends in tourism continued, with the registered record number of tourist arrivals and overnight stays. Total number of tourist arrivals amounted to 13.1 million, which represents an increase of 5.6 percent in relation to 2013, while the total number of overnight stays amounted to 66.5 million, recording the increase of 2.6 percent. Positive trends of tourist indicators were recorded with both foreign and domestic tourists. More precisely, the foreign tourist arrivals were increased by 6.2 percent, and the domestic tourist arrivals by 1.4 percent, while the foreign tourist overnight stays were increased by 2.8 percent and those of domestic tourists by 0.4 percent. Regarding the structure of total overnight stays in 2014, 92.2 percent was realized by foreign tourists, mainly those from Germany, Slovenia, Austria, the Czech Republic, Italy and Poland. Favourable developments of physical indicators were reflected in the increase of the revenues from tourism that amounted to EUR 7.4 billion in 2014, which is an increase of 2.8 percent in comparison to 2013.

#### **1.2.4 Labour Market**

The absence of economic growth reflected unfavourably on the employment trends in 2014. According to the administrative data, the average number of total employed persons amounted to 1,342,149 in 2014, and it was reduced by 1.6 percent in relation to 2013. The average number of registered unemployed people in 2014 amounted to 328,187, which is 4.9 percent less than in 2013. Total number of unemployed people started to decrease at the year-on-year level in April 2014, and this trend remained until the end of the year. However, the aforementioned reduction of unemployment was accompanied by the increase in the number of persons deleted from the records of the Croatian Employment Service due to non-adhering to legal provisions. As a consequence of a stronger relative decline in the number of registered unemployed persons than the decline in the labour force, the average administrative unemployment rate decreased from 20.2 percent in 2013 to 19.6 percent in 2014.

The data of the labour force survey indicate the opposite trend of the employment in 2014 compared to the administrative data.<sup>3</sup> More precisely, according to the labour force survey, in 2014 there were on average 1,566,000 of the employed, which indicates an increase of 42,000 or 2.7 percent in comparison to 2013. At the same time, the average number of unemployed persons according to the labour force survey amounted to 327,000, which is an increase of 10,000 or 3 percent. The average survey unemployment rate remained the same in 2014, at the level of 17.3 percent.

**Figure 1.4 Labour Force Survey and Administrative Unemployment Rate**



Source: Croatian Bureau of Statistics

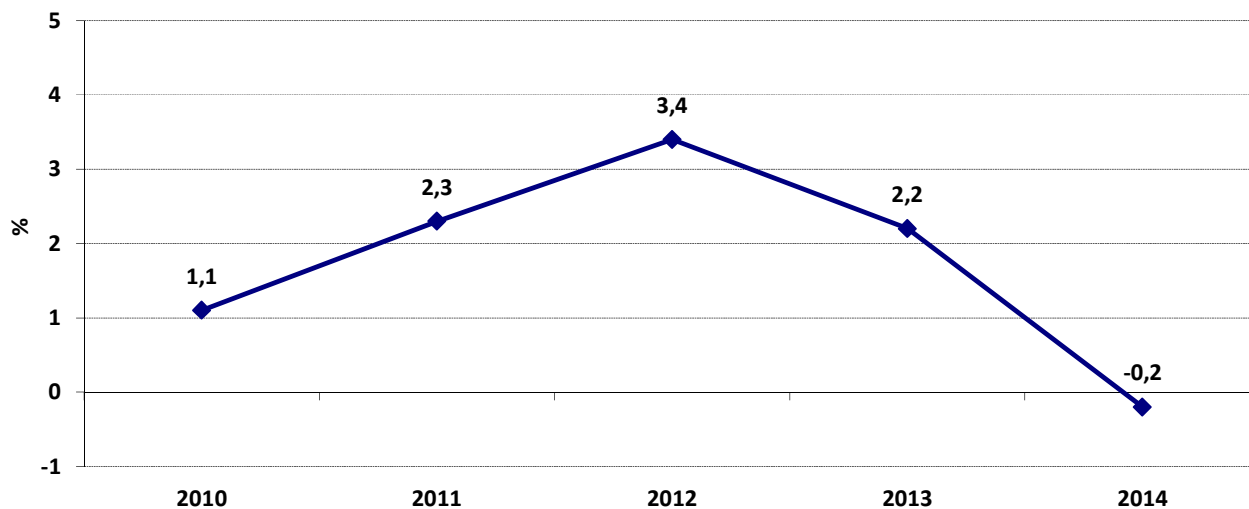
### 1.2.5 Prices

In 2014, the deflation was registered for the first time in Croatia. The consumer prices index was reduced by 0.2 percent. Such trends were primarily the consequence of the significant decline in the prices of primary raw materials at the global market, particularly the prices of oil, metals and food raw materials, and, to a lesser extent, of the weak domestic demand. More precisely, if the energy and food prices are excluded from the consumer price index, a rise of 0.4 percent was recorded in 2014. The biggest contribution to the reduction in consumer prices in 2014, in the amount of 0.6 percentage points, came from food prices, which also have the largest share in the consumer price index (26.7 percent) and which are reduced by 2.3 percent in comparison to 2013<sup>4</sup>, whereby the prices of vegetables, meat, oils and fats contributed the most. The prices of clothing and footwear, which decreased by 4.2 percent, also contributed significantly to the decrease in prices (with 0.2 percentage points). On the other hand, prices of tobacco, which increased by 7.6 percent, had the largest positive contribution to the consumer prices, followed by the water supply prices (increase of 7.9 percent), caused by the increase in excise duties on tobacco products in February and with the increase in the amounts of fees for water usage in April 2014.

<sup>3</sup> Since 2014, within the implementation of the labour force service, there has been a new framework used for the sample, based on the data from the 2011 Census of the Republic of Croatia, which was previously based on the 2001 Census. Therefore, at the end of 2014, the Croatian Bureau of Statistics revised the results of the labour force survey for the period from 2007-2013 according to the new Census.

<sup>4</sup> The prices of food raw materials at the global market were reduced by 4.1 percent in 2014.

**Figure 1.5 Growth of Consumer Prices Index**



Source: Croatian Bureau of Statistics

## **1.3 INTERNATIONAL SECTOR**

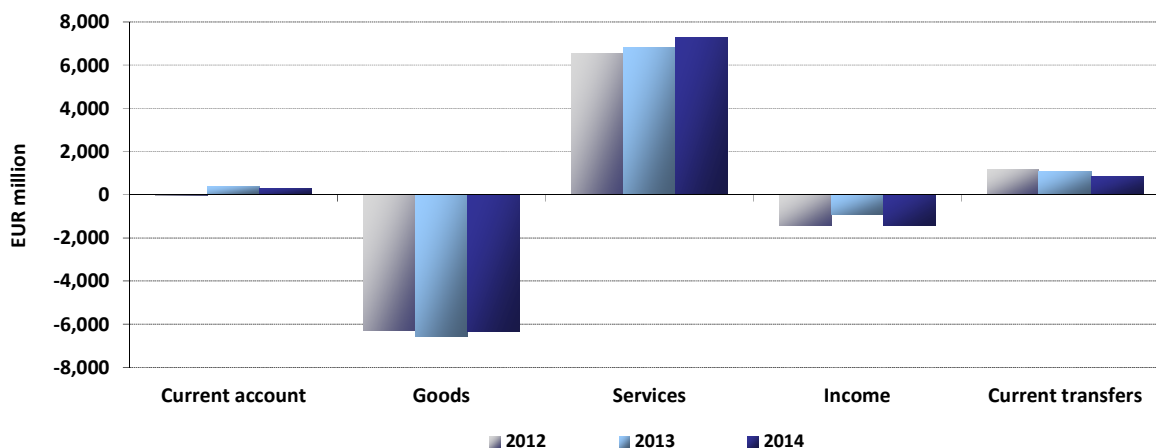
In 2014, the positive balance on the balance of payments current account was recorded again, although somewhat reduced in comparison to the previous year, due to unfavourable trends on the primary and secondary income accounts. On the other hand, goods and services account positively contributed to the trend of the balance of payments current account. The average HRK/EUR exchange rate remained stable, recording a slight depreciation in comparison to 2013.

### **1.3.1 Balance of Payments**

In 2014, the positive balance on the balance of payments current account was recorded again. The positive balance was realized in the amount of EUR 280 million and it was reduced by 20.8 percent in comparison to the previous year. Expressed as a percentage of gross domestic product, the balance of payments current account was reduced from 0.8 percent of GDP in 2013 to 0.7 percent of GDP in 2014. The reduction of positive balance was primarily the consequence of the worsening of the deficit on the primary income account by EUR 525 million, that is, 56.9 percent, mostly due to the increase in expenses on the basis of the income from direct investments. Besides that, the positive balance on the secondary income account was decreased by EUR 258 million or 24.1 percent, primarily because of the increase in the government expenses. In 2014, the reduction of negative balance was recorded on the goods account by EUR 242 million or 3.7 percent. Such a realization is a consequence of the stronger increase of the revenues from goods (9.1 percent) than expenses for goods (3.7 percent). The services account, whereby the revenues from tourism are the largest item, recorded the increase in the positive balance by EUR 467 million, that is, 6.9 percent. The coverage of the import of goods and services by the export of goods and services amounted to 104.7 percent in 2014, and, in comparison to 2013, it was increased by 3.6 percentage points.



**Figure 1.6 Balance of Payments Current Account**



Source: Croatian National Bank

Positive balance on the capital and financial transactions account amounted to EUR 224 million. On the financial account of the balance of payments there was a net inflow of EUR 153 million recorded in 2014. Net inflow was recorded on the direct investments account in the amount of EUR 1.3 billion, to which the retained earnings contributed the most. Regarding the portfolio investments, the net outflow was realized in the amount of EUR 707 million, and on the account of other investments, the outflow of EUR 948 million was recorded, which is primarily the consequence of the deleveraging of other monetary financial institutions. Net errors and omissions amounted to EUR -505 million in 2014, while international reserves were decreased by EUR 530 million.

### 1.3.2 Foreign Trade in Goods

In 2014, positive trends were recorded in the foreign trade in goods. Total value of the export of goods was HRK 79.1 billion, and that of the import of goods was HRK 130.7 billion. The export of goods recorded an increase of 9 percent in comparison to 2013, while the import of goods increased by 4.5 percent. Strong rise in the export was recorded in the first half of 2014, in the amount of 13.3 percent in comparison to the first half of 2013 (when we were not an EU member state), while in the second half of the year the export growth slowed down to 5.4 percent. Foreign-trade deficit amounted to HRK 51.6 billion in 2014, which was a reduction of 1.7 percent in comparison to 2013. The coverage of the import of goods by the export of goods was increased to 60.5 percent in 2014, that is, by 2.5 percentage points in relation to 2013.

In 2014, the largest contribution to the increase in the export came from the increased export of wearing apparel, electricity, gas, steam and air-conditioning supply, food products, machinery and equipment, motor vehicles, trailers and semi-trailers, and manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials. The increase in the import of wearing apparel, coke and refined petroleum products, food products and motor vehicles, trailers and semi-trailers contributed the most to the increase in the import of goods in 2014.

The share of trade with EU member states in the total Croatian trade in goods was increased in 2014. More precisely, the export to EU member states amounted to 63.9 percent of the total Croatian trade in goods,

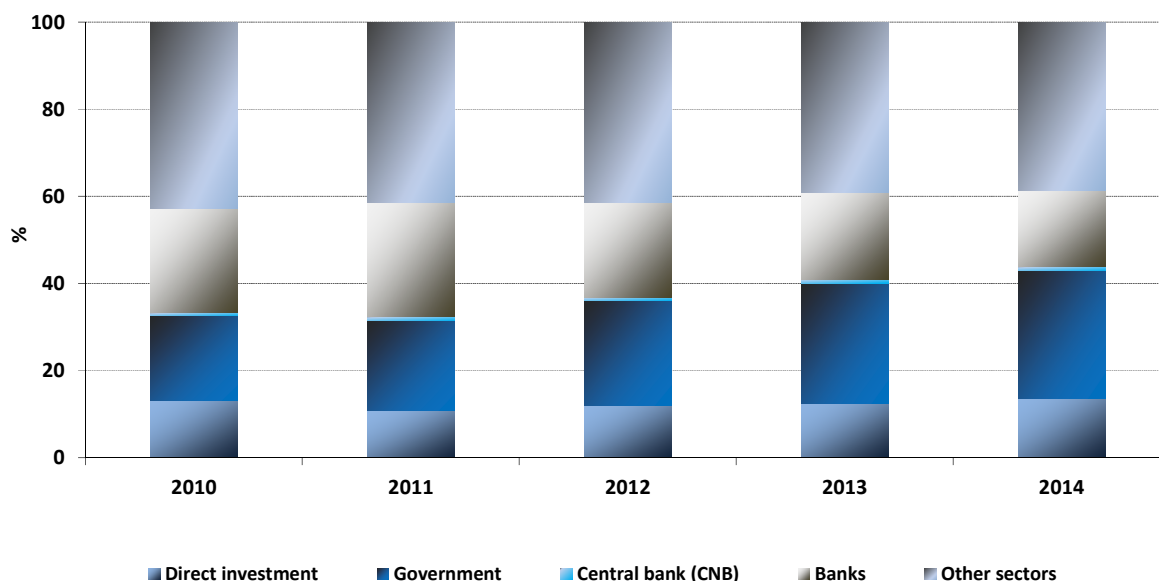
while the import from EU member states amounted to 76.4 percent of total Croatian import. Therefore, the biggest contribution to the increase in the total Croatian export of goods in 2014 came from the more intensified export to EU member states, which recorded the increase of 12.7 percent. Among EU member states, the increase in the export to Slovenia and Hungary is particularly significant.

In 2014, positive trends were realized in the foreign trade in goods between Croatia and CEFTA member states. The positive balance of the foreign trade in goods between Croatia and CEFTA member states was increased by 32.5 percent. The export of Croatia to the CEFTA states, which participated with 20.2 percent in the total export of the Republic of Croatia, was increased by 11.8 percent in 2014, whereby the export to all member states was increased, and the largest contribution to the increase in total export came from the increase in the export to Serbia.

### **1.3.3 External Debt**

At the end of December 2014, total gross external debt amounted to EUR 46.7 billion, and it was increased by EUR 708 million in comparison to the end of 2013. Expressed as a percentage of GDP, gross external debt increased from 105.6 percent of GDP in 2013 to 108.4 percent of GDP in 2014. The biggest contribution to the increase in gross external debt in 2014 came from the increase in the external debt of the general government, in the amount of EUR 942 million, as a consequence of the issuance of bonds on the international market in May. Besides that, the debt of ownership-related companies through foreign direct investments also increased by EUR 682 million, as well as the debt of other domestic sectors by EUR 55 million and the central bank debt by EUR 23 million. On the other hand, other monetary financial institutions reduced their foreign debts by EUR 997 million in 2014. Considering the gross external debt structure, the largest share in the total external debt at the end of 2014 was held by other domestic sectors (38.6 percent), followed by general government (29.3 percent), other monetary financial institutions (17.5 percent), debt incurred on the basis of foreign direct investments (13.7 percent) and the central bank debt (1 percent).

**Figure 1.7 Croatian Foreign Debt Structure by Domestic Sectors**



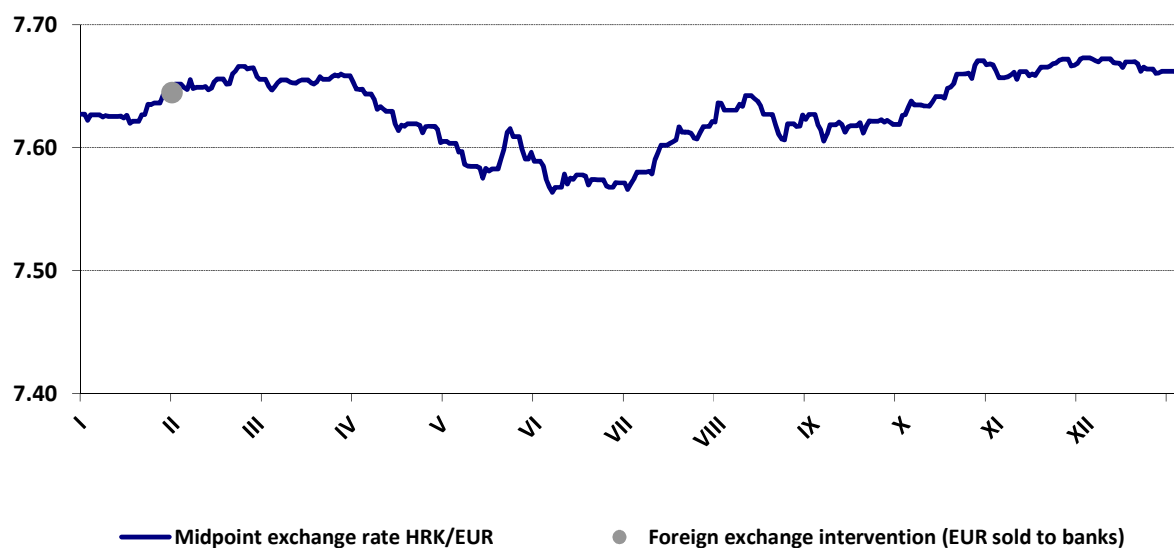
Source: Croatian National Bank

### 1.3.4 Exchange Rate

In 2014, the HRK/EUR exchange rate was stable. The average annual exchange rate of kuna against euro amounted to 7.63 HRK/EUR, which represents a depreciation of 0.7 percent in comparison to the previous year. In the first half of the year, except February, the exchange rate of kuna against euro was gradually strengthening, while in the other half of the year, it was getting weaker. In 2014, only one foreign exchange intervention by the central bank took place, at the end of January due to depreciation pressures on the exchange rate of kuna against euro, when the amount of EUR 240.2 million was sold to commercial banks. At the end of 2014, the exchange rate amounted to 7.66 HRK/EUR, which represents a depreciation of 0.3 percent in comparison to the end of 2013.

In 2014, the average annual exchange rate of kuna against US dollar was 5.75 HRK/USD and it became weaker by 0.8 percent. On the other hand, if we look at the exchange rate at the end of the period, the depreciation of kuna amounted to 13.6 percent, primarily due to the strong depreciation in the second half of 2014; therefore, the exchange rate at the end of 2014 amounted to 6.30 HRK/USD.

**Figure 1.8 Midpoint Exchange Rate of Kuna against Euro and Croatian National Bank Foreign Exchange Interventions in 2014**



Source: Croatian National Bank

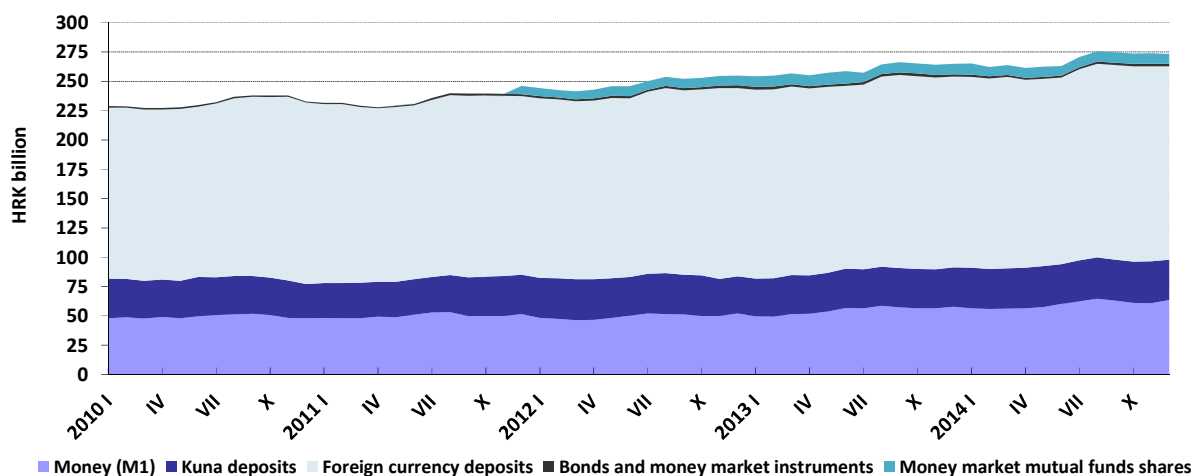
## 1.4 FINANCIAL SECTOR

In line with the continuation of negative trends in real sector of economy, monetary and credit aggregates slowed down its growth in 2014. In spite of the high liquidity of the financial system and low interest rates, banks' credit activity recorded a reduction. The money market was characterized by low interest rates and a decrease of the turnover, while there was a slight increase in the total turnover registered at the capital market, along with the increase in the value of bond index and the decrease in value of equity index.

### 1.4.1 Monetary Developments

Money supply (M1) amounted to HRK 63.4 billion at the end of 2014 and it recorded an increase of HRK 5.5 billion or 9.6 percent, which is a slight slowdown in comparison to 2013 when the increase in money supply M1 amounted to 11.5 percent. Total savings and time deposits with credit institutions (both domestic currency and foreign currency) amounted to HRK 199.3 billion at the end of 2014, and, in comparison to 2013, were increased by HRK 3.3 billion or 1.7 percent, which is a slowdown of 0.3 percentage points. This increase in total deposits was 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 1.1 billion or 3.2 percent. As observed by sectors, the increase in total deposits was primarily the consequence of the increase in the deposits of households. The broadest monetary aggregate M4, referring to total liquid assets, recorded an increase of HRK 8.4 billion or 3.2 percent in 2014, which is slower than the increase realized a year earlier.

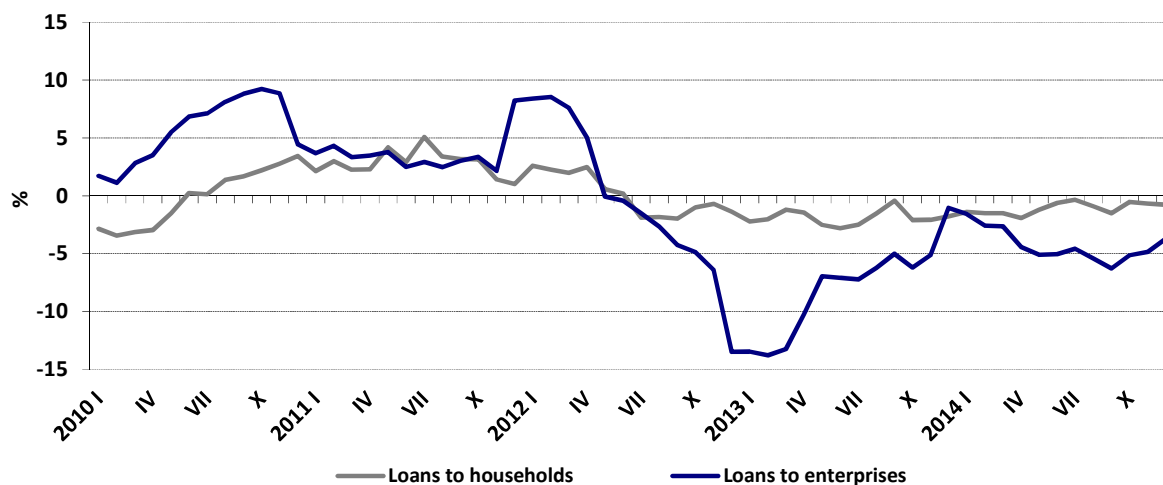
**Figure 1.9 Monetary aggregate M4**



Source: Croatian National Bank

In 2014, the deleveraging of the private sector against banks continued. Total loans of credit institutions amounted to HRK 280.1 billion at the end of 2014, which represents a decrease of 2.3 percent in comparison to 2013. The decrease in credits to non-financial companies, participating with 32.9 percent in total credits, contributed the most to the decrease in total credits, and they were reduced by 3.7 percent in 2014. Loans to household, which made 45.1 percent of total bank loans, were reduced by 0.8 percent in 2014, whereby housing loans (reduction by 2 percent) and car loans (-33.4 percent) contributed the most to its reduction. Credits to central government, with a share of 18.3 percent in total credits, also recorded a decrease in 2014, in the amount of 1.3 percent.

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



Source: Croatian National Bank

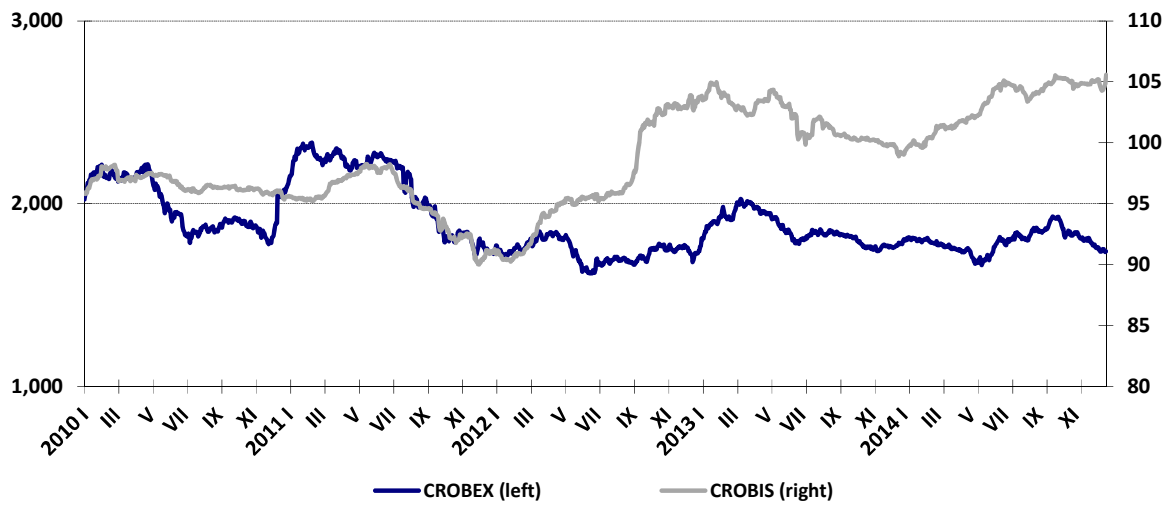
### 1.4.2 Money Market

In 2014, for the fifth year in a row, the interest rates on the Zagreb Money Market remained at low levels. The average interest rate amounted to 1.27 percent in 2014, which is only 0.14 percentage points higher in comparison to 2013. In 2014, there was no significant volatility of interest rates. After the increase to 1.79 percent in February, it remained at the level of about 1 percent in the following five months. From August to November, the interest rate was at insignificantly higher levels of about 1.2 percent, and in December its highest level of 2.40 percent was recorded. The average monthly turnover of kuna on the Money Market amounted to HRK 1.3 billion in 2014, recording a decrease of 12.6 percent in comparison to 2013.

### 1.4.3 Capital Market

In 2014, the Zagreb Stock Exchange recorded the slight increase in the total turnover (regular and block trade) by 2.4 percent, to the level of HRK 3.9 billion. The largest contribution to this increase came from the bond market movements, the regular trade of which was increased by 65.1 percent. On the other hand, regular trade of stocks, which holds the largest share in total turnover, was reduced by 0.4 percent in 2014. Equity index of the Zagreb Stock Exchange CROBEX amounted to 1.745 points at the end of 2014, which represents a decrease of 2.7 percent in comparison to 2013, while the bond index CROBIS was, on the other hand, increased by 5.8 percent in 2014, from 99.16 points to 104.95 points. Total market capitalization was increased by 10 percent in 2014, to which the increase in market capitalization of bonds contributed the most.

Figure 1.11 Movement of Zagreb Stock Exchange Indices



Source: Zagreb Stock Exchange

## **2. FISCAL POLICY AND BUDGETARY CENTRAL GOVERNMENT IN 2014**

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## **2.1 FISCAL POLICY IN 2014<sup>5</sup>**

In 2014, the recession trends continued in the domestic economy for the sixth year in a row. Under the conditions of unfavourable economic movements and the need of a stronger fiscal consolidation, following the recommendations of the EU Council within the framework of the Excessive Deficit Procedure, in March 2014, the amendments to the state budget and financial plans of extrabudgetary users of the state budget were adopted. The amendments included a series of measures on both the revenue and the expense side of the budget. Due to the continuation of unfavourable economic movements and additional budget costs incurred as a result of the floods in Eastern Slavonia, new amendments to the state budget and financial plans of extrabudgetary users of the state budget were adopted in November 2014. These movements of revenues and expenses resulted in the reduction in the general government budget deficit from 5.3 percent of GDP in 2013 to 3.8 percent of GDP in 2014, whereby the state budget recorded the deficit of 3.9 percent of GDP.

From January 2014, the Republic of Croatia was under the Excessive Deficit Procedure with defined binding recommendations for the reduction thereof, adopted by the Council of Ministers of the EU. The Government of the Republic of Croatia undertook a series of structural measures the effect of which is estimated at the level of 2.5 percent of GDP in 2014. Such efforts were recognized by the European Commission which, in June 2014, put the excessive deficit procedure for Croatia in abeyance, and then it adopted an opinion by which it determined that in 2014 the Republic of Croatia undertook structural efforts that exceed the defined goal of 2.3 percent of GDP.

According to the final data for 2014, total general government budget revenues were executed at the level of 34.7 percent of GDP. In spite of the unfavourable economic movements, the execution of revenues was somewhat better than expected. Thus, the revenues from value added tax, corporate income tax, special taxes and excise duties and contributions recorded higher realization than planned. At the same time, the most significant reduction was seen within the revenues from aids, above all due to weaker dynamics of withdrawing EU funds.

Regarding the structural measures on the revenue side of the budget, in 2014 two legal amendments were carried out within the taxation of games of chance. The contributions for health insurance were increased from 13 to 15 percent, and the insured persons whose pension rights were arranged by special regulations were enabled to transfer the funds from the second to the first pension pillar. In March, the obligation of payment of a part of the income realized by companies of strategic and special interest for the Republic of Croatia in the majority- or minority-ownership of the Republic of Croatia, that is the surplus of revenues over expenses of agencies, institutes and other legal persons the founder of which is the Republic of Croatia and which do not have a budgetary user status, was adopted. Excise duties on leaded petrol, unleaded petrol and gas oil were increased by 20 lipa/litre. The fee for the right to economic usage of the value of the spectre for public mobile networks was also increased. In 2014, the measures for strengthening the fiscal discipline continued and they contributed to the better collection of the budget revenues than in previous year.

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<sup>5</sup> The Methodology of the International Monetary Fund for the public finance statistics GFS 2001 (Government Finance Statistics) was used.

In 2014, there was the catalogue of tax expenses (tax exemptions and tax relieves) within the tax system produced. The Committee was also established with an aim of analysing the effects of certain tax expenses on the labour market and investments.

In two years of applying the fiscalization in the cash trade, significant results were achieved when collecting taxes, but the change in the citizens' behaviour also occurred. By involving the citizens in the process of supervising the implementation of fiscalization through irregularity reporting, the citizens act as an additional supervision mechanism.

The unique form for collecting data on paid receipts (*JOPPD*), which has been applied since January 1 2014, replaced six forms, whereby the procedure of determination of taxes and contributions was significantly simplified. This form is used for monitoring the liabilities charging and the schedule of executed payments. It created the preconditions for systematic determination of annual obligation of income taxes and surtaxes for a large group of taxpayers.

In 2014, total expenses of the general government budget were executed at the level of 38.3 percent of GDP. With the majority of budget categories, significant structural savings were realized except the compensations of employees. In spite of the realized savings on the basis of the annulment of bonuses to the salary of employees working in civil and public services of 4, 8 and 10 percent, annulment of certain bonuses in the defence and judiciary sectors and the changes in the way of calculating the salary in the science system, the expected effects in this category of expenses were missing. For certain budgetary users it was necessary to ensure additional funds (science, education and sport, internal affairs, social policy and youth). Furthermore, significant structural savings were realized in the category of intermediate consumption, primarily savings on the fees for transport costs of employees, maintenance costs, intellectual and personal services, facilities costs, IT services, and expenses for material, raw material and services. The biggest reduction in subsidies was recorded at the Croatian Bank for Reconstruction and Development and shipyards as well as at the Croatian railways. Within the healthcare system, the rationalization of costs continued through the consolidated supply of prescription medicines, better control of sick leaves as well as the rationalization of hospital business operations, which is carried out through the rehabilitation programme and healthcare system informatisation. In 2014, the permanent measure of ten-percent reduction in preferential pensions above HRK 5,000 was also adopted. Significant savings were also realized by other current and capital transfers, especially linked with projects in the field of agriculture, regional development, science and entrepreneurship. In addition, capital expenses record savings due to slower dynamics of the realization of projects in the healthcare, judiciary and science sectors.

## **2.2 BUDGETARY CENTRAL GOVERNMENT REVENUE**

In 2014, the revenue trends, along with the movements in real economy, were also determined by legal changes in tax regulations which were the consequence of the decision of the European Commission on including the Republic of Croatia in the excessive deficit procedure, since the general government deficit exceeds the limit of 3 percent, and the debt exceeds the limit of 60 percent of GDP.

The Excessive Deficit Procedure was initiated at the end of January 2014, and its aim is to reach, within the shortest reasonable time, the anticipated level of the general government deficit. The measures that the Government of the Republic of Croatia decided to carry out in 2014, in line with the aforementioned procedure, refer to the changes in the taxation of games of chance, changes in concession contracts, changes in the level of contributions for health insurance, and the decision on withdrawing the income of the state-owned companies into the state budget.

In addition, the amendments to the Act on Mandatory Pension Funds provide the possibility to the insured persons whose rights are arranged by special regulations to transfer, on the basis of free choice, the funds from personal account in the second pension pillar to the first pension pillar, since the pension for these categories of insured persons is calculated and paid as if they are not included in the second pension pillar.

In 2014, the measures directed towards the strengthening of the fiscal discipline continued and they contributed to better collection of budget revenues than previous year. The fiscalization process, gradually having been introduced since January 1, 2013, also continued and, in 2014, it had a full-year effect. The fiscalization process represents the adoption of the application solution directed towards better collection of tax revenues within trade turnover and towards the reduction of tax indiscipline.

According to the final data on the state budget execution for 2014, total revenue of the Budgetary Central Government amounted to HRK 114 billion, which is approximately at the level of the planned amount, that is, by 135 million higher. More detailed execution, as well as the deviations from the plan by single types of the Budgetary Central Government revenues, is explained by single categories of revenues.

In relation to the previous year, in 2014 the budget revenues registered an increase of 5 percent, while their share in the value of gross domestic product was increased from 32.9 percent of GDP in 2013 to 34.7 percent of GDP in 2014.

**Table 2.1 Revenues of the Budgetary Central Government in the 2012-2014 Period**

	(HRK 000)	2012	2013	2014 Plan	2014	Index 2013/2012	Index 2014/2013	Index 2014/ plan 2014
<b>1</b>	<b>REVENUE</b>	<b>109.558.928</b>	<b>108.585.049</b>	<b>113.909.869</b>	<b>114.044.485</b>	<b>99,1</b>	<b>105,0</b>	<b>100,1</b>
<b>11</b>	<b>Taxes</b>	<b>64.693.898</b>	<b>63.044.946</b>	<b>62.777.272</b>	<b>63.349.864</b>	<b>97,5</b>	<b>100,5</b>	<b>100,9</b>
111	Taxes on income, profits, and capital gains	8.966.867	7.738.141	6.799.416	7.059.707	86,3	91,2	103,8
1111	Payable by individuals	1.269.525	1.372.698	1.368.706	1.401.942	108,1	102,1	102,4
1112	Payable by corporations and other enterprises	7.697.342	6.365.443	5.430.710	5.657.765	82,7	88,9	104,2
<b>113</b>	<b>Taxes on property</b>	<b>397.736</b>	<b>462.315</b>	<b>400.255</b>	<b>385.981</b>	<b>116,2</b>	<b>83,5</b>	<b>96,4</b>
<b>114</b>	<b>Taxes on goods and services</b>	<b>53.205.019</b>	<b>53.349.544</b>	<b>54.897.799</b>	<b>55.191.815</b>	<b>100,3</b>	<b>103,5</b>	<b>100,5</b>
1141	General taxes on goods and services	40.778.865	40.388.379	40.816.688	41.076.665	99,0	101,7	100,6
11411	Value-added taxes	40.652.023	40.253.061	40.668.044	40.923.499	99,0	101,7	100,6
11412	Sales taxes	126.841	135.319	148.644	153.166	106,7	113,2	103,0
1142	Excises	11.206.489	11.682.936	12.796.917	12.846.449	104,3	110,0	100,4
1144	Taxes on specific services	30.444	28.132	120.902	117.470	92,4	-	97,2
1145	Taxes on use of goods, permission to use goods or perform activities	675.389	741.664	710.233	728.216	109,8	98,2	102,5
11452	Other taxes on use of goods, permission to use goods or perform activities	675.389	741.664	710.233	728.216	109,8	98,2	102,5
1146	Other taxes on goods and services	513.833	508.432	453.059	423.015	98,9	83,2	93,4
115	Taxes on international trade and transactions	1.754.364	1.159.371	396.425	424.501	66,1	36,6	107,1
116	Other taxes	369.912	335.576	283.377	287.860	90,7	85,8	101,6
<b>12</b>	<b>Social contributions</b>	<b>37.845.871</b>	<b>37.149.263</b>	<b>41.617.747</b>	<b>41.701.505</b>	<b>98,2</b>	<b>112,3</b>	<b>100,2</b>
<b>121</b>	<b>Social security contributions</b>	<b>37.845.871</b>	<b>37.149.263</b>	<b>41.617.747</b>	<b>41.701.505</b>	<b>98,2</b>	<b>112,3</b>	<b>100,2</b>
1211	Employee contributions	17.493.535	17.619.709	20.414.066	20.929.492	100,7	118,8	102,5
1212	Employer contributions	19.771.608	18.924.562	20.519.223	20.384.790	95,7	107,7	99,3
1213	Self-employed or nonemployed contributions	580.727	604.992	684.458	387.223	104,2	64,0	56,6
<b>13</b>	<b>Grants</b>	<b>968.378</b>	<b>1.737.825</b>	<b>3.071.337</b>	<b>2.267.995</b>	<b>179,5</b>	<b>130,5</b>	<b>73,8</b>
<b>131</b>	<b>From foreign governments</b>	<b>20.024</b>	<b>6.274</b>	<b>14.256</b>	<b>83.149</b>	<b>31,3</b>	-	-
1311	Grants	6.883	505	12.001	43.906	7,3	-	-
1312	From foreign governments	13.141	5.770	2.255	39.243	43,9	-	-
<b>132</b>	<b>From international organizations</b>	<b>947.857</b>	<b>1.730.233</b>	<b>3.041.447</b>	<b>2.167.175</b>	<b>182,5</b>	<b>125,3</b>	<b>71,3</b>
1321	Current	481.160	1.143.013	2.101.050	1.519.316	237,6	132,9	72,3
1322	Capital	466.698	587.220	940.397	647.859	125,8	110,3	68,9
<b>133</b>	<b>From other general government units</b>	<b>497</b>	<b>1.317</b>	<b>15.634</b>	<b>17.671</b>	<b>265,3</b>	-	<b>113,0</b>
<b>14</b>	<b>Other revenue</b>	<b>6.050.782</b>	<b>6.653.016</b>	<b>6.443.513</b>	<b>6.725.121</b>	<b>110,0</b>	<b>101,1</b>	<b>104,4</b>
<b>141</b>	<b>Property income</b>	<b>1.963.801</b>	<b>1.748.331</b>	<b>2.365.475</b>	<b>2.368.578</b>	<b>89,0</b>	<b>135,5</b>	<b>100,1</b>
1411	Interest	59.214	123.816	99.310	103.944	209,1	84,0	104,7
1412	Dividends	681.776	577.348	1.290.913	1.107.328	84,7	191,8	85,8
1413	Withdrawals from income of quasi-corporations	0	0	0	0	-	-	-
1415	Rent	1.222.812	1.047.166	975.252	1.157.306	85,6	110,5	118,7
<b>142</b>	<b>Sales of goods and services</b>	<b>1.662.470</b>	<b>1.786.642</b>	<b>816.092</b>	<b>1.577.607</b>	<b>107,5</b>	<b>88,3</b>	<b>193,3</b>
1422	Administrative fees	990.828	1.017.183	750.571	776.730	102,7	76,4	103,5
1423	Incidental sales by nonmarket establishments	671.643	769.459	65.521	800.877	114,6	104,1	-
<b>143</b>	<b>Fines, penalties, and forfeits</b>	<b>525.955</b>	<b>580.941</b>	<b>631.959</b>	<b>621.703</b>	<b>110,5</b>	<b>107,0</b>	<b>98,4</b>
<b>144</b>	<b>Voluntary transfers other than grants</b>	<b>46.341</b>	<b>52.446</b>	<b>34.092</b>	<b>48.504</b>	<b>113,2</b>	<b>92,5</b>	<b>142,3</b>
1441	Current	43.494	51.835	11.422	46.838	119,2	90,4	-
1442	Capital	2.846	611	22.670	1.666	21,5	272,6	7,3
<b>145</b>	<b>Miscellaneous and unidentified revenue</b>	<b>1.852.214</b>	<b>2.484.657</b>	<b>2.595.895</b>	<b>2.108.729</b>	<b>134,1</b>	<b>84,9</b>	<b>81,2</b>

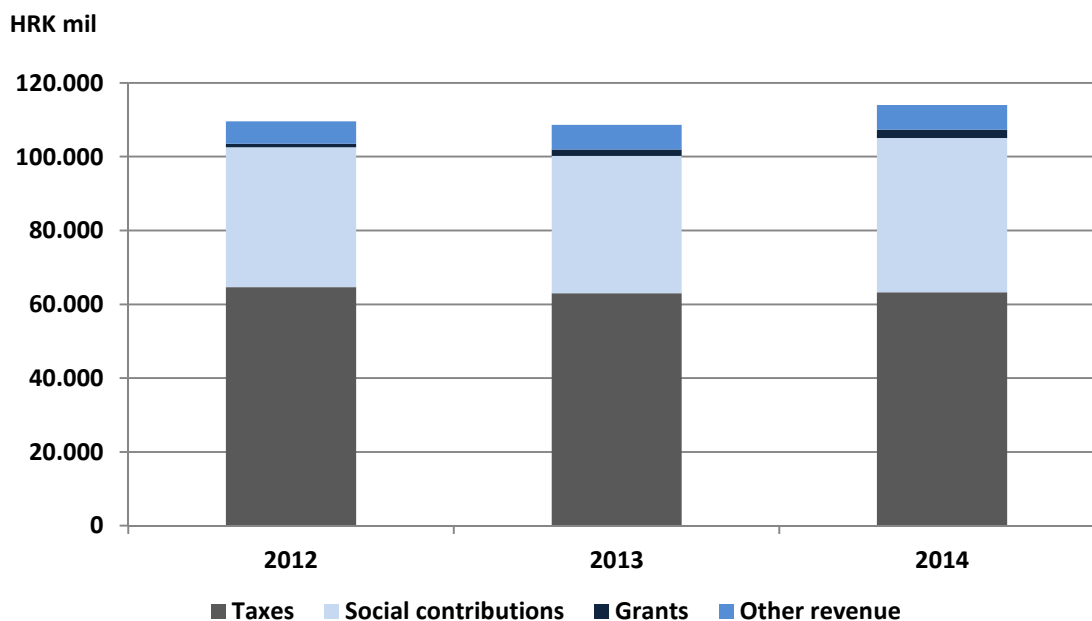
Source: Ministry of Finance

Within total revenues of the Budgetary Central Government, tax revenues represent the most significant item, with the share of 55.5 percent, and they are followed by the contributions with the share of 36.6 percent, while the remaining part refers to grants, property income, revenues from administrative duties and revenues by special regulations, and other revenues. In relation to the previous year, the structure of total revenues of the Budgetary Central Government changed in a way that the share of revenues from taxes was decreased, and the share of revenues from contributions was increased. Revenues from contribution recorded an increase of their share due to the payment of funds from the second pension pillar to the first pension pillar, and due to the increase in the contribution rate for health insurance.

During 2014, there were some changes implemented in the taxation system that had a significant impact on the collection of the Budgetary Central Government revenues. Thus, in 2014, the amendments were made to the Corporate Income Tax Act, Value-Added Tax Act, Act on Excise Duties, Act on Contributions

and Act on Games of Chance. In addition, the Regulations on the level of excise duties on tobacco products and energy sources and electricity were also amended. At the end of 2014, but to be applied as of January 2015, the amendments were also made to the Income Tax Act, Real Estate Transfer Act and General Taxation Act. Legal amendments will be explained in more details in the follow-up.

**Figure 2.1 Structure of the Budgetary Central Government Revenues in the 2012-2014 Period**



Source: Ministry of Finance

### 2.2.1 Tax Revenue

Tax revenues are the most important revenues of the Budgetary Central Government and they make 55.5 percent of total revenues of the Budgetary Central Government, and their share is reduced by 2.5 percentage points in relation to the previous year. In 2014, tax revenues were collected in the amount of HRK 63.3 billion, which was the year-on-year increase of 0.5 percent, that is, they were by 0.9 percent higher than in relation to the planned amount.

In 2013, the Act on the Amendments to the General Taxation Act<sup>6</sup> was adopted, to be fully applied in 2014, due to the compliance with the newly-occurred EU *acquis communautaire* in the field of administrative cooperation and with an aim of combating tax evasion and tax frauds, increasing revenues of the Budgetary Central Government and protecting financial interests of the EU member states. The compliances linked with the provisions of the Directive 2011/16/EU refer to the establishment of the broader area of application of the administrative cooperation, definition of deadlines for the information exchange, strengthening and encouraging spontaneous information exchange, presence of the officer from one state in another member state, simultaneous supervisions over persons in two or more states, further strengthening of the provisions on the possibility of delivering acts via competent bodies of other member states. Compliances linked with the provisions of the Directive 2010/24/EU refer to the determination of

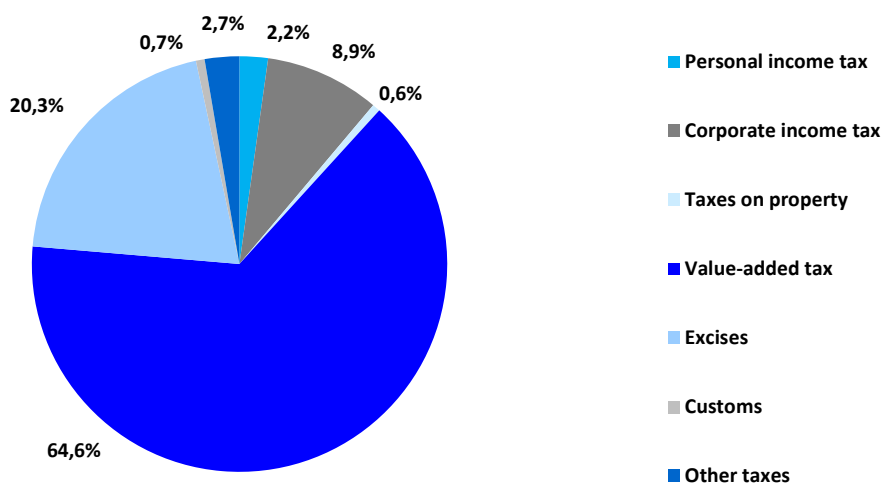
<sup>6</sup> Official Gazette, number 73/13

clearer rules and extension of the scope of mutual assistance when collecting foreign claims, which enables the collection of all types of claims of public authority bodies, referring to taxes, customs, duties and other public levies.

For the purpose of the full compliance with the Council Directive 2003/48/EC, basic terms of this Directive were prescribed in a clearer and more precise way: paying agent, paying agent by receipt, paid interest, beneficial owner of interests, residence and establishment of the identity of the beneficial owner of interests. It was necessary to describe these terms more precisely in order to enable that the paid interest from the paying agent, the headquarters of which is in the Republic of Croatia, is taxed according to the regulations of the member state in which the beneficial owner resides. Regarding the compliance with the Misdemeanour Act, the selection of misdemeanours was carried out according to their level of severity, as well as the categorization thereof according to the level of severity of a misdemeanour. The amount of fine is aligned with the provisions of the Misdemeanour Act.

In the tax revenues structure, the most significant share is held by the revenue from VAT, which participates with 64.6 percent in total tax revenues. They are followed by the revenue from excise duties that represent 20.3 percent of total tax revenues, and the revenue from corporate income tax with the share of 8.9 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, the share of revenues from VAT and excise duties was increased in relation to the previous year, while the share of revenues from corporate income tax was decreased.

**Figure 2.2 Tax Revenues Structure in 2014**



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 of 2.1 percent in relation to 2013. The trends in these revenues were influenced by the condition on the labour market, and such an increase is primarily the result of more efficiency achieved in collecting this tax. 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 a lesser extent by the taxation of property and property rights and by the taxation of capital.

In 2014, 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.

The Act on the Amendments to the Personal Income Tax Act<sup>7</sup>, which entered into force on October 19, 2013, had a full-year effect during 2014. This Act 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 their 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, but he/she is obliged to report it to the Tax Administration. 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 by the order of a domestic employer. For pensions realized in a foreign state, the possibility was introduced to pay the 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, and with a full-year effect in 2014, 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

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<sup>7</sup> Official Gazette, number 125/13

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. Taxpayers carrying out the activity in the area determined, according to special regulations on the regional development of the Republic of Croatia, as the 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 the assisted area of group II.

The Personal Income Tax Act was also amended at the end of 2014, but these amendments did not have an impact on the collection of personal income tax revenues in 2014 since its application started in January 2015.

### ***Corporate Income Tax***

In 2014, the revenue from the corporate income tax was realized in the amount of HRK 5.7 billion, which registered a year-on-year decrease on the basis of this tax by 11.1 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 2013, since the corporate income tax is paid according to business results achieved by enterprises in the previous year.

The amendments to the Corporate Income Tax Act<sup>8</sup> were carried out at the end of 2013, and the effect of the provisions of this Act was not visible until 2014. These legal amendments were adopted, inter alia, due to the compliance with the Economic and Fiscal Policy Guidelines for the period 2014-2016, which contain a series of measures of which a positive impact on growth and development of economic activities is expected. The Guidelines prescribe the annulment of a tax relief in the areas of special state concern; therefore, in order to equalize the taxpayers' rights, it was necessary to prepare the amendments to the Corporate Income Tax Act. 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 the 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

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<sup>8</sup> Official Gazette, number 148/13



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, 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 that, in order to mitigate the impact of the crisis for the poorest citizens, housing loan borrowers and entrepreneurs, 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.

The Corporate Income Tax Act was also amended at the end of 2014 and it entered into force in December 2014. Although these amendments had little impact in 2014, they were not fully applied until 2015.

More precisely, along with the amendments to the Value Added Tax Act, and in order to mitigate certain procedures for natural persons performing certain self-employed activity (independent traders and craftsmen), the threshold for mandatory entry into the corporate income tax payment system on the basis of realized receipts was raised from HRK 2 million to HRK 3 million. Along with the aforementioned criterion, the entry into the corporate income tax system may be caused by the fulfilment of other two criteria linked with the value of the fixed assets (HRK 2 million), number of employees (15) or the amount of personal income (HRK 400 thousand), while until then there had been an obligation of fulfilling only one condition. Natural persons performing certain self-employed activity (corporate income or personal income) were given the deadline of three years to carry out the change in their way of taxation.

In addition, these amendments to the Act also amended the way of using the tax relief for reinvested profit, which will be applied within the procedure of filing annual corporate income tax return for 2015, in a way that the tax relief for reinvested profit may be used by taxpayers that have carried out the investment in the fixed asset and have kept or increased the number of employees in the tax period, and not by those that have postponed their investments or have decreased the number of employees. Furthermore, the obligation of keeping the employees for two years after reinvesting the profit was also prescribed.

The amendments to the Corporate Income Tax Act of the end of 2014 changed the way of calculating the tax base for entrepreneurs performing the fishing activity. The Republic of Croatia, being a EU member state, has to reduce the fishing fleet size, and this is carried out through the Operational Programme for Fisheries, within which the entrepreneurs who permanently terminate the fishing activity are allocated subsidies for scrapping vessels by the European Union (75 percent) and the Government of the Republic of

Croatia (25 percent). Since within the procedure of the implementation of the Operational Programme for Fisheries the vessels, that is, the entrepreneurs' fixed asset for which the expenses are recognized via amortization, will be scrapped, it is prescribed that the revenues higher than non-amortized costs of the supply of the scrapped vessel are excluded from the tax base. More precisely, when entrepreneurs through the mandatory scrapping of vessels permanently terminate the fishing activity, the possibility of matching the revenues of the received subsidy with the corresponding items of the amortization expenses is also terminated. Therefore, the received subsidy is excluded from the tax base for the entrepreneurs who scrap the vessel within the procedure of the implementation of the Operational Programme for Fisheries.

In accordance with the amendments to the Corporate Income Tax, the Ordinance on the Corporate Income Tax was also amended. The Amendments to the Corporate Income Tax Ordinance prescribes in detail the procedure of the determination of the payment of dividend and shares in profit, since the corporate income tax base may be reduced by these revenues.

It also prescribed the procedure of approving the tax base for reinvested profit, which will be applied when filing corporate income tax return for 2015. Considering that the tax relief for reinvested profit since 2015 may be used by taxpayers that carry out the investment in the fixed asset along with the condition of keeping the same number of employees as determined in the year of the reinvestment and two years after that period, it was prescribed to deliver the documentation, along with the documentation prescribed so far, on the basis of which the amounts of the investment may be determined.

Furthermore, since as of January 1, 2014, the system of payment of vessel tonnage tax is applied, according to the provisions of the Maritime Code, the procedure of filing vessel tonnage tax return was prescribed, together with the form of the return. In order to determine the revenue from dividend and shares in profit, it was described that the paying agent, being a taxpayer of the vessel tonnage tax, is equalized with the taxpayer of the corporate income tax.

These Amendments to the Corporate Income Tax Ordinance prescribe that taxpayers donating food, with a view to prevent the destruction of larger quantities of food and to protect the environment, for social, humanitarian and other aid purposes and to persons affected by natural disasters, may include the amounts higher than the prescribed 2 percent of the revenues into the tax deductible expenses of business operations if such donations are executed in line with the Agriculture Act.

At the end of 2014, and due to the compliance with the Corporate Income Tax Act and the Personal Income Tax Act, which since 2014 prescribe the possibility to use the tax relief in the assisted areas and in the area of Town of Vukovar, the Ordinance on the way of realizing the tax relief from the performance of the activity in the area of Town of Vukovar and in the assisted areas, was adopted. Assisted areas are determined by the Regional Development Act, and the tax relief may be realized by entrepreneurs regardless of whether they are taxpayers of corporate income tax or personal income tax, if they perform the activity in:

1. the area of Town of Vukovar or assisted areas, that are classified, according to the development degree index, in group I of local self-government units and pay tax at the rate of 0 percent;

2. the assisted areas that are classified, according to the development degree index, in group II of local self-government units and pay 50 percent of the prescribed tax rate.

Tax relief is considered to be a small-value subsidy; therefore, the basic purpose of this Ordinance is to ensure the monitoring of the top limit of the small-value subsidy and that is the obligation of the granting authority. Although the tax relief is prescribed in tax regulations, the holder is the Ministry of Regional Development and EU Funds, on the basis of the Regional Development Act, so this Ministry determines the top limit of the small-value subsidy. The Ministry of Agriculture determines the top limit for taxpayers performing the agriculture and fishing activities due to special rules, according to which the Ministry of Agriculture is informed of all received subsidies.

The rules on the small-value subsidies impose restrictions so that received small-value subsidies from all sources and on the basis of the related entrepreneurs within the three-year period cannot exceed the amount of:

- EUR 200,000 for all activities, except agriculture and fishing;
- EUR 100,000 for activities in the road traffic sector;
- EUR 30,000 for activities in the fishery sector;
- EUR 15,000 for agriculture activities.

### ***Property Tax***

In 2014, revenue from property tax, that is, real estate transfer tax revenue, was collected in the amount of HRK 386 million, which is a year-on-year decrease of 16.5 percent. In relation to the planned amount, this revenue was realized by 3.6 percent less. The decrease in the real estate transfer revenue is the result of the decrease in the activities on the real estate market.

### ***Value-Added Tax***

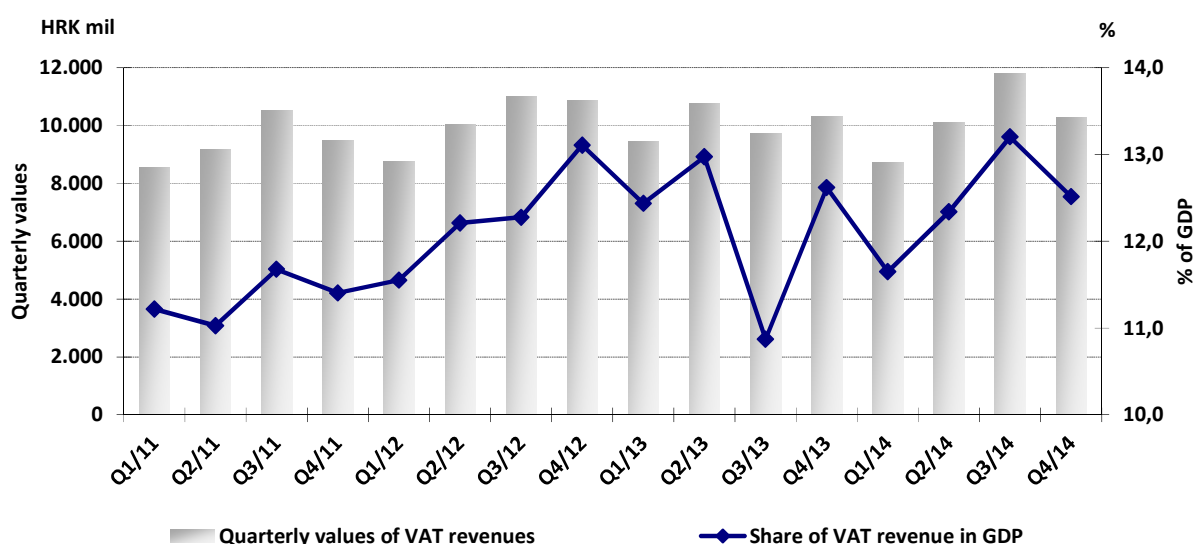
During 2014, the revenues from VAT were realized in the amount of HRK 40.9 billion, which is by 1.7 percent more than in relation to the previous year. The personal consumption trend had an impact on the realization of the revenues from VAT in 2014, as well as legal amendments within the VAT system. As of January 1, 2014, the VAT reduced rate has been increased from 10 percent to 13 percent.

In 2014, the collection of revenues from VAT was also influenced by better collection of taxes and gradual pay-off of tax debts. Regarding this, in 2014, there was a full-year effect of the application of the fiscalization, which had been gradually introduced in three phases in 2013, with an aim of preventing fiscal indiscipline at cash trade.

The amendments to the VAT Act<sup>9</sup> were adopted at the end of 2013, and the full application thereof was realized in 2014. By these amendments, the provisions entered into force prescribing the exemption from VAT payment for the delivery of goods or provision of services within diplomatic and consular agreements and for the delivery of goods or provision of services to international organizations and the members thereof. This exemption is realized via the VAT refund for those goods that are not to be sent off from the Republic of Croatia. In addition, these amendments extend the list of goods that can be stored in tax administration warehouses and delivered within them. The powers held by the minister of finance were also extended, in particular the power to prescribe when the foreign taxpayers performing international passenger road transport in the Republic of Croatia have to file VAT returns.

At the end of 2014, the VAT Act<sup>10</sup> was amended again. However, these amendments do not have the effect on the revenues from VAT collected during 2014.

**Figure 2.3 Quarterly Value-Added Tax Revenue Trends in the 2011-2014 Period**



Source: Ministry of Finance

### Excises

In 2014, total revenues from special taxes and excises were realized in the amount of HRK 12.8 billion, which approximately corresponds to the planned amount, that is, by 0.4 percent more than planned, and at same time represents an increase of 10 percent at a year-on-year level. The majority of revenues from excises record a year-on-year increase, while only the revenues from excise tax on beer and the revenues from special tax on coffee were decreased.

In 2014, besides the trend in the consumption of excise goods, revenues from special taxes and excises were also determined by legal amendments in accordance with the requirements of the excessive deficit procedure and the agreed gradual adjustment of the relevant legislation to the EU *acquis communautaire*.

<sup>9</sup> Official Gazette, number 148/13

<sup>10</sup> Official Gazette, number 143/14

In addition, during 2014, the revenues from excises were under the full-year impact of the amendments to the excise system which, within the adjustment to the EU legislation, entered into force during 2013. Thus, the new Excise Duties Act, that entered into force on July 1, 2013, prescribes the new model of taxation by special tax on cars, other motor vehicles, vessels and aircrafts. The new model of taxation is a combined system of taxation by which the special tax is determined partly as a value criterion (on the basis of the percentage of the selling price), and partly as an ecological criterion (depending on the CO2 emission). In 2013, the amounts of the excise duties on energy sources and electricity were changed several times in order to reach minimum excise duties required by the EU legislation. The majority of these amendments did not have an impact on the retail price of oil derivatives since some other levies from the price of fuel were reduced for the amount of the increase in excise duties. During 2013, a gradual increase in the excise duties on tobacco products was carried out in order to reach full compliance with the EU *acquis communautaire* during the approved transitional period.

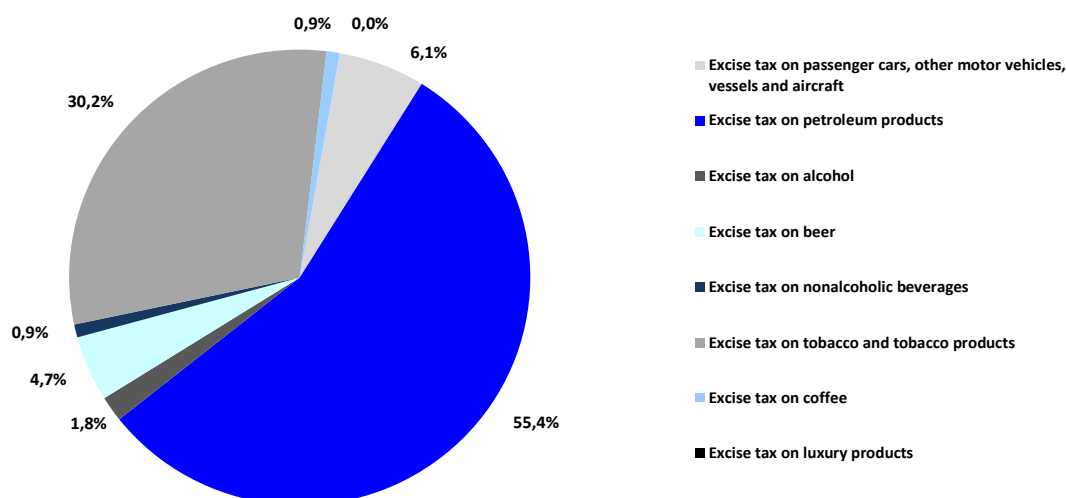
**Table 2.2 Excise Duties Revenues Trends in the 2012-2014 Period**

(HRK 000)	2012	2013	2014 Plan	2014	Index 2013/2012	Index 2014/2013	Index 2014/2014 Plan
<b>Excises</b>	<b>11.206.489</b>	<b>11.682.936</b>	<b>12.796.917</b>	<b>12.846.449</b>	<b>104,3</b>	<b>110,0</b>	<b>100,4</b>
Excise tax on passenger cars, other motor vehicles, vessels and aircraft	532.226	550.826	758.530	781.614	103,5	141,9	103,0
Excise tax on petroleum products	5.678.586	6.496.009	7.141.856	7.122.179	114,4	109,6	99,7
Excise tax on alcohol	190.874	172.331	212.990	233.094	90,3	135,3	109,4
Excise tax on beer	631.038	606.557	588.805	597.903	96,1	98,6	101,5
Excise tax on nonalcoholic beverages	119.379	114.747	111.547	117.635	96,1	102,5	105,5
Excise tax on tobacco and tobacco products	3.915.174	3.616.934	3.869.237	3.875.598	92,4	107,2	100,2
Excise tax on coffee	116.045	122.012	113.771	118.245	105,1	96,9	103,9
Excise tax on luxury products	23.168	3.520	181	181	15,2	5,1	100,3

Source: Ministry of Finance

Excise tax on petroleum products, with the share of 55.4 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 30.2 percent. The share of both most significant categories of the excises revenues was reduced at a year-on-year level.

Figure 2.4 Excise Duties Revenues Structure in 2014



Source: Ministry of Finance

The revenues from excise tax on petroleum products were collected in the amount of HRK 7.1 billion, which, at a year-on-year level, represents the increase by 9.6 percent. The increase in the revenues from excise tax on petroleum products was the result of the full-year application of legal amendments from 2013 and of additional requirements of the European Commission regarding the excessive deficit procedure. More precisely, due to the process of adjusting the fiscal deficit to the acceptable levels, the excise tax on petroleum products were increased by 20 lipa per litre of fuel as of April 2014.

Table 2.3 Delivered Quantities of Petroleum Products in 2013 and 2014

litres	BMB			DIZEL		
	2013	2014	Index 2014/2013	2013	2014	Index 2014/2013
January	51.138.022	49.961.993	97,7	99.577.571	103.019.964	103,5
February	47.768.774	45.441.026	95,1	102.667.547	97.755.580	95,2
March	56.887.587	56.897.537	100,0	115.464.007	118.783.707	102,9
April	60.709.717	59.117.131	97,4	122.927.372	125.732.095	102,3
May	69.203.024	61.389.026	88,7	140.333.766	129.263.577	92,1
June	69.672.137	67.014.552	96,2	138.454.045	135.616.574	98,0
July	88.064.216	78.192.171	88,8	171.961.153	161.392.908	93,9
August	91.313.984	84.376.224	92,4	168.650.598	164.056.562	97,3
September	65.705.859	62.526.303	95,2	136.772.334	137.835.255	100,8
October	64.186.574	60.617.297	94,4	137.587.028	135.351.432	98,4
November	56.052.780	51.236.111	91,4	117.614.490	119.432.084	101,5
December	56.377.445	56.622.469	100,4	112.847.117	120.473.278	106,8
<b>TOTAL</b>	<b>777.080.119</b>	<b>733.391.840</b>	<b>94,4</b>	<b>1.564.857.028</b>	<b>1.548.713.016</b>	<b>99,0</b>

Source: Ministry of Finance - Customs administration

Regarding the trend in the delivered quantities of petroleum products in 2014, the consumption of petroleum and diesel fuels is reduced. Thus, the delivered quantities of unleaded motor petrol were

decreased by 5.6 percent at a year-on-year level, while the delivered quantities of diesel fuel declined by 1 percent.

The revenue from excise tax on tobacco products is the second most important within total excise tax. In 2014, it was realized in the amount of HRK 3.9 billion and it registers a year-on-year increase of 7.2 percent. The increase in the revenues from excise tax on tobacco is the result of the increase in the excise tax on tobacco products as of March, 2014, but also of the full-year effect of the increase in the excise tax on tobacco products that was carried out in June 2013.

In March 2014, the excise tax on tobacco products was changed in a way that the amount of minimal excise tax is increased to HRK 598.5 for 1000 pieces of cigarettes, and the amount of the specific excise tax on cigarettes is HRK 210 on 1000 pieces of cigarettes, whereby the amount of the proportional excise tax remains at 37 percent of the retail price. In addition, the level of the excise tax on fine-cut tobacco was also increased to the amount of 520 HRK/kg and on other tobacco for smoking to the amount of 450 HRK/kg. This amendment to the system of taxation of tobacco products was carried out in line with the agreed gradual adjustment of the relevant legislation to the EU *acquis communautaire*, by which the Republic of Croatia assumed the obligation to increase the excise tax on tobacco products in a way that, by 2014, the excise tax on all cigarettes has to amount to minimally EUR 77 on 1000 pieces of cigarettes.

In 2014, the revenue from special tax on passenger cars, other motor vehicles, vessels and aircrafts registered a year-on-year increase by 41.9 percent in relation to 2013. This increase is primarily the result of the increase in the import of used cars to the Republic of Croatia from other EU member states, but also of the full-year effect of the legal amendments that entered into force with the accession of Croatia to the EU. More precisely, the new Excise Duties Act, that entered into force on July 1, 2013, prescribes the new model of taxation of passenger cars, through combined system of taxation by which the special tax is determined partly as a value criterion (on the basis of the percentage of selling price), and partly as an ecological criterion (depending on the CO<sub>2</sub> emission). Such a way of taxation is aligned with the Regulation on monitoring the greenhouse gas emission, policy and measures for the reduction thereof in the Republic of Croatia<sup>11</sup>, and with the obligation assumed during the negotiations on the accession to the EU. Along with the aforementioned, the former linear classification of vehicles as new or used ones ceased to be used, since the established case law of the European Court of Justice, within the interpretation of Article 110 of the Treaty on the Functioning of the European Union, is that used vehicles coming from other member states should not be treated in a discriminatory way.

In 2014, the revenues from excise tax on beer were realized in the amount of HRK 597.9 million and they register a year-on-year reduction by 1.4 percent. Such a realization is higher by 1.5 percent than the plan, which means that, in spite of the bad economic situation during 2014, the consumption of this excise product was higher than expected. The revenues from other excise products (excise tax on coffee, alcohol and alcoholic beverages, non-alcoholic beverages and luxury products) were collected in the amount of HRK 469.2 million, which represents 7 percent more than planned and 13.7 percent more than in the previous year. Within these revenues, the revenues from excise tax on coffee were realized in the amount of HRK 118.2 million and in relation to 2013 they register the decrease by 3.1 percent. Excise tax on alcohol was realized in the amount of HRK 233.1 million and it registers a year-on-year increase by 35.3 percent. In

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<sup>11</sup> Official Gazette, number 87/12

2014, by excise tax on non-alcoholic beverages, the amount of HRK 117.6 million of Budgetary Central Government revenues was collected, which represents 2.5 percent more than in the previous year.

Special tax on luxury products was completely annulled as of January 1, 2013, and the amount paid in 2014 on this basis was the payment of debts on the basis of this tax.

### ***Revenue from Taxes on International Trade and Transactions***

In 2014, the revenues from taxes on international trade were realized in the amount of HRK 424.5 million, which is by 63.4 percent less than in 2013. This tax records a significant year-on-year decline due to the full-year effect of the annulment of customs on goods imported from the EU states, which entered into force as of the day of the accession of the Republic of Croatia to the EU.

### ***Other Tax Revenue***

Along with the main tax revenues described above, in 2014, within the tax revenues, the revenues from taxes on the profits from games of chance and other taxes from games of chance, fees for organizing games of chance, revenues from other taxes on goods and services and other taxes, were also collected to the state budget. Other tax revenues, according to GFS 2001 methodology, include state administration and court fees and other revenues from taxes paid by natural persons. In 2014, this revenue category was realized in the amount of HRK 287.9 million, which represents a year-on-year decrease of 14.2 percent.

In 2014, the revenue from the tax on gains from games of chance and other taxes from games of chance amounted to HRK 117.5 million and, at a year-on-year level, they increase by more than four times. At the same time, fees for organizing games of chance amount to HRK 728.2 million and they are realized by 1.8 percent less than during the previous year.

More than four-time increase in the revenues from taxes on gains from games of chance and other taxes from games of chance is the result of legal amendments carried out in 2014. One of the measures for the reduction of the budget deficit and the provision of sustainability of public finances is to extend the tax base within taxes on gains from lottery games and betting games. Former valid Act on Games of Chance prescribed the obligation of paying taxes on gains from lottery games and betting games at the rate of 15 percent on the gains above HRK 30,000 up to HRK 500,000, and at the rate of 20 percent on the gains above HRK 500,000. Taxpayers obliged to pay the tax on gains are natural persons who receive the gains from games of chance. The amended Act on Games of Chance<sup>12</sup> entered into force on April 1, 2014, and first payments to the budget according to the new taxation of gains from lottery games and betting games were executed in May. According to the amended Act, the tax on gains is to be paid at the rate of 10 percent on the gains above HRK 750 up to HRK 10,000, at the rate of 15 percent on the gains above HRK 10,000 up to HRK 30,000, at the rate of 20 percent on the gains above HRK 30,000 up to HRK 500,000, and at the rate of 30 percent on the gains above HRK 500,000.

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<sup>12</sup> Official Gazette, number 41/14



In accordance to the amendments to the Act on Games of Chance, the Ordinance on mandatory records for the calculation of the fee for organizing games of chance<sup>13</sup> was also amended. The amended Ordinance amends the mandatory forms and elaborates in detail the way of determining the base for tax on gains.

In 2014, the revenues from other tax on goods and services were realized in the amount of HRK 423 million, which, at a year-on-year level, represents a reduction of 16.8 percent. This category of tax revenues includes the revenues from tax on automobile liability insurance premiums and tax on full-coverage car insurance (Kasko) premiums. Since currently the trend is to reduce the prices of automobile liability insurance premiums, and thus those of full-coverage car insurance (Kasko) premiums, the budget revenues collected from this tax are also reduced.

### **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 36.6 percent in total budget revenues.

In 2014, the revenues from social security contributions amount to HRK 41.7 billion, which, at a year-on-year level, represents an increase by 12.3 percent. The revenues from social security contributions record a high year-on-year increase in spite of the unfavourable conditions on the labour market. However, this year-on-year increase is the result of the legal amendments that entered into force in 2014. Due to the implementation of the excessive deficit procedure and the necessity to reduce the government deficit, the Contributions Act was amended in March 2014.

In 2014, the contributions for health insurance were collected in the amount of HRK 17.3 billion and they realize a year-on-year increase of 8.9 percent. This is a consequence of the change in the rate of contributions for health insurance from 13 to 15 percent. For the purpose of initiating the investment cycle and recovering the economy through the tax policy measures, the Government of the Republic of Croatia decided to redirect the tax burden from labour to the consumption by reducing the rate of contributions for health insurance by two percentage points (from 15 to 13 percent). In that way, by providing lower labour cost, the domestic entrepreneurship was tried to be strengthened. However, this measure did not bring the expected results, and at the same time it caused the expected reduction of the budget revenues. Considering the assumed obligation of reducing the budget deficit, it was necessary, along with the reduction on the expense side of the budget, to find new sources of financing on the revenue side of the budget. One of the measures by which the budget revenues, necessary for financing of health system and other public needs, is to increase the rate of contributions for health insurance from 13 to 15 percent as of April 2014.

The Act on Pension Funds was amended for the same reason - the reduction of budget deficit. The change in the contributions for pension insurance refers to the withdrawal of funds from the second pension pillar for the insured persons with reduced service years for retirement. Due to the fact that pension capitalization does not know of benefits provided by the special regulations on pension insurance, the

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<sup>13</sup> Official Gazette, number 48/14

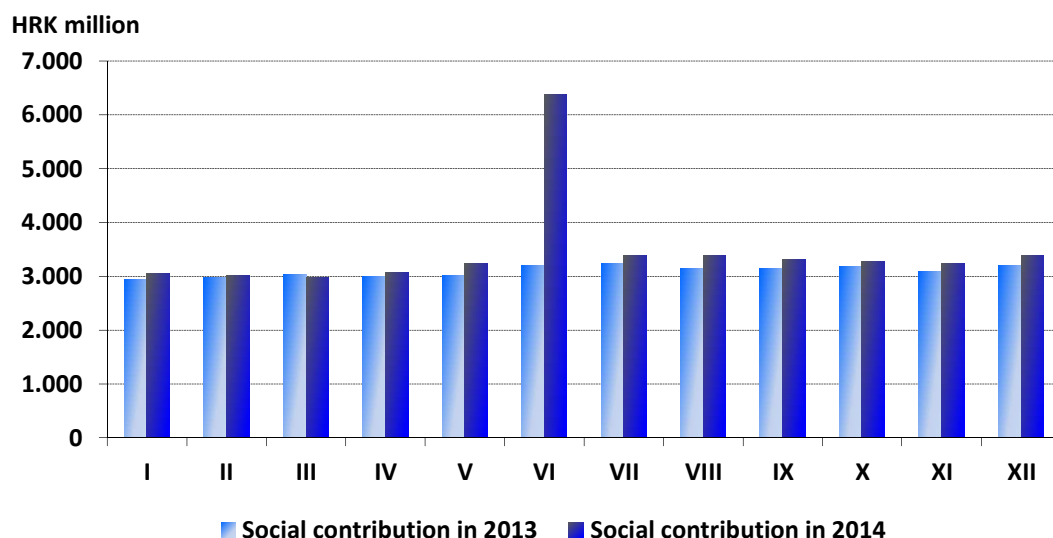
amendments to the Act on Mandatory and Voluntary Pension Funds prescribe that the pension for members of the mandatory pension fund, who realize the pension according to more favourable conditions or who realize the prolonged duration of years of service for insurance purposes, is to be calculated as if they were insured only in the first pension pillar. Therefore, when going to retirement, the funds from their personal account were transferred to the state budget, while the person realized the pension as if he/she was included, for the whole time, only in the first pillar. It can be derived from the aforementioned that there are no justified reasons for the funds of these insured persons that realize their pension according to the Act on the Pension Insurance Rights of Active Military Personnel, Police Officers and Authorised Officials, to continue to be in the mandatory pensions funds until their retirement nor for these persons to continue to be insured in the second pillar. The amendments to the Act from 2014 align the system of contributions payment with the earlier defined system of pension rights. These amendments do not create new liabilities for the budget, and neither the system of pension calculation nor the scope of the rights is changed.

According to these legal amendments, at the end of June 2014, the transfer of funds of the accumulated savings was executed to the state budget, for persons with reduced service years for retirement from the second to the first pension pillar in the amount of HRK 3.1 billion. Due to all of the aforementioned, in 2014, the revenues from the contribution for pensions insurance amounted to HRK 22.5 billion and they record a year-on-year increase of 15.7 percent.

In 2014, the revenue from the contributions for the employment amounted to HRK 1.9 billion and it increased by 4.3 percent at a year-on-year level, and the increase in the revenues on the basis of this tax is the result of the collection of old debts.

Revenue from social contributions consists of employee contributions, employer contributions and self-employed and unemployed contributions. The largest share in total contributions refers to employee contributions that, in 2014, amounts to 50.2 percent and is increased by 2.8 percentage points in relation to the previous year. The increase in the share of employee contributions refers primarily to the withdrawal of funds from the second pension pillar to the first one. These contributions were collected in the amount of HRK 20.9 billion, and they almost entirely refer to the contributions for pension insurance. The following are, according to the importance in the structure of contributions, the employer contributions which represent 48.9 percent of total social security contributions in 2014, and the share thereof decreases in relation to the previous year by 2.1 percentage points. The employer contributions to the largest extent refer to the contributions for health insurance. The smallest share in total social security contributions refers to the self-employed or unemployed contributions, and this category of contributions represents 0.9 percent of total revenues from contributions. These contributions were realized in the amount of HRK 387.2 million, and they include, in an equal ratio, contributions for health and pension insurance of persons performing self-employed activities.

**Figure 2.5 Social Security Contributions Trends in 2013 and 2014, by months**



Source: Ministry of Finance

The Contributions Act was also amended at the end of 2013<sup>14</sup>, but to be applied in 2014. With these new 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 systems. As of July 1, 2013, these regulations 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 self-employed activity 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.

<sup>14</sup> Official Gazette, number 148/13

At the beginning of 2014, the Regulation on the way of performing the payment of contributions according to salary, receipts accompanying the salary, that is monthly base for the calculation of contributions on the basis of the employment<sup>15</sup>, was adopted. The aim of this Regulation is to ensure better collection of contributions for mandatory insurances and to disable the payment of salary without paying corresponding contributions for the mandatory insurance since the rights from mandatory insurances are realized on the basis of paid contributions.

The Act on the Amendments to the Contributions Act<sup>16</sup>, which entered into force in April 2014, aligns the provisions of the Contributions Act with the provisions of the Act on Pension Insurance<sup>17</sup> and the provisions of the Act on the Amendments to the Act on Job Intermediation Services and Rights during the Time of Unemployment. More precisely, the provisions of the Act on the Amendments to the Act on Job Intermediation Services and Rights During the Time of Unemployment, introduce, as a novelty, the mandatory insurance for the case of unemployment for the persons performing self-employed activity and who are, on this basis, mandatory insured according to the regulations on pension insurance, and it was also necessary to prescribe the obligation of contributions for employment for these persons.

In addition, these amendments to the Act prescribe the new deadline for the payment of employer contributions with headquarters or place of work in the European Union. More precisely, there were some problems identified within the application of the Contributions Act that refer to the deadlines of the determination of the obligation of contribution for persons insured on the basis of employment at the employer with the registered headquarters or place of work in another member state according to which, in line with the regulations of the European Union on the coordination of the social security system, the legislation of the Republic of Croatia is applied. Since it is about the employers that do not have headquarters in the Republic of Croatia, former deadline for the payment of contributions (which implies the payment thereof along with the salary) was too short, and the new deadline for the payment of contributions was prescribed according to salary and other receipts accompanying salary, eight days from the day of payment.

The Act on the Amendments to the Contributions Act<sup>18</sup> was also amended at the end of 2014, but its provisions entered into force on January 1, 2015. These provisions change the way of determination of the obligation of contributions for self-employed persons obliged to pay contributions, in a way that:

- persons performing self-employed activity who determine the income from that activity on the basis of financial records, determine the base by themselves as well as the amounts of contributions, and they submit a unique form (*JOPPD*) on that (as of January 1, 2016);
- the obligation for the persons performing self-employed activity on the basis of which they pay personal income tax in the flat rate amount and other persons having a professional status (for example, members of the management board of companies, persons employed at the employer with headquarters abroad, etc.) is determined by the decision of the Tax Administration which is issued upon the determined status in the insurance and is valid throughout the entire period of insurance;

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<sup>15</sup> Official Gazette, number 31/14

<sup>16</sup> Official Gazette, number 41/14

<sup>17</sup> Official Gazette, number 157/13

<sup>18</sup> Official Gazette, number 143/14

- the decisions are issued to seamen upon the expiry of the tax period, and until the issuance thereof they pay the advance payment of contributions in the amount of the prescribed monthly contribution obligation.

These amendments to the Contributions Act introduce the exemption from the obligation of paying contributions on the base (contributions for health insurance, contributions for the protection of health at work and contributions for employment) for the employers who conclude permanent work contracts with young people, up to 30 years old, for the period of up to 5 years from the beginning of the employment.

### **2.2.3 Grants**

The revenues from grants refer, to the largest extent, to the withdrawal of means from EU funds. In 2014, total revenues from grants amounted to HRK 2.3 billion, which represents an increase of 30.5 percent in relation to the previous year. The largest part of that amount, 95.6 percent, is held by grants from international organizations and EU institutions and bodies, which are directly linked with the projects financed from EU funds, Schengen capacity building and direct payments in agriculture.

Other revenues from grants refer to the grants from foreign governments, grants from the budget and grants from other subjects within the general budget.

### **2.2.4 Property Income**

The property income was realized in the amount of HRK 2.4 billion, which is in line with the planned amount, and 35.5 percent more than in 2013. This income consists of interest revenues, dividend revenues and revenues from rents.

The main reasons for the high year-on-year increase in the property income are higher revenues on the basis of the Croatian National Bank profit, as well as the application of the Decision on the level, way and deadlines for the payment of companies' funds and funds of other legal persons of strategic and special interest for the Republic of Croatia into the state budget of the Republic of Croatia for 2014. Since the state-owned companies had not realized necessary results in the previous years, when the profit had been left to them for investment and investment initiation, and for the purpose of reducing the budget deficit in line with the excessive budget deficit procedure, the Government of the Republic of Croatia decided to withdraw a part of the companies' profit and to increase the budget revenues with that part.

In 2014, revenues from rents were realized in the amount of HRK 1.2 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 2014 they were realized in the amount of HRK 824.4 million, which represents a year-on-year increase of 3 percent. Concession revenues were mostly collected from the concession fees for radiofrequency, and they increase due to the increase in the fee for the right of economic usage of the value of the spectre for public mobile networks. Other concession revenues were collected from the 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.

### **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 2014, these revenues amounted to HRK 1.6 billion, which represents a year-on-year decrease of 11.7 percent, whereby the revenues from incidental sale on the market amounted to HRK 800.9 million, while the revenues from administrative fees amounted to HRK 776.7 million. The revenues from administrative fees 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. In order to free the economic entities from the part of non-tax levies, these revenues record a decrease at a year-on-year level.

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

In 2014, the revenues from fines, administrative measures and other revenues were collected in the amount of HRK 621.7 million and they record a year-on-year increase of 7 percent. A year-on-year increase in these revenues is the result of the larger supervision of business operations carried out by economic subjects, as well of the new model of charging fines for traffic misdemeanours. Revenues from penalties were realized mostly from traffic fines, while the rest of the revenues of this item refers to penalties in tax, customs and foreign currency misdemeanours, penalties for economy offences and other administrative measures.

In 2014, voluntary transfers other than subsidies amounted to HRK 48.5 million, and at a year-on-year level they were decreased by 7.5 percent.

In 2014, miscellaneous and unidentified revenues were collected in the amount of HRK 2.1 billion, which represents a year-on-year decrease by 15.1 percent. The most significant revenues in this category were the revenues from supplemental health insurance. In 2014, the revenues from supplemental health insurance were realized in the amount of HRK 772.7 million, which is for 2.7 percent less than in 2013. 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. The main reason for a year-on-year decrease in miscellaneous and unidentified revenues is the base effect from 2013. More precisely, in 2013, the funds on the basis of unused funds from previous years (which are the funds realized by the Croatian Compulsory Oil Stocks Agency by collecting a part of excise duties from oil derivatives) were paid at this item.

## **2.3 BUDGETARY CENTRAL GOVERNMENT EXPENSE**

In 2014, the full-membership of the Republic of Croatia in the European Union had significant implications to the level and the structure of Budgetary Central Government Expense. The expense also included the Recommendations of the Council of the European Union for the purpose of addressing the excessive budget deficit and it was adjusted to fiscal possibilities and aligned with the goals and priorities, along with adhering to the provisions of the fiscal rule from the Fiscal Responsibility Act.

The rationalization measures included all levels with an aim of ensuring undisturbed financing of certain categories that remained at the level of the previous year (pensions, health care), but at the same time in order to ensure sufficient funds for covering the increase in certain categories of expenses (obligations of paying contributions to the European Union budget, interests), as well as for unpredictable budget cost for the rehabilitation of damages caused by floods.

Regarding the expense side of the budget, special attention was directed towards the reduction of the budget deficit along with the simultaneous maintenance of the social protection of citizens and more and more emphasized used of EU funds. In order to make savings in 2014, the salaries for civil and public servants were decreased, as well as the material expense and subsidies in the public sector.

In 2014, according to the GFS 2001 Methodology, the Budgetary Central Government expense was realized in the amount of HRK 125.7 billion, which is for 1.8 percent less than the planned amount. At a year-on-year level, total expenses register an increase of 1.8 percent, that is, of HRK 2.2 billion. Such an increase is primarily the result of the full-year obligation of paying the contribution to the EU budget, which, in relation to 2013, is increased by HRK 1.7 billion. The increase was also derived from the increased expense for interests which, in relation to the same period previous year, was increased by HRK 651.9 million. Furthermore, in 2014, the rehabilitation of damages caused by floods was the reason for additional budget costs in the amount of HRK 406.9 million.

Table 2.4 Budgetary Central Government Expense in the 2012-2014 Period

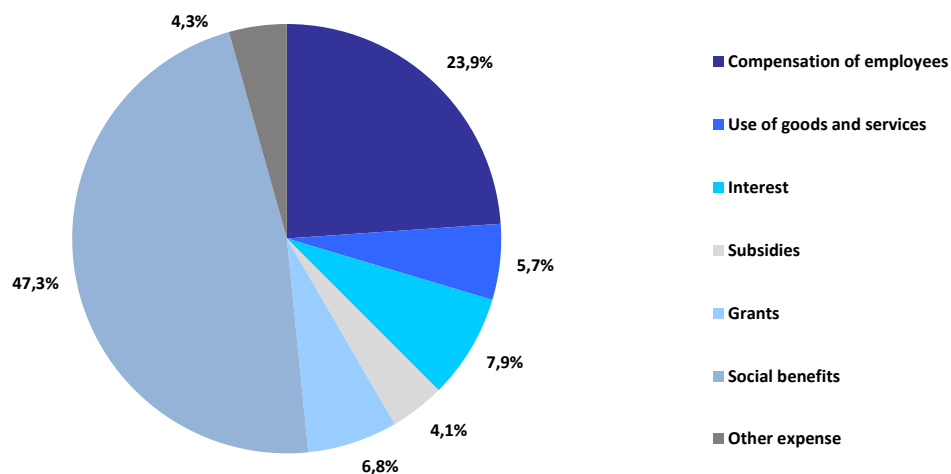
(HRK 000)	2012	2013	2014 Plan	2014	Index 2013/2012	Index 2014/2013	Index 2014/2014 Plan	
<b>2</b>	<b>EXPENSE</b>	<b>118.729.992</b>	<b>123.505.883</b>	<b>128.011.410</b>	<b>125.689.498</b>	<b>104,0</b>	<b>101,8</b>	<b>98,2</b>
<b>21</b>	<b>Compensation of employees</b>	<b>31.383.210</b>	<b>30.461.818</b>	<b>30.401.564</b>	<b>30.031.999</b>	<b>97,1</b>	<b>98,6</b>	<b>98,8</b>
211	Wages and salaries	26.910.038	26.286.011	26.033.359	25.632.714	97,7	97,5	98,5
212	Social contributions	4.473.172	4.175.807	4.368.205	4.399.285	93,4	105,4	100,7
<b>22</b>	<b>Use of goods and services</b>	<b>7.406.320</b>	<b>7.537.416</b>	<b>7.777.615</b>	<b>7.186.012</b>	<b>101,8</b>	<b>95,3</b>	<b>92,4</b>
<b>24</b>	<b>Interest</b>	<b>8.335.656</b>	<b>9.259.196</b>	<b>10.415.762</b>	<b>9.911.063</b>	<b>111,1</b>	<b>107,0</b>	<b>95,2</b>
241	To nonresidents	3.123.476	3.755.471	4.472.473	4.411.192	120,2	117,5	98,6
242	To residents other than general government	5.212.180	5.503.725	5.943.289	5.499.871	105,6	99,9	92,5
<b>25</b>	<b>Subsidies</b>	<b>5.762.321</b>	<b>5.537.845</b>	<b>5.327.577</b>	<b>5.174.466</b>	<b>96,1</b>	<b>93,4</b>	<b>97,1</b>
251	To public corporations	2.216.271	2.002.133	1.172.690	1.147.667	90,3	57,3	97,9
252	To private enterprises	3.546.050	3.535.712	4.154.887	4.026.799	99,7	113,9	96,9
<b>26</b>	<b>Grants</b>	<b>4.843.769</b>	<b>6.511.699</b>	<b>8.652.449</b>	<b>8.535.443</b>	<b>134,4</b>	<b>131,1</b>	<b>98,6</b>
261	To foreign governments	25.615	9.436	12.700	14.243	36,8	150,9	112,1
261	Current	21.078	4.111	5.050	6.622	19,5	161,1	131,1
261	Capital	4.537	5.326	7.650	7.621	117,4	143,1	99,6
262	To international organizations	247.448	2.056.525	3.750.027	3.658.166	-	177,9	97,6
262	Current	247.448	2.056.525	3.750.027	3.658.166	-	177,9	97,6
262	Capital	0	0	0	0	-	-	-
263	To other general government units	4.570.706	4.445.737	4.889.722	4.863.034	97,3	109,4	99,5
263	Current	2.440.511	2.362.235	2.144.695	2.445.495	96,8	103,5	114,0
263	Capital	2.130.195	2.083.502	2.745.027	2.417.539	97,8	116,0	88,1
<b>27</b>	<b>Social benefits</b>	<b>56.169.850</b>	<b>58.943.356</b>	<b>59.363.006</b>	<b>59.393.145</b>	<b>104,9</b>	<b>100,8</b>	<b>100,1</b>
271	Social security benefits	42.797.897	45.411.600	45.707.682	45.731.750	106,1	100,7	100,1
272	Social assistance benefits	13.240.668	13.392.974	13.494.773	13.488.710	101,2	100,7	100,0
273	Employer social benefits	131.285	138.782	160.551	172.685	105,7	124,4	107,6
<b>28</b>	<b>Other expense</b>	<b>4.828.865</b>	<b>5.254.553</b>	<b>6.073.437</b>	<b>5.457.370</b>	<b>108,8</b>	<b>103,9</b>	<b>89,9</b>
281	Property expense other than interest	66	340	403	233	-	68,5	57,8
282	Miscellaneous other expense	4.828.799	5.254.213	6.073.034	5.457.137	108,8	103,9	89,9
282	Current	2.068.407	2.316.424	3.049.750	2.760.629	112,0	119,2	90,5
282	Capital	2.760.392	2.937.789	3.023.284	2.696.508	106,4	91,8	89,2

Source: Ministry of Finance

Within the structure of realized Budgetary Central Government expense for the observed period, the largest share of 47.3 percent refers to social benefits. They are followed by compensation of employees, with the share of 23.9 percent, interests with 7.9 percent, grants with 6.8 percent, use of goods and services with 5.7 percent, other expense with 4.3 percent, and subsidies with 4.1 percent.



**Figure 2.6 Structure of the Budgetary Central Government Expense in 2014**



Source: Ministry of Finance

### **2.3.1 Compensations of Employees**

In 2014, expenses for the compensation of employees were realized in the amount of HRK 30 billion, which represents 1.2 percent less than the planned amount. Within the structure of total expenses for compensation of employees, the expenses for wages and salaries represent 85.4 percent, and the remaining 14.6 percent was for social contributions. In relation to 2013, these expenses were less by 1.4 percent or HRK 429.8 million, which is mostly the result of the annulment of bonuses of 4, 8 and 10 percent for the year spent in the same service, the reduction in the salaries received by officials by 6 percent, implementation of the central salary management system and the increase in the health insurance contribution from 13 to 15 percent of gross salary.

It is also necessary to point out that this category, besides the civil servants and civil employees' salaries, includes the salaries and the accompanying contributions on salaries received by people working in the health care institutions in the ownership of the Republic of Croatia, that is, of local and regional self-government units.

### **2.3.2 Use of Goods and Services**

Expense for the use of goods and services was realized in the amount of HRK 7.2 billion, which is 7.6 percent less than the amount planned for 2014. At a year-on-year level, they register a decrease of 4.7 percent or HRK 351.4 million. Such a trend is the result of the continuation of the application of rationalization and saving measures on all items, and particularly on the compensation of costs to employees (travel costs, fees for field work and remuneration for living separately from family), materials and energy expenses, and various expenses for services.

### 2.3.3 Interest

In 2014, interest expense was realized in the amount of HRK 9.9 billion, which is for HRK 651.9 million more at a year-on-year level, that is, 4.8 percent less than planned for the observed year.

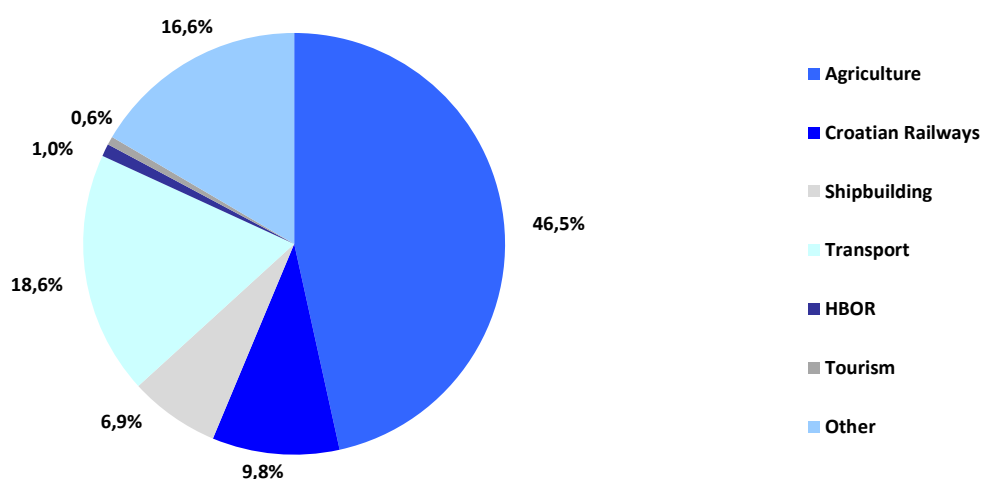
In respect of interests for issued bonds, the total of HRK 7.6 billion was set apart, that is, 76.3 percent of the total amount of interest expense. The remaining part refers to interests on the received domestic and foreign credits and loans, and on issued treasury bills.

### 2.3.4 Subsidies

Expense for subsidies were realized in the amount of HRK 5.2 billion, which was 2.9 percent less than the planned amount for 2014 and HRK 363.4 million at a year-on-year level.

Within these expenses, the subsidies to private enterprises represent 77.8 percent, while 22.2 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 2.4 billion which is HRK 135.2 million higher than in relation to the previous year. Such an increase is linked with direct payments in agriculture, that were realized in the amount of HRK 2.1 billion, of which HRK 709.9 million was financed from the European Agricultural Guarantee Fund. Subsidies to the Croatian Railways were realized in the amount of HRK 504.6 million which is by HRK 366.3 million less at annual level. Savings were also registered regarding the subsidies in shipbuilding industry, in the amount of HRK 263 million, within the programme of preferential financing by credit programmes of the Croatian Bank for Reconstruction and Development in the amount of HRK 200 million and in tourism in the amount of HRK 7 million. Subsidies to road, air and water traffic were paid in the amount of HRK 963.4 million.

**Figure 2.7 Subsidy Expense Structure in 2014**



Source: Ministry of Finance

### **2.3.5 Grants**

In 2014, the expenses for grants were realized in the amount of HRK 8.5 billion, which was 1.4 percent less than planned for the observed year, and HRK 2 billion more at a year-on-year level, primarily due to the obligation of paying a full-year contribution of the Republic of Croatia to the European Union.

Out of total grants, 57 percent refers to grants to other general government units. Regarding that amount, 50.3 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 2014, grants to areas of special state concern and hilly-mountainous areas, public inter-city transport for students, and others. The remaining 49.7 percent are capital grants within which the largest part refers to road charges for Croatian Roads (*Hrvatske ceste*).

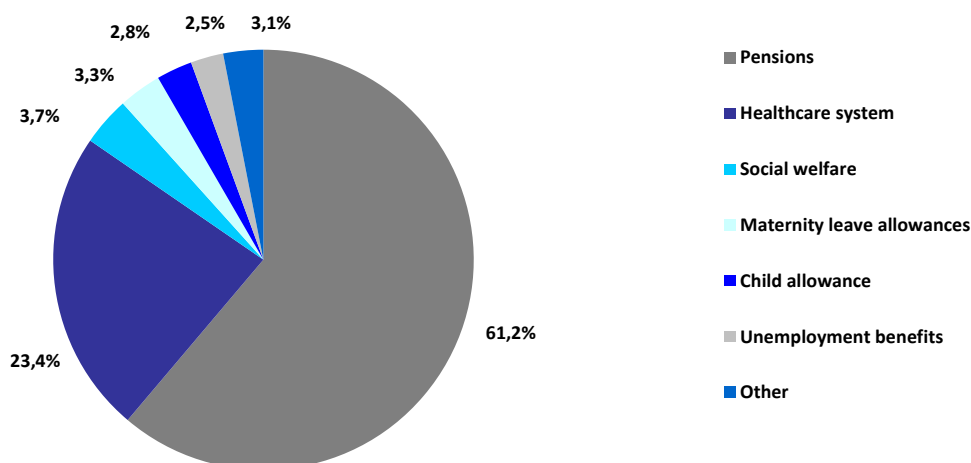
Other grants refer to grants to international organizations and foreign governments. In 2014, the grants to international organizations register a year-on-year increase of HRK 1.6 billion, which is mostly based on the full-year obligation of paying the contribution to the EU budget.

### **2.3.6 Social Benefits**

Social benefits expenses were realized in the amount of HRK 59.4 billion, that is, they were higher by 0.1 percent than the amount planned for 2014 and by HRK 449.8 million 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 social benefits for employees.

In 2014, pensions and pension receipts and compensations in the healthcare system represented 84.6 percent of total social benefits. The pension expenses were realized in the amount of HRK 36.3 billion. In relation to 2013, in 2014 pensions increased due to the increased number of retired persons as well to the payment of pensions from 2013 for retired persons who did not submit to the Croatian Pension Insurance Fund their Personal Identification Number (OIB) and the payment of their pensions was therefore suspended. The compensations in the healthcare system were executed in the amount of HRK 13.9 billion, of which the largest part refers to the health protection of mandatory health insurance and to the financial recovery of the health care system. 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 billion, child allowance expense amounted to HRK 1.6 billion, and unemployment benefits to HRK 1.5 billion.

**Figure 2.8 Social Benefits Structure in 2014**



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 5.5 billion which was 10.1 percent less than in relation to the amount planned for other expense and HRK 202.8 million more in relation to the previous year.

Other expenses mostly consist of transfers to Croatian Motorways (HAC) and Croatian Railways (HŽ) Infrastructure, investments in the modernisation of Croatian Railways (HŽ), expense for housing care for the displaced, returnees and refugees, aids to religious communities, housing savings incentives, fees for seized property and payments per court decisions, subsidies to political parties, budget reserve, rehabilitation of damages caused by floods, student accommodation and alimentionation, improvement of student living standard and development of sport, investment in culture, rehabilitation and development of the Town of Vukovar, etc.

The largest item in this category of expense is current miscellaneous other expenses in the amount of HRK 2.8 billion. Capital miscellaneous other expenses were executed in the amount of HRK 2.7 billion, of which HRK 440 million refers to the transfer to HAC and HRK 434.2 million to HŽ Infrastructure for the part of the corresponding fee in the fuel price, and HRK 576 million was allocated for capital grants to HŽ.

### 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 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 2014, total Budgetary Central Government expenditure, according to the functional classification, amounted to HRK 127.5 billion, which represents a year-on-year increase of 2 percent or HRK 2.5 billion.

The largest allocations were directed towards social protection and health care, with the total share of 54.9 percent of total expenditure in 2014. The share of social protection expenditure in total expenditure was decreased by 0.7 percentage points in relation to 2013, while the share of health care expenditure was decreased by 0.2 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 0.1 percentage points.

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 1.4 percentage points, and in GDP by 0.7 percentage points. Expenditure for economic affairs decreased their share in total expenditure by 0.2 percentage points, while they remain the existing level in GDP. 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 and expenditure for recreation, culture and religion register the same share in total expenditure, whereby the expenditure for education record an increase of its share in GDP by 0.1 percentage point, while the expenditure for recreation, culture and religion retain the same level. Expenditure for environment protection and expenditure for public order and safety, which traditionally refers to police force and judiciary, also retain their share in GDP. At the same time, these two categories of expenditure register a reduction of their shares in total expenditure by 0.1 percentage point.

Expenditure for defence reduced their share in total expenditure by 0.3 percentage points, and its share in GDP by 0.1 percentage point. Expenditure for services of housing and community amenity register an increase in its share in total expenditure by 0.2 percentage points, and in GDP by 0.1 percentage point, primarily within the category of housing development.

**Table 2.5 Budgetary Central Government Expenditure by Function in the 2012-2014 Period**

(HRK 000)		2012	2013	2014	Index 2013/2012	Index 2014/2013
<b>7</b>	<b>Total expenditure</b>	<b>119.837.973</b>	<b>125.069.894</b>	<b>127.546.494</b>	<b>104,4</b>	<b>102,0</b>
701	General public services	14.767.291	17.494.703	19.675.719	118,5	112,5
702	Defense	4.792.880	4.412.503	4.164.230	92,1	94,4
703	Public order and safety	7.529.589	7.164.460	7.117.491	95,2	99,3
704	Economic affairs	12.013.410	12.281.471	12.247.668	102,2	99,7
705	Environment protection	461.872	462.102	402.447	100,0	87,1
706	Housing and community amenity affairs	1.107.461	1.049.721	1.365.627	94,8	130,1
707	Health	19.697.243	21.484.015	21.609.723	109,1	100,6
708	Recreation, culture and religion	1.591.743	1.711.795	1.757.380	107,5	102,7
709	Education	10.520.709	10.611.513	10.791.191	100,9	101,7
710	Social protection	47.355.775	48.397.611	48.415.021	102,2	100,0

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 procurements and disposals, that is, the total acquisition was reduced by total disposal of nonfinancial assets.

In 2014, total net acquisition of nonfinancial assets amounted to HRK 1.2 billion, which is a result of the procurement of nonfinancial assets in the amount of HRK 1.9 billion and of the disposal in the amount of HRK 689.7 million.

The procurement of nonfinancial assets mostly referred to the procurement of fixed assets, in which the acquisition of machinery and equipment dominated with the amount of HRK 688.7 million, along with that of buildings and structures in the amount of HRK 645.5 million.

Net acquisition of inventories amounted to HRK -369 thousand, which is a result of the acquisition in the amount of HRK 343.8 million and of the disposal in the amount of HRK 344.2 million.

Total net acquisition of stored valuables amounted to HRK 829 thousand, which is the result of the procurement in the amount of HRK 890 thousand and of the disposal in the amount of HRK 61 thousand. The acquisition of non-produced assets amounted to HRK 126 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 2012-2014 Period**

(HRK 000)		2012	2013	2014	Index 2013/2012	Index 2014/2013
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>829.626</b>	<b>1.304.518</b>	<b>1.167.277</b>	<b>157,2</b>	<b>89,5</b>
<b>311</b>	<b>Fixed assets</b>	<b>772.151</b>	<b>1.036.609</b>	<b>1.069.402</b>	<b>134,2</b>	<b>103,2</b>
<b>311,1</b>	<b>Acquisitions: fixed assets</b>	<b>1.028.403</b>	<b>1.278.649</b>	<b>1.386.252</b>	<b>124,3</b>	<b>108,4</b>
<b>311,2</b>	<b>Disposals: fixed assets</b>	<b>256.251</b>	<b>242.040</b>	<b>316.850</b>	<b>94,5</b>	<b>130,9</b>
3111	Buildings and structures	265.596	381.100	332.087	143,5	87,1
3111,1	Acquisitions: buildings and structures	514.471	620.335	645.476	120,6	104,1
3111,2	Disposals: buildings and structures	248.875	239.235	313.389	96,1	131,0
3112	Machinery and equipment	433.550	610.369	685.283	140,8	112,3
3112,1	Acquisitions: machinery and equipment	440.927	613.172	688.744	139,1	112,3
3112,2	Disposals: machinery and equipment	7.376	2.803	3.461	38,0	123,5
3113	Other fixed assets	73.005	45.140	52.032	61,8	115,3
3113,1	Acquisitions: other fixed assets	73.005	45.142	52.032	61,8	115,3
3113,2	Disposals: other fixed assets	0	2	0	-	-
<b>312</b>	<b>Inventories</b>	<b>29.280</b>	<b>225.477</b>	<b>-369</b>	<b>770,1</b>	<b>-0,2</b>
<b>312,1</b>	<b>Acquisitions: inventories</b>	<b>33.475</b>	<b>226.012</b>	<b>343.819</b>	<b>675,2</b>	<b>152,1</b>
<b>312,2</b>	<b>Disposals: inventories</b>	<b>4.195</b>	<b>536</b>	<b>344.188</b>	<b>12,8</b>	<b>64.274,1</b>
<b>313</b>	<b>Valuables</b>	<b>3.494</b>	<b>1.333</b>	<b>829</b>	<b>38,1</b>	<b>62,2</b>
<b>313,1</b>	<b>Acquisitions: valuables</b>	<b>3.494</b>	<b>1.333</b>	<b>890</b>	<b>38,1</b>	<b>66,8</b>
<b>313,2</b>	<b>Disposals: valuables</b>	<b>0</b>	<b>0</b>	<b>61</b>	<b>-</b>	<b>-</b>
<b>314</b>	<b>Nonproduced assets</b>	<b>24.700</b>	<b>41.099</b>	<b>97.415</b>	<b>166,4</b>	<b>237,0</b>
<b>314,1</b>	<b>Acquisitions: nonproduced assets</b>	<b>42.610</b>	<b>58.018</b>	<b>126.036</b>	<b>136,2</b>	<b>217,2</b>
<b>314,2</b>	<b>Disposals: nonproduced assets</b>	<b>17.910</b>	<b>16.918</b>	<b>28.621</b>	<b>94,5</b>	<b>169,2</b>
3141	Land	-17.166	-16.095	-27.929	93,8	173,5
3141,1	Acquisitions: land	744	823	692	110,7	84,1
3141,2	Disposals: land	17.910	16.918	28.621	94,5	169,2
3142	Subsoil assets	0	0	0	-	-
3142,1	Acquisitions: subsoil assets	0	0	0	-	-
3142,2	Disposals: subsoil assets	0	0	0	-	-
3144	Intangible nonproduced assets	41.866	57.194	125.344	136,6	219,2
3144,1	Acquisitions: intangible nonproduced assets	41.866	57.194	125.344	136,6	219,2
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 2014, net acquisition of domestic financial assets in the amount of HRK -3.5 billion is a result of the net acquisition of loans in the amount of HRK 1.6 billion and the net acquisition of shares and other equity in the amount of HRK -378.8 million.

Net acquisition of domestic loans was the result of the acquisition of loans in the amount of HRK 12.5 billion and the disposal of loans in the amount of HRK 10.9 billion. The acquisition of loans mostly referred

to loans given to companies in the public sector (HRK 796.3 million). They are followed by loans given to credit and other financial institutions in the public sector in the amount of HRK 755.2 million, loans given to other government levels (HRK 427.5 million), loans to non-profit organizations, citizens and households (HRK 231.4 million) and loans to private companies and small businesses (HRK 182.9 million). Disposals of domestic loans referred to loan principal repayments by private companies and small businesses in the amount of HRK 455.5 million, loan principal repayments by companies in the public sector in the amount of HRK 207.5 million, loan repayments by non-profit organizations, citizens and households in the amount of HRK 73 million, and to loan repayments by other government levels in the amount of HRK 68.9 million.

Net acquisition of domestic shares and other equity in the amount of HRK -378.8 million was a result of the acquisitions of shares and other equity in the amount of HRK 526.6 million and of the disposals of shares and other equity in the amount of 905.5 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 526.6 million.

Foreign net acquisition of financial assets amounted to HRK 206 million and was mostly the result of the acquisition of shares and other equity.

**Table 2.7 Transactions in Financial Assets of the Budgetary Central Government in the 2012-2014 Period**

(HRK 000)		2012	2013	2014
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>-461.514</b>	<b>14.214.400</b>	<b>-3.465.997</b>
<b>321</b>	<b>Domestic</b>	<b>-468.017</b>	<b>14.009.154</b>	<b>-3.671.976</b>
3212	Currency and deposits	-1.208.562	4.825.878	-4.881.435
3214	Loans	92.382	8.558.231	1.588.291
3214,1	Acquisition	857.099	8.809.020	12.493.381
3214,2	Disposal	764.717	250.789	10.905.090
3215	Shares and other equity	648.163	625.046	-378.832
3215,1	Acquisition	650.353	670.510	526.632
3215,2	Disposal	2.190	45.464	905.464
<b>322</b>	<b>Foreign</b>	<b>6.503</b>	<b>205.245</b>	<b>205.979</b>
3224	Loans	0	315	0
3224,1	Acquisition	1.826	2.033	1.478
3224,2	Disposal	1.826	1.717	1.478
3225	Shares and other equity	6.503	204.930	205.979
3225,1	Acquisition	6.503	204.930	205.979
3225,2	Disposal	0	0	0

Source: Ministry of Finance

In 2014, total net incurrence of liabilities of the Budgetary Central Government amounted to HRK 9.3 billion, and it was the result of net incurrence of domestic liabilities in the amount of HRK 4.8 billion and of net incurrence of foreign liabilities in the amount of HRK 4.5 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 21.9 billion, while domestic repayments amounted to HRK 17 billion. Regarding the



incurrence on the domestic financial market, HRK 13.5 billion referred to the incurrence through securities other than shares. Domestic repayments on the basis of securities other than shares amounted to HRK 5 billion. The incurrence through loans on the domestic financial market amounted to HRK 8.4 billion, while domestic repayments amounted to HRK 12.1 billion.

Net incurrence of foreign liabilities included total foreign incurrence in the amount of HRK 11.5 billion and total foreign repayment in the amount of HRK 7 billion. In 2014, foreign incurrence was mostly realized through securities other than shares in total amount of HRK 9.5 billion. Incurrence through loans on the foreign financial market amounted to HRK 2 billion. Foreign repayments included the repayments of foreign loans in the amount of HRK 3.1 billion.

Considering total domestic and foreign incurrence, that is, total domestic and foreign repayments of the Budgetary Central Government in 2014, 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 33.4 billion and repayments in the amount of HRK 24 billion.

**Table 2.8 Transactions in Liabilities of the Budgetary Central Government in the 2012-2014 Period**

(HRK 000)		2012	2013	2014
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>9.539.175</b>	<b>30.439.751</b>	<b>9.346.293</b>
<b>33,1</b>	<b>Total repayments</b>	<b>11.059.657</b>	<b>12.104.801</b>	<b>24.006.772</b>
<b>33,2</b>	<b>Total incurrence</b>	<b>20.598.833</b>	<b>42.544.552</b>	<b>33.353.065</b>
<b>331</b>	<b>Domestic</b>	<b>1.413.994</b>	<b>8.904.914</b>	<b>4.822.165</b>
<b>331,1</b>	<b>Repayment</b>	<b>9.759.469</b>	<b>10.985.488</b>	<b>17.038.293</b>
<b>331,2</b>	<b>Incurrence</b>	<b>11.173.464</b>	<b>19.890.402</b>	<b>21.860.458</b>
3313	Securities other than shares	6.035.183	7.357.785	8.531.662
3313,1	Repayment	3.902.510	4.000.000	4.971.950
3313,2	Incurrence	9.937.693	11.357.785	13.503.612
3314	Loans	-4.621.189	1.547.129	-3.709.497
3314,1	Repayment	5.856.959	6.985.488	12.066.343
3314,2	Incurrence	1.235.770	8.532.617	8.356.846
<b>332</b>	<b>Foreign</b>	<b>8.125.181</b>	<b>21.534.837</b>	<b>4.524.128</b>
<b>332,1</b>	<b>Repayment</b>	<b>1.300.188</b>	<b>1.119.313</b>	<b>6.968.479</b>
<b>332,2</b>	<b>Incurrence</b>	<b>9.425.369</b>	<b>22.654.150</b>	<b>11.492.607</b>
3323	Securities other than shares	8.548.785	18.783.420	5.664.765
3323,1	Repayment	0	0	3.823.660
3323,2	Incurrence	8.548.785	18.783.420	9.488.425
3324	Loans	-423.604	2.751.417	-1.140.637
3324,1	Repayment	1.300.188	1.119.313	3.144.819
3324,2	Incurrence	876.584	3.870.730	2.004.182

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 -1.6 billion in 2014.

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 2014, primary operating balance amounted to HRK -1.7 billion, which represents a decrease of HRK 3.9 billion in relation to 2013.

The category of net lending/borrowing is defined as a difference between net operating balance and net acquisition of nonfinancial assets. In 2014, net lending/borrowing was recorded at the level of HRK -12.8 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 9.3 billion and of net acquisition of financial assets in the amount of HRK -3.5 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 2012-2014 Period**

(HRK 000)	2012	2013	2014
<b>TRANSACTIONS AFFECTING NET WORTH</b>			
1 Revenue	109.558.928	108.585.049	114.044.485
2 Expense	118.729.992	123.505.883	125.689.498
24 Interest	8.335.656	9.259.196	9.911.063
<b>Net - gross operating balance (1-2)</b>	<b>-9.171.064</b>	<b>-14.920.833</b>	<b>-11.645.013</b>
<b>Primary operating balance (1-2+24)</b>	<b>-835.407</b>	<b>-5.661.637</b>	<b>-1.733.950</b>
<b>TRANSACTIONS IN NONFINANCIAL ASSETS</b>			
31 Net acquisition of nonfinancial assets	829.626	1.304.518	1.167.277
<b>Net lending - borrowing (1-2-31)</b>	<b>-10.000.689</b>	<b>-16.225.351</b>	<b>-12.812.290</b>
<b>Financing (33-32)</b>	<b>10.000.689</b>	<b>16.225.351</b>	<b>12.812.290</b>
<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES</b>			
32 Net acquisition of financial assets	-461.514	14.214.400	-3.465.997
33 Net incurrence of liabilities	9.539.175	30.439.751	9.346.293

Source: Ministry of Finance

## 3. EXTRABUDGETARY USERS IN 2014

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### **3.1 EXTRABUDGETARY USERS**

During 2014, 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 energetske 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 the Restructuring and Sale Centre (*Centar za restrukturiranje i prodaju - CERP*).

### **3.2 REVENUE OF EXTRABUDGETARY USERS**

In 2014, total revenues of Extrabudgetary Users were realized in the amount of HRK 6.1 billion. By observing the structure thereof, the largest part or 37.1 percent refers to HV, 29.9 percent to HC, 19.3 percent to FZOEU, 12.3 percent to DAB and the rest, 1.4 percent, 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 2014, were realized in the amount of HRK 2.9 billion. The largest part of these revenues refers to the revenues from administrative fees at HV (HRK 1.9 billion) and at FZOEU (HRK 969.9 million).

Total revenues from grants were realized in the amount of HRK 2.1 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 176.1 million, of which DAB contributed the most (44.5 percent), followed by CERP (39.4 percent) and FZOEU (8.8 percent). The largest revenue in that part, considering the amount, refers to the interests at DAB.

Besides that, Extrabudgetary Users realized HRK 751.1 million in miscellaneous and unidentified revenues, the most of which was realized by DAB (HRK 669.9 million), and HRK 205.8 million of revenues from voluntary transfer, except for state aid.

### **3.3 EXPENSE OF EXTRABUDGETARY USERS**

In 2014, total expense of Extrabudgetary Users amounted to HRK 4.3 billion. Within the structure thereof, the largest share was held by HV (36 percent), followed by HC (31.1 percent), FZOEU (26.8 percent), DAB (4.1 percent) and CERP (2.1 percent).

Within the structure of total expense of Extrabudgetary Users, the most important place is held by expense for the use of goods and services, which were executed, in the observed period, in the amount of HRK 2.4 billion. The largest part of this expense refers to HV (HRK 886 million), FZOEU (HRK 727.9 million) and HC (HRK 723 million), while the rest refers to CERP and DAB.

Considering the amount of the executed expense, the above-mentioned are followed by other expense which, in 2014, amounted to HRK 610.2 million. The largest part of this expense refers to HV (HRK 393 million) and to DAB (HRK 167 million).

At the level of Extrabudgetary Users, the compensations of employees amounted to HRK 279.5 million, of which HRK 241.4 million refer to salaries and wages and HRK 38 million to social security contributions.

Grants from other general government units amounted to HRK 492.5 million and they almost completely refer to capital grants to FZOEU, HC and HV.

In 2014, Extrabudgetary Users also spent HRK 525.8 million on the expense for interests, of which the largest part refers to HC in the amount of HRK 382.4 million.

The expense for subsidies amounted to HRK 10.4 million, of which the largest part refers to subsidies to private companies. FZOEU realized fully the aforementioned amount of the expense for subsidies.

### **3.4 TRANSACTIONS IN NONFINANCIAL ASSETS OF EXTRABUDGETARY USERS**

In 2014, net acquisition of nonfinancial assets of Extrabudgetary Users amounted to HRK 2 billion. This amount was the result of the total acquisition of nonfinancial assets in the amount of HRK 2.1 billion and of revenues from the disposal of nonfinancial assets in the amount of HRK 3.6 million. Considering the types of nonfinancial assets, 94 percent refers to fixed assets, and the remaining 6 percent to transactions in non-produced assets. Transactions in fixed assets in the largest part consist of the acquisition of buildings and structures of HC (HRK 970.6 million) and HV (HRK 749.3 million).

Non-produced assets refer to the land acquisition in the amount of HRK 122.1 million, which was mostly realized by HC (HRK 102.6 million). The land disposal in the amount of HRK 1.9 million was entirely realized by CERP.

### 3.5 TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES OF EXTRABUDGETARY USERS

Within the structure of net acquisition of financial assets of Extrabudgetary Users in 2014, currency and deposits item recorded positive amounts (HRK 963.2 million), of which the largest part refers to DAB. Net acquisition of loans was recorded in the negative amount of HRK 9.5 million. This is the result of total acquisitions in the amount of HRK 33.5 million and of total disposals, that is, of the repayments of given loans in the amount of HRK 42.9 million. Net acquisition of shares and equity amounted to HRK 263.9 million, primarily as a result of acquisitions of shares and equity in the capital of CERP, in the amount of HRK 315 million and of disposals of shares and equity in the amount of HRK 51.1 million.

In the same period, net incurrence of liabilities of Extrabudgetary Users amounted to HRK 1.3 billion. This amount is the result of total incurrence of liabilities on both domestic and foreign market in the amount of HRK 2.8 billion and of domestic and foreign repayments in the amount of HRK 1.5 billion. In other words, domestic incurrence of liabilities of Extrabudgetary Users amounted to HRK 1.4 billion, and the foreign one to HRK -48.6 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 realized, during 2014, in HC, followed by the ones realized in HV and CERP.

**Table 3.1 Transactions in Financial Assets and Liabilities of the Extrabudgetary Users in 2014**

(000 HRK)		Croatian Waters	Fund for Environmental Protection and Energy Efficiency	Croatian Roads Ltd.	State Agency for Deposit Insurance and Bank Rehabilitation	Restructuring and Sale Center	TOTAL
<b>32</b>	<b>Net acquisition of financial assets</b>	<b>41.389</b>	<b>-148.863</b>	<b>316.305</b>	<b>574.426</b>	<b>284.760</b>	<b>1.068.017</b>
<b>321</b>	<b>Domestic</b>	<b>41.389</b>	<b>-148.863</b>	<b>316.305</b>	<b>574.426</b>	<b>284.760</b>	<b>1.068.017</b>
	Currency and deposits	41.389	4.175	316.305	574.426	26.903	963.198
	Securities other than shares	0	-149.664	0	0	0	-149.664
	Acquisitions	0	0	0	0	0	0
	Disposals	0	149.664	0	0	0	149.664
	Loans	0	-3.374	0	0	-6.091	-9.465
	Acquisitions	0	15.587	0	0	17.863	33.450
	Disposals	0	18.961	0	0	23.954	42.915
	Shares and other equity	0	0	0	0	263.948	263.948
	Acquisitions	0	0	0	0	315.000	315.000
	Disposals	0	0	0	0	51.052	51.052
<b>322</b>	<b>Foreign</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>33</b>	<b>Net incurrence of liabilities</b>	<b>126.080</b>	<b>0</b>	<b>914.542</b>	<b>0</b>	<b>283.691</b>	<b>1.324.313</b>
<b>331</b>	<b>Domestic</b>	<b>134.965</b>	<b>0</b>	<b>950.451</b>	<b>0</b>	<b>287.458</b>	<b>1.372.874</b>
	Loans	134.965	0	950.451	0	287.458	1.372.874
	Repayments	303.857	0	649.100	0	423.845	1.376.802
	Incurrences	438.822	0	1.599.551	0	711.303	2.749.676
	Securities other than shares	0	0	0	0	0	0
	Repayments	0	0	0	0	0	0
	Incurrences	0	0	0	0	0	0
<b>332</b>	<b>Foreign</b>	<b>-8.885</b>	<b>0</b>	<b>-35.909</b>	<b>0</b>	<b>-3.767</b>	<b>-48.561</b>
	Loans	-8.885	0	-35.909	0	-3.767	-48.561
	Repayments	8.885	0	117.400	0	3.767	130.052
	Incurrences	0	0	81.491	0	0	81.491

Source: Ministry of Finance

### 3.6 DEFICIT/SURPLUS MEASURES AND FINANCING OF EXTRABUDGETARY USERS

In 2014, net operating balance of Extrabudgetary Users amounted to HRK 1.8 billion. At the same time, the primary operating balance amounted to HRK 2.3 billion.

Net lending/borrowing amounted to HRK -256.3 million, which represents 0.1 percent of GDP. Total financing is the difference between net incurrence of liabilities in the amount of HRK 1.3 billion and net acquisition of financial assets in the amount of HRK 1.1 billion.

**Table 3.2 Measures of Deficit/Surplus and Financing of the Extrabudgetary Users in 2014**

(000 HRK)	Croatian Waters	Fund for Environmental Protection and Energy Efficiency	Croatian Roads Ltd.	State Agency for Deposit Insurance and Bank	Restructuring and Sale Center	TOTAL
<b>TRANSACTIONS AFFECTING NET WORTH</b>						
1 Revenue	2.249.637	1.168.651	1.814.362	749.263	87.007	6.068.920
2 Expense	1.538.141	1.146.472	1.329.603	174.655	88.549	4.277.420
24 Interest	87.190	3	382.350	0	56.278	525.821
<b>Net/Gross operating balance (1-2)</b>	<b>711.496</b>	<b>22.179</b>	<b>484.759</b>	<b>574.608</b>	<b>-1.542</b>	<b>1.791.500</b>
<b>Primary operating balance (1-2+24)</b>	<b>798.686</b>	<b>22.182</b>	<b>867.109</b>	<b>574.608</b>	<b>54.736</b>	<b>2.317.321</b>
<b>TRANSACTIONS IN NONFINANCIAL ASSETS</b>						
31 Net acquisition of nonfinancial assets	796.187	171.042	1.082.996	182	-2.611	2.047.796
<b>Net lending/borrowing (1-2-31)</b>	<b>-84.691</b>	<b>-148.863</b>	<b>-598.237</b>	<b>574.426</b>	<b>1.069</b>	<b>-256.296</b>
<b>Financing (33-32)</b>	<b>84.691</b>	<b>148.863</b>	<b>598.237</b>	<b>-574.426</b>	<b>-1.069</b>	<b>256.296</b>
<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES</b>						
32 Net acquisition of financial assets	41.389	-148.863	316.305	574.426	284.760	1.068.017
33 Net incurrence of liabilities	126.080	0	914.542	0	283.691	1.324.313

Source: Ministry of Finance

## **4. FINANCING OF LOCAL AND REGIONAL SELF-GOVERNMENT UNITS IN 2014**

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## **4.1 LEGAL FRAMEWORK**

The Act on the Areas of Counties, Cities and Municipalities in the Republic of Croatia<sup>19</sup> 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, 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, 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 educational, healthcare, social and cultural institutions' networks, 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.

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<sup>19</sup> Official Gazette, number 86/06, 125/06, 16/07, 46/10, 145/10, 37/13, 44/13 and 45/13

Financing of local units is regulated by the Constitution<sup>20</sup>, Act on Local and Regional Self-Government<sup>21</sup>, Budget Act<sup>22</sup>, Act on Financing of Local and Regional Self-Government Units<sup>23</sup>, Act on Areas of Special State Concern<sup>24</sup>, Act on Hilly and Mountainous Areas<sup>25</sup>, Act on the City of Zagreb<sup>26</sup>, Act on Islands<sup>27</sup>, 2014 State Budget Execution Act<sup>28</sup>, special acts prescribing the decentralization of the services of primary-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-Government<sup>29</sup>. European Charter of Local Self-Government guarantees political, administrative and financial independence of local self-government units.

The Budget Act<sup>30</sup> 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 of the budget and budgetary users with the entities outside the budget system, that is outside public sector.

The Act on the Amendments to the Budget Act<sup>31</sup> 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.

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<sup>20</sup> Official Gazette, number 56/90, 135/97, 8/98 – consolidated version, 113/2000, 124/2000 – consolidated version, 28/01, 41/01 – consolidated version, 55/01 – correction, 76/10, 85/10 – consolidated version

<sup>21</sup> Official Gazette, number 33/01, 60/01, 129/05, 109/07, 125/08, 36/09, 150/11, 25/12 and 19/13 – consolidated version

<sup>22</sup> Official Gazette, number 87/08 and 136/12

<sup>23</sup> Official Gazette, number 117/93, 69/97, 33/2000, 73/2000, 127/2000, 59/01, 107/01, 117/01, 150/02, 147/03, 132/06, 26/07 – Decision of the Constitutional Court of the Republic of Croatia, 73/08 and 25/12

<sup>24</sup> Official Gazette, number 86/08, 57/11, 51/13 and 76/14

<sup>25</sup> Official Gazette, number 12/02, 32/02, 117/03, 42/05, 90/05, 80/08 and 148/13

<sup>26</sup> Official Gazette, number 62/01, 125/08 and 36/09

<sup>27</sup> Official Gazette, number 34/99, 32/02 and 33/06

<sup>28</sup> Official Gazette, number 152/13, 39/14 and 141/14

<sup>29</sup> Official Gazette – International Agreements, number 14/97 and 4/08

<sup>30</sup> Official Gazette, number 87/08

<sup>31</sup> Official Gazette, number 136/12

## **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).

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 2014 were realized in the amount of HRK 16.1 billion, which represents an increase of 1.1 percent in relation to the realization in previous year.

**Table 4.1 Budget Revenue in the 2012-2014 Period for 53 Local Units**

(000 HRK)		2012	2013	2014	Index 2013/2012	Index 2014/2013
<b>1</b>	<b>REVENUE</b>	<b>15.035.185</b>	<b>15.881.175</b>	<b>16.063.026</b>	<b>105,6</b>	<b>101,1</b>
<b>11</b>	<b>Taxes</b>	<b>9.423.857</b>	<b>11.446.693</b>	<b>11.538.387</b>	<b>121,5</b>	<b>100,8</b>
111	Taxes on income, profits, and capital gains	8.606.644	8.953.357	9.078.307	104,0	101,4
1111	Payable by individuals	8.606.644	8.953.357	9.078.307	104,0	101,4
113	Taxes on property	404.927	1.888.472	1.861.545	466,4	98,6
114	Taxes on goods and services	402.483	594.962	590.749	147,8	99,3
1141	General taxes on goods and services	55.378	80.982	83.000	146,2	102,5
11412	Sales taxes	55.378	80.982	83.000	146,2	102,5
1144	Taxes on specific services	12.840	11.334	10.608	88,3	93,6
1145	Taxes on use of goods, permission to use goods	328.973	502.647	497.141	152,8	98,9
11451	Motor vehicles taxes	250.959	423.991	420.411	168,9	99,2
11452	Other	78.014	78.656	76.730	100,8	97,6
1146	Other taxes on goods and services	5.291	0	0	0,0	0,0
116	Other taxes	9.804	9.902	7.786	101,0	78,6
<b>13</b>	<b>Grants</b>	<b>1.798.058</b>	<b>2.080.283</b>	<b>2.259.783</b>	<b>115,7</b>	<b>108,6</b>
131	From foreign governments	11	2.898	319	26344,5	11,0
132	From international organizations	23.687	30.516	87.786	128,8	287,7
133	From other general government units	1.774.361	2.046.869	2.171.678	115,4	106,1
<b>14</b>	<b>Other revenue</b>	<b>3.813.270</b>	<b>2.354.200</b>	<b>2.264.856</b>	<b>61,7</b>	<b>96,2</b>
141	Property income	921.297	892.158	911.577	96,8	102,2
142	Sales of goods and services	2.509.775	953.003	1.051.280	38,0	110,3
1422	Administrative fees	2.280.181	665.078	643.783	29,2	96,8
1423	Incidental sales by nonmarket establishments	202.247	215.673	226.688	106,6	105,1
143	Fines, penalties, and forfeits	71.122	22.692	32.609	31,9	143,7
144	Voluntary transfers other than grants	55.680	99.677	68.632	179,0	68,9
145	Miscellaneous and unidentified revenue	255.396	386.670	200.758	151,4	51,9

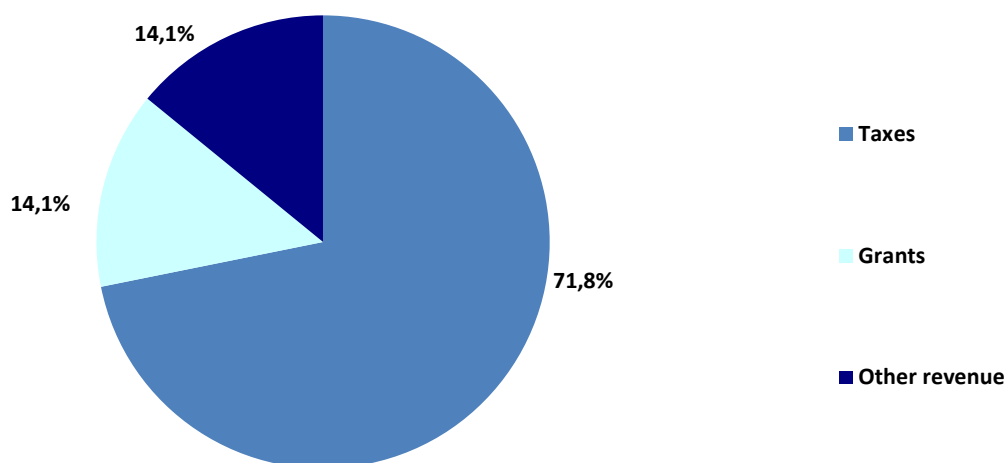
Source: Ministry of Finance

The most abundant revenues of local units are tax revenues. In 2014, they were realized in the amount of HRK 11.5 billion, which represents 71.8 percent of total revenues. In relation to 2013, tax revenues were increased by 0.8 percent.

Revenues from grants were realized in the amount of HRK 2.3 billion, that is by 8.6 percent more than in 2013. Their share in total revenues was 14.1 percent.

In 2014, there was also a reduction in other revenues, and they represent, as well as the revenues from grants, 14.1 percent of total revenues of local units. In relation to the previous year, they were decreased by 3.8 percent, that is, they amounted to HRK 2.3 billion.

**Figure 4.1 Structure of Total Revenue of 53 Local Units in 2014**



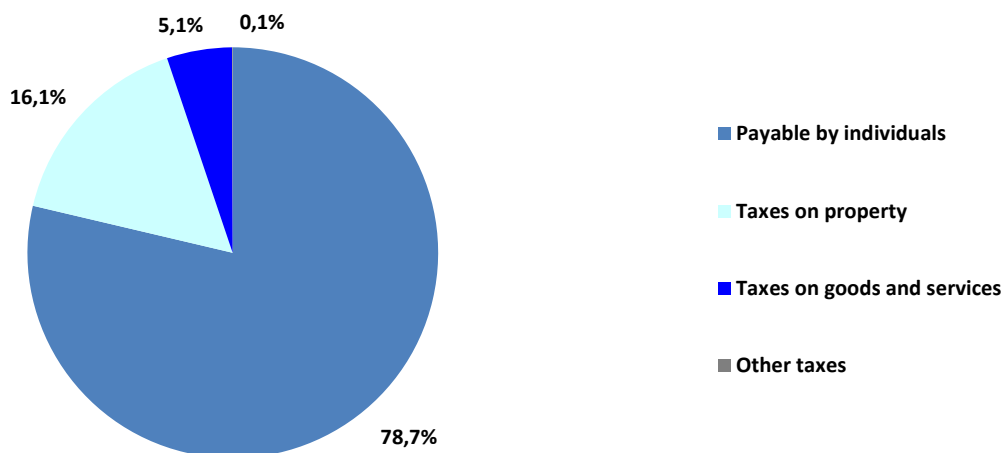
Source: Ministry of Finance

### ***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, 78.7 percent, followed by the property tax the share of which in total revenues from taxes amounted to 16.1. Revenues from taxes on goods and services participate with the shares of 5.1 percent, while other taxes represent 0.1 percent of tax revenues of local units. The structure of tax revenues in 2014 remained the same in relation to the previous year.

**Figure 4.2 Structure of Tax Revenues for 53 Local Units in 2014**



Source: Ministry of Finance

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 primary-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, healthcare and social welfare system was transferred to 55 largest units – 20 counties, 34 cities and the City of Zagreb, and the regular activity of public fire-fighting brigades is financed by 163 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, on the basis of the additional shares in personal income tax, sufficient funds to cover the minimum financial standards, have the right to use the equalization fund from the funds for decentralized functions from the State Budget.

At the mid-January 2014, the Government adopted individual decisions for the period of the whole 2014 on criteria and benchmarks for determining balance rights for financing the minimum financial standard of the public needs of secondary schools and students dormitories, primary-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 brigades, and in September 2014, it adopted the amendments to thereof. 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 2014, 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 2014**

	Health care	Social welfare	Secondary education	Primary education	Public fire brigades	Total number of units
<b>City of Zagreb</b>	1					<b>1</b>
<b>Counties</b>	20				-	<b>20</b>
<b>Cities</b>	-	-	-	32		<b>76</b>
<b>Municipalities</b>	-	-	-	2	42	
<b>TOTAL number of units financing respective function</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>55</b>	<b>163</b>	<b>185</b>

Source: Ministry of Finance

**Table 4.3 Financing of Decentralized Functions in 2014**

(000 HRK)	Counties and the City of Zagreb	Cities	Municipalities	TOTAL
Health care	479.563	0	0	479.563
Social welfare	325.509	0	0	325.509
Secondary education	421.062	0	0	421.062
Primary education	664.288	221.361	0	885.649
Public fire brigades	60.800	231.928	30.790	323.518
<b>TOTAL</b>	<b>1.951.222</b>	<b>453.289</b>	<b>30.790</b>	<b>2.435.301</b>

Source: Ministry of Finance

The total amount of HRK 2.4 billion was distributed for financing of the decentralized functions in 2014. 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 primary-school education in the amount of HRK 886 million. Regarding the expenditures, the primary-school education is followed by the healthcare system, secondary-school education, social welfare, while the smallest amount of HRK 324 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 2014, total grants paid to the budgets of local units amounted to HRK 2.3 billion, which represents an increase by 8.6 percent in relation to the previous year.

**Table 4.4 Grants Revenue Achieved in 2012-2014 Period for 53 Local Units**

(000 HRK)		2012	2013	2014	Index 2013/2012	Index 2014/2013
<b>13</b>	<b>Grants</b>	<b>1.798.058</b>	<b>2.080.283</b>	<b>2.259.783</b>	<b>115,7</b>	<b>108,6</b>
<b>131</b>	<b>From foreign governments</b>	<b>11</b>	<b>2.898</b>	<b>319</b>	<b>26344,5</b>	<b>11,0</b>
1311	Current	11	2.893	314	26303,6	10,9
1312	Capital	0	5	5	0,0	111,1
<b>132</b>	<b>From international organizations</b>	<b>23.687</b>	<b>30.516</b>	<b>87.786</b>	<b>128,8</b>	<b>287,7</b>
1321	Current	14.446	25.898	75.346	179,3	290,9
1322	Capital	9.241	4.618	12.440	50,0	269,4
<b>133</b>	<b>From other general government units</b>	<b>1.774.361</b>	<b>2.046.869</b>	<b>2.171.678</b>	<b>115,4</b>	<b>106,1</b>
1331	Current	1.462.860	1.666.637	1.685.733	113,9	101,1
1332	Capital	311.500	380.232	485.945	122,1	127,8

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 2014, the aforementioned was regulated by Article 37.

In 2014, these grants were realized in the amount of HRK 86.2 million, and they remained at the same level as in the previous year. The grants were received by 13 counties, 12 cities and 41 municipalities of the first and the second group of areas of special state concern. The amounts of grants paid to counties range from HRK 320 thousand to HRK 8.1 million, depending on the fulfilment of the criteria for the calculation of grants; for cities, the amounts range from HRK 92.8 thousand to HRK 2.8 million, and for the municipalities, between HRK 57.5 thousand and HRK 3.1 million.

**Table 4.5 Grants to Local Units in the Areas of Special State Concern from the State Budget in 2014**

(000 HRK)	2012	2013	2014	Index 2013/2012	Index 2014/2013
<b>Grants to Local Units</b>	<b>83.735</b>	<b>86.264</b>	<b>86.181</b>	<b>103</b>	<b>100</b>
Grants to Counties	45.097	46.450	46.450	103	100
Grants to Cities	11.575	7.840	11.296	68	144
Grants to Municipalities	27.063	31.974	28.435	118	89

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 received 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 depending on the development degree index of the units. The payment of these grants in 2014 was defined in Article 38 of the Act on the Execution of the State Budget of the Republic of Croatia for 2014. 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 242.7 million, which, in comparison to the previous-year amount of HRK 231.8 million of refund on the basis of corporate income tax, represents an increase of 4.7 percent. Out of the total amount of grants paid on the basis of the refund of corporate income tax to municipalities and cities in the area of special state concern in 2014, the municipalities and cities from the area of special state concern received HRK 181.2 million, while municipalities and cities in the hilly-mountainous areas received HRK 61.4 million.

**Table 4.6 Grants to Local Units from the State Budget in the Amount of Corporate Income Tax realized in the 2012-2014 Period**

(000 HRK)	Total number of Units	out of which		2012			2013			2014		
		Cities	Municipalities	Cities	Municipalities	Total	Cities	Municipalities	Total	Cities	Municipalities	Total
<b>Areas of special State concern</b>	<b>185</b>	30	155	103.970	83.381	<b>187.350</b>	96.172	70.955	<b>167.127</b>	88.624	92.593	<b>181.217</b>
Group I	50	8	42	29.425	18.435	<b>47.860</b>	22.959	22.378	<b>45.337</b>	35.785	40.561	<b>76.346</b>
Group II	61	21	40	74.218	35.244	<b>109.463</b>	72.865	24.261	<b>97.126</b>	52.634	26.773	<b>79.406</b>
Group III	74	1	73	326	29.701	<b>30.028</b>	349	24.316	<b>24.665</b>	205	25.260	<b>25.465</b>
<b>Hilly and mountainous areas</b>	<b>45</b>	12	33	45.052	34.494	<b>79.546</b>	30.484	34.219	<b>64.703</b>	28.550	32.892	<b>61.443</b>
<b>Total</b>	<b>230</b>	42	188	149.021	117.875	<b>266.896</b>	126.657	105.173	<b>231.830</b>	117.174	125.486	<b>242.660</b>

Source: Ministry of Finance

Pursuant to the provisions of Article 36 of the Act on the Execution of the State Budget of the Republic of Croatia for 2014, 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 378.5 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 2014 was returned instead of counties, while the remaining 89.6 percent was returned instead of local self-government units, that is, the amount of 339.1 million.

**Table 4.7 Personal Income Tax Return Based on an Annual Return Application which the State Returns on Behalf of Local Units from the Assisted Areas**

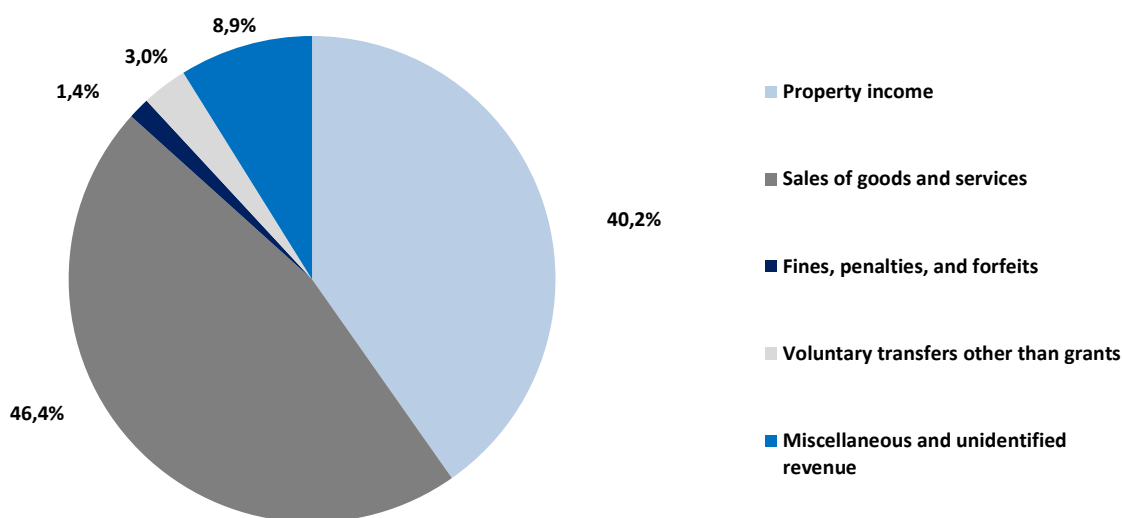
(000 HRK)	2012	2013	2014	Index 2013/2012	Index 2014/2013
<b>Personal Income Tax Return</b>	<b>451.194</b>	<b>374.841</b>	<b>378.543</b>	<b>83,1</b>	<b>101,0</b>
on behalf of regional units	46.206	39.023	39.395	84,5	101,0
on behalf of local units	404.988	335.818	339.148	82,9	101,0

Source: Ministry of Finance

### *Other Revenue*

In 2014, other revenues were realized in the amount of HRK 2.3 billion, which represents the reduction by 3.8 percent in relation to 2013. 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 Local and Regional Self-Government Units in 2014**



Source: Ministry of Finance

In 2014, the revenues from sales of goods and services had a share of 46.4 percent in other revenues, in the amount of HRK 1.1 billion, which represents an increase by 10.3 percent in relation to the previous year. Revenues from sales of goods and services are revenues from the sales of state 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 40.2 percent, which consists of the revenues from movable and immovable property, concessions, fees for the use of power plants, mineral ore fees, fees for the use of public areas, etc. In 2014, they were realized in the amount of HRK 911.6 million, which represents an increase by 2.2 percent in relation to 2013.

Miscellaneous and unidentified revenues amounted to HRK 200.8 million, and therefore, they were decreased at a year-on-year level by 48.1 percent. Fines, penalties and forfeits amounted to HRK 32.6 million, which represents an increase by 43.7 percent in relation to 2013, and voluntary transfers other than subsidies amounted to HRK 68.6 million, which represents a decrease by 31.1 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 2014, total executed expenses amounted to HRK 13.8 billion and in relation to 2013 they were decreased by 0.3 percent. The largest part of the expenses refers to the use of goods and services (HRK 5.6 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 3.2 percent in relation to 2013.

**Table 4.8 Budget Expense in the 2012-2014 Period for 53 Local Units**

(000 HRK)		2012	2013	2014	Index 2013/2012	Index 2014/2013
<b>2</b>	<b>EXPENSE</b>	<b>13.269.948</b>	<b>13.860.755</b>	<b>13.824.974</b>	<b>104,5</b>	<b>99,7</b>
<b>21</b>	<b>Compensation of employees</b>	<b>3.717.421</b>	<b>3.678.957</b>	<b>3.818.334</b>	<b>99,0</b>	<b>103,8</b>
211	Wages and salaries	3.210.747	3.191.714	3.286.889	99,4	103,0
212	Social contributions	506.675	487.242	531.445	96,2	109,1
<b>22</b>	<b>Use of goods and services</b>	<b>5.228.358</b>	<b>5.381.866</b>	<b>5.555.019</b>	<b>102,9</b>	<b>103,2</b>
<b>24</b>	<b>Interest</b>	<b>134.863</b>	<b>112.617</b>	<b>122.375</b>	<b>83,5</b>	<b>108,7</b>
<b>25</b>	<b>Subsidies</b>	<b>1.037.691</b>	<b>1.179.666</b>	<b>1.059.333</b>	<b>113,7</b>	<b>89,8</b>
251	To public corporations	891.619	1.043.335	914.072	117,0	87,6
252	To private enterprises	146.072	136.331	145.261	93,3	106,6
<b>26</b>	<b>Grants</b>	<b>313.289</b>	<b>412.553</b>	<b>389.746</b>	<b>131,7</b>	<b>94,5</b>
263	To other general government units	307.765	400.278	361.181	130,1	90,2
2631	Current	160.947	203.328	208.611	126,3	102,6
2632	Capital	146.818	196.950	152.570	134,1	77,5
<b>27</b>	<b>Social benefits</b>	<b>710.944</b>	<b>916.056</b>	<b>972.195</b>	<b>128,9</b>	<b>106,1</b>
272	Social assistance benefits	689.990	896.218	936.127	129,9	104,5
273	Employer social benefits	20.954	19.838	36.068	94,7	181,8
<b>28</b>	<b>Other expense</b>	<b>2.127.383</b>	<b>2.179.040</b>	<b>1.907.972</b>	<b>102,4</b>	<b>87,6</b>
282	Miscellaneous other expense	2.127.383	2.179.040	1.907.972	102,4	87,6
2821	Current	1.423.299	1.431.798	1.444.153	100,6	100,9
2822	Capital	704.084	747.242	463.819	106,1	62,1

Source: Ministry of Finance

Compensations of employees (salaries and contributions) were executed in the amount of HRK 3.8 billion, that is, in relation to the previous year, they were increased by 3.8 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.).

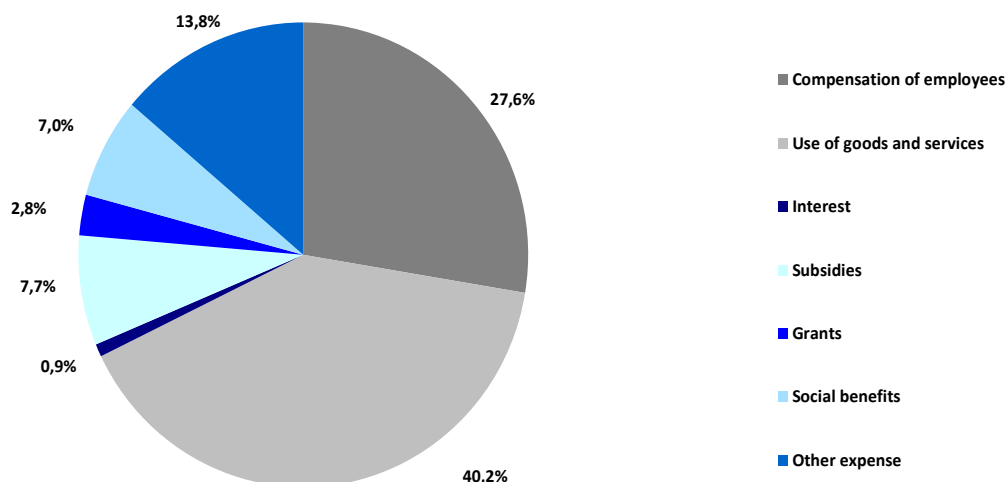
The interests amounted to HRK 122.4 million, which represents 8.7 percent more at a year-on-year level. They were mostly designated for the settlement of credit liabilities of local units from previous periods. Subsidies are current transfers of funds that are given once or on a regular basis, and, according to purposes, they may be allocated for interests, employee training programmes, etc. They were executed in total amount of HRK 1.1 billion, that is, they were decreased by 10.2 percent in relation to 2013. 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 972.2 million and were increased by 6.1 percent in relation to the 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 2014, these expenses amounted to HRK 389.7 million, which is 5.5 percent more than in relation to 2013. Capital grants represented 39.1 percent of total allocations for grants.

Other expenses (donations) include current and capital expenses which, in 2014, were executed in the amount of HRK 1.9 billion. In other words, they were decreased by 12.4 percent at a year-on-year level. Regarding the structure of other expense, 75.7 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 40.2 percent, compensations of employees accounted for 27.6 percent, other expense for 13.8 percent, subsidies for 7.7 percent, social benefits for 7 percent, grants for 2.8 percent and interests for 0.9 percent.

**Figure 4.4 Structure of Total Expenses of 53 Local Units in 2014**



Source: Ministry of Finance

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

In 2014, net transactions in nonfinancial assets amounted to HRK 1.6 billion, which means that they were increased by 1.8 percent. Nonfinancial assets include fixed assets, valuables and non-produced assets. Fixed assets include buildings and structures, machinery and equipment and other fixed assets.

Expense for the acquisition of fixed assets amounted to HRK 1.8 billion, that is, they were decreased by 7 percent in relation to 2013. The largest part of these referred to schools and healthcare institutions, cultural facilities, preschool institutions, entrepreneurial zones, commercial buildings, road reconstruction and construction, sport and recreational centres, furniture, equipment, etc. Revenues from the disposal of fixed nonfinancial assets amounted to HRK 180.9 million.

Non-produced nonfinancial assets comprise land, ore assets, other naturally occurring assets and other rights (concessions, licenses, patents, etc.). The largest part of the disposal of non-produced nonfinancial assets realized in 2014 refers to land disposal in the amount of HRK 121.9 million, as well as the majority of the acquisition of non-produced nonfinancial assets.

**Table 4.9 Transactions in Nonfinancial Assets in the 2012-2014 Period for the 53 Local Units**

(000 HRK)	2012	2013	2014	Index 2013/2012	Index 2014/2013
<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>1.440.588</b>	<b>1.610.529</b>	<b>1.639.601</b>	<b>111,8</b>	<b>101,8</b>
<b>Fixed assets</b>	<b>1.427.353</b>	<b>1.791.997</b>	<b>1.613.451</b>	<b>125,5</b>	<b>90,0</b>
<i>Acquisitions: fixed assets</i>	<b>1.587.482</b>	<b>1.929.796</b>	<b>1.794.357</b>	<b>121,6</b>	<b>93,0</b>
<i>Disposals: fixed assets</i>	<b>160.129</b>	<b>137.800</b>	<b>180.906</b>	<b>86,1</b>	<b>131,3</b>
Buildings and structures	1.140.733	1.430.724	1.249.256	125,4	87,3
<i>Acquisition: buildings and structures</i>	1.299.706	1.567.557	1.423.149	120,6	90,8
<i>Disposal: buildings and structures</i>	158.973	136.833	173.893	86,1	127,1
Machinery and equipment	233.789	313.554	315.343	134,1	100,6
<i>Acquisition: machinery and equipment</i>	234.914	314.502	322.349	133,9	102,5
<i>Disposal: machinery and equipment</i>	1.124	948	7.006	84,3	739,2
Other fixed assets	52.831	47.718	48.852	90,3	102,4
<i>Acquisition: other fixed assets</i>	52.862	47.737	48.859	90,3	102,3
<i>Disposal: other fixed assets</i>	32	19	7	59,5	37,2
<b>Valuables</b>	<b>93</b>	<b>909</b>	<b>121</b>	<b>974,7</b>	<b>13,3</b>
<i>Acquisition: valuables</i>	<b>93</b>	<b>910</b>	<b>121</b>	<b>975,6</b>	<b>13,3</b>
<i>Disposal: valuables</i>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0,0</b>	<b>0,0</b>
<b>Nonproduced assets</b>	<b>13.142</b>	<b>-182.377</b>	<b>26.029</b>	<b>-1387,8</b>	<b>-14,3</b>
<i>Acquisition: nonproduced assets</i>	<b>146.075</b>	<b>168.014</b>	<b>149.772</b>	<b>115,0</b>	<b>89,1</b>
<i>Disposal: nonproduced assets</i>	<b>132.933</b>	<b>350.392</b>	<b>123.743</b>	<b>263,6</b>	<b>35,3</b>
Land	-27.653	-220.327	-13.450	796,7	6,1
<i>Acquisition: land</i>	98.555	128.388	108.431	130,3	84,5
<i>Disposal: land</i>	126.208	348.715	121.881	276,3	35,0
Other naturally occurring assets	346	833	186	240,8	22,3
<i>Acquisition: other naturally occurring assets</i>	346	833	186	240,8	22,3
<i>Disposal: other naturally occurring assets</i>	0	0	0	0,0	0,0
Intangible nonproduced assets	40.449	37.117	39.293	91,8	105,9
<i>Acquisition: intangible nonproduced assets</i>	47.175	38.794	41.155	82,2	106,1
<i>Disposal: intangible nonproduced assets</i>	6.725	1.677	1.862	24,9	111,1

Source: Ministry of Finance

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

In 2014, net acquisition of financial asset amounted to HRK 427.1 million, while net liabilities were reduced by HRK 171.4 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 370.1 million;
- acquisition of domestic loans, in the amount of HRK 50.9 million, and acquisitions of shares and equity shares in the capital of companies in the amount of HRK 67.7 million;
- disposals of loans, in the amount of HRK 57.4 million and disposals of shares and equity in companies in the amount of HRK 4.2 million.

Transactions in liabilities include incurrences and repayments of received loans and on the basis of issued securities. In 2014, incurrences were carried out domestically, in total amount of HRK 357.7 million, and mostly by taking loans from domestic commercial banks (HRK 357.4 million). Repayments mostly referred to domestic loans (HRK 445.2 million), and in smaller part to domestic issued securities and foreign loans. Total repayments in 2014 amounted to HRK 529.1 million.

**Table 4.10 Transactions in Financial Assets and Liabilities in the 2012-2014 Period for 53 Local Units**

(000 HRK)	2012	2013	2014
<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>247.184</b>	<b>159.538</b>	<b>427.094</b>
<b>Domestic</b>	<b>247.184</b>	<b>159.538</b>	<b>427.094</b>
Currency and deposits	186.135	104.040	370.130
Securities other than shares	279	0	0
Loans	6.531	20.673	-6.521
<i>Acquisitions</i>	39.732	63.417	50.856
<i>Disposals</i>	33.201	42.744	57.377
Shares and other equity	54.240	34.825	63.485
<i>Acquisitions</i>	60.171	39.835	67.731
<i>Disposals</i>	5.932	5.010	4.246
Other accounts receivable	0	0	0
<b>Foreign</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET INCURRENCE OF LIABILITIES</b>	<b>-77.465</b>	<b>-250.354</b>	<b>-171.357</b>
<b>Domestic</b>	<b>-71.266</b>	<b>-244.872</b>	<b>-168.555</b>
Securities other than shares	-52.080	-58.477	-80.674
<i>Repayments</i>	52.656	58.742	81.057
<i>Incurrences</i>	576	265	383
Loans	-19.186	-186.395	-87.881
<i>Repayments</i>	408.389	458.890	445.234
<i>Incurrences</i>	389.204	272.495	357.353
<b>Foreign</b>	<b>-6.199</b>	<b>-5.482</b>	<b>-2.802</b>
Loans	-6.199	-5.482	-2.802
<i>Repayments</i>	6.199	5.482	2.802
<i>Incurrences</i>	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 them. 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

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 18) 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 have applied for borrowing, and the Government could have given 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 2013. 2.5 percent of total realized revenues in 2013 amounted to HRK 554.2 million, which means that, in 2014, 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 limitation 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 on borrowing primarily to finance the construction of utility-service infrastructure like water-supply system and water-drainage system, 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 2014 amounted to HRK 2.2 billion. At the same time, the primary operating balance reached the level of HRK 2.4 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 2014, amounted to HRK 598.5 million. Financing of this measure is a result of the difference between the net acquisition of financial assets in the amount of HRK 427.1 million and the net reduction in liabilities in the amount of HRK 171.4 million.



**Table 4.11 Deficit/Surplus Measures and Financing in the 2012-2014 Period for 53 Local Units**

(000 HRK)	2012	2013	2014
<b>TRANSACTIONS AFFECTING NET WORTH</b>			
1 Revenue	15.035.185	15.881.175	16.063.026
2 Expense	13.269.948	13.860.755	13.824.974
24 Interest	134.863	112.617	122.375
<b>Net/Gross operating balance (1 - 2)</b>	<b>1.765.237</b>	<b>2.020.421</b>	<b>2.238.052</b>
<b>Primary operating balance (1 - 2 + 24)</b>	<b>1.900.099</b>	<b>2.133.038</b>	<b>2.360.427</b>
<b>TRANSACTIONS IN NONFINANCIAL ASSETS</b>			
31 Net acquisition of nonfinancial assets	1.440.588	1.610.529	1.639.601
<b>Net lending/borrowing (1 - 2 - 31)</b>	<b>324.649</b>	<b>409.892</b>	<b>598.451</b>
<b>Financing (33 - 32)</b>	<b>-324.649</b>	<b>-409.892</b>	<b>-598.451</b>
<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES</b>			
32 Net acquisition of financial assets	247.184	159.538	427.094
33 Net incurrence of liabilities	-77.465	-250.354	-171.357

Source: Ministry of Finance

## 5. TOTAL DEFICIT/SURPLUS OF THE CONSOLIDATED GENERAL GOVERNMENT IN 2014

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## 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 2014 resulted in net lending/borrowing in the amount of HRK -12.6 billion, that is, 3.8 percent of GDP, which is by 1.5 percentage point less than in relation to 2013. The majority of the deficit of 3.9 percent of GDP was recorded at the level of the Budgetary Central Government, while the budget of Extrabudgetary Users recorded the deficit of 0.1 percent of GDP. The surplus of 0.2 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 2010-2014 Period

CONSOLIDATED GENERAL GOVERNMENT					
(HRK 000)	2010	2011	2012	2013	2014
1 Revenue	123.715.244	123.034.566	126.138.159	125.876.374	131.913.281
2 Expense	133.658.424	132.888.884	132.449.869	138.305.892	139.655.651
31 Net acquisition nonfinancial assets	4.796.378	5.023.525	4.913.502	5.170.948	4.848.717
<b>Net lending/borrowing (1-2-31)</b>	<b>-14.739.559</b>	<b>-14.877.843</b>	<b>-11.225.212</b>	<b>-17.600.466</b>	<b>-12.591.087</b>
GDP, %	-4,5	-4,5	-3,4	-5,3	-3,8

Source: Ministry of Finance

Table 5.2 Total Deficit/Surplus of the Consolidated General Government according to Government Levels in the 2010-2014 Period

BUDGETARY CENTRAL GOVERNMENT					
(HRK 000)	2010	2011	2012	2013	2014
1 Revenue	107.466.351	107.069.670	109.558.928	108.585.049	114.044.485
2 Expense	120.323.332	119.939.511	118.729.992	123.505.883	125.689.498
31 Net acquisition nonfinancial assets	1.232.366	1.138.970	829.626	1.304.518	1.167.277
<b>Net lending/borrowing (1-2-31)</b>	<b>-14.089.347</b>	<b>-14.008.811</b>	<b>-10.000.689</b>	<b>-16.225.351</b>	<b>-12.812.290</b>
GDP, %	-4,3	-4,2	-3,0	-4,9	-3,9

EXTRABUDGETARY USERS					
(HRK 000)	2010	2011	2012	2013	2014
1 Revenue	5.060.498	5.114.098	5.019.625	5.132.750	6.051.466
2 Expense	4.122.233	4.200.116	3.925.508	4.661.855	4.386.875
31 Net acquisition nonfinancial assets	1.395.484	2.213.163	2.643.288	2.255.902	2.041.839
<b>Net lending/borrowing (1-2-31)</b>	<b>-457.219</b>	<b>-1.299.181</b>	<b>-1.549.171</b>	<b>-1.785.007</b>	<b>-377.248</b>
GDP, %	-0,1	-0,4	-0,5	-0,5	-0,1

LOCAL GOVERNMENT					
(HRK 000)	2010	2011	2012	2013	2014
1 Revenue	15.041.812	14.763.088	15.035.185	15.881.175	16.063.026
2 Expense	13.066.277	12.661.547	13.269.948	13.860.755	13.824.974
31 Net acquisition nonfinancial assets	2.168.528	1.671.392	1.440.588	1.610.529	1.639.601
<b>Net lending/borrowing (1-2-31)</b>	<b>-192.993</b>	<b>430.149</b>	<b>324.649</b>	<b>409.892</b>	<b>598.451</b>
GDP, %	-0,1	0,1	0,1	0,1	0,2

Source: Ministry of Finance

*Note: Due to the European Union reporting requirements, the scope of local government was changed in September 2013, and since then the full scope has been used, that is, all 576 local units, while for the period between 2009 and 2012, the data for local and regional self-government units refer to 53 units.*

As of 2013, the scope of units for statistical presentation of the general government deficit has been brought closer to the scope for the needs of reporting to the European Union. These amendments include all 576 local and regional self-government units (instead of 53 largest units), whereby the revenues and expenses are presented through the application of the modified accounting principle of the occurrence of an event and the county directorates for roads as Extrabudgetary Users of counties, the revenues and expenses of which are also presented through the application of the modified accounting principle of the occurrence of an event. The deficit of the budgetary central government and the deficit of Extrabudgetary Users of the state budget are 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 2014 was the following one: the budget of local and regional self-government units, which includes 570 units that have submitted their financial statements within the set deadline, and county directorates for roads, registered the deficit of HRK 358.2 million or 0.1 percent of GDP. If the deficit of the budgetary central government of HRK 12.8 billion and the deficit of Extrabudgetary Users of HRK 377.2 million are added to that, the general government deficit reached the level of HRK 13.5 billion or 4.1 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.

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. It was recommended to the Republic of Croatia 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 addition, the

Council set the date of April 30, 2014 as the deadline for the Republic of Croatia to undertake appropriate measures and to report to the European Union on the fiscal consolidation strategy for the realization of these measures.

At the end of April 2014, the Republic of Croatia, within the annual cycle of the European Semester, submitted the Convergence Programme defining key settings of macroeconomic and fiscal policy for the period up to 2017, as well as the National Reform Programme defining national priorities regarding the structural policies reforms. The Convergence Programme also represents the first official report of the Republic of Croatia on the implementation of economic policy measures for the purpose of correcting the excessive budget deficit.

In June, after considering these documents and the defined measures and the plan of implementation thereof contained in them, the European Commission adopted the conclusion confirming that Croatia undertook the appropriate measures for the purpose of correcting budget imbalances and, therefore, the excessive budget deficit procedure was held in abeyance. However, it was pointed out in this conclusion that due to the existence of negative risks, the Republic of Croatia is obliged to ensure the defining and implementation of the appropriate measures for the purpose of adhering to the fiscal consolidation dynamics and goals, defined by the Council Recommendations. In these terms, the Republic of Croatia is obliged to report, every six months, on the implementation of the appropriate fiscal consolidation measures.

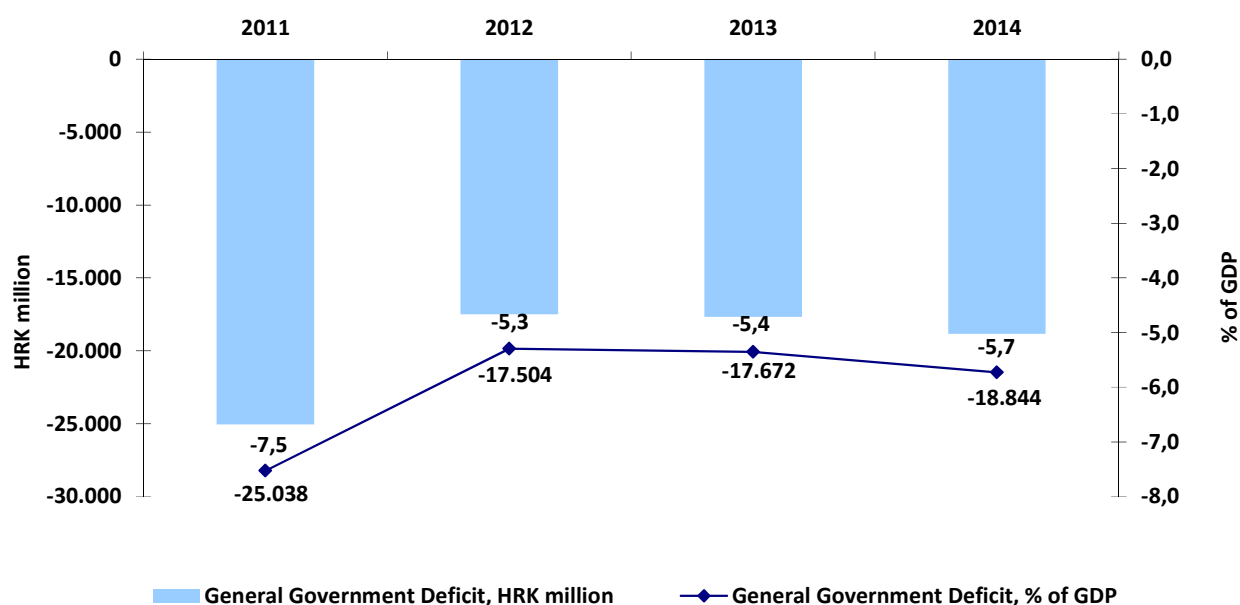
At the end of October 2014, the Republic of Croatia submitted to the European Commission the Second report on the implementation of fiscal policy measures for the purpose of correcting the excessive budget deficit and of adhering to the provisions of the Stability and Growth Pact. At the end of November of the same year, on the basis of the analysis of the submitted document, the European Commission submitted to the Economic and Financial Committee the Report on the Progress in implementing the Council Recommendations for resolving the excessive budget deficit for the Republic of Croatia. Taking into consideration the bottom-up approach, the European Commission determines that, in 2014, the Republic of Croatia slightly exceeded the requested fiscal effort of 2.3 percent of GDP. However, according to the budget execution data for 2014, the anticipated savings were realized above the plan and the estimated fiscal effort was at the level of 2.5 percent of GDP.

The statistical treatment of the social contributions transfers from the second to the first pillar had the greatest impact on the general government deficit in 2014. According to the statistics rules, this transaction is not recognized as the revenue when received and so it increased the deficit. In addition, the important impact to the increase in deficit was also the assumption of the debt of HŽ Cargo on the basis of the third calling in the amount of HRK 955 million. The reclassification of two financial institutions, Croatian Bank for Reconstruction and Development (HBOR) and State Agency for Deposit Insurance and Bank Rehabilitation (DAB), had a positive impact on the same category, while the inclusion of HBOR had an impact on the increase in the government debt in the amount of 4.4 percent of GDP. Due to the reclassification of additional units to the general government sector, of which the most important have been mentioned, as well as due to the correction of capital transfers, the audit of the 2001-2013 data series, which are included in the April fiscal report in 2015, was carried out.

In line with the Fiscal Report of April 2015, which also includes the execution of the general government in 2014, the following trends are present. In 2011 and 2012, there was a noticeable decrease in the general government deficit from 7.5 percent of GDP to 5.3 percent of GDP. Since 2012, the general government deficit has increased and in 2013 it amounted to 5.4 percent of GDP, while in 2014 it amounted to 5.7 percent of GDP, that is, HRK 18.8 billion.

The figure below shows the general government deficit in the 2011-2014 period, according to the ESA 95 Methodology.

**Figure 5.1 General Government Deficit According to the ESA 95 Methodology in 2010–2014 Period**



Source: Croatian Bureau of Statistics, Ministry of Finance

## **6. PUBLIC DEBT OF THE REPUBLIC OF CROATIA AND INTERNATIONAL FINANCIAL RELATIONS IN 2014**

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## 6.1 PUBLIC DEBT OF THE REPUBLIC OF CROATIA

The State Budget Act<sup>32</sup> 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 2009 until 2014. At the end of 2014, total public debt amounted to HRK 279.6 billion, which is 85.1 percent of nominal GDP for 2014. Total domestic and foreign guarantees issued by the Republic of Croatia amounted to HRK 7.9 billion at the end of 2014.

Table 6.1 Public Debt in the 2009-2014 Period

<b>PUBLIC DEBT at the end of the period, in million HRK</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>1. Domestic debt of general government</b>	<b>85.934,8</b>	<b>106.546,8</b>	<b>127.451,1</b>	<b>136.590,3</b>	<b>156.250,0</b>	<b>165.714,9</b>
1.1. Domestic debt of central government	79.950,7	102.973,8	123.766,9	132.982,2	151.670,6	160.735,6
Short-term debt securities	18.148,9	17.198,1	19.308,5	18.259,6	22.838,9	24.235,4
Long-term debt securities	36.992,5	49.323,8	56.256,2	63.539,7	72.884,6	83.754,5
Loans	24.809,4	36.451,9	48.202,2	51.182,9	55.947,2	52.745,7
1.2. Domestic debt of social security funds	3.904,0	1,0	2,3	1,6	0,9	3,5
Short-term debt securities						
Long-term debt securities						
Loans	3.904,0	1,0	2,3	1,6	0,9	3,5
1.3. Domestic debt of local government	2.442,5	3.756,9	3.854,3	3.768,0	4.761,2	5.174,5
Short-term debt securities	0,0	0,0	0,0	0,0	0,0	0,0
Long-term debt securities	406,8	384,9	260,2	209,1	151,7	74,8
Loans	2.035,7	3.372,0	3.594,1	3.559,0	4.609,5	5.099,7
<b>2. External debt of general government</b>	<b>73.006,4</b>	<b>80.378,5</b>	<b>84.446,8</b>	<b>92.199,5</b>	<b>109.883,6</b>	<b>113.854,1</b>
2.1. External debt of central government	70.378,1	79.721,8	83.882,3	91.686,8	109.400,2	113.721,7
Short-term debt securities	1.301,4	3.520,5	1.205,3	895,1	539,8	642,5
Long-term debt securities	35.306,5	37.427,1	40.627,9	47.486,5	62.695,6	64.692,2
Loans	33.770,2	38.774,2	42.049,0	43.305,2	46.164,8	48.387,0
2.2. External debt of social security funds	1.891,9	0,0	0,0	0,0	0,0	0,0
Short-term debt securities						
Long-term debt securities						
Loans	1.891,9	0,0	0,0	0,0	0,0	0,0
2.3. External debt of local government	736,4	656,7	564,6	512,7	483,4	132,4
Short-term debt securities						
Long-term debt securities	165,3	165,8	133,6	132,5	132,7	130,4
Loans	571,1	490,9	431,0	380,2	350,7	2,0
<b>Total (1+2)</b>	<b>158.941,2</b>	<b>186.925,3</b>	<b>211.898,0</b>	<b>228.789,8</b>	<b>266.133,7</b>	<b>279.569,0</b>
<b>PUBLIC DEBT (% GDP)</b>	<b>48,0%</b>	<b>57,0%</b>	<b>63,7%</b>	<b>69,2%</b>	<b>80,8%</b>	<b>85,1%</b>
<b>Supplement: Central government guarantees</b>						
1. Domestic	9.197,1	7.945,1	3.256,1	3.935,7	3.626,7	3.761,6
o/w Guarantees for CBRD loans	1.374,7	1.177,3	802,0	823,6	825,1	1.878,3
2. External	3.934,2	6.932,8	5.153,4	4.704,9	4.393,5	4.201,2

Source: Ministry of Finance, Croatian National Bank

<sup>32</sup> Official Gazette, number 87/08, 136/12 and 15/15



### 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 2014, the rating agencies Standard & Poor's (S&P) 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 2014.

**Table 6.2 Overview of Credit Ratings of the Republic of Croatia at the End of 2014**

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

Source: Ministry of Finance

**Table 6.3 Comparison of Credit Ratings at the End of 2014**

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

Source: Ministry of Finance

### 6.1.2 Domestic Debt of the State Budget in 2014

#### *Domestic Debt Categories*

During 2014, the domestic debt of the Republic of Croatia was increased from HRK 113.7 billion, as it had been at the end of 2013, to HRK 120.3 billion, as it was at the end of 2014. The increase in domestic debt

during 2014 was realized by issuing bonds on the domestic capital market and 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	2013		2014		Maturity (Year)	Coupon
		Amount owed in original currency	Amount owed in HRK	Amount owed in original currency	Amount owed in HRK		
Bonds – Series 05 D-14	EUR	650.000	4.964.468			2014	5,500%
Bonds – Series 07 D-19	EUR	500.000	3.818.822	1.000.000	7.661.471	2019	5,375%
Bonds – Series 09 D-15	EUR	350.000	2.673.175	350.000	2.681.515	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 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	7.637.643	1.000.000	7.661.471	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	7.637.643	1.000.000	7.661.471	2022	6,500%
Bonds – Series 18 D-18	HRK	2.750.000	2.750.000	6.000.000	6.000.000	2018	5,250%
Bonds – Series 19 D-24	EUR	750.000	5.728.232	1.400.000	10.726.059	2024	5,750%
Syndicated Foreign Currency Loan I	EUR	500.000	3.818.822	329.184	2.522.031	2014	4,578%
Syndicated Foreign Currency Loan II	EUR	290.590	2.219.423	193.727	1.484.231	2016	4,369%
Syndicated Foreign Currency Loan III	EUR	692.500	5.289.068	211.667	1.621.678	2016	4,487%
Syndicated Foreign Currency Loan IV	EUR			640.000	4.903.341	2019	4,330%
Other FX loans	EUR	247.667	1.891.590	249.000	1.907.706	2018	5,500%
Long term loan - EUR	EUR	265.000	2.023.975	265.000	2.030.290	2016	4,560%
Long term loan - HRK	HRK	1.288.000	1.288.000	890.667	890.667	2018	5,000%
Other medium and long-term debt	HRK	7.295.587	7.295.587	7.343.072	7.343.072		
<b>Medium and long-term debt</b>			<b>82.536.447</b>		<b>88.595.004</b>		
Treasury Bills	HRK	20.810.000	20.810.000	23.957.000	23.957.000		
Treasury Bills VK	EUR	355.380	2.714.266	110.700	848.125		
Treasury Bills FX	EUR	700.000	5.346.350	700.000	5.363.030		
Other short-term debt	HRK	2.268.551	2.268.551	1.550.381	1.550.381		
<b>Short-term debt</b>			<b>31.139.167</b>		<b>31.718.536</b>		
<b>Total debt</b>			<b>113.675.613</b>		<b>120.313.539</b>		

Source: Ministry of Finance

In February 2014, the Republic of Croatia issued domestic market bonds in the amount of EUR 650 million in HRK equivalent. The bonds were issued per price of 99.839 percent of the nominal amount. The bonds were consolidated with the emission in the amount of EUR 750 million under the state registration number of RHMF-O-247E, and will form an integral emission with the maturity date on July 10, 2024. Interest coupon rate is unchangeable and it amounts to 5.75 percent annually.

In addition, in February 2014, the Republic of Croatia issued domestic market bonds in the amount of EUR 500 million in HRK equivalent. The bonds were issued per price of 101.257 percent of the nominal amount.

The bonds were consolidated with the emission in the amount of EUR 500 million under the state registration number of RHM-F-O-19BA, and they form an integral emission with the maturity date on November 29, 2019. Interest coupon rate is unchangeable and it amounts to 5.375 percent annually.

For the purpose of executing the expenditures defined by the State Budget Execution Act, in December, the Republic of Croatia issued domestic market bonds in the amount of HRK 3,250 million. The bonds were issued per price of 105.361 percent of the nominal amount. The bonds were consolidated with the emission in the amount of HRK 2,750 million under the state registration number of RHM-F-O-187A, and they form an integral emission with the maturity date on July 10, 2018. Interest coupon rate is unchangeable and it amounts to 5.25 percent annually.

**Table 6.5 Amortisation of Domestic Debt**

(HRK million)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Amortisation</b>	<b>14.193,38</b>	<b>12.425,08</b>	<b>13.638,57</b>	<b>8.144,38</b>	<b>8.621,08</b>	<b>12.800,17</b>	<b>101,09</b>	<b>7.733,99</b>	<b>43,96</b>	<b>10.770,02</b>
Bonds – Series 07 D-19	0,00	0,00	0,00	0,00	7.661,47	0,00	0,00	0,00	0,00	0,00
Bonds – Series 09 D-15	2.681,51	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds – Series 10 D-15	5.500,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds – Series 12 D-17	0,00	0,00	5.500,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds – Series 13 D-20	0,00	0,00	0,00	0,00	0,00	5.000,00	0,00	0,00	0,00	0,00
Bonds – Series 14 D-20	0,00	0,00	0,00	0,00	0,00	7.661,47	0,00	0,00	0,00	0,00
Bonds – Series 15 D-17	0,00	0,00	4.000,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds – Series 16 D-16	0,00	3.500,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds – Series 17 D-22	0,00	0,00	0,00	0,00	0,00	0,00	0,00	7.661,47	0,00	0,00
Bonds – Series 18 D-18	0,00	0,00	0,00	6.000,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds – Series 19 D-24	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	10.726,06
Syndicated FX Loan I	1.053,50	1.053,50	415,04	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Syndicated FX Loan II	742,09	742,11	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Syndicated FX Loan III	810,84	810,84	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Syndicated FX Loan IV	0,00	817,22	1.634,45	1.634,45	817,22					
Other FX loans	807,00	743,16	280,92	76,61	0,00	0,00	0,00	0,00	0,00	0,00
Long-term loans (HZZO)	397,33	2.421,30	64,00	32,00	0,00	0,00	0,00	0,00	0,00	0,00
Other	2.201,11	2.336,95	1.744,17	401,32	142,39	138,70	101,09	72,52	43,96	43,96
<b>Interest payment</b>	<b>4.756,84</b>	<b>4.088,82</b>	<b>3.390,12</b>	<b>2.820,86</b>	<b>2.415,26</b>	<b>1.560,40</b>	<b>1.135,58</b>	<b>1.130,23</b>	<b>628,80</b>	<b>626,03</b>
Bonds – Series 07 D-19	411,80	411,80	411,80	411,80	411,80	0,00	0,00	0,00	0,00	0,00
Bonds – Series 09 D-15	113,96	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	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds – Series 12 D-17	261,25	261,25	130,63	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds – Series 13 D-20	337,50	337,50	337,50	337,50	337,50	168,75	0,00	0,00	0,00	0,00
Bonds – Series 14 D-20	498,00	498,00	498,00	498,00	498,00	249,00	0,00	0,00	0,00	0,00
Bonds – Series 15 D-17	250,00	250,00	250,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds – Series 16 D-16	201,25	201,25	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds – Series 17 D-22	498,00	498,00	498,00	498,00	498,00	498,00	498,00	498,00	0,00	0,00
Bonds – Series 18 D-18	315,00	315,00	315,00	315,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds – Series 19 D-24	616,74	616,74	616,74	616,74	616,74	616,74	616,74	616,74	616,74	616,74
Syndicated FX Loan I	109,64	58,90	15,47	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Syndicated FX Loan II	49,16	16,34	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Syndicated FX Loan III	77,06	38,63	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Syndicated FX Loan IV	222,92	216,43	161,08	89,52	17,78					
Other FX loans	91,75	49,04	13,71	3,06	0,00	0,00	0,00	0,00	0,00	0,00
Long-term loans (HZZO)	103,21	63,37	4,16	0,83	0,00	0,00	0,00	0,00	0,00	0,00
Other	310,85	256,57	138,03	50,40	35,44	27,91	20,84	15,49	12,06	9,29
<b>Total</b>	<b>18.950,21</b>	<b>16.513,90</b>	<b>17.028,69</b>	<b>10.965,24</b>	<b>11.036,34</b>	<b>14.360,56</b>	<b>1.236,67</b>	<b>8.864,22</b>	<b>672,76</b>	<b>11.396,05</b>

Source: Ministry of Finance

Note: Mid exchange rate of the CNB as of 31st December 2014

In February 2014, EUR 650 million of bonds, issued in 2004, 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 2014, total of eleven 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**

<b>DAB-O-03CA</b>	<b>DAB-O-05CA</b>
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 <b>The bond was fully repaid at maturity.</b>	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 <b>The bond was fully repaid at maturity.</b>
<b>HZZO Bonds</b> <b>HZZO-O-047A</b>	<b>Bonds – Series 01 D-04</b> <b>RHMF-O-049A</b>
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 <b>The bond was fully repaid at maturity.</b>	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 <b>The bond was fully repaid at maturity.</b>
<b>Bonds – Series 02 D-08</b> <b>RHMF-O-08CA</b>	<b>Bonds – Series 03 D-12</b> <b>RHMF-O-125A</b>
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 <b>The bond was fully repaid at maturity.</b>	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 <b>The bond was fully repaid at maturity.</b>

<p><b>Bonds – Series 04 D-08</b>  <b>RHMF-O-085A</b></p> <p>Issuer: Republic of Croatia                      HRK 1,000,000,000                      5 years                      6.125% coupon                      Lead managers: Riječka banka Rijeka and Splitska banka Split                      Listing: Zagreb Stock Exchange                      Date of Issue: 28 May 2003                      Date of Maturity: 28 May 2008  <b>The bond was fully repaid at maturity.</b></p>	<p><b>Bonds – Series 05 D-14</b>  <b>RHMF-O-142A</b></p> <p>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  <b>The bond was fully repaid at maturity.</b></p>
<p><b>Bonds – Series 06 D-07</b>  <b>RHMF-O-077A</b></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  <b>The bond was fully repaid at maturity.</b></p>	<p><b>Bonds – Series 07 D-19</b>  <b>RHMF-O-19BA</b></p> <p>Issuer: Republic of Croatia                      EUR 1,000,000,000                      15 years                      5.375% coupon                      Lead managers: Erste&amp;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><b>Bonds – Series 08 D-10</b>  <b>RHMF-O-103A</b></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  <b>The bond was fully repaid at maturity.</b></p>	<p><b>Bonds – Series 09 D-15</b>  <b>RHMF-O-157A</b></p> <p>Issuer: Republic of Croatia                      EUR 350,000,000                      10 years                      4.25% coupon                      Lead manager: Erste&amp;Steiermarkische Bank                      Listing: Zagreb Stock Exchange                      Date of Issue: 14 July 2005                      Date of Maturity: 14 July 2015</p>
<p><b>Bonds – Series 10 D-15</b>  <b>RHMF-O-15CA</b></p> <p>Issuer: Republic of Croatia                      HRK 5,500,000,000                      10 years                      5.25% coupon                      Lead managers: Erste&amp;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><b>Bonds – Series 11 D-13</b>  <b>RHMF-O-137A</b></p> <p>Issuer: Republic of Croatia                      HRK 4,000,000,000                      7 years                      4.50% coupon                      Lead managers: Erste&amp;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  <b>The bond was fully repaid at maturity.</b></p>

<b>Bonds – Series 12 D-17</b> <b>RHMF-O-172A</b> 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	<b>Bonds – Series 13 D-20</b> <b>RHMF-O-203A</b> 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
<b>Bonds – Series 14 D-20</b> <b>RHMF-O-203E</b> 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	<b>Bonds – Series 15 D-17</b> <b>RHMF-O-17BA</b> 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
<b>Bonds – Series 16 D-16</b> <b>RHMF-O-167A</b> 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	<b>Bonds – Series 17 D-22</b> <b>RHMF-O-227E</b> 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
<b>Bonds – Series 18 D-18</b> <b>RHMF-O-187A</b> Issuer: Republic of Croatia HRK 6,000,000,000 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	<b>Bond – Serie 19 D-24</b> <b>RHMF-O-247E</b> Issuer: Republic of Croatia EUR 1,400,000,000 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

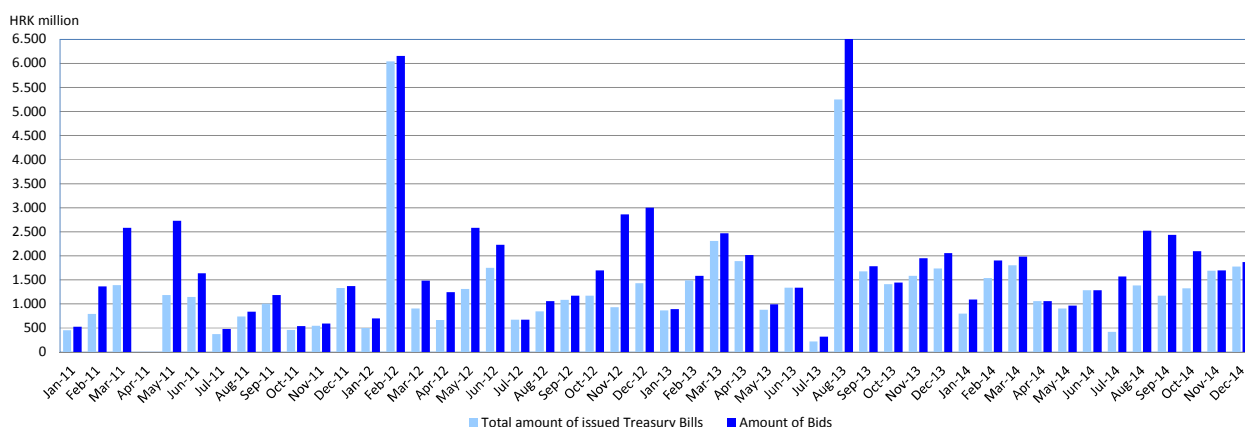
## Treasury Bills

The Ministry of Finance 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 2014, there were 24 treasury bills auctions held, with the total of 79 issuances of which 56 were HRK issuances and 23 issuances of treasury bills expressed in EUR and payable in HRK. Regarding the HRK issuances of treasury bills, 14 were 91-days issuances, 18 were 182-days issuances, 24 were 364-days issuances. Regarding the treasury bills expressed in EUR and payable in HRK, 8 were 91-days issuances and 15 were 364-days issuances.

In 2014, total of HRK 25.36 billion of treasury bills and EUR 145.3 million (payable in HRK) of treasury bills were issued at treasury bills auctions. At the same time, HRK 22.21 billion and EUR 389.98 million (payable in HRK) of treasury bills were redeemed. The condition of total inscribed treasury bills increased from HRK 28.9 billion, as it had amounted to at the end of 2013, to HRK 30.17 billion at the end of 2014.

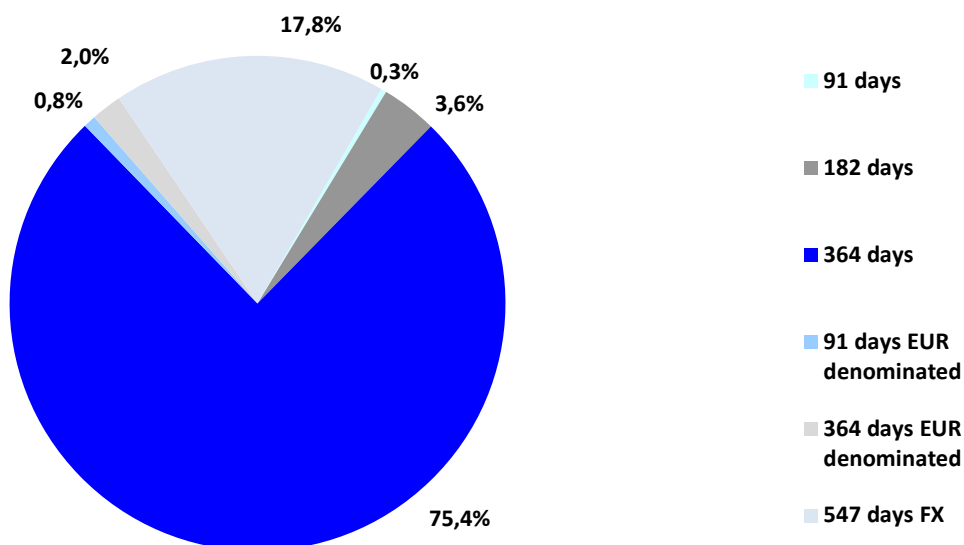
**Figure 6.1 Results of Treasury Bills Auctions**



Source: Ministry of Finance

At the end of 2014, 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 75.4 percent, and Euro FX treasury bills with the maturity term of 547 days with 17.8 percent. Out of the total amount of inscribed treasury bills, treasury bills expressed in euro and payable in HRK represent 2.8 percent and treasury bills with the maturity term of 182 days represent 3.6 percent.

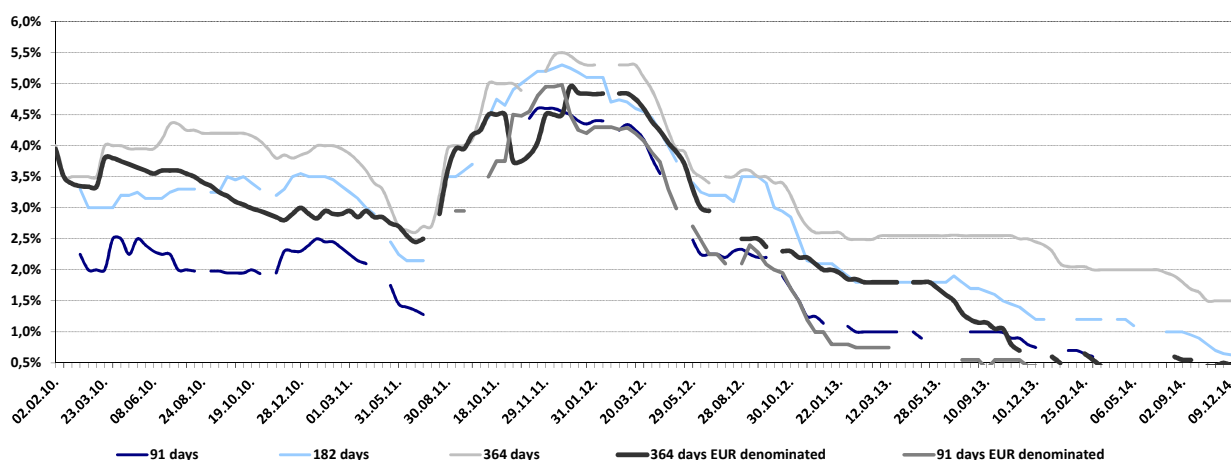
**Figure 6.2 Maturity Structure of Treasury Bills as of 31st December 2014**



Source: Ministry of Finance

During 2014, there was a reduction in interest rates for treasury bills in relation to 2013. Interest rates for treasury bills with the maturity term of 91 days were reduced from 0.75 percent, as they had amounted to at the end of 2013, to 0.28 percent, as they amounted to at the end of 2014. Interest rates for treasury bills with the maturity term of 182 days were reduced from 1.2 percent to 0.6 percent, while those with the maturity term of 364 days were reduced from 2.45 percent to 1.50 percent. Interest rates for treasury bills with a currency clause and with the maturity term of 91 days were reduced from 0.45 percent, as they had amounted to at the end of 2013, to 0.3 percent, as they amounted to at the end of 2014, while interest rates for treasury bills with a currency clause and with the maturity term of 364 days were reduced from 0.7 percent to 0.45 percent.

**Figure 6.3 Interest Rates of Treasury Bills**

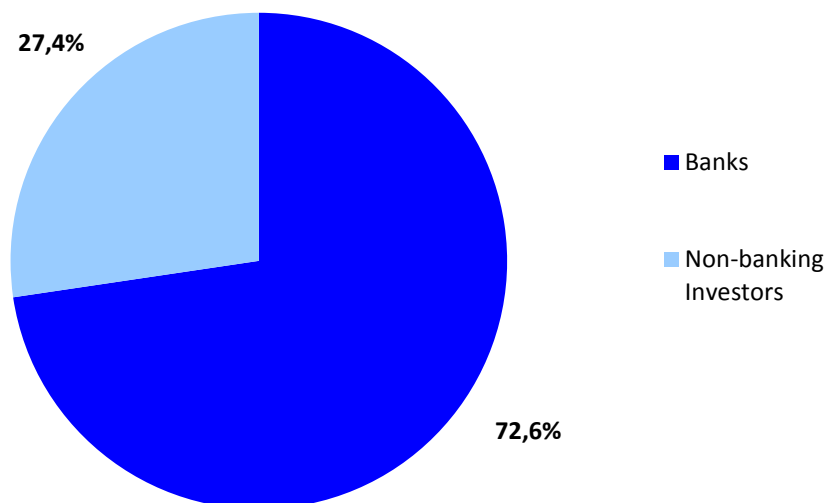


Source: Ministry of Finance



During 2014, the share of the banking sector in the structure of buyers of treasury bills was increased in relation to 2013. The share of the banking sector in total inscribed bills at the end of 2014 amounted to 72.6 percent, while at the end of 2013 it had amounted to 69 percent.

**Figure 6.4 Structure of Treasury Bills by Investors as of 31st December 2014**



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 2014, 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

<p><b>London Club Series A:</b> 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 <b>The Bond was fully repaid at maturity.</b></p>	<p><b>London Club Series B:</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 <b>The Bond was fully repaid at maturity.</b></p>
<p><b>Euro-dollar bonds:</b> 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 <b>The Bond was fully repaid at maturity.</b></p>	<p><b>Euro-DEM bonds:</b> 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 <b>The Bond was fully repaid at maturity.</b></p>
<p><b>Matador Bonds:</b> 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 <b>The Bond was fully repaid at maturity.</b></p>	<p><b>Euro-EUR bonds / I:</b> 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 <b>The Bond was fully repaid at maturity.</b></p>
<p><b>Samurai bond / I:</b> 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 <b>The Bond was fully repaid at maturity.</b></p>	<p><b>Euro-EUR bonds / II:</b> 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 <b>The Bond was fully repaid at maturity.</b></p>
<p><b>Samurai bond / II:</b> 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 <b>The Bond was fully repaid at maturity.</b></p>	<p><b>Samurai bond / III:</b> 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 <b>The Bond was fully repaid at maturity.</b></p>

<p><b>Euro-EUR bonds / III:</b></p> <p>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  <b>The Bond was fully repaid at maturity.</b></p>	<p><b>Euro-EUR bonds / IV:</b></p> <p>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  <b>The Bond was fully repaid at maturity.</b></p>
<p><b>Samurai bond / IV:</b></p> <p>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  <b>The Bond was fully repaid at maturity.</b></p>	<p><b>Euro-EUR bonds / V:</b></p> <p>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  <b>The Bond was fully repaid at maturity.</b></p>
<p><b>Samurai bond / V:</b></p> <p>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  <b>The Bond was fully repaid at maturity.</b></p>	<p><b>Euro-EUR bonds / VI:</b></p> <p>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  <b>The Bond was fully repaid at maturity.</b></p>
<p><b>Euro-EUR bonds / VII:</b></p> <p>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><b>Euro-USD bonds / I:</b></p> <p>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><b>Euro-USD bonds / II:</b></p> <p>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><b>Euro-USD bonds / III:</b></p> <p>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>

<b>Euro-EUR bonds / VIII:</b>	<b>Euro-USD bonds / IV:</b>
EUR 750 milion	USD 1,5 billion (cross currency swap - 1,3110 USD za 1 euro)
7 years, bullet	5 years, bullet
5.875% coupon	6.25% 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.	Lead manager: Citigroup Global Markets Limited, Deutsche Bank AG London and JP Morgan Securities Ltd
Listing: Luxembourg	Listing: Luxembourg
Date of Issue: 8 July 2011	Date of Issue: 27 April 2012
Date of Maturity: 9 July 2018	Date of Maturity: 27 April 2017
<b>Euro-USD bonds / V:</b>	<b>Euro-USD bonds / VI:</b>
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. and Merrill Lynch International	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
<b>Euro-EUR bonds / IX:</b>	
EUR 1,25 billion	
8 years, bullet	
3.875% coupon	
Lead manager: Banca IMI S.p.A., Deutsche Bank A.G. London Branch, J.P. Morgan Securities Plc. and Societe Generale	
Listing: Luxembourg	
Date of Issue: 29 May 2014	
Date of Maturity: 30 May 2022	

Source: Ministry of Finance

In May 2014, the Republic of Croatia issued Eurobonds in the amount of EUR 1.25 billion. The bonds were issued per price of 99.044 percent of the nominal amount. The interest coupon rate is unchangeable and it amounts to 3.875 percent annually. The maturity date of the bonds is May 30, 2022. The interest by bonds will be paid once a year starting from May 30, 2015, and the principal will be paid fully upon maturity.

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 of the Republic of Croatia, 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 nine emissions of Croatian bonds on international markets at the end of 2014 amounted to EUR 10.1 billion.

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

	Amount in (EUR*)	2015 (EUR*)	2016 (EUR*)	2017 (EUR*)	2018 (EUR*)	2019 (EUR*)	2020 (EUR*)	2021 (EUR*)	2022 (EUR*)	2023 (EUR*)	2024 (EUR*)
EUR 750.000.000	Principal	750.000.000	750.000.000								
6.5 %, Maturity: 2015	Interest		48.750.000								
USD 1.500.000.000	Principal	1.233.857.114	0	0	1.233.857.114						
6.25% Maturity: 2017	Interest		77.116.070	77.116.070	38.558.035						
EUR 750.000.000	Principal	750.000.000	0	0	0	750.000.000					
5.875%, Maturity: 2018	Interest		44.062.500	44.062.500	44.062.500	44.062.500					
USD 1.500.000.000	Principal	1.233.857.114	0	0	0	0	1.233.857.114				
6.75 %, Maturity: 2019	Interest		83.285.355	83.285.355	83.285.355	83.285.355	83.285.355				
USD 1.250.000.000	Principal	1.028.214.262	0	0	0	0	0	1.028.214.262			
6.625 %, Maturity: 2020	Interest		68.119.195	68.119.195	68.119.195	68.119.195	68.119.195	68.119.195			
USD 1.500.000.000	Principal	1.233.857.114	0	0	0	0	0	0	1.233.857.114		
6.375% Maturity: 2021	Interest		78.658.391	78.658.391	78.658.391	78.658.391	78.658.391	78.658.391	39.329.196		
EUR 1.250.000.000	Principal	1.250.000.000	0	0	0	0	0	0	0	1.250.000.000	
3.875%, Maturity: 2022	Interest		48.575.000	48.437.500	48.437.500	48.437.500	48.437.500	48.437.500	48.437.500	48.437.500	
USD 1.500.000.000	Principal	1.233.857.114	0	0	0	0	0	0	0	0	1.233.857.114
5.500% Maturity: 2023	Interest		67.862.141	67.862.141	67.862.141	67.862.141	67.862.141	67.862.141	67.862.141	67.862.141	33.931.071
USD 1.750.000.000	Principal	1.439.499.967	0	0	0	0	0	0	0	0	0
6.000% Maturity: 2024	Interest		86.369.998	86.369.998	86.369.998	86.369.998	86.369.998	86.369.998	86.369.998	86.369.998	43.184.999
Principal Repayment (EUR*)		750.000.000	0	1.233.857.114	750.000.000	1.233.857.114	1.028.214.262	1.233.857.114	1.250.000.000	1.233.857.114	1.439.499.967
Interest Payment (EUR*)		602.798.650	553.911.150	515.353.115	476.795.080	432.732.580	349.447.225	241.998.835	202.669.639	120.301.069	43.184.999
Total Servicing Costs (EUR*)		1.352.798.650	553.911.150	1.749.210.230	1.226.795.080	1.666.589.695	1.377.661.487	1.475.855.949	1.452.669.639	1.354.158.183	1.482.684.966
Total Principal Outstanding (at year end) (EUR*)		9.403.142.686	9.403.142.686	8.169.285.572	7.419.285.572	6.185.428.458	5.157.214.196	3.923.357.081	2.673.357.081	1.439.499.967	0

Source: Ministry of Finance

Note: Mid exchange rate of the CNB as of 31st December 2014

## 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 governing 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

In 2014, the amount of EUR 624 million was disbursed from the loans of international financial institutions for financing of public projects in the Republic of Croatia. The amount of EUR 352 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 272 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.

Furthermore, in cooperation with the European Bank for Reconstruction and Development and the Croatian Chamber of Economy, the possibilities of participating in the tenders for works and services within the projects financed by the European Bank for Reconstruction and Development in 36 countries where it operates, were presented to Croatian private companies.

### ***International Bank for Reconstruction and Development (IBRD<sup>33</sup>)***

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. Within this Partnership Strategy, the World Bank will support the Republic of Croatia in the realization of the goals that will support the membership in the European Union based on stable economic position. The Strategy encompasses the IBRD indicative financing envelope in the amount of USD 800 million. This envelope is directed towards the reduction in financing of projects by loans and 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 2014 and Loans in Preparation during 2014**

In 2014, three new loan agreements were concluded with IBRD:

- a) Loan no. 83640-HR (EUR 150 million) directly to the Republic of Croatia, Second Economic Recovery Development Policy Loan (strengthening of fiscal sustainability through consolidation of public spending and creation of stimulating environment for the growth of the private sector for the purpose of improving the economic reform programme); beneficiary: Ministry of Finance;
- b) Loan no. 83650-HR (EUR 75 million) directly to the Republic of Croatia, for the Improving Quality and Efficiency of Health Services Program (strengthening of management capacity in the health care; reorganizing the structure and activities of health care institutions; improving the quality of health care; strengthening of preventive activities and preserving the financial stability of the system); beneficiaries: Ministry of Finance and Ministry of Health;
- c) Loan no. 84260-HR (EUR 70 million) directly to the Republic of Croatia, for the Social Protection System Modernization Project (improving the efficiency and effectiveness of the Croatian social protection system through consolidation of social benefits administration and simplification of procedures; unification and harmonization of disability certification, and reduction of error, fraud

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<sup>33</sup> International Bank for Reconstruction and Development –IBRD is a special development institution within the World Bank Group. The Republic of Croatia has been a full-right member of the IBRD since February 25, 1993 and it owns 0.14 percent of shares in its capital and it has 0.16 percent of voting power. Within the IBRD Board of Executive Directors, the Republic of Croatia, together with twelve other states, is represented by the Executive Director from the Netherlands.

and corruption); beneficiaries: Ministry of Finance, Ministry of Social Policy and Youth, Ministry of Public Administration and Ministry of Labour and Pension System.

In 2014, the preparation of the Sustainable Croatian Railway in Europe Project continued (total amount of potential loans is EUR 163.5 million) as well as the preparation of the Innovation and Entrepreneurship Venture Capital Project (the amount of potential loan is EUR 20 million).

### **Overview of Loans, Disbursed Funds and Outstanding Debt to IBRD**

In the period from 1994 to the end of 2014, IBRD granted, for financing of projects and programmes in the Republic of Croatia, the amount of EUR 2.2 billion<sup>34</sup> and USD 648.3 million, through a total of 56 long-term loans and 1 loan advance (table 6.9), of which 39 were direct loans and 17 sovereign guarantee loans<sup>35</sup>. 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 1.4 million and USD 224.3 thousand were achieved for direct loans and sovereign guarantee loans. During 2014, the accrued interest were paid semi-annually at the following floating rates, depending on the type of loan: a) for Variable Spread Loans – VS: 1) contracted in EUR or converted into EUR – from 0.34 percent to 0.90 percent; 2) contracted in USD – from 0.83 percent to 0.87 percent, and b) for Fixed Spread Loans – FS, contracted in or converted into EUR – from 0.34 percent to 1.59 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.

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<sup>34</sup> 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.

<sup>35</sup> 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 7/94). 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 2014, with a Review of Outstanding Debt and Funds Disbursement Overview, as of 31 December 2014 and Disbursed Funds During 2014

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 2014
<b>Emergency Rconstruction Project - loan no. 37600 - HR CPL</b>									
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
<b>Health Project - loan no. 38430 - HR CPL (1)</b>									
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
<b>Highway Sector Project - loan no. 38690 - HR CPL (2)</b>									
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
<b>Capital Market Development Project - loan no. 39990 - HR VSL</b>									
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
<b>Farmer Support Services Project - loan no. 39880 - HR CPL (3)</b>									
23.04.1996	1/1996 and 9/1996	22.07.1996 31.12.2002	000 USD	14.258,74	14.258,74	0,00	0,00	01.09.2001 01.03.2013	0,00
<b>Technical Assistance Project - loan no. 39890 - HR VSL</b>									
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
<b>Emergency Reconstruction Transport and Mine Clearing Project - loan no. 41040 - HR VSL (4)</b>									
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
<b>Coastal Forest Reconstruction Project - loan no. 41190 - HR CPL (5)</b>									
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
<b>Enterprise and Financial Sector Adjustments Loan - loan no. 41590 - HR VSL EFSAL</b>									
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
<b>Reconstruction Project for Eastern Slavonia, Baranja and Western Srijem - loan no. 43510 - HR VSL (6)</b>									
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
<b>Railway Modernization and Restructuring Project - loan no. 44330 - HR VSL (7)</b>									
20.01.1999	4/1999	09.06.1999 30.06.2005	000 EUR	85.398,55	85.398,55	0,00	0,00	15.09.2004 15.03.2014	0,00
<b>Technical Assistance Project for Institutional and Legislative Changes for Private Sector Development - loan no. 44600 - HR VSL (8)</b>									
05.05.1999	8/1999	03.08.1999 30.06.2006	000 USD	7.253,43	7.253,43	0,00	0,00	15.10.2004 15.04.2014	0,00
<b>Health System Project - loan no. 45130 - HR VSL (9)</b>									
07.10.1999	14/1999	28.03.2000 30.12.2005	000 USD	26.155,16	26.155,16	0,00	0,00	15.06.2005 15.12.2014	0,00
<b>Trade and Transport Facilitation in Southeast Europe Project - loan no. 45820 - HR VSL (10)</b>									
27.10.2000	5/2001	02.05.2001 31.03.2005	000 EUR	13.813,21	13.813,21	0,00	1.382,41	15.05.2006 15.11.2015	0,00
<b>Court and Bankruptcy Administration Project - loan no. 46130 - HR VSL (11)</b>									
03.07.2001	14/2001 and 5/2002	29.01.2002 31.01.2007	000 USD	4.636,27	4.636,27	0,00	685,87	15.12.2006 15.06.2016	0,00
<b>Structural Adjustment Loan - loan no. 46410 - HR VSL SAL</b>									
05.12.2001	2/2002 and 5/2002	08.02.2002 31.10.2003	000 USD	202.000,00	202.000,00	0,00	40.400,00	15.04.2007 15.10.2016	0,00
<b>Pension System Investment Project - loan no. 46720 - HR VSL (12)</b>									
17.09.2002	2/2003 and 6/2003	20.02.2003 31.12.2008	000 USD	21.221,14	21.221,14	0,00	4.925,36	15.11.2007 15.05.2017	0,00
<b>Real Property Registration and Cadastre Project - loan no. 46740 - HR VSL (13)</b>									
18.09.2002	2/2003 and 6/2003	20.02.2003 30.06.2010	000 EUR	25.973,29	25.973,29	0,00	7.788,55	15.05.2008 15.11.2017	0,00
<b>Coastal Cities Pollution Control Project - loan no. 72260 - HR FSL (14)</b>									
02.07.2004	11/2004 and 2/2005	17.12.2004 30.11.2009	000 EUR	39.047,24	39.047,24	0,00	17.698,59	15.10.2009 15.04.2019	0,00
<b>Social and Economic Recovery Project - loan no. 72830 - HR FSL (15)</b>									
02.05.2005	9/2005 and 11/2005	30.09.2005 31.12.2010	000 EUR	34.894,90	34.894,90	0,00	17.480,42	15.05.2010 15.11.2019	0,00
<b>Social Welfare Development Project - loan no. 73070 - HR FSL (16)</b>									
06.07.2005	11/2005	30.01.2006 31.03.2011	000 EUR	30.887,85	30.887,85	0,00	16.981,46	15.11.2010 15.05.2020	0,00



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	The Act published in Official Gazette No.:	Effective / Closing Date	Currency	Loan Amount	Disbursed	Undisbursed	Outstanding	Principal Repayment, First and Last	Disbursed in 2014
<b>Science and Technology Project - loan no. 73200 - HR FSL (17)</b>									
16.09.2005	12/2005 and 5/2006	11.05.2006 31.05.2011	000 EUR	29.750,47	29.750,47	0,00	16.737,15	15.11.2010 15.05.2020	0,00
<b>Programmatic Adjustment Loan (PAL) - loan no. 73300 - HR FSL PAL</b>									
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
<b>Education Sector Development Project - loan no. 73320 - HR FSL (18)</b>									
17.10.2005	12/2005 and 1/2007	15.03.2006 30.09.2011	000 EUR	66.282,45	66.282,45	0,00	37.509,13	15.11.2010 15.05.2020	0,00
<b>Agricultural Acquis Cohesion Project - loan no. 73600 - HR FSL (19)</b>									
08.05.2006	10/2006 and 1/2007	21.11.2006 31.07.2012	000 EUR	25.016,16	25.016,16	0,00	15.695,76	15.04.2011 15.10.2020	0,00
<b>Second Programmatic Adjustment Loan - loan no. 74500 - HR FSL PAL 2 (20)</b>									
11.06.2007	7/2007 and 3/2008	28.04.2008 31.10.2008	000 EUR	100.000,00	100.000,00	0,00	75.000,00	15.10.2012 15.04.2022	0,00
<b>Inland Waters Project - loan no. 74530 - HR FSL (21)</b>									
12.06.2007	8/2007	29.01.2008 31.12.2012	000 EUR	92.035,32	92.035,32	0,00	68.965,72	15.04.2012 15.10.2022	0,00
<b>Revenue Administration Modernization Project - loan no. 74710 - HR FSL (22)</b>									
03.07.2007	8/2007	21.12.2007 30.06.2015	000 EUR	23.500,00	12.473,24	11.026,76	9.960,22	01.11.2012 01.05.2022	359,28
<b>Development of Emergency Medical Services and Investment Planning Project - loan no. 75980 - HR IFL FS (23)</b>									
21.10.2008	12/2008	15.01.2009 30.12.2013	000 EUR	16.910,82	16.910,82	0,00	16.022,37	15.10.2013 15.04.2038	1.250,20
<b>Coastal Cities Pollution Control Project 2 - loan no. 76400 - HR IFL FS</b>									
06.02.2009	4/2009	04.06.2009 31.12.2015	000 EUR	60.000,00	44.247,57	15.752,43	40.584,35	15.04.2014 15.10.2023	13.079,09
<b>Fiscal, Social and Financial Sector Development Policy Loan - loan no. 78460 - HR IFL FS DPL</b>									
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
<b>Justice Sector Support Project - loan no. 78880 - HR IFL FS (24)</b>									
13.04.2010	4/2010	12.07.2010 30.06.2015	000 EUR	17.000,00	12.987,78	4.012,22	12.987,78	15.10.2027	4.674,94
<b>European Union Natura 2000 Integration Project - loan no. 80210 - HR IFL FS (25)</b>									
22.02.2011	7/2011	19.05.2011 30.04.2016	000 EUR	20.800,00	11.959,03	8.840,97	11.959,03	15.05.2016 15.11.2030	4.750,65
<b>Economic Recovery Development Policy Loan - loan no. 80630 - HR IFL FS ERDPL</b>									
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
<b>Integrated Land Administration System Project - loan no. 80860 - HR IFL FS (26)</b>									
17.08.2011	13/2011	15.11.2011 31.10.2015	000 EUR	16.500,00	5.102,91	11.397,09	5.102,91	15.11.2015 15.05.2031	911,57
<b>Second Science and Technology Project - loan no. 82580 - HR IFL FS (27)</b>									
22.05.2013	7/2013	31.07.2013 30.06.2017	000 EUR	20.000,00	5.364,48	14.635,52	5.364,48	15.05.2017 15.11.2022	2.043,04
<b>Advance for Preparation of Proposed Social Protection System Modernization Project - advance no. P4690-HR FS</b>									
24.04.2014	Law is not necessary	24.04.2014 30.01.2015	000 USD	1.240,00	200,00	1.040,00	200,00	plan: repayment from the Loan 84260-HR	200,00
<b>Second Economic Recovery Development Policy Loan - loan no. 83640 - HR IFL FS ERDPL 2</b>									
30.04.2014	4/2014	11.07.2014 31.08.2014	000 EUR	150.000,00	150.000,00	0,00	150.000,00	15.11.2028	150.000,00
<b>Improving Quality and Efficiency of Health Services Program - loan no. 83650 - HR IFL FS</b>									
10.06.2014	5/2014	08.09.2014 30.06.2018	000 EUR	75.000,00	7.500,00	67.500,00	7.500,00	15.05.2018 15.11.2033	7.500,00
<b>Social Protection System Modernization Project - loan no. 84260 - HR IFL FS</b>									
25.09.2014	8/2014	24.12.2014 31.12.2018	000 EUR	70.000,00	0,00	70.000,00	0,00	15.11.2018 15.05.2034	0,00
<b>TOTAL DIRECT LOANS</b>			000 USD	567.158,04	566.118,04	1.040,00	46.211,23		200,00
				100,00%	99,82%	0,18%			
			000 EUR	1.713.274,98	1.510.109,99	203.164,99	1.034.720,33		184.568,77
				100,00%	88,14%	11,86%			

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 2014
<b>Istria Water Supply and Sewerage Project - loan no. 30690 - HR CPL (28)</b>									
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
<b>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) (29)</b>									
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
<b>Municipal Environmental Infrastructure Project - loan no. 43520 - HR VSL (Croatian Bank for Reconstruction and Development)</b>									
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
<b>Rijeka Gateway Project - loan no. 47140 - HR VSL (Croatian Motorways) (30)</b>									
12.07.2003	16/2003 and 18/2003	10.10.2003 31.12.2010	000 EUR	8.061,29	8.061,29	0,00	2.770,96	15.12.2008 15.06.2018	0,00
<b>Rijeka Gateway Project - loan no. 47150 - HR VSL (Port of Rijeka Authority) (31)</b>									
12.07.2003	16/2003 and 18/2003	10.10.2003 31.08.2011	000 USD	55.100,00	55.100,00	0,00	19.285,00	15.12.2008 15.06.2018	0,00
<b>Rijeka Gateway Project - loan no. 47160 - HR VSL (Croatian Roads)</b>									
12.07.2003	16/2003 and 18/2003	10.10.2003 30.09.2009	000 EUR	76.200,00	76.200,00	0,00	26.670,00	15.12.2008 15.06.2018	0,00
<b>Energy Efficiency Project - loan no. 71980 - HR FSL (HEP d.d.) - prepaid</b>									
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
<b>District Heating Project - loan no. 48280 - HR VSL (HEP - Toplinarstvo d.o.o.) - prepaid</b>									
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
<b>Trade and Transport Integration Project - loan no. 74100 - HR FSL (Port of Ploče Authority) (32)</b>									
20.11.2006	3/2007 and 1/2008	20.03.2007 31.12.2015	000 EUR	58.800,00	44.886,93	13.913,07	33.285,97	01.04.2012 01.10.2021	5.231,83
<b>Additional Loan for the Rijeka Gateway Project - loan no. 47151 - HR VSL (Port of Rijeka Authority) (33)</b>									
11.06.2007	9/2007 and 1/2008	21.11.2007 30.09.2012	000 EUR	19.045,29	19.045,29	0,00	11.566,92	15.10.2011 15.04.2020	0,00
<b>Rijeka Gateway II Project - loan no. 76380 - HR IFL VS (Port of Rijeka Authority)</b>									
17.04.2009	6/2009 and 8/2009	14.07.2009 15.06.2017	000 EUR	84.000,00	17.090,00	66.910,00	17.090,00	15.03.2019 15.09.2031	5.512,85
<b>Export Finance Intermediation Loan Project - loan no. 77740 - HR IFL FS (Croatian Bank for Reconstruction and Development) (34)</b>									
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	0,00
<b>Additional Financing for Trade and Transport Integration Project - loan no. 80770 - HR IFL VS (Port of Ploče Authority)</b>									
14.09.2011	15/2011	08.12.2011 31.12.2015	000 EUR	50.000,00	33.553,58	16.446,42	33.553,58	15.11.2023 15.05.2034	9.000,00
<b>Additional Financing for the Export Finance Intermediation Loan Project - loan no. 81930 - HR IFL FS (Croatian Bank for Reconstruction and Development)</b>									
29.10.2012	1/2013	24.01.2013 31.08.2015	000 EUR	50.000,00	16.000,00	34.000,00	16.000,00	15.10.2019 15.10.2040	6.000,00
<b>TOTAL SOVEREIGN GUARANTEE LOANS</b>			000 USD	<b>81.116,29</b>	<b>81.116,29</b>	<b>0,00</b>	<b>19.285,00</b>	<b>0,00</b>	
				100,00%	100,00%	0,00%			
			000 EUR	<b>529.211,61</b>	<b>397.942,12</b>	<b>131.269,49</b>	<b>240.818,99</b>	<b>25.744,68</b>	
				100,00%	75,20%	24,80%			
<b>TOTAL DIRECT + SOVEREIGN GUARANTEE LOANS</b>			000 USD	<b>648.274,33</b>	<b>647.234,33</b>	<b>1.040,00</b>	<b>65.496,23</b>	<b>200,00</b>	
				100,00%	99,84%	0,16%			
			000 EUR	<b>2.242.486,59</b>	<b>1.908.052,11</b>	<b>334.434,48</b>	<b>1.275.539,32</b>	<b>210.313,45</b>	
				100,00%	85,09%	14,91%			

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 952.8 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. A loan of EUR 25.5 million contracted; cancelled: EUR 483.8 thousand
- 20 - a loan of EUR 150 million contracted; cancelled: EUR 50 million
- 21 - a loan of EUR 100 million contracted; cancelled: EUR 8 million
- 22 - a loan of EUR 50 million contracted; cancelled: EUR 26.5 million
- 23 - a loan of EUR 18.1 million contracted; cancelled: EUR 1.2 million
- 24 - 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. A loan of EUR 26 million contracted; cancelled: EUR 9 million
- 25 - 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
- 26 - 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
- 27 - Second Project of the Technological Development was prepared from the pre-loan in the amount of USD 1.5 million. That amount was included within the funds withdrawn from the loan no. 82580-HR
- 28 - loan undertaken on February 25, 1993, contracted in the amount of USD 28 million; cancelled: USD 1.9 million
- 29 - for the implementation of the Project, four loans were contracted (users are the banks cited in the table)
- 30 - a loan of EUR 15.7 million contracted; cancelled: EUR 7.6 million
- 31 - 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
- 32 - 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
- 33 - a loan of EUR 35.3 million contracted; cancelled: EUR 16.3 million
- 34 - a loan of EUR 100 million contracted; cancelled: EUR 118.4 thousand

### **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, 2011<sup>36</sup>, the Republic of Croatia participated in the general IBRD capital increase in 2011. In that context, in 2014 the payment of annual instalment of the capital for the benefit of IBRD was also executed in the amount of USD 883 thousand.

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<sup>36</sup> Official Gazette, number 34/2011

### ***European Bank for Reconstruction and Development (EBRD<sup>37</sup>)***

The value of the granted loans/investments of the EBRD in the Republic of Croatia from 1994 until the end of 2014 amounted to approximately EUR 3.1 billion for financing of 170 projects. 73 percent of this value of the granted loans/investment referred to the financing of projects in the private sector. The Bank also provided approximately EUR 33.5 million of technical assistance for various projects. In the structure of funding per sectors, the dominant ones are financial sector (38 percent), infrastructure (32 percent), industry sector, trade and agriculture (23 percent) and energy sector (7 percent).

#### **EBRD Investments in the Republic of Croatia in 2014**

During 2014, EBRD invested about EUR 298 million in 22 projects worth about EUR 609.5 million. Of this amount, EUR 281.7 million refers to the financing of 19 projects in the private sector, worth about EUR 569.4 million. EUR 16.3 million refers to the financing of three projects in the public sector, worth about EUR 40.1 million (additional loan with state guarantee to the Port of Split Authority in the amount of EUR 5.6 million for the Project of the Port of Split Infrastructure Rehabilitation worth EUR 23.8 million; loan to the company Energo Rijeka with the guarantee of the City of Rijeka in the amount of EUR 6.2 million for the project of building the co-generation power plant in the area of University Campus Trsat worth EUR 10.3 million; loan to the company Auto promet Sisak d.o.o. without state guarantee or the guarantee of a local and regional self-government unit in the amount of EUR 4.5 million for the project Sisak Urban Transport worth EUR 6 million).

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

In the period between 1994 and the end of 2014, 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 677.1 million), 3 of which are direct loans and 20 sovereign guarantee loans (table 6.10.). Interests for loans contracted in EUR were paid semi-annually at rates ranging, during 2014, from 1.01 percent to 1.44 percent. The loans approved by EBRD in USD for financing of public projects in the Republic of Croatia were paid during 2013. 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.

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<sup>37</sup> 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 of 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 from 1994 to the end of 2014, with a Review of Outstanding Debt and Funds Disbursement Overview as of 31 December 2014, and Funds Disbursed During 2014**

<b>DIRECT LOANS</b>									
Signing date	The Act published in Official Gazette	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 2014, in 000 USD/000 EUR
<b>Air Navigation System Project - Loan No. 231 (1)</b>									
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
<b>Croatian Highway Reconstruction Project (HC) - Loan No. 286 (2)</b>									
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
<b>Croatia Wholesale Markets Project - Loan No. 627 (3)</b>									
08.12.1997	7/1998	24.03.2002	EUR	3.203,55	3.203,55	0,00	0,00	24.05.2002 24.11.2011	0,00
<b>TOTAL DIRECT LOANS</b>				USD	<b>19.735,52</b>	<b>19.735,52</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
				EUR	<b>39.399,43</b>	<b>39.399,43</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>SOVEREIGN GUARANTEE LOANS</b>									
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 2014, in 000 USD/000 EUR
<b>Croatia Electricity Network Reconstruction Project (HEP) - Loan No. 283</b>									
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
<b>Croatian Tourism Credit Line (Croatian Bank for Reconstruction and Development) - Loan No. 443</b>									
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
<b>Municipal Environmental Infrastructure Investment Programme (Croatian Bank for Reconstruction and Development) - Loan No. 494 (4)</b>									
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
<b>Croatian Railways Locomotive Rehabilitation Project (CR - Infrastructure) - Loan No. 733</b>									
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
<b>The Small and Medium Entrepreneurship Project (Croatian Bank for Reconstruction and Development) - Loan No. 923 - prepaid (5)</b>									
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
<b>Zagreb-Rijeka Motorway Project (Rijeka - Zagreb Motorway) - Loan No. 975 (6)</b>									
22.10.2001	8/2002	08.01.2008	EUR	60.000,00	60.000,00	0,00	20.000,00	12.05.2005 12.11.2019	0,00
<b>EBRD-Refund Guarantee Facility (Uljanik Shipyard-construction of the tanker No. 450) - Loan No. 18149</b>									
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
<b>Zagreb Area Control Centre Project - Loan No. 25800 (7)</b>									
05.09.2002	14/2002	31.12.2006	EUR	24.944,06	24.944,06	0,00	0,00	20.11.2005 20.05.2013	0,00
<b>Croatia-Motorway Rehabilitation Project (Corridor X: Zabok-Zagreb-Brodski Stupnik) (Croatian Motorways) - Loan No. 27171 (8)</b>									
13.12.2002	10/2003	01.09.2006	EUR	45.254,45	45.254,45	0,00	11.300,08	20.05.2006 20.11.2017	0,00
<b>Croatia Corridor X Motorway Completion Project (Županja-Lipovac) (Croatian Motorways) - Loan No. 31848 (9)</b>									
12.11.2003	6/2004	09.12.2007	EUR	44.983,88	44.983,88	0,00	21.033,01	20.05.2007 20.11.2021	0,00
<b>Port of Dubrovnik Infrastructure Modernization Project (Port of Dubrovnik Authority) - Loan No. 13451 (10)</b>									
01.02.2005	7 and 11/2005 and 9/2010	31.12.2012	EUR	32.724,08	32.724,08	0,00	12.580,34	10.04.2008 10.10.2017	0,00
<b>Motorway Rijeka-Zagreb Phase IIB (Kikovica-Susica) (Rijeka - Zagreb Motorway) - Loan No. 35790</b>									
26.07.2006	11/2006	01.10.2010	EUR	50.000,00	50.000,00	0,00	39.285,72	17.12.2010 17.06.2031	0,00
<b>Rijeka Bypass Project (Croatian Roads) - Loan No. 31849 (11)</b>									
12.12.2006	4/2007 and 1/2008	31.12.2012	EUR	33.347,06	33.347,06	0,00	26.598,91	23.09.2010 23.09.2031	0,00

<b>Port of Ploče Bulk Terminal/Trade and Transport Integration Project (Port of Ploče Authority) - Loan No. 36127 - prepaid (12)</b>									
09.11.2007	2/2008	31.07.2012	EUR	338,19	338,19	0,00	0,00	Principal prepayment as of 26.07.2012	0,00
<b>Plinacro Gas Storage Project (Plinacro d.o.o.) - Loan No. 40223</b>									
13.05.2009	6/2009	30.04.2010	EUR	70.000,00	70.000,00	0,00	0,00	15.05.2010 15.11.2014	0,00
<b>Port of Šibenik Infrastructure Modernization Project (Port of Šibenik Authority) - Loan No. 39749 (13)</b>									
15.05.2010	8/2010 and 10/2010	01.09.2015	EUR	10.000,00	7.359,95	2.640,05	6.804,07	20.05.2014 20.05.2025	2.676,17
<b>Corridor Vc completion Project (Croatian Motorways) - Loan No. 41325</b>									
24.11.2010	4/2011	31.12.2016	EUR	60.630,00	37.687,07	22.942,93	34.787,96	15.03.2014 15.03.2026	4.117,67
<b>Modernising Air Navigation System in the Republic of Croatia (Croatia Control) - Loan No. 42754</b>									
29.09.2011	15/2011	31.12.2015	EUR	47.000,00	44.535,86	2.464,14	44.535,86	20.05.2015 20.03.2025	3.666,90
<b>Financing of Port of Split infrastructure rehabilitation Project (Port of Split Authority) - Loan No. 42542 (14)</b>									
17.12.2012	3/2013	17.12.2016	EUR	24.400,00	3.753,88	20.646,12	3.753,88	10.03.2017 10.03.2028	3.565,87
<b>HŽ Infrastructure Modernisation Project (HŽ Infrastruktura) - Loan No. 44467</b>									
16.12.2013	2/2014	30.06.2016	EUR	40.000,00	15.000,00	25.000,00	15.000,00	15.11.2016 15.05.2028	15.000,00
TOTAL SOVEREIGN GUARANTEE LOANS			USD	46.490,00	46.490,00	0,00	0,00		0,00
			EUR	637.658,28	563.965,04	73.693,24	235.679,83		29.026,61
TOTAL DIRECT + SOVEREIGN GUARANTEE LOANS			USD	66.225,52	66.225,52	0,00	0,00		0,00
			EUR	677.057,71	603.364,47	73.693,24	235.679,83		29.026,61

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
- 13 - loan contracted in the amount of EUR 12 million; cancelled: EUR 2 million
- 14 - loan contracted in the amount of EUR 18.8 million; EBRD increased the loan for the amount of EUR 5.6 million

**Council of Europe Development Bank (CEB<sup>38</sup>)**

In the period from 1998 until the end of 2014, CEB approved EUR 652.5 million of long-term loans for financing of 21 projects in the Republic of Croatia, of which EUR 40 million for two projects in the private sector. In 2014, CEB approved to the Republic of Croatia the loan of EUR 40 million for financing of the Flood Protection Project (no. FP 1845 (2014)), which will be carried out by the Croatian Waters. Within this loan, the grant amounting to EUR 1 million was also approved, and it will be used for subsidizing the

<sup>38</sup> The Republic of Croatia became a full-right member of the 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.

interests per loan. CEB is also ready 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 2014, the Republic of Croatia directly contracted 14 framework loans with the CEB for co-financing of projects, of the total value of EUR 364.5 million, and it provided guarantees for 5 CEB framework loans to the Croatian Bank for Reconstruction and Development, in total amount of EUR 248 million (table 6.11.). All loans were being disbursed on the basis of supplemental disbursement agreements, in instalments, each of which was considered as a separate loan. The instalments of direct loans were contracted at fixed interest rate ranging from 1.17 percent to 4.86 percent. The part of loans' instalments under the sovereign guarantee are paid at the floating interest rate based on EURIBOR increased by fixed margin ranging from 0.24 percent to 0.29 percent, while other instalments of these loans were contracted at fixed interest rates ranging from 1.59 percent to 4.37 percent. In 2014, the disbursement of direct loans funds was executed for the benefit of the "Municipal Water Financing Facility" Project (EUR 19.5 million were disbursed at the fixed interest rate of 1.17 percent). 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 self-government and/or other public sector entities in the Republic of Croatia (for SMEs, the instalment of EUR 7.5 million was disbursed at the fixed interest rate of only 1.59 percent, while for other end beneficiaries of this loan EUR 2.5 million were also disbursed at the low fixed interest rate of 1.64 percent).

**Table 6.11 Overview of CEB Loans Concluded in the Period from 1998 to the end of 2014, with a Review of Outstanding Debt and Funds Disbursement Overview as of 31 December 2014, and Funds Disbursed During 2014**

DIRECT LOANS SIGNED IN HRK							
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 2014, in 000 HRK
<b>Reconstruction of Health Facilities in Eastern Slavonia - Loan No. F/P 1278 (1998)</b>							
16.07.1998	13/1998 and 15/1998	172.744,13	172.744,13	0,00	0,00	0,00	0,00
<b>Rehabilitation of School Facilities in Eastern Slavonia - Loan No. F/P 1279 (1998) (1)</b>							
16.07.1998	13/1998 and 15/1998	66.380,80	66.380,80	0,00	0,00	0,00	0,00
<b>Reconstruction / Repair of 41 School Facilities in Croatia - Loan No. F/P 1352 (1999) (2)</b>							
19.01.2001	7/2001	96.935,64	96.935,64	0,00	249,40	0,00	0,00
26.01.2001							
<b>Reconstruction and Housing Project for the Return of Displaced Persons and Refugees in the Republic of Croatia - Loan No. F/P 1378 (2000)</b>							
02.02.2001	7/2001	232.000,00	232.000,00	0,00	0,00	0,00	0,00
07.02.2001							
<b>Cultural Heritage Restoration Project of the Franciscan Monastery "Male braće" in Dubrovnik - Loan No. F/P 1379 (2000) (3)</b>							
19.06.2001	14/2001 and 2/2002	10.324,79	10.324,79	0,00	29,20	0,00	0,00
<b>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)</b>							
29.03.2002	10/2002 and 12/2002	21.395,00	21.395,00	0,00	172,60	0,00	0,00
<b>Investments in Health Facilities throughout Croatia - Loan No. F/P 1351 (1999) (4)</b>							
23.10.2001	9/2002	186.054,94	186.054,94	0,00	8.720,00	0,00	0,00
30.10.2001	and 12/2002						
<b>Sustainable Return of Displaced Persons and Refugees - Loan No. F/P 1435 (2002) (5)</b>							
03.01.2004	6/2004	292.304,13	292.304,13	0,00	4.439,20	0,00	0,00
30.01.2004							

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	22.959,80	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	18.731,40	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	21.064,00	0,00
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	41.877,81	0,00
<b>TOTAL DIRECT LOANS SIGNED IN HRK</b>		<b>2.168.051,42</b>	<b>2.148.172,69</b>	<b>19.878,73</b>	<b>118.243,41</b>	<b>0,00</b>
		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 2014, in 000 EUR
Extension and rehabilitation of the Zagreb Prison - Loan No. F/P 1725 (2010) (8)						
26.10.2011	8/2012	6.480,00	0,00	6.480,00	0,00	0,00
04.11.2011	and 1/2013					
Municipal Water Financing Facility - Loan No. F/P 1751 (2011) (9)						
27.06.2012	7/2012	75.000,00	30.000,00	45.000,00	30.000,00	19.500,00
29.06.2012	and 8/2012					
<b>TOTAL DIRECT LOANS SIGNED IN EUR</b>		<b>81.480,00</b>	<b>30.000,00</b>	<b>51.480,00</b>	<b>30.000,00</b>	<b>19.500,00</b>
		100,00%	36,82%	63,18%		

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 2014, 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	1.500,00	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	28.125,00	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	42.872,26	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	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 in the Republic of Croatia - Loan No. F/P 1804 (2013) (13)						
08.07.2013	-	90.000,00	10.000,00	80.000,00	10.000,00	10.000,00
<b>TOTAL SOVEREIGN GUARANTEE LOANS</b>		<b>248.000,00</b>	<b>168.000,00</b>	<b>80.000,00</b>	<b>132.497,26</b>	<b>10.000,00</b>
		100,00%	67,74%	32,26%		
<b>TOTAL</b>			<b>000 EUR</b>		<b>280.740,67</b>	
<b>DIRECT LOANS + SOVEREIGN GUARANTEE LOANS</b>			<b>000 USD</b>		<b>0,00</b>	

Source: Ministry of Finance

Notes:

- 1 - loan contracted in the amount of HRK 67.4 million; cancelled: HRK 987.2 thousand
- 2 - loan contracted in the amount of HRK 98.7 million; cancelled: HRK 1.7 million
- 3 - loan contracted in the amount of HRK 10.3 million; cancelled: HRK 0.7 thousand



- 4 - loan contracted in the amount of HRK 186.8 million; cancelled: HRK 782.1 thousand  
5 - loan contracted in the amount of HRK 292.3 million; cancelled: HRK 46.9 thousand  
6 - loan contracted in the amount of HRK 402.5 million; cancelled: HRK 2.7 million  
7 - loan contracted in the amount of HRK 327.7 million; cancelled: HRK 634.3 thousand; loan closing date contracted: 31 December 2013  
8 - loan closing date contracted: 30 June 2015  
9 - loan closing date contracted: 30 June 2016  
10 - loan closing date contracted: 30 June 2013  
11 - loan closing date contracted: 30 June 2013  
12 - loan closing date contracted: 31 December 2014  
13 - loan closing date contracted: 31 December 2015

### ***European Investment Bank (EIB<sup>39</sup>)***

EIB has been financing projects in the Republic of Croatia with long-term loans since 2001. By the end of 2014, EIB approved loans in the total amount of EUR 4 billion for financing of 54 projects in the Republic of Croatia, of which EUR 713.2 million for 18 projects in the private sector. In 2014, EIB approved a total of EUR 535 million for financing of seven new projects, of which the total of EUR 425 million were approved for three public sector projects. The remaining EUR 110 million were approved by EIB for four private sector projects<sup>40</sup>, by which the amount of EIB investments in the private sector since 2001 reached the amount of EUR 717.7 million.

During 2014, the following loan agreements were signed with EIB for financing of public sector projects:

- loan no. FINo. 83.236 (EUR 25 million) with state guarantee, for the “Hoteli Dubrovacka” Project; beneficiary: Croatian Bank for Reconstruction and Development (HBOR);
- loan no. FINo. 83.388 (EUR 150 million) with state guarantee, for financing of mid-cap enterprises and other priorities/A; beneficiary: Croatian Bank for Reconstruction and Development (HBOR);
- loan no. FINo. 83.389 (EUR 250 million) with state guarantee, for financing of small and medium-sized enterprises /A; beneficiary: Croatian Bank for Reconstruction and Development (HBOR).

During 2014, the activities for the preparation of the loan for the Project “Croatia EU Funds Co-financing 2014-2020 (SPL)/A”, which is planned in the amount of EUR 300 million, were carried out.

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

In the period from 2001 until the end of 2014, EIB granted 33 loans for financing of public projects in total amount of EUR 3.3 billion. Of the aforementioned, 7 were direct loans in the total amount of EUR 476.9 million, and 26 were sovereign guarantee loans, in total amount of EUR 2.8 billion (table 6.12).

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<sup>39</sup> Activities of the European Investment Bank (EIB) in the Republic of Croatia were regulated by the Framework Agreement between the Republic of Croatia and the European Investment Bank, of 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.

<sup>40</sup> Loans to commercial banks without sovereign guarantee for financing small and medium-sized entrepreneurship, medium capitalized enterprises and other priority crediting.

**Table 6.12 Overview of EIB Loans Concluded in the Period from 2001 to the end of 2014, with a Review of Outstanding Debt and Funds Disbursement Overview as of 31 December 2014, and Funds Disbursed During 2014**

<b>DIRECT LOANS</b>							
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 2014, in 000 EUR
<b>Project "Croatian Railway, Corridor Vc" - loan FINo. 21.051 (CR - Infrastructure) (1)</b>							
24. and 31.05.2001	2/2002	39.000,00	39.000,00	0,00	20.583,40	31.12.2007 CLOSED	0,00
<b>Project "Municipal Infrastructure Framework Loan" - loan FINo. 22.165 (ex MRDFWM / MMATI) (2)</b>							
30.07.2003	16/2003	49.082,01	49.082,01	0,00	37.996,08	30.09.2008 CLOSED	0,00
<b>Project "Municipal Infrastructure Multi-Sector Framework Loan" - loan FINo. 22.881 (MRDEUF) (3)</b>							
20 and 24.12.2004	7/2005	106.800,00	106.800,00	0,00	102.200,00	31.12.2012 CLOSED	0,00
<b>Co-financing EU IPA ISPA 2007-2011 - loan FINo. 25.749 (MoF)</b>							
30.09.2010	10/2010	200.000,00	179.860,28	20.139,72	179.860,28	30.09.2017	39.234,16
<b>Island &amp; Costal Infrastructure Facility - loan FINo. 31.146 (MRDEUF) (4)</b>							
15.09.2011	16/2011	7.000,00	7.000,00	0,00	7.000,00	30.7.2015 CLOSED	0,00
<b>Project "Municipal Water Financing Facility" - loan FINo. 31.176 (Croatian Waters)</b>							
18.10.2011	15/2011	75.000,00	30.000,00	45.000,00	30.000,00	15.10.2015	19.500,00
<b>Project "Mainland Infrastructure Facility (Integral Development of Local Community)" - loan FINo. 31.806 (MRDEUF) (5)</b>							
18.10.2011	15/2011	0,00	0,00	0,00	0,00	30.7.2015 CANCELED	0,00
<b>TOTAL DIRECT LOANS</b>		<b>476.882,01</b>	<b>411.742,29</b>	<b>65.139,72</b>	<b>377.639,76</b>		<b>58.734,16</b>
<b>SOVEREIGN GUARANTEE LOANS</b>							
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 2014, in 000 EUR
<b>Project Rehabilitation of National roads (Croatian Roads) - loan FINo. 21.262</b>							
29.10.2001	4/2002	60.000,00	60.000,00	0,00	46.581,24	30.06.2007 CLOSED	0,00
<b>HBOR Global Loan (Croatian Bank for Reconstruction and Development) - loan FINo. 21.316</b>							
26.11.2001	4/2002	10.000,00	10.000,00	0,00	0,00	26.11.2004 CLOSED	0,00
<b>"Rijeka - Zagreb Motorway Project" (Rijeka - Zagreb Motorway) - loan FINo. 21.609</b>							
24.6.2002	10/2002	60.000,00	60.000,00	0,00	36.551,67	30.12.2007 CLOSED	0,00
<b>"Zagreb Air Traffic Control Project" (Croatia Control) - loan FINo. 21.677</b>							
11. and 12.09.2002	14/2002	20.000,00	20.000,00	0,00	5.833,34	30.06.2007 CLOSED	0,00
<b>Project "Rehabilitation of Motorways" (Croatian Motorways) - loan FINo. 21.850</b>							
13.12.2002	10/2003	50.000,00	50.000,00	0,00	28.073,87	13.12.2006 CLOSED	0,00
<b>"Plinacro Gas Pipelines Project" (Plinacro) - loan FINo. 22.374</b>							
16.12.2003	3/2004	90.000,00	90.000,00	0,00	67.333,33	01.12.2007 CLOSED	0,00
<b>Project "Zupanja - Lipovac Motorway Section" (Croatian Motorways) - loan FINo. 22.639</b>							
22. and 29.07.2004	1/2005	45.000,00	45.000,00	0,00	36.219,05	01.04.2007 CLOSED	0,00
<b>Project "Croatian Roads - Split By-pass" (Croatian Roads) - loan FINo. 23.135 (6)</b>							
20.07.2005	2/2006	42.900,00	18.000,00	24.900,00	17.374,82	31.12.2016	0,00

<b>Project "Rijeka-Zagreb Motorway Completion" (Rijeka - Zagreb Motorway) - loan FINo. 23.419</b>							
09.03.2006	8/2006	210.000,00	210.000,00	0,00	186.055,77	08.03.2009 CLOSED	0,00
<b>Project "Croatian Rodas Rehabilitation II" (Croatian Roads) - loan FINo. 23.780</b>							
12.12.2006	5/2007	60.000,00	60.000,00	0,00	56.518,16	11.12.2010 CLOSED	0,00
<b>Project "Plinacro Gas Pipelines II" (Plinacro) - loan FINo. 24.067</b>							
31.07.2007	11/2007	190.000,00	190.000,00	0,00	177.688,17	31.7.2012 CLOSED	0,00
<b>Project "Zadar New Port" (Port of Zadar Authority) - loan FINo. 24.093</b>							
07.09.2007	10/2007	100.000,00	76.400,00	23.600,00	76.370,73	31.12.2014	10.200,00
<b>HBOR Global Loan IIA (Croatian Bank for Reconstruction and Development) - loan FINo. 24.125</b>							
16.10.2007	-	40.000,00	40.000,00	0,00	16.470,59	16.04.2009 CLOSED	0,00
<b>HBOR Global Loan IIB (Croatian Bank for Reconstruction and Development) - loan FINo. 24.500</b>							
20.06.2008	-	60.000,00	60.000,00	0,00	42.352,94	20.12.2009 CLOSED	0,00
<b>"HBOR Loan for SME's and Mid-Cap" (Croatian Bank for Reconstruction and Development) - loan FINo. 24.891</b>							
24.03.2009	-	250.000,00	250.000,00	0,00	220.292,01	31.03.2011 CLOSED	0,00
<b>Project "Croatian roads rehabilitation II/B" (Croatian Roads) - loan FINo. 25.417</b>							
28. and 30.12.2009	4/2010	60.000,00	50.000,00	10.000,00	50.000,00	11.11.2014	10.000,00
<b>Project "DINA VCM-PVC Plant Construction" (Croatian Bank for Reconstruction and Development) - loan FINo. 25.533 (7)</b>							
15.04.2010	-	0,00	0,00	0,00	0,00	15.4.2012 CANCELLED	0,00
<b>"HBOR Loan for SME's and Mid-Cap II" (Croatian Bank for Reconstruction and Development) - loan no. FINo. 25.534</b>							
15.04.2010	-	250.000,00	250.000,00	0,00	250.000,00	15.07.2012 CLOSED	0,00
<b>Corridor VC (Croatian Motorways) - loan FINo. 31.205</b>							
15.09.2011	15/2011	60.000,00	32.712,37	27.287,63	32.712,37	31.12.2014	13.347,93
<b>HBOR Loan for SME's and Mid-Cap III/A (Croatian Bank for Reconstruction and Development) - loan no. FINo. 81.304</b>							
10.02.2012	-	150.000,00	150.000,00	0,00	150.000,00	10.2.2014 CLOSED	0,00
<b>HBOR Loan for SME's and Mid-Cap III/B (Croatian Bank for Reconstruction and Development) - loan no. FINo. 81.830</b>							
18.09.2012	-	100.000,00	73.983,01	26.016,99	73.983,01	18.09.2015	0,00
<b>HBOR Loan for SME's and Mid-Cap IV/A (Croatian Bank for Reconstruction and Development) - loan no. FINo. 82.288</b>							
25.01.2013	-	250.000,00	223.199,44	26.800,56	223.199,44	01.02.2015	162.760,22
<b>HBOR Loan for SME's and Mid-Cap IV/B (Croatian Bank for Reconstruction and Development) - loan no. FINo. 82.833</b>							
12.07.2013	-	250.000,00	90.000,89	159.999,11	90.000,89	15.07.2015	90.000,89
<b>Hotel Dubrovačka (Croatian Bank for Reconstruction and Development) - loan no. FINo. 83.236</b>							
20.01.2014	-	25.000,00	10.000,00	15.000,00	10.000,00	31.07.2016	10.000,00
<b>HBOR Loan for MidCaps and Other Priorities / A (Croatian Bank for Reconstruction and Development) - loan no. FINo. 83.388</b>							
24.03.2014	-	150.000,00	0,00	150.000,00	0,00	30.09.2015	0,00
<b>HBOR Loan for SMEs / A (Croatian Bank for Reconstruction and Development) - loan no. FINo. 83.389</b>							
24.03.2014	-	250.000,00	0,00	250.000,00	0,00	30.09.2015	0,00
<b>TOTAL LOANS WITH THE GUARANTEE OF THE REPUBLIC OF CROATIA</b>		<b>2.832.900,00</b>	<b>2.119.295,71</b>	<b>713.604,29</b>	<b>1.893.611,40</b>		<b>296.309,04</b>
<b>GRAND TOTAL DIRECT + GUARANTEED</b>		<b>3.309.782,01</b>	<b>2.531.038,00</b>	<b>778.744,01</b>	<b>2.271.251,16</b>		<b>355.043,20</b>

Source: Ministry of Finance

**Notes:**

1 - loan contracted in the amount of EUR 40 million; cancelled: EUR 1 million

2 - loan contracted in the amount of EUR 50 million; cancelled: EUR 918 thousand

3 - loan contracted in the amount of EUR 150 million; cancelled: EUR 43.2 million

4 - loan contracted in the amount of EUR 25 million; cancelled: EUR 18 million

5 - loan contracted in the amount of EUR 25 million; cancelled: EUR 25 million

6 - loan contracted in the amount of EUR 60 million; cancelled: EUR 17.1 million

7 - loan contracted in the amount of 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 1.083 percent to 5.26 percent in the period from 2001 until the end of 2014. During 2014, 13 instalments were disbursed in total amount of EUR 355 million. When disbursing funds of the loan at fixed interest rate, in 2014, that rate was ranging from 1.083 percent to 3.278 percent, while no instalments were disbursed at floating interest rates in 2014.

### **Subscribed share of the Republic of Croatia in EIB capital**

In 2014, the payment of annual instalments of EIB’s subscribed capital and reserves was executed in the amount of EUR 205.8 million<sup>41</sup>.

### ***Inter-American Development Bank (IDB<sup>42</sup>)***

In 2014, the payment of annual instalments of the capital for the benefit of IDB and of contributions for the benefit of the FSO<sup>43</sup> was executed in total amount of USD 231.5 thousand<sup>44</sup>.

### **Overview of Grants**

In the period from 1995 until the end of 2014, 67 grant agreements were concluded 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.).

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<sup>41</sup> As of the day of the accession to the European Union, and in line with the Accession Treaty, 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 about 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.

<sup>42</sup> IDB is the oldest regional development bank in the world, founded in 1959 for 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-right member of 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 IDB, and it has co-decision-making rights, granted on the basis of the shares in the IDB capital. The Republic of Croatia belongs to the group of countries that are not beneficiaries of IDB loans.

<sup>43</sup> Fund for Special Operations of the Inter-American Development Bank

<sup>44</sup> Pursuant to the Decision of the Government of the Republic of Croatia, of January 27, 2011 (Official Gazette, number 16/2011), the Republic of Croatia participated in the general increase in the IDB capital and in supplementing the resources of the Funds for Special Operations – FSO.

In 2014, the following grants were contracted:

- a) grant administered through IBRD for the “Adriatic Sea Environmental Pollution Control Project I” in the amount of USD 4.3 million;
- b) grants administered through CEB linked with the Regional Housing Programme:
  - 1) Construction of apartment building for 29 families in the municipality of Korenica in the amount of EUR 1 million;
  - 2) Construction of two residential buildings in Knin for 40 families in the amount of EUR 2.6 million;
  - 3) Purchase of flats for 101 eligible beneficiaries in the amount of EUR 4.3 million.

In addition, in 2014, the activities were carried out regarding the contracting of the grant for technical assistance for the Project “Croatia: Reconstruction and Construction of Departments/Centre within Health Institutions”. The grant, under the CEB administration, was planned in the amount of EUR 1.4 million.

Table 6.13 Overview of Grants Administrated through IBRD, Grants given by the Kingdom of the Netherlands, Federal Republic of Germany, EBRD, Grant Administrated through EIB and Grant Administered through CEB, on 31st December 2014

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)
<b>A. Grants Administrated through the International Bank for Reconstruction and Development (IBRD)</b>							
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	146,61	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	130,48	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)	Informaton 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 Tehnical 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	37,21	0,00
50.	2008	91967	Neretva and Trebišnjica Management Project	USD	2.000,00	0,00	401,46
51.	2009	92704	Coastal Cities Pollution Control Project 2	USD	6.400,00	700,00	4.552,89
52.	2012	12382 (closed)	Modernization of the Treasury Systems in Croatia	EUR	165,11	11,08	0,00
53.	2014	17706	Adriatic Sea Environmental PollutionControl Project 1	USD	4.330,00	0,00	4.330,00
<b>TOTAL (1. - 53.):</b>				USD	53.166,93	4.057,40	9.284,35
				JPY	270.500,00	70.655,27	0,00
				GBP	352,80	2,83	0,00
				EUR	11.553,24	11,59	0,00
				SEK	23.250,00	90,69	0,00
<b>TOTAL (1. - 53.) expressed in:</b>				EUR	60.048,88		

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**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	5,96	0,00
<b>TOTAL (1. - 5.):</b>				EUR	928,32	160,09	0,00

**C. Grants given by the Federal Republic of Germany**

1.	2005	– (closed)	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	802,30	466,20	0,00
2.	2009	– (closed)	Financial Contribution for the Promotion of Energy Efficiency and Renewable Energies in Croatia	EUR	1.500,00	161,57	0,00
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	389,51
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	766,65
<b>TOTAL (1. - 4.):</b>				EUR	4.282,30	627,77	1.156,16

**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
<b>TOTAL</b>				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
<b>TOTAL</b>				EUR	2.688,00	0,00	2.688,00

**F. Grants Administrated through the Council of Europe Development Bank (CEB)**

1.	2014	HR1 (2013)	Regional Housing Programme - "Construction of apartment building for 29 families in the municipality of Korenica"	EUR	1.048,66	0,00	104,86
2.	2014	HR2 (2013)	Regional Housing Programme - "Construction of two residential buildings in Knin for 40 families"	EUR	2.587,04	0,00	1.810,93
3.	2014	HR4 (2013)	Regional Housing Programme - "Purchase of flats for 101 eligible beneficiaries"	EUR	4.287,85	0,00	2.773,19
<b>TOTAL (1. - 3.):</b>				EUR	7.923,55	0,00	4.688,98

<b>TOTAL (A. + B. + C. + D. + E. + F.):</b>				USD	53.166,93	4.057,40	9.284,35
				JPY	270.500,00	70.655,27	0,00
				GBP	352,80	2,83	0,00
				EUR	27.495,41	799,45	8.533,14
				SEK	23.250,00	90,69	0,00
<b>TOTAL (A. + B. + C. + D. + E. + F.) expressed in:</b>				EUR	75.991,05		

Source: Ministry of Finance

## 7. RELATIONS WITH THE EUROPEAN UNION IN 2014

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## 7.1 FINANCIAL MANAGEMENT OF FUNDS FROM IPA PRE-ACCESSION PROGRAMME

In 2014, the Ministry of Finance was efficiently managing the IPA pre-accession programme funds in decentralized implementation system through Component I – Transition Assistance and Institution Building, Component II – Cross-Border Cooperation and Component V – Rural Development (IPARD). The pre-accession programme of the first generation, PHARE, was mostly closed (programmes of cross-border cooperation with Italy, Hungary and Slovenia and nuclear safety programmes). Until the end of 2014, the closing of PHARE National Programme 2005 and 2006 and CARDS Programme 2003 and 2004 was not completed.

During 2014, the Ministry of Finance requested funds from the European Commission for the projects financed from IPA Components I, II and V, in the amount of EUR 31.75 million, of which EUR 28.45 million were received. In the same period, the implementing bodies were paid the amount of EUR 40.33 million.

**Table 7.1 Allocated, contracted, requested, received and paid funds up to 31 December 2014**

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	40.275.991	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	51.403.797	94,0%
ISPA	59.000.000	57.359.137	97,2%	50.368.884	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	38.903.893	38.903.893	93,9%
IPA Component I 2008	41.374.000	39.464.244	95,4%	37.567.679	37.458.730	35.700.700	90,5%
IPA Component I 2009	42.101.430	39.565.762	94,0%	37.653.541	37.653.541	36.473.074	92,2%
IPA Component I 2010	38.623.458	35.872.109	92,9%	34.410.387	32.286.583	29.489.712	82,2%
IPA Component I 2011	33.829.128	17.350.004	51,3%	15.092.745	15.092.745	10.329.180	59,5%
IPA Component I 2012	35.219.859	6.364.813	18,1%	8.013.197	8.013.197	6.272.780	98,6%
IPA Component I 2013	11.584.700	3.159.000	27,3%	1.158.470	1.158.470	2.527.200	80,0%
IPA 2008 Nuclear Safety	952.000	676.847	71,1%	643.004	643.004	668.398	98,8%
IPA 2011 Nuclear Safety	808.750	251.956	31,2%	404.375	404.375	197.498	78,4%
IPA Component II 2007	2.653.020	2.586.715	97,5%	2.495.584	2.357.668	2.314.650	89,5%
IPA Component II 2008	2.706.080	2.700.483	99,8%	2.594.932	2.570.101	2.457.656	91,0%
IPA Component II 2009	2.760.202	2.579.647	93,5%	2.450.664	2.450.664	2.123.978	82,3%
IPA Component II 2010	2.200.000	2.199.993	100,0%	1.729.999	1.492.843	1.529.926	69,5%
IPA Component II 2011	2.200.000	2.196.483	99,8%	1.726.683	1.528.624	1.587.568	72,3%
IPA Component II 2012	2.500.000	1.089.558	43,6%	150.000	150.000	231.053	21,2%
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	94.992.635	40,1%	107.578.108	106.749.754	59.371.479	62,5%
IPA Component IIIb / OP Environmental Protection	281.099.011	252.395.010	89,8%	158.054.869	145.328.726	67.090.437	26,6%
IPA Component IIIc / OP Regional Competitiveness	187.779.595	193.428.893	103,0%	97.080.369	90.892.465	82.197.031	42,5%
IPA Component IV / OP Human Resources Management	152.413.107	110.035.228	72,2%	94.938.168	88.745.971	80.654.389	73,3%
IPARD	136.843.441	128.649.193	94,0%	63.217.451	62.046.678	47.751.760	37,1%
<b>TOTAL</b>	<b>1.558.914.631</b>	<b>1.241.101.763</b>	<b>79,6%</b>	<b>966.257.219</b>	<b>915.567.862</b>	<b>748.117.631</b>	<b>60,3%</b>

Source: Ministry of Finance

## **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. For these means to be used, the Republic of Croatia established the system of management and control of the use of structural instruments. The positive opinion of the European Commission on the evaluation of the alignment of the system for the implementation of Operational Programmes: Transport, Environment Protection, Regional Competitiveness and Human Resources Development, in the 2007-2013 programme period, was received at the beginning of April 2014, after which the European Commission paid to the Republic of Croatia the advance in the amount of EUR 146.44 million. During 2014, the European Commission paid for these four Operational Programmes (including the advance) total amount of EUR 230.14 million. 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 and other ministries responsible for sectors included in the Thematic Working Groups during 2014, actively participated in the preparations for the establishment of the system of management and control of the use of European Structural and Investment Funds for the EU 2014-2020 programme period.

The 2014-2020 Partnership Agreement between the Republic of Croatia and the European Commission was confirmed on October 31, 2014 and it set the legal and strategic foundations for the adoption of operational programmes ensuring the realization of goals set by the Partnership Agreement. The Operational Programme Competitiveness and Cohesion 2014-2020 of the total allocation of EU funds in the amount of EUR 6.88 billion was approved on December 12, 2014. At the end of 2014, the European Commission paid to the Republic of Croatia the advance in the amount of EUR 64.68 million for 2014. The Operational Programme Efficient Human Resources 2014-2020 of the total allocation of EU funds in the amount of EUR 1.52 billion, as well as the EU funds within the framework of the Youth Employment Initiative of the total allocation in the amount of EUR 66.18 million, was approved on December 17, 2014. At the end of 2014, the European Commission paid to the Republic of Croatia the advance in the amount of EUR 14.95 million for 2014.

The system of management and control of the use of European Structural Investment Funds for the new programme period was built on the basis of the system for the 2007-2013 programme period. The Ministry of Finance retains the functions of Authorising Body and Payment Implementing Body, and it is additionally included in the control of the use of European Structural Investment Funds in the area of state subsidies.

### **7.3 FUNCTIONING IN THE CIRCUMSTANCES OF FULL EU MEMBERSHIP AND PROJECTS FROM EU ASSISTANCE PROGRAMMES**

During 2014, the Ministry of Finance continued to carry out the activities linked with the full-right membership of the Republic of Croatia in the European Union, and they refer to:

1. Coordination activities linked with the preparation of expert opinions and position proposals for the meetings of the Economic and Financial Affairs Council (ECOFIN) and of other working bodies of the Council in which the Ministry of Finance is an implementing authority (such as: Economic and Financial Committee (EFC), Economic and Financial Committee – alternates (EFC-A), Economic Policy Committee, etc.);
2. Activities linked with the process of implementation of the European Semester in the Republic of Croatia which includes the participation in the preparation of the National Reform Programme of the Republic of Croatia for 2014, and monitoring and reporting on the Plan for the Implementation of the Country-Specific Recommendations for the Republic of Croatia for 2014 from under the competence of the Ministry of Finance;
3. Activities linked with the membership in the European Investment Bank;
4. Activities linked with the implementation of projects from EU assistance programme;
5. Alignment of the national legislation with the regulations of the European Union from under the competence of the Ministry of Finance; and
6. Bilateral cooperation with EU member states.

The scope of these activities is explained below.

#### **7.3.1 Coordination activities linked with the preparation of expert opinions and position proposals for the meetings of Economic and Financial Affairs Council (ECOFIN) and of other working bodies of the Council (EFC, EFC-A)**

In 2014, the Ministry of Finance continued with the activities linked with the regular participation at the meetings of Economic and Financial Affairs Council (ECOFIN), as well as of other Council committees, such as Economic and Financial Committee (EFC), Economic and Financial Committee – alternates (EFC-A), 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, Working Party of Financial Counsellors, 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, Exports Credit Group, Ad Hoc Working Party on Banking Supervision Mechanism, and Ad Hoc Working Party on the Single Resolution Mechanism).

For the needs of the Ministry of Finance representatives' participation at the meetings of the abovementioned EU bodies, the organizational units of the Ministry of Finance were preparing expert opinions and position proposals within the framework of their competence.

In 2014, Greece and Italy were presiding over the Council of the European Union. In that period, there were total of 12 meetings of the Economic and Financial Affairs Council (10 formal and 2 informal meetings of the Council) where the representatives of the Ministry of Finance of the Republic of Croatia participated actively as well.

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 Ministry of Finance participated in the preparation of expert analyses and position proposals for the needs of the meetings of SHERPA regarding the issues of further deepening of the Economic and Monetary Union.

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<sup>45</sup> in June 2013) and of the Coordination Body for Foreign and European Policy (permanent working body of the Government of the Republic of Croatia), within which the proposals of the position to be taken by the representatives of the Republic of Croatia in relevant decision-making procedures and/or discussions at the level of the European Union, are considered and prepared, together with 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 the European Council.

### **7.3.2 Participation in the European Semester**

The representatives of the Ministry of Finance participate in the work of the Working Group for the Coordination of Participation of the Republic of Croatia in the European Semester (hereinafter referred to as: Working Group, established by the Decision of the Government of the Republic of Croatia of July 30, 2014) which is responsible for the preparation of the “Convergence Programme” and “National Reform Programme”, as well as of other relevant documents and reports that derive from the participation of the Republic of Croatia in the European Semester, in line with the contents and deadlines defined by the European Commission. In addition, the Working Group is in charge of monitoring the implementation of Country-Specific Recommendations that the Republic of Croatia received within the European Semester for 2014, on which it reports to the Government of the Republic of Croatia quarterly.

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<sup>45</sup> Official Gazette, number 78/13

### **7.3.3 Membership in the European Investment Bank**

As of the day of entry into the European Union, the Republic of Croatia, as a full-right member of European Investment Bank (hereinafter referred to as: EIB) participates 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, increase in the EIB capital and on the appointment of the members of the Board of Directors, Management and Audit Committee. There are 29 members in the Board of Directors (one from each member state and the representative of the European Commission), and it decides on EIB operations and borrowing, while supervising the management of EIB. In 2014, there was a regular annual meeting of the Board of Governors held and ten meetings of the Board of Directors. In 2014, Croatia and EIB signed seven financing agreements of total value of EUR 535 million. Most of these funds were intended for financing of small and medium sized entrepreneurship and of enterprises with medium market capitalization.

EIB promotes the EU foreign policy goals through financing of projects outside the EU. The majority of these activities are covered by the EU budget guarantee. EIB also manages a part of the funds of EU member states via the European Development Fund, while the part of projects outside EU is financed from EIB's own resources. These last operations are covered by the guarantee of EU member states proportionally to their share in EIB capital. The guarantee refers to the period from January 1, 2014 to December 31, 2020, and it covers the EIB operations with public sector entities and political risks for operations in the private sector. In December 2014, the Government of the Republic of Croatia adopted the Decision on initiating the procedure for concluding the Guarantee Agreement between the EU Member States and EIB concerning to be made by the EIB in favour of investment projects in the African, Caribbean and Pacific States and in the Overseas Countries and Territories, and the Decision on initiating the procedure for concluding the Arrears Administration Agreement between the EU Member States and EIB governing procedures for payments and reimbursements under the Guarantee Agreement concerning loans to be made by the EIB loans in favour of investment projects in the African, Caribbean and Pacific states and in the Overseas Countries and Territories.

### **7.3.4 Implementation of projects from EU assistance programmes**

During 2014, the Ministry of Finance continued with the successful preparation and implementation of projects from the IPA Programme Component I (Transition Assistance and Institution Building) and the Transition Facility with the aim of strengthening the institutional and administrative capacity of the Ministry.

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 and Transition Facility during 2014.

**Table 7.2 Projects from EU Assistance Programmes the beneficiary of which is the Ministry of Finance - in 2014**

Project title	Project purpose	Type of contract and Budget in 000 EUR	Project status in 2014
<b>Ministry of Finance - Headquarters</b>			
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	Final report approved.
IPA 2010 FF RAC Strengthening the competence of public internal auditors in the Republic of Croatia in auditing Cohesion and Structural Funds in line with the EU best practice	Supporting the Central Harmonization 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	Contracting and end of project activities implementation.
IPA 2011 FF RAC Support for State Aid System in relation to EU Structural and Cohesion Funds	Enhancing the capacity of the MoF and other stakeholders in the area of state aid within EU structural and cohesion funds in order to ensure compatibility of EU projects with state aid.	Twinning Light 189	Call for Twinning proposals circulated among EU Member States.
<b>Tax Administration</b>			
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	Final report approved.
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	End of project activities implementation and final report approval.
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	Final report approved.
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	Final report approved.
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	Evaluation of offers.
IPA 2012 FFRAC Human Resources Management Information System	Providing IT support to the realization 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 supply 3.300	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 supply 1.000	Tender documentation drafting.
<b>Customs Administration</b>			
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	Project activities implemented.
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	Final report approved (Twinning) and implementation of project activities (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	Contracting and end of project activities implementation.
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	Contracting and end of project activities implementation.
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 and end of project activities implementation. Drafting of Tender documentation for leftovers from project budget.

Source: Ministry of Finance

In 2014, the Ministry of Finance carried out total of nine projects from Component I of IPA 2007, IPA 2009, IPA 2010 and IPA 2012 programmes, with total value of EUR 18 million. During the year, the final payment was executed for three projects upon the approval of final reports.

During 2014, the implementation of contracted activities for six projects of the Ministry of Finance was successfully completed, with total value of EUR 2.7 million. These six projects are the following ones:

- IPA 2009 Enhancement of the administrative capacity of the Croatian Tax Administration in the field of audit,
- IPA 2010 FFRAC Enhancement of the Croatian Tax Administration administrative and institutional capacity in the field of application of VAT EU common system,
- IPA 2010 FFRAC Supporting the capacity of the Croatian Tax Administration for further development of EU information exchange systems,
- 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 FFRAC Introducing Quality Assurance in Common Agriculture Policy (CAP) and Excise Goods Controls of the Croatian Customs Laboratory,
- IPA 2010 Harmonization of the Croatian Customs Administration with the standards, organization and operational methodology of EU post-clearance control and audit.

In 2014, the Ministry of Finance contracted five projects within IPA Component I, with total value of EUR 9.8 million:

- 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 (contracted activities were completed during the same year),
- IPA 2010 Integrated border management – supply of equipment component,
- IPA 2010 FFRAC Introducing Quality Assurance in Common Agriculture Policy (CAP) and Excise Goods Controls of the Croatian Customs Laboratory (contracted activities were completed during the same year),
- IPA 2010 Harmonization of the Croatian Customs Administration with the standards, organization and operational methodology of EU post-clearance control and audit (contracted activities were completed during the same year),
- IPA 2012 Supply of IT equipment for the Customs Administration.

For the purpose of further strengthening of administrative capacities, during 2014, the Ministry of Finance continued with the preparation of tender documentation and the implementation of tender procedures for project proposals within the IPA Programme Component I and Transition Facility, as follows:

- Preparation of tender documentation based on comments made by the Central Finance and Contracting Agency (CFCA) for the projects of the total value of EUR 6 million:
  - IPA 2012 FFRAC Human Resources Management Information System of the Croatian Tax Administration,
  - IPA 2013 Strengthening of CTA's Government to Business (G2B) Capacities through Consolidation of IT Systems,
  - Transition Facility - New Croatian Tax Administration Information System Applications,

- Transition Facility - CTA Human Resources Management (HRM) Connected System.
- Preparation and beginning of tender procedure (publication of tender):
  - IPA 2011 FFRAC Support for State Aid System in relation to EU Structural and Cohesion Funds.
- Completion of tender procedure (the most favourable bidder has been selected, but the contract has not been signed yet):
  - IPA 2011 FFRAC Strengthening the Administrative Capacity of Croatian Tax Administration concerning investigation of criminal tax acts.

Besides the European Union Funds, the Republic of Croatia is also a beneficiary of funds from the European Union Programmes the aim of which is to promote the cooperation between member states in different areas linked with EU policies. Based on the special item in the General Budget of the European Union, the Union Programmes are intended only for member states. The Ministry of Finance is competent for *Customs* programme which includes the coordination of operation of customs services in member states with an aim of enabling the internal market functioning, and for *Fiscalis* programme which is intended for the improvement of the tax system on the internal market by stimulating the cooperation in the field of the taxation policy.

### **7.3.5 Alignment of national legislation with the regulations of the European Union from under the competence of the Ministry of Finance**

On the basis of the Programme for the adoption and implementation of the *acquis communautaire* of the European Union for 2014, which was adopted by the Conclusion of the Government of the Republic of Croatia on December 18, 2013, the Ministry of Finance carried out regular activities of transposing the EU *acquis communautaire*.

From under the competence of the Financial System Sector, the following acts were adopted: the Act on the Amendments to the Act on Transparent Flow of Public Funds<sup>46</sup>, with an aim of transposing the Commission Directive 2006/111/EC of 16 November 2006 on the transparency of financial relations between Member States and public undertakings as well as on financial transparency within certain undertakings (OJ L 318, 17.11.2006), and the Act on the Amendments to the Act on Open-Ended Investment Funds with a Public Offering<sup>47</sup>, with an aim of transposing the Directive 2013/14/EU of the European Parliament and of the Council of 21 May 2013 amending Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision, Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS<sup>48</sup>) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of over-reliance on credit ratings. In addition, the Act on the Amendments to the

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<sup>46</sup> Official Gazette, number 47/14

<sup>47</sup> Official Gazette, number 143/14

<sup>48</sup> Undertakings for Collective Investment in Transferable Securities



Alternative Investment Funds Act<sup>49</sup> transposes the Directive 2013/14/EU of the European Parliament and of the Council of 21 May 2013 amending Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision, Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of over-reliance on credit ratings, while the Act on the Amendments to the Insurance Act<sup>50</sup> transposes the Directive 2012/23/EU of the European Parliament and of the Council of 12 September 2012 amending Directive 2009/138/EC (Solvency II) as regards the date for its transposition and the date of its application, and the date of repeal of certain Directives, as well as the part of the Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). Within the competence of this Sector, the Act on the Amendments to the Act on Compulsory Insurance within the Transport Sector<sup>51</sup> was also adopted.

With an aim of strengthening the budgetary framework and independence of the Fiscal Policy Committee, and of aligning with the provisions of the Stability and Growth Pact, the Fiscal Responsibility Act<sup>52</sup> and the Decision on the establishment of the Fiscal Policy Committee transpose the Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (OJ L 306, 23.11.2011.).

From under the competence of the Tax Administration, the Act on Value Added Tax<sup>53</sup> transposes the Council Directive 2008/8/EC of 12 February 2008 amending Directive 2006/112/EC as regards the place of supply of services, while the Act on Corporate Income Tax<sup>54</sup> transposes the Council Directive 2014/86/EU of 8 July 2014 amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States.

In the follow-up, there is an overview of legal and sub-legal acts adopted in 2014, by which the legislation of the Republic of Croatia was aligned with the regulations of the European Union from under the competence of the Ministry of Finance.

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<sup>49</sup> Official Gazette, number 143/14

<sup>50</sup> Official Gazette, number 94/14

<sup>51</sup> Official Gazette, number 152/14

<sup>52</sup> Official Gazette, number 19/14

<sup>53</sup> Official Gazette, number 143/14

<sup>54</sup> Official Gazette, number 143/14

**Table 7.3 Overview of Legal and Sub-Legal Acts (Regulations) by which the Legislation of the Republic of Croatia is Aligned with EU Regulations from within the Scope of the Ministry of Finance, for 2014**

<b>LEGISLATIVE OVERVIEW OF CROATIA'S PROGRAMME FOR TRANSPOSITION AND IMPLEMENTATION OF ACQUIS COMMUNAUTAIRE FOR 2014 -JURISDICTION OF MINISTRY OF FINANCE</b>		
<b>No.</b>	<b>Measure</b>	<b>Status</b>
<b>LEGISLATIVE MEASURE</b>		
1.	Act on Amendments to the Fiscal Responsibility Act	OG 19/14
2.	Act on Amendments to the Transparency of Public Resources Flow	OG 47/14
3.	Act on Amendments to the Insurance Act	OG 94/14
4.	Act on Amendments to the Act on Open-Ended Investment Funds with a Public Offering	OG 143/14
5.	Act on Amendments to the Alternative Investment Funds Act	OG 143/14
6.	Act on Amendments to the Value Added Tax Act	OG 143/14
7.	Act on Amendments to the Income Tax Act	OG 143/14
8.	Act on Amendments to the Act on Compulsory Insurance within the Transport Sector	OG 152/14
<b>SECONDARY LEGISLATION</b>		
1.	Regulation on amount of the excise duty on cigarettes, fine cut tobacco and other smoking tobacco	OG 30/14
2.	Ordinance on Automatic Tax Information Exchange	OG 157/14
3.	Ordinance on Amendments to the Income Tax Ordinance	OG 157/14
4.	Ordinance on Amendments to the Ordinance on Excise Duties	OG 157/14

Source: Ministry of Finance

### **7.3.6 Bilateral Cooperation**

#### ***Bilateral cooperation with the Kingdom of the Netherlands***

The Ministries of Finance of the Kingdom of the Netherlands and of the Republic of Croatia signed a new programme of bilateral cooperation for the period 2014-2015 in Den Haag on December 4, 2014.

The bilateral cooperation programme is based on the Memorandum of Understanding on technical cooperation in the fields of: internal financial controls, financial and budgetary supervision, cooperation with the Tax Administration of the Republic of Croatia, coordination of EU affairs, fight against money laundering and financing of terrorism.

# INTERNAL ORGANIZATION OF THE MINISTRY OF FINANCE IN 2014

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## **INTERNAL ORGANIZATION OF THE MINISTRY OF FINANCE IN 2014**

### **Ministry of Finance (Central Office)**

In 2013, the internal organization of the Ministry of Finance was regulated by the Regulation on the Internal Organization of the Ministry of Finance<sup>55</sup>. In 2014, it was amended by the Regulation on the Amendments to the Regulation on the Internal Organization of the Ministry of Finance<sup>56</sup>, the Regulation on the Amendments to the Regulation on the Internal Organization of the Ministry of Finance<sup>57</sup> and the Regulation on the Amendments to the Regulation on the Internal Organization of the Ministry of Finance<sup>58</sup>.

By the Regulation on the Internal Organization of the Ministry of Finance<sup>59</sup>, the internal organization of the Ministry was amended due to the harmonization of its scope with the Act on the Amendments to the Act on Organization and Competences of Ministries and Other Central State Administrative Bodies on the basis of which the State Inspectorate ceased operations. As of the day of entry into force of this Act, the tasks of the State Inspectorate, within their sphere of competence prescribed by the Act, were taken over by Ministry of Finance, Ministry of Economy, Ministry of Labour and Pension Insurance, Ministry of Agriculture and Ministry of Tourism. The Act establishes that these ministries, in proportion to the assumed tasks, shall take over the equipment, archives and other documentation, instruments of labour, financial assets, and rights and obligations of the State Inspectorate, as well as the civil servants working on these tasks. For the purpose of taking over the tasks of the State Inspectorate by the Ministry of Finance, the scope of the Customs Administration and the Sector for Financial and Budgetary Supervision was amended and extended.

Considering the scope of work that derives from the acquisition of the full-right membership in the European Union, the internal organization of the Sector for European Union was also amended in relation to the coordination of European affairs and participation of the Ministry representatives in the operations of the working bodies of the European Commission and the Council of the European Union. This Sector carries out, inter alia, professional and coordination tasks referring to the fulfilment of the obligations assumed in the accession negotiations process and of the EU membership criteria in terms of finances, and to the coordination of the work carried out by the Ministry organizational units the representatives of which participate in the work of European Union institutions, with an aim of improving the coordination and communication activities. Considering the scope of work, there were two departments established within the Service for the Coordination of Affairs with the European Union: Department for Legal Affairs and Department for the Council of the European Union, COREPER and Committees of the Council of the European Union, while Department for European Institutions and Bilateral Cooperation with EU Member States and Department for Monitoring and Implementation of EU Assistance Programmes were established within the Service for Cooperation with Institutions of the European Union in the Field of Finances.

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<sup>55</sup> Official Gazette, number 32/12, 67/12, 124/12, 78/13 and 102/13

<sup>56</sup> Official Gazette, number 21/14

<sup>57</sup> Official Gazette, number 134/14

<sup>58</sup> Official Gazette, number 154/14

<sup>59</sup> Official Gazette, number 21/14

Regarding the performance of the tasks referring to the work of international financial institutions, that is, to the preparation and implementation of the activities of the Ministry linked with the tasks of cooperation with international financial institutions on the basis of the membership of the Republic of Croatia in the international financial institutions, the internal organization of the Sector for International Financial Institutions was also amended. Considering the membership in the European Union and the future role of the Republic of Croatia as a donor country in international financial institutions, and, in that regard, the extended and increased scope of work, particularly in terms of not only monitoring and working with international financial institutions but also of active inclusion in monitoring and working on international financial relations, there were departments established within the services. Department for Cooperation with International Financial Institutions and Department for Bilateral and Multilateral Cooperation were established within the Service for International Financial Cooperation, while Department for Projects and Department for Financial Monitoring of International Financial Agreements were established within the Service for Projects and Financial Monitoring.

Considering the obligations derived for the Republic of Croatia from the entry into the European Union, the scope of the Bureau for Macroeconomic Analysis and Planning was also amended, particularly regarding the tasks referring to the entry of the Republic of Croatia in the excessive budget deficit procedure and macroeconomic imbalances procedure; necessity of preparing analysis, calculations and projections and the coordination of process from under the competence of the Ministry of Finance; entry into force of the Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States, which significantly changes the system of financial supervision (rules), fiscal statistics, reporting and macroeconomic projections; introduction of the new ESA 2010 and methodological adjustment of fiscal statistics; active role of the Bureau in the coordination of the activities of the Republic of Croatia in the Economic Policy Committee; necessity of defining the competence for the preparation of technical analyses as the base for the preparation of positions linked with the European Union budget and necessity of preparing analyses and technical backgrounds for monitoring the fulfilment of the fiscal rule. As a result of the above-mentioned, the organization and the name of the Bureau were changed to the Bureau for Macroeconomic and Fiscal Analysis and Projections, and three services were established within it: Service for Fiscal Research and Planning, Service for European Union Budget and Service for Macroeconomic Research and Statistics.

The Act on State Aid prescribes the amendments referring to the competence of the Ministry, that is, of the Economy Sector, whereby the scope of work of the Sector was significantly increased, especially in the area of tasks referring to the creation and monitoring of the implementation of the state aid policy and to regular quarterly collection of data on granted state aid and de minimis subsidies, annual collection of data on the analyses of state aid effectiveness, effectiveness analysis and production of annual reports on state aid. As a result of the aforementioned, the Service for State-Owned Companies and Restructuring of Economic Entities, State Aid and Natural Disasters was reorganized in the Service for State-Owned Companies and Other Legal Persons and Restructuring of Economic Entities and in the Service for State Aid and Natural Disasters.

The internal organization of the Financial System Sector was amended in accordance with the extended scope of work in the area of financial system and with the changed circumstances on the financial market. Considering the increased scope of work in the area of consumer crediting, two departments were

established within the Service for Consumers, Licencing, Financial Literacy and Supervision, with an emphasis on consumer crediting and financial literacy.

Within the General Secretariat, the internal organization of the Sector for Human Resources and Legal Affairs was amended. There had been three services established within the Sector. The amendments to the internal organization prescribed the establishment of two services, Service for legal Affairs and Service for Human Resources, with the departments established within them.

Following the provisions of the Act on the Establishment of the Institutional Framework for the Use of European Union Structural Instruments in the Republic of Croatia, the Sector for the Tasks of the National Fund, along with the existing tasks of financial management and control of pre-accession programmes, started to carry out the tasks of authorizing the costs from the EU structural instruments and other funds, and therefore, the competence of the Sector was extended, without any change in the organizational structure of the Sector.

Due to the application of the Act on Financial Operations and Pre-Bankruptcy Settlement, implementation of tax procedures referring to the procedures of instalment payment, rescheduling or write-off of public levies, tasks of representation before the administrative courts and of resolving complaints against administrative acts of the Tax Administration and the Customs Administration, the scope of work of the Independent Sector for Second-Instance Administrative Procedure was significantly extended and increased, and, therefore, the services of the Sector were reorganized in Service For Second-Instance Tax Procedure and Representation, Service for Second-Instance Procedure in Cases Regarding Customs, Excise Duties, Concessions, Pre-Bankruptcy Settlements and Representation, and Service for Second-Instance Procedure in Tax Supervisions and Representation.

The Regulation on the Amendments to the Regulation on the Internal Organization of the Ministry of Finance<sup>60</sup> establishes the Independent Sector for Tax Fraud Detection, within the scope of which are the tasks referring to the prevention and detection of tax frauds and criminal deeds committed by risky taxpayers that participate in organized tax frauds that result in large tax evasions, especially in international frauds in the area of value added tax; natural persons who own property of significant value acquired in an illegal way with no coverage in legally realized receipts; property of tax debtors which is not subject to enforcement measures or which is, with an aim of preventing the collection of tax debt, transferred to other persons, and also the tasks referring to the provision of professional assistance in analytical and operational sense to criminal prosecution bodies in detecting criminal deeds linked with economic criminality and evasion of taxes and other public levies, as well as exchange of data and documentation with competent bodies of European Union states according to the EU *acquis communautaire* and other foreign administrations. There are three services established within the Independent Sector: Service for Detection of Organized Tax Frauds, Service for Verification of the Property Owned by Natural Persons and Tax Debtors, and Service for the Cooperation with the Criminal Prosecution Bodies.

The Department for Analysis of Financial Statements of the Budget and for the Support to Statistical Reporting towards the European Union was established within the State Treasury, Sector for Budget Execution. The establishment of this Department was necessary due to the obligation towards the

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<sup>60</sup> Official Gazette, number 134/14

European Union in order to provide, timely and in a quality manner, the sources of data for the production of fiscal statements and to submit them to the Eurostat, as well as in order to improve the consolidation of financial statements of all levels according to the recommendations of the technical visit to Eurostat.

The tasks in the area of concession supervision, for the performance of which there had been regional units established within the Sector for Financial and Budgetary Supervision, were transferred to the scope of the Customs Administration, due to more efficient and effective organization and performance of the tasks of financial and budgetary supervision.

## **Customs Administration**

By entry into force of the Customs Service Act, in accordance with the standards of the EU *acquis communautaire* and with the necessity of extending the activities that were the result of the accession of the Republic of Croatia to the European Union, the role of customs service was strengthened regarding the combating of unlawful actions taken when carrying out economic activities or transactions, so-called “grey economy”, and, in relation to that, the occurrence of tax evasion, smuggling, money laundering and other forms of behaviour liable to punishment.

The amendments to the internal organization of the Customs Administration, along with the already existing tasks, as a next step towards the more efficient strengthening of the supervisory role of the Customs Administration, enabled more efficient and effective performance of inspection supervision as well as stronger activity in combating grey economy, particularly in the area of the trade of goods and services, suppression and prevention of non-registered activity, catering industry and tourism, protection of intellectual property, participation in the implementation of measures of common agricultural, fisheries and trade policy, supervision over the import, export, entry and exit of cultural goods, trade in precious metals and forest reproductive material, and the performance of audio-visual activities, as well as more uniform actions taken within the inspection supervision.

## **Tax Administration**

The Regulation on the Amendments to the Regulation on the Internal Organization of the Ministry of Finance<sup>61</sup> amended the internal organization of the Tax Administration. According to the reform activities of the Government of the Republic of Croatia and to the documents referring to the reorganization of state administration bodies, the process of reorganization of the Tax Administration was carried out, whereby the work performance of the Tax Administration was changed in line with the principles of organization of modern EU tax administrations, by aligning the internal organizational structure with the strategy, goals and values defined in advance. There were significant changes carried out within the organizational structure and in terms of management model as well, new regional organization was established and the functional approach to work organization and specialization was introduced, as well as the vertical control of the Central Office.

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<sup>61</sup> Official Gazette, number 154/14

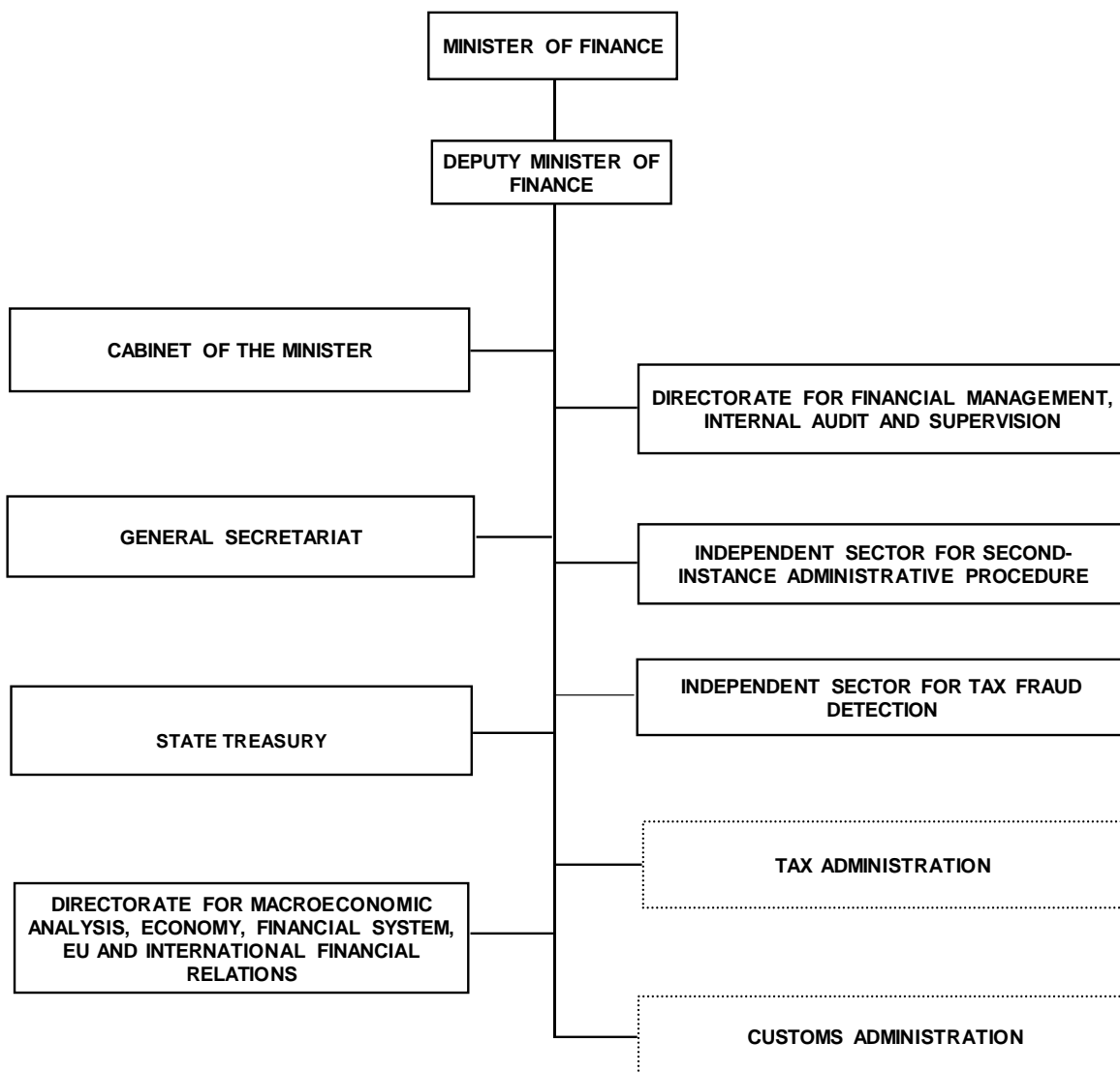
Following the recommendations of the European Commission and the International Monetary Fund and the defined bases of strategic management, with an aim of improving the performance, the Tax Administration started with thorough reorganization by aligning its internal organizational structure with the strategy, goals and values defined in advance. The new internal organization of the Tax Administration was arranged by taking into consideration the following goals: modernization of the entire Tax Administration system, defining tasks and responsibilities at vertical levels starting from the Central Office via regional offices to regional branch offices; more efficient establishment of the system of determination, collection and supervision of reporting of incurred tax liabilities; transformation of the Tax Administration into the real service to citizens (Tax Administration as a partner); equal tax practice in the whole territory of the Republic of Croatia in relation to the same tax issues; specialization courses for servants, especially Tax Administration inspectors for specific areas and extension of the knowledge base; establishment of the work performance quality control system based on measurable indicators; reduction in costs of tax collection by the unit of revenue, that is, reaching the average of the costs in the European Union.

When preparing the new organizational model of the Tax Administration, the following criteria were taken into account: number of taxpayers in the area of regional offices and regional branch offices; number of inhabitants in the area of regional offices and regional branch offices; results of the analyses of work performance effectiveness and the level of workload imposed on servants in all regional offices and regional branch offices; creation of the uniformity of actions taken by the servants of the Tax Administration in the whole territory of the Republic of Croatia; distribution of tasks according to the functional approach; geographical position and traffic connection between regional offices and regional branch offices, and the reduction in the number of leadership positions.

The Amendments to the internal organization of the Tax Administration established 7 regional offices within the Tax Administration instead of formerly established 20 regional offices, while the number of regional branch offices was reduced from 122 to 57.



**ORGANIZATIONAL STRUCTURE – ORGANIGRAM OF THE MINISTRY OF FINANCE<sup>62</sup>**



<sup>62</sup> Regulation on the Internal Organization of the Ministry of Finance (Official Gazette 32/12, 67/12, 124/12, 78/13, 102/13, 21/14, 134/14 and 154/14)

# APPENDICES

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## Appendix 1 Basic Macroeconomic Indicators of Croatian Economy

	2010	2011	2012	2013	2014
GDP, current prices (HRK million)	328.041	332.587	330.456	329.571	328.431
GDP, real growth (%)	-1,7	-0,3	-2,2	-1,1	-0,4
GDP, current prices (EUR million)	45.022	44.737	43.959	43.516	43.045
GDP per capita (EUR)	10.191	10.451	10.301	10.225	10.156
Consumer price index, average (%)	1,1	2,3	3,4	2,2	-0,2
Industrial producer price index, average, (%)	4,3	6,3	7,0	0,5	-2,7
Number of registered unemployed persons, average	302.425	305.333	324.323	345.112	328.187
Registered unemployment rate, average (%)	17,4	17,8	18,9	20,2	19,6
Labour force survey unemployment rate, average (%)	11,6	13,7	15,9	17,3	17,3
Average monthly gross wage, HRK	7.679	7.796	7.875	7.939	7.953
Average monthly net wage, HRK	5.343	5.441	5.478	5.515	5.533
Industrial production volume index (working-day adjusted), growth rate (%)	-1,5	-1,2	-5,6	-2,0	1,3
Retail trade turnover (working-day adjusted), real growth rate (%)	-2,6	1,0	-4,3	-0,4	0,3
Number of tourist nights, growth rate (%)	2,6	7,0	4,0	3,3	2,6
Construction work index (working-day adjusted), growth rate (%)	-17,2	-11,4	-11,8	-5,0	-7,3
Exchange rate HRK/EUR, average	7,29	7,43	7,52	7,57	7,63
Exchange rate HRK/USD, average	5,50	5,34	5,85	5,71	5,75
Foreign trade balance (HRK million)	-45.405	-49.802	-49.519	-52.457	-51.574
Exports (HRK million)	64.892	71.234	72.381	72.595	79.099
Imports (HRK million)	110.297	121.036	121.899	125.052	130.673
Current account balance (EUR million)	-487	-349	-57	354	280
Current account balance (% of GDP)	-1,1	-0,8	-0,1	0,8	0,7
External debt, end of period (EUR million)	46.908	46.397	45.297	45.958	46.664
External debt, end of period (% of GDP)	104,2	103,7	103,0	105,6	108,4
International reserves of CNB, end of period (EUR million)	10.660	11.195	11.236	12.908	12.688
Interest rate on treasury bills of 91 days maturity, end of period (%)	2,30	4,55	1,25	0,75	0,28
ZIBOR (3 m), average (%)	2,43	3,15	3,43	1,51	0,97

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

Appendix 2 Budgetary Central Government Revenue in the 2010-2014 Period

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>1</b>	<b>REVENUE</b>	<b>107.466.351</b>	<b>107.069.670</b>	<b>109.558.928</b>	<b>108.585.049</b>	<b>99,1</b>	<b>114.044.485</b>	<b>105,0</b>
<b>11</b>	<b>Taxes</b>	<b>62.856.582</b>	<b>61.422.186</b>	<b>64.693.898</b>	<b>63.044.946</b>	<b>97,5</b>	<b>63.349.864</b>	<b>100,5</b>
<b>111</b>	<b>Taxes on income, profits, and capital gains</b>	<b>7.608.630</b>	<b>8.595.516</b>	<b>8.966.867</b>	<b>7.738.141</b>	<b>86,3</b>	<b>7.059.707</b>	<b>91,2</b>
1111	Payable by individuals	1.201.546	1.307.486	1.269.525	1.372.698	108,1	1.401.942	102,1
1112	Payable by corporations and other enterprises	6.407.084	7.288.030	7.697.342	6.365.443	82,7	5.657.765	88,9
<b>113</b>	<b>Taxes on property</b>	<b>443.983</b>	<b>448.489</b>	<b>397.736</b>	<b>462.315</b>	<b>116,2</b>	<b>385.981</b>	<b>83,5</b>
1134	Taxes on financial and capital transactions	443.983	448.489	397.736	462.315	116,2	385.981	83,5
<b>114</b>	<b>Taxes on goods and services</b>	<b>50.980.460</b>	<b>50.244.065</b>	<b>53.205.019</b>	<b>53.349.544</b>	<b>100,3</b>	<b>55.191.815</b>	<b>103,5</b>
1141	General taxes on goods and services	37.812.425	37.847.826	40.778.865	40.388.379	99,0	41.076.665	101,7
11411	Value-added taxes	37.688.520	37.718.154	40.652.023	40.253.061	99,0	40.923.499	101,7
11412	Sales taxes	123.905	129.672	126.841	135.319	106,7	153.166	113,2
1142	Excises	11.972.326	11.215.054	11.206.489	11.682.936	104,3	12.846.449	110,0
1144	Taxes on specific services	10.486	30.995	30.444	28.132	92,4	117.470	-
1145	Taxes on use of goods and on permission to use goods or perform activities	661.146	635.373	675.389	741.664	109,8	728.216	98,2
11452	Other	661.146	635.373	675.389	741.664	109,8	728.216	98,2
1146	Other taxes on goods and services	524.078	514.817	513.833	508.432	98,9	423.015	83,2
<b>115</b>	<b>Taxes on international trade and transactions</b>	<b>1.644.448</b>	<b>1.766.356</b>	<b>1.754.364</b>	<b>1.159.371</b>	<b>66,1</b>	<b>424.501</b>	<b>36,6</b>
1151	Customs and other import duties	1.644.448	1.766.356	1.754.364	1.159.371	66,1	424.501	36,6
<b>116</b>	<b>Other taxes</b>	<b>2.179.061</b>	<b>367.761</b>	<b>369.912</b>	<b>335.576</b>	<b>90,7</b>	<b>287.860</b>	<b>85,8</b>
<b>12</b>	<b>Social contributions</b>	<b>38.712.382</b>	<b>38.605.067</b>	<b>37.845.871</b>	<b>37.149.263</b>	<b>98,2</b>	<b>41.701.505</b>	<b>112,3</b>
<b>121</b>	<b>Social security contributions</b>	<b>38.712.382</b>	<b>38.605.067</b>	<b>37.845.871</b>	<b>37.149.263</b>	<b>98,2</b>	<b>41.701.505</b>	<b>112,3</b>
1211	Employee contributions	17.290.552	17.302.315	17.493.535	17.619.709	100,7	20.929.492	118,8
1212	Employer contributions	20.783.571	20.686.181	19.771.608	18.924.562	95,7	20.384.790	107,7
1213	Self-employed or nonemployed contributions	638.260	616.570	580.727	604.992	104,2	387.223	64,0
<b>13</b>	<b>Grants</b>	<b>637.087</b>	<b>868.988</b>	<b>968.378</b>	<b>1.737.825</b>	<b>179,5</b>	<b>2.267.995</b>	<b>130,5</b>
<b>131</b>	<b>From foreign governments</b>	<b>13.236</b>	<b>39.130</b>	<b>20.024</b>	<b>6.274</b>	<b>31,3</b>	<b>83.149</b>	<b>-</b>
1311	Current	12.811	3.756	6.883	505	7,3	43.906	-
1312	Capital	424	35.375	13.141	5.770	43,9	39.243	-
<b>132</b>	<b>From international organizations</b>	<b>615.102</b>	<b>827.432</b>	<b>947.857</b>	<b>1.730.233</b>	<b>182,5</b>	<b>2.167.175</b>	<b>125,3</b>
1321	Current	382.815	503.585	481.160	1.143.013	237,6	1.519.316	132,9
1322	Capital	232.287	323.847	466.698	587.220	125,8	647.859	110,3
<b>133</b>	<b>From other general government units</b>	<b>8.749</b>	<b>2.426</b>	<b>497</b>	<b>1.317</b>	<b>265,3</b>	<b>17.671</b>	<b>-</b>
1331	Current	6.100	0	0	1.241	-	3.801	-
1332	Capital	2.649	2.426	497	77	15,5	13.870	-
<b>14</b>	<b>Other revenue</b>	<b>5.260.300</b>	<b>6.173.430</b>	<b>6.050.782</b>	<b>6.653.016</b>	<b>110,0</b>	<b>6.725.121</b>	<b>101,1</b>
<b>141</b>	<b>Property income</b>	<b>1.298.345</b>	<b>1.869.510</b>	<b>1.963.801</b>	<b>1.748.331</b>	<b>89,0</b>	<b>2.368.578</b>	<b>135,5</b>
1411	Interest	125.088	115.034	59.214	123.816	209,1	103.944	84,0
1412	Dividends	111.303	286.579	681.776	577.348	84,7	1.107.328	191,8
1413	Withdrawals from income of quasi-corporations	318.939	637.969	0	0	-	0	-
1415	Rent	743.015	829.928	1.222.812	1.047.166	85,6	1.157.306	110,5
<b>142</b>	<b>Sales of goods and services</b>	<b>1.856.422</b>	<b>1.381.724</b>	<b>1.662.470</b>	<b>1.786.642</b>	<b>107,5</b>	<b>1.577.607</b>	<b>88,3</b>
1422	Administrative fees	1.190.921	1.152.971	990.828	1.017.183	102,7	776.730	76,4
1423	Incidental sales by nonmarket establishments	665.501	228.752	671.643	769.459	114,6	800.877	104,1
<b>143</b>	<b>Fines, penalties, and forfeits</b>	<b>524.795</b>	<b>534.434</b>	<b>525.955</b>	<b>580.941</b>	<b>110,5</b>	<b>621.703</b>	<b>107,0</b>
<b>144</b>	<b>Voluntary transfers other than grants</b>	<b>15.940</b>	<b>29.068</b>	<b>46.341</b>	<b>52.446</b>	<b>113,2</b>	<b>48.504</b>	<b>92,5</b>
1441	Current	12.656	25.337	43.494	51.835	119,2	46.838	90,4
1442	Capital	3.284	3.730	2.846	611	21,5	1.666	272,6
<b>145</b>	<b>Miscellaneous and unidentified revenue</b>	<b>1.564.799</b>	<b>2.358.694</b>	<b>1.852.214</b>	<b>2.484.657</b>	<b>134,1</b>	<b>2.108.729</b>	<b>84,9</b>

Source: Ministry of Finance

Appendix 3 Budgetary Central Government Expense in the 2010-2014 Period

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>2</b>	<b>EXPENSE</b>	<b>120.323.332</b>	<b>119.939.511</b>	<b>118.729.992</b>	<b>123.505.883</b>	<b>104,0</b>	<b>125.689.498</b>	<b>101,8</b>
<b>21</b>	<b>Compensation of employees</b>	<b>31.096.464</b>	<b>31.737.350</b>	<b>31.383.210</b>	<b>30.461.818</b>	<b>97,1</b>	<b>30.031.999</b>	<b>98,6</b>
211	Wages and salaries	26.391.104	26.932.391	26.910.038	26.286.011	97,7	25.632.714	97,5
212	Social contributions	4.705.360	4.804.959	4.473.172	4.175.807	93,4	4.399.285	105,4
2121	Actual social contributions	4.705.360	4.804.959	4.473.172	4.175.807	93,4	4.399.285	105,4
<b>22</b>	<b>Use of goods and services</b>	<b>7.655.745</b>	<b>7.943.604</b>	<b>7.406.320</b>	<b>7.537.416</b>	<b>101,8</b>	<b>7.186.012</b>	<b>95,3</b>
<b>23</b>	<b>Consumption of fixed capital</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>24</b>	<b>Interest</b>	<b>6.236.482</b>	<b>7.097.592</b>	<b>8.335.656</b>	<b>9.259.196</b>	<b>111,1</b>	<b>9.911.063</b>	<b>107,0</b>
241	To nonresidents	1.723.831	2.491.668	3.123.476	3.755.471	120,2	4.411.192	117,5
242	To residents other than general government	4.512.651	4.605.924	5.212.180	5.503.725	105,6	5.499.871	99,9
243	To other general government units	0	0	0	0	-	0	-
<b>25</b>	<b>Subsidies</b>	<b>6.582.192</b>	<b>6.555.277</b>	<b>5.762.321</b>	<b>5.537.845</b>	<b>96,1</b>	<b>5.174.466</b>	<b>93,4</b>
251	To public corporations	3.186.622	3.063.739	2.216.271	2.002.133	90,3	1.147.667	57,3
252	To private enterprises	3.395.569	3.491.538	3.546.050	3.535.712	99,7	4.026.799	113,9
<b>26</b>	<b>Grants</b>	<b>5.778.575</b>	<b>5.083.665</b>	<b>4.843.769</b>	<b>6.511.699</b>	<b>134,4</b>	<b>8.535.443</b>	<b>131,1</b>
261	To foreign governments	58.594	39.806	25.615	9.436	36,8	14.243	150,9
2611	Current	49.412	34.346	21.078	4.111	19,5	6.622	161,1
2612	Capital	9.181	5.459	4.537	5.326	117,4	7.621	143,1
262	To international organizations	175.808	212.234	247.448	2.056.525	-	3.658.166	177,9
2621	Current	175.808	212.234	247.448	2.056.525	-	3.658.166	177,9
2622	Capital	0	0	0	0	-	0	-
263	To other general government units	5.544.174	4.831.625	4.570.706	4.445.737	97,3	4.863.034	109,4
2631	Current	2.663.291	2.468.917	2.440.511	2.362.235	96,8	2.445.495	103,5
2632	Capital	2.880.883	2.362.708	2.130.195	2.083.502	97,8	2.417.539	116,0
<b>27</b>	<b>Social benefits</b>	<b>56.906.555</b>	<b>56.482.968</b>	<b>56.169.850</b>	<b>58.943.356</b>	<b>104,9</b>	<b>59.393.145</b>	<b>100,8</b>
271	Social security benefits	43.008.291	42.752.824	42.797.897	45.411.600	106,1	45.731.750	100,7
272	Social assistance benefits	13.728.987	13.602.326	13.240.668	13.392.974	101,2	13.488.710	100,7
273	Employer social benefits	169.277	127.817	131.285	138.782	105,7	172.685	124,4
<b>28</b>	<b>Other expense</b>	<b>6.067.319</b>	<b>5.039.054</b>	<b>4.828.865</b>	<b>5.254.553</b>	<b>108,8</b>	<b>5.457.370</b>	<b>103,9</b>
281	Property expenditures other than interest	88	12	66	340	-	233	68,5
282	Miscellaneous Other Expenditures	6.067.231	5.039.042	4.828.799	5.254.213	108,8	5.457.137	103,9
2821	Current	2.280.627	2.018.297	2.068.407	2.316.424	112,0	2.760.629	119,2
2822	Capital	3.786.604	3.020.745	2.760.392	2.937.789	106,4	2.696.508	91,8

Source: Ministry of Finance

Appendix 4 Transactions in Nonfinancial Assets of the Budgetary Central Government in the 2010-2014 Period

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>1.232.366</b>	<b>1.138.970</b>	<b>829.626</b>	<b>1.304.518</b>	<b>157,2</b>	<b>1.167.277</b>	<b>89,5</b>
<b>311</b>	<b>Fixed assets</b>	<b>1.200.398</b>	<b>1.118.710</b>	<b>772.151</b>	<b>1.036.609</b>	<b>134,2</b>	<b>1.069.402</b>	<b>103,2</b>
<b>311,1</b>	<b>Acquisitions: fixed assets</b>	<b>1.466.817</b>	<b>1.420.148</b>	<b>1.028.403</b>	<b>1.278.649</b>	<b>124,3</b>	<b>1.386.252</b>	<b>108,4</b>
<b>311,2</b>	<b>Disposals: fixed assets</b>	<b>266.419</b>	<b>301.438</b>	<b>256.251</b>	<b>242.040</b>	<b>94,5</b>	<b>316.850</b>	<b>130,9</b>
3111	Buildings and structures	608.822	484.370	265.596	381.100	143,5	332.087	87,1
3111,1	Acquisitions: buildings and structures	872.737	783.289	514.471	620.335	120,6	645.476	104,1
3111,2	Disposals: buildings and structures	263.915	298.919	248.875	239.235	96,1	313.389	131,0
3112	Machinery and equipment	529.521	594.015	433.550	610.369	140,8	685.283	112,3
3112,1	Acquisitions: machinery and equipment	532.022	596.534	440.927	613.172	139,1	688.744	112,3
3112,2	Disposals: machinery and equipment	2.502	2.519	7.376	2.803	38,0	3.461	123,5
3113	Other fixed assets	62.056	40.325	73.005	45.140	61,8	52.032	115,3
3113,1	Acquisitions: other fixed assets	62.058	40.325	73.005	45.142	61,8	52.032	115,3
3113,2	Disposals: other fixed assets	2	0	0	2	-	0	-
<b>312</b>	<b>Inventories</b>	<b>10.955</b>	<b>2.473</b>	<b>29.280</b>	<b>225.477</b>	<b>-</b>	<b>-369</b>	<b>-</b>
<b>312,1</b>	<b>Acquisitions: inventories</b>	<b>16.910</b>	<b>3.237</b>	<b>33.475</b>	<b>226.012</b>	<b>-</b>	<b>343.819</b>	<b>152,1</b>
<b>312,2</b>	<b>Disposals: inventories</b>	<b>5.954</b>	<b>764</b>	<b>4.195</b>	<b>536</b>	<b>12,8</b>	<b>344.188</b>	<b>-</b>
<b>313</b>	<b>Valuables</b>	<b>6.136</b>	<b>3.741</b>	<b>3.494</b>	<b>1.333</b>	<b>38,1</b>	<b>829</b>	<b>62,2</b>
<b>313,1</b>	<b>Acquisitions: valuables</b>	<b>6.136</b>	<b>3.741</b>	<b>3.494</b>	<b>1.333</b>	<b>38,1</b>	<b>890</b>	<b>66,8</b>
<b>314</b>	<b>Nonproduced assets</b>	<b>14.877</b>	<b>14.046</b>	<b>24.700</b>	<b>41.099</b>	<b>166,4</b>	<b>97.415</b>	<b>237,0</b>
<b>314,1</b>	<b>Acquisitions: nonproduced assets</b>	<b>60.809</b>	<b>58.852</b>	<b>42.610</b>	<b>58.018</b>	<b>136,2</b>	<b>126.036</b>	<b>217,2</b>
<b>314,2</b>	<b>Disposals: nonproduced assets</b>	<b>45.933</b>	<b>44.806</b>	<b>17.910</b>	<b>16.918</b>	<b>94,5</b>	<b>28.621</b>	<b>169,2</b>
3141	Land	-45.536	-42.728	-17.166	-16.095	-	-27.929	-
3141,1	Acquisitions: land	396	1.988	744	823	110,7	692	84,1
3141,2	Disposals: land	45.933	44.716	17.910	16.918	94,5	28.621	169,2
3142	Subsoil assets	0	-90	0	0	-	0	-
3142,2	Disposals: subsoil assets	0	90	0	0	-	0	-
3143	Other naturally occurring assets	0	0	0	0	-	0	-
3144	Intangible nonproduced assets	60.413	56.864	41.866	57.194	136,6	125.344	219,2
3144,1	Acquisitions: intangible nonproduced assets	60.413	56.864	41.866	57.194	136,6	125.344	219,2
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 2010-2014 Period**

	(HRK 000)	2010	2011	2012	2013	2014
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>2.022.682</b>	<b>-618.448</b>	<b>-461.514</b>	<b>14.214.400</b>	<b>-3.465.997</b>
<b>321</b>	<b>Domestic</b>	<b>2.022.294</b>	<b>-623.788</b>	<b>-468.017</b>	<b>14.009.154</b>	<b>-3.671.976</b>
3212	Currency and deposits	569.502	-2.198.870	-1.208.562	4.825.878	-4.881.435
3213	Securities other than shares	0	0	0	0	0
3214	Loans	657.093	1.024.421	92.382	8.558.231	1.588.291
3214,1	Acquisitions: Loans	1.366.444	1.841.105	857.099	8.809.020	12.493.381
3214,2	Disposals: Loans	709.351	816.684	764.717	250.789	10.905.090
3215	Shares and other equity	795.699	550.660	648.163	625.046	-378.832
3215,1	Acquisitions: Shares and other equity	803.044	550.660	650.353	670.510	526.632
3215,2	Disposals: Shares and other equity	7.345	0	2.190	45.464	905.464
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
<b>322</b>	<b>Foreign</b>	<b>388</b>	<b>5.341</b>	<b>6.503</b>	<b>205.245</b>	<b>205.979</b>
3222	Currency and deposits	0	0	0	0	0
3223	Securities other than shares	0	0	0	0	0
3224	Loans	388	0	0	315	0
3224,1	Acquisitions: Loans	2.365	1.793	1.826	2.033	1.478
3224,2	Disposals: Loans	1.977	1.793	1.826	1.717	1.478
3225	Shares and other equity	0	5.341	6.503	204.930	205.979
3225,1	Acquisitions: Shares and other equity	0	5.341	6.503	204.930	205.979
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
<b>323</b>	<b>Monetary gold and SDRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: Ministry of Finance

**Appendix 6 Transactions in Liabilities of the Budgetary Central Government in the 2010-2014 Period**

	(HRK 000)	2010	2011	2012	2013	2014
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>16.112.029</b>	<b>13.390.363</b>	<b>9.539.175</b>	<b>30.439.751</b>	<b>9.346.293</b>
<b>33,1</b>	<b>Total repayments</b>	<b>17.999.196</b>	<b>11.320.894</b>	<b>11.059.657</b>	<b>12.104.801</b>	<b>24.006.772</b>
<b>33,2</b>	<b>Total incurrence</b>	<b>34.111.225</b>	<b>24.711.257</b>	<b>20.598.833</b>	<b>42.544.552</b>	<b>33.353.065</b>
<b>331</b>	<b>Domestic</b>	<b>11.835.071</b>	<b>4.793.136</b>	<b>1.413.994</b>	<b>8.904.914</b>	<b>4.822.165</b>
<b>331,1</b>	<b>Repayments</b>	<b>12.815.011</b>	<b>3.124.139</b>	<b>9.759.469</b>	<b>10.985.488</b>	<b>17.038.293</b>
<b>331,2</b>	<b>Incurrence</b>	<b>24.650.082</b>	<b>7.917.275</b>	<b>11.173.464</b>	<b>19.890.402</b>	<b>21.860.458</b>
3312	Currency and deposits	0	0	0	0	0
3313	Securities other than shares	12.222.784	3.023.835	6.035.183	7.357.785	8.531.662
3313,1	Repayments: Securities other than shares	3.289.266	2.689.441	3.902.510	4.000.000	4.971.950
3313,2	Incurrences: Securities other than shares	15.512.050	5.713.276	9.937.693	11.357.785	13.503.612
3314	Loans	-387.713	1.769.302	-4.621.189	1.547.129	-3.709.497
3314,1	Repayments: Loans	9.525.745	434.698	5.856.959	6.985.488	12.066.343
3314,2	Incurrences: Loans	9.138.032	2.203.999	1.235.770	8.532.617	8.356.846
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
<b>332</b>	<b>Foreign</b>	<b>4.276.958</b>	<b>8.597.227</b>	<b>8.125.181</b>	<b>21.534.837</b>	<b>4.524.128</b>
<b>332,1</b>	<b>Repayments</b>	<b>5.184.185</b>	<b>8.196.755</b>	<b>1.300.188</b>	<b>1.119.313</b>	<b>6.968.479</b>
<b>332,2</b>	<b>Incurrence</b>	<b>9.461.143</b>	<b>16.793.982</b>	<b>9.425.369</b>	<b>22.654.150</b>	<b>11.492.607</b>
3322	Currency and deposits	0	0	0	0	0
3323	Securities other than shares	3.517.533	7.786.583	8.548.785	18.783.420	5.664.765
3323,1	Repayments: Securities other than shares	3.655.005	5.541.105	0	0	3.823.660
3323,2	Incurrences: Securities other than shares	7.172.538	13.327.688	8.548.785	18.783.420	9.488.425
3324	Loans	759.425	810.644	-423.604	2.751.417	-1.140.637
3324,1	Repayments: Loans	1.529.180	2.655.650	1.300.188	1.119.313	3.144.819
3324,2	Incurrences: Loans	2.288.606	3.466.295	876.584	3.870.730	2.004.182
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 2010-2014 Period

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>1</b>	<b>REVENUE</b>	<b>5.385.019</b>	<b>5.054.264</b>	<b>5.004.055</b>	<b>5.152.959</b>	<b>103,0</b>	<b>6.068.920</b>	<b>117,8</b>
<b>11</b>	<b>Taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>12</b>	<b>Social contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>13</b>	<b>Grants</b>	<b>2.037.959</b>	<b>1.751.716</b>	<b>1.695.170</b>	<b>1.693.347</b>	<b>99,9</b>	<b>2.062.950</b>	<b>121,8</b>
131	From foreign governments	0	0	0	0	-	0	-
132	From international organizations	1.772	2.740	1.557	2.900	186,3	3.496	120,6
133	From other general government units	2.036.187	1.748.976	1.693.613	1.690.447	99,8	2.059.454	121,8
1331	Current	4.381	1.138	8.402	1.407	16,7	36.156	-
1332	Capital	2.031.806	1.747.838	1.685.211	1.689.040	100,2	2.023.298	119,8
<b>14</b>	<b>Other revenue</b>	<b>3.347.060</b>	<b>3.302.548</b>	<b>3.308.885</b>	<b>3.459.612</b>	<b>104,6</b>	<b>4.005.970</b>	<b>115,8</b>
<b>2</b>	<b>EXPENSE</b>	<b>4.280.491</b>	<b>4.206.006</b>	<b>3.879.986</b>	<b>4.591.153</b>	<b>118,3</b>	<b>4.277.420</b>	<b>93,2</b>
<b>21</b>	<b>Compensation of employees</b>	<b>275.140</b>	<b>266.748</b>	<b>280.393</b>	<b>302.483</b>	<b>107,9</b>	<b>279.467</b>	<b>92,4</b>
211	Wages and salaries	237.166	229.371	244.015	266.658	109,3	241.449	90,5
212	Social contributions	37.974	37.377	36.378	35.825	98,5	38.018	106,1
<b>22</b>	<b>Use of goods and services</b>	<b>2.650.887</b>	<b>2.420.195</b>	<b>2.361.121</b>	<b>2.541.721</b>	<b>107,6</b>	<b>2.359.083</b>	<b>92,8</b>
<b>24</b>	<b>Interest</b>	<b>315.291</b>	<b>347.031</b>	<b>378.323</b>	<b>428.015</b>	<b>113,1</b>	<b>525.821</b>	<b>122,9</b>
241	To nonresidents	32.158	50.455	47.690	41.518	87,1	39.341	94,8
242	To residents other than general government	283.133	296.576	330.633	384.529	116,3	475.271	123,6
<b>25</b>	<b>Subsidies</b>	<b>44.923</b>	<b>7.154</b>	<b>983</b>	<b>12.722</b>	<b>-</b>	<b>10.406</b>	<b>81,8</b>
251	To public corporations	4.642	0	145	9.450	-	503	5,3
252	To private enterprises	40.281	7.154	838	3.272	-	9.903	-
<b>26</b>	<b>Grants</b>	<b>178.673</b>	<b>126.493</b>	<b>141.598</b>	<b>336.943</b>	<b>238,0</b>	<b>492.465</b>	<b>146,2</b>
263	To other general government units	178.673	126.493	141.598	336.943	238,0	492.465	146,2
2631	Current	6.100	0	787	3.568	-	6.336	177,6
2632	Capital	172.573	126.493	140.811	333.375	236,8	486.129	145,8
<b>27</b>	<b>Social benefits</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
271	Social security benefits	112	0	0	0	-	0	-
<b>28</b>	<b>Other expense</b>	<b>815.465</b>	<b>1.038.385</b>	<b>717.568</b>	<b>969.269</b>	<b>135,1</b>	<b>610.178</b>	<b>63,0</b>
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>1.446.955</b>	<b>2.233.531</b>	<b>2.303.439</b>	<b>2.349.086</b>	<b>102,0</b>	<b>2.047.796</b>	<b>87,2</b>
31,1	Acquisition of nonfinancial assets	1.455.114	2.265.942	2.334.270	2.377.872	101,9	2.051.433	86,3
31,2	Disposal of nonfinancial assets	8.159	32.411	30.831	28.786	93,4	3.637	12,6
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>873.486</b>	<b>458.803</b>	<b>479.212</b>	<b>148.212</b>	<b>30,9</b>	<b>1.068.017</b>	<b>-</b>
321	Domestic	873.486	458.803	479.212	148.212	30,9	1.068.017	-
322	Foreign	0	0	0	0	-	0	-
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>1.215.913</b>	<b>1.844.076</b>	<b>1.658.582</b>	<b>1.935.492</b>	<b>116,7</b>	<b>1.324.313</b>	<b>68,4</b>
331	Domestic	1.136.957	1.849.477	1.727.739	1.897.334	109,8	1.372.874	72,4
332	Foreign	78.956	-5.401	-69.157	38.158	-	-48.561	-

Source: Ministry of Finance

Appendix 8 Transactions of the Croatian Waters in the 2010-2014 Period

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>1</b>	<b>REVENUE</b>	<b>1.998.161</b>	<b>1.919.586</b>	<b>1.860.067</b>	<b>2.010.556</b>	<b>108,1</b>	<b>2.249.637</b>	<b>111,9</b>
<b>11</b>	<b>Taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>12</b>	<b>Social contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>13</b>	<b>Grants</b>	<b>334.354</b>	<b>339.390</b>	<b>288.672</b>	<b>298.199</b>	<b>103,3</b>	<b>260.828</b>	<b>87,5</b>
131	From foreign governments	0	0	0	0	-	0	-
132	From international organizations	1.772	2.740	1.557	2.482	159,4	2.704	108,9
133	From other general government units	332.582	336.650	287.115	295.717	103,0	258.124	87,3
1331	Current	4.381	700	3.130	3	-	34.700	-
1332	Capital	328.201	335.950	283.985	295.714	104,1	223.424	75,6
<b>14</b>	<b>Other revenue</b>	<b>1.663.807</b>	<b>1.580.196</b>	<b>1.571.395</b>	<b>1.712.357</b>	<b>109,0</b>	<b>1.988.809</b>	<b>116,1</b>
<b>2</b>	<b>EXPENSE</b>	<b>1.779.441</b>	<b>1.459.634</b>	<b>1.455.994</b>	<b>1.514.633</b>	<b>104,0</b>	<b>1.538.141</b>	<b>101,6</b>
<b>21</b>	<b>Compensation of employees</b>	<b>125.800</b>	<b>118.327</b>	<b>117.691</b>	<b>121.755</b>	<b>103,5</b>	<b>130.146</b>	<b>106,9</b>
211	Wages and salaries	108.907	101.870	102.460	106.351	103,8	112.158	105,5
212	Social contributions	16.893	16.457	15.231	15.404	101,1	17.988	116,8
<b>22</b>	<b>Use of goods and services</b>	<b>1.109.460</b>	<b>930.804</b>	<b>875.886</b>	<b>834.018</b>	<b>95,2</b>	<b>885.983</b>	<b>106,2</b>
<b>24</b>	<b>Interest</b>	<b>17.828</b>	<b>30.438</b>	<b>46.035</b>	<b>67.062</b>	<b>145,7</b>	<b>87.190</b>	<b>130,0</b>
241	To nonresidents	1.764	1.282	813	339	41,7	148	43,7
242	To residents other than general government	16.064	29.156	45.222	64.755	143,2	75.833	117,1
<b>25</b>	<b>Subsidies</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
251	To public corporations	0	0	0	0	-	0	-
252	To private enterprises	0	0	0	0	-	0	-
<b>26</b>	<b>Grants</b>	<b>53.797</b>	<b>28.447</b>	<b>30.257</b>	<b>69.152</b>	<b>228,5</b>	<b>41.858</b>	<b>60,5</b>
263	To other general government units	53.797	28.447	30.257	69.152	228,5	41.858	60,5
2631	Current	6.100	0	740	358	48,4	422	117,9
2632	Capital	47.697	28.447	29.517	68.794	233,1	41.436	60,2
<b>27</b>	<b>Social benefits</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
271	Social security benefits	0	0	0	0	-	0	-
<b>28</b>	<b>Other expense</b>	<b>472.556</b>	<b>351.618</b>	<b>386.125</b>	<b>422.646</b>	<b>109,5</b>	<b>392.964</b>	<b>93,0</b>
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>378.952</b>	<b>1.185.008</b>	<b>1.319.375</b>	<b>1.052.728</b>	<b>79,8</b>	<b>796.187</b>	<b>75,6</b>
31,1	Acquisition of nonfinancial assets	379.044	1.185.123	1.319.451	1.053.503	79,8	796.588	75,6
31,2	Disposal of nonfinancial assets	92	115	76	775	-	401	51,7
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>-72.616</b>	<b>38.016</b>	<b>-161.607</b>	<b>-33.085</b>		<b>41.389</b>	
321	Domestic	-72.616	38.016	-161.607	-33.085		41.389	
322	Foreign	0	0	0	0		0	
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>87.616</b>	<b>763.072</b>	<b>753.695</b>	<b>523.720</b>		<b>126.080</b>	
331	Domestic	105.053	777.014	767.823	532.502		134.965	
332	Foreign	-17.437	-13.942	-14.128	-8.782		-8.885	

Source: Ministry of Finance

Appendix 9 Transactions of the Fund for Environmental Protection and Energy Efficiency in the 2010-2014 Period

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>1</b>	<b>REVENUE</b>	<b>1.040.675</b>	<b>1.091.289</b>	<b>1.056.742</b>	<b>1.039.054</b>	<b>98,3</b>	<b>1.168.651</b>	<b>112,5</b>
11	Taxes	0	0	0	0	-	0	-
12	Social contributions	0	0	0	0	-	0	-
13	Grants	0	22.246	7.457	6.946	93,1	41.799	-
131	From foreign governments	0	0	0	0	-	0	-
132	From international organizations	0	0	0	418	-	792	189,5
133	From other general government units	0	22.246	7.457	6.528	87,5	41.007	-
1331	Current	0	438	1.631	1.404	86,1	1.133	80,7
1332	Capital	0	21.808	5.826	5.124	88,0	39.874	-
14	Other revenue	1.040.675	1.069.043	1.049.285	1.032.108	98,4	1.126.852	109,2
<b>2</b>	<b>EXPENSE</b>	<b>1.004.188</b>	<b>915.778</b>	<b>959.728</b>	<b>884.081</b>	<b>92,1</b>	<b>1.146.472</b>	<b>129,7</b>
21	Compensation of employees	20.240	23.411	28.432	30.494	107,3	39.157	128,4
211	Wages and salaries	17.327	20.077	24.854	26.714	107,5	33.926	127,0
212	Social contributions	2.913	3.334	3.578	3.780	105,6	5.231	138,4
22	Use of goods and services	784.653	763.362	797.901	713.611	89,4	727.897	102,0
24	Interest	501	139	4.517	5	-	3	60,0
241	To nonresidents	0	0	0	0	-	0	-
242	To residents other than general government	501	139	4.517	5	-	3	60,0
25	Subsidies	44.923	7.154	983	3.418	-	10.406	-
251	To public corporations	4.642	0	145	146	100,7	503	-
252	To private enterprises	40.281	7.154	838	3.272	-	9.903	-
26	Grants	124.876	98.046	111.341	126.265	113,4	326.876	258,9
263	To other general government units	124.876	98.046	111.341	126.265	113,4	326.876	258,9
2631	Current	0	0	47	3.210	-	5.914	184,2
2632	Capital	124.876	98.046	111.294	123.055	110,6	320.962	260,8
27	Social benefits	0	0	0	0	-	0	-
271	Social security benefits	0	0	0	0	-	0	-
28	Other expense	28.995	23.666	16.554	10.288	62,1	42.133	-
31	NET ACQUISITION OF NONFINANCIAL ASSETS	1.582	62.344	20.141	55.391	275,0	171.042	-
31,1	Acquisition of nonfinancial assets	1.608	62.344	20.365	55.394	272,0	171.053	-
31,2	Disposal of nonfinancial assets	26	0	224	3	1,3	11	-
32	NET ACQUISITION OF FINANCIAL ASSETS	34.905	113.167	76.873	99.582	-	-148.863	-
321	Domestic	34.905	113.167	76.873	99.582	-	-148.863	-
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 2010-2014 Period

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>1</b>	<b>REVENUE</b>	<b>1.789.839</b>	<b>1.447.462</b>	<b>1.454.458</b>	<b>1.439.662</b>	<b>99,0</b>	<b>1.814.362</b>	<b>126,0</b>
<b>11</b>	<b>Taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>12</b>	<b>Social contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>13</b>	<b>Grants</b>	<b>1.703.605</b>	<b>1.390.000</b>	<b>1.399.041</b>	<b>1.388.202</b>	<b>99,2</b>	<b>1.760.323</b>	<b>126,8</b>
131	From foreign governments	0	0	0	0	-	0	-
132	From international organizations	0	0	0	0	-	0	-
133	From other general government units	1.703.605	1.390.000	1.399.041	1.388.202	99,2	1.760.323	126,8
1331	Current	0	0	3.641	0	-	323	-
1332	Capital	1.703.605	1.390.000	1.395.400	1.388.202	99,5	1.760.000	126,8
<b>14</b>	<b>Other revenue</b>	<b>86.234</b>	<b>57.462</b>	<b>55.417</b>	<b>51.460</b>	<b>92,9</b>	<b>54.039</b>	<b>105,0</b>
<b>2</b>	<b>EXPENSE</b>	<b>1.405.891</b>	<b>1.320.918</b>	<b>1.276.972</b>	<b>1.478.081</b>	<b>115,7</b>	<b>1.329.603</b>	<b>90,0</b>
<b>21</b>	<b>Compensation of employees</b>	<b>88.674</b>	<b>86.815</b>	<b>87.801</b>	<b>90.933</b>	<b>103,6</b>	<b>92.448</b>	<b>101,7</b>
211	Wages and salaries	76.234	74.613	76.132	79.470	104,4	79.891	100,5
212	Social contributions	12.440	12.202	11.669	11.463	98,2	12.557	109,5
<b>22</b>	<b>Use of goods and services</b>	<b>739.205</b>	<b>686.539</b>	<b>655.091</b>	<b>920.487</b>	<b>140,5</b>	<b>722.967</b>	<b>78,5</b>
<b>24</b>	<b>Interest</b>	<b>268.159</b>	<b>283.868</b>	<b>295.772</b>	<b>314.401</b>	<b>106,3</b>	<b>382.350</b>	<b>121,6</b>
241	To nonresidents	24.988	44.021	43.466	39.107	90,0	37.562	96,0
242	To residents other than general government	243.171	239.847	252.306	275.294	109,1	344.788	125,2
<b>25</b>	<b>Subsidies</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
251	To public corporations	0	0	0	0	-	0	-
252	To private enterprises	0	0	0	0	-	0	-
<b>26</b>	<b>Grants</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>141.526</b>	<b>-</b>	<b>123.731</b>	<b>87,4</b>
263	To other general government units	0	0	0	141.526	-	123.731	87,4
2631	Current	0	0	0	0	-	0	-
2632	Capital	0	0	0	141.526	-	123.731	87,4
<b>27</b>	<b>Social benefits</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
271	Social security benefits	0	0	0	0	-	0	-
<b>28</b>	<b>Other expense</b>	<b>309.853</b>	<b>263.696</b>	<b>238.308</b>	<b>10.734</b>	<b>4,5</b>	<b>8.107</b>	<b>75,5</b>
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>1.069.699</b>	<b>1.013.340</b>	<b>983.156</b>	<b>1.267.712</b>	<b>128,9</b>	<b>1.082.996</b>	<b>85,4</b>
31,1	Acquisition of nonfinancial assets	1.070.880	1.017.552	985.528	1.268.295	128,7	1.083.483	85,4
31,2	Disposal of nonfinancial assets	1.181	4.212	2.372	583	24,6	487	83,5
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>356.936</b>	<b>48.973</b>	<b>113.328</b>	<b>-251.763</b>	<b>-</b>	<b>316.305</b>	<b>-</b>
321	Domestic	356.936	48.973	113.328	-251.763	-	316.305	-
322	Foreign	0	0	0	0	-	0	-
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>1.042.687</b>	<b>935.769</b>	<b>918.998</b>	<b>1.054.368</b>	<b>-</b>	<b>914.542</b>	<b>-</b>
331	Domestic	926.845	895.422	946.007	985.389	-	950.451	-
332	Foreign	115.842	40.347	-27.009	68.979	-	-35.909	-

Source: Ministry of Finance

**Appendix 11 Transactions of the State Agency for Deposit Insurance and Bank Rehabilitation in the 2010-2014 Period**

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>1</b>	<b>REVENUE</b>	<b>529.642</b>	<b>552.819</b>	<b>576.101</b>	<b>597.248</b>	<b>103,7</b>	<b>749.263</b>	<b>125,5</b>
<b>11</b>	<b>Taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>12</b>	<b>Social contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>13</b>	<b>Grants</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
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	-
<b>14</b>	<b>Other revenue</b>	<b>529.642</b>	<b>552.819</b>	<b>576.101</b>	<b>597.248</b>	<b>103,7</b>	<b>749.263</b>	<b>125,5</b>
<b>2</b>	<b>EXPENSE</b>	<b>16.967</b>	<b>408.867</b>	<b>89.460</b>	<b>538.282</b>	<b>-</b>	<b>174.655</b>	<b>32,4</b>
<b>21</b>	<b>Compensation of employees</b>	<b>7.215</b>	<b>7.454</b>	<b>7.482</b>	<b>6.051</b>	<b>80,9</b>	<b>4.893</b>	<b>80,9</b>
211	Wages and salaries	6.184	6.389	6.486	5.297	81,7	4.222	79,7
212	Social contributions	1.031	1.065	996	754	75,7	671	89,0
<b>22</b>	<b>Use of goods and services</b>	<b>5.307</b>	<b>10.917</b>	<b>5.687</b>	<b>6.745</b>	<b>118,6</b>	<b>2.791</b>	<b>41,4</b>
<b>24</b>	<b>Interest</b>	<b>272</b>	<b>191</b>	<b>117</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
241	To nonresidents	0	0	0	0	-	0	-
242	To residents other than general government	272	191	117	0	-	0	-
<b>25</b>	<b>Subsidies</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
251	To public corporations	0	0	0	0	-	0	-
252	To private enterprises	0	0	0	0	-	0	-
<b>26</b>	<b>Grants</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
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	-
<b>27</b>	<b>Social benefits</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
271	Social security benefits	112	0	0	0	-	0	-
<b>28</b>	<b>Other expense</b>	<b>4.061</b>	<b>390.305</b>	<b>76.174</b>	<b>525.486</b>	<b>-</b>	<b>166.971</b>	<b>31,8</b>
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>2.657</b>	<b>312</b>	<b>145</b>	<b>134</b>	<b>92,4</b>	<b>182</b>	<b>135,8</b>
31,1	Acquisition of nonfinancial assets	2.657	312	145	134	92,4	182	135,8
31,2	Disposal of nonfinancial assets	0	0	0	0	-	0	-
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>510.018</b>	<b>143.640</b>	<b>486.496</b>	<b>58.832</b>	<b>-</b>	<b>574.426</b>	<b>-</b>
321	Domestic	510.018	143.640	486.496	58.832	-	574.426	-
322	Foreign	0	0	0	0	-	0	-
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
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
<b>1</b>	<b>REVENUE</b>	<b>41.216</b>	<b>56.687</b>	<b>137,5</b>	<b>49.247</b>	<b>86,9</b>
<b>11</b>	<b>Taxes</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>12</b>	<b>Social contributions</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>13</b>	<b>Grants</b>	<b>80</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
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	-
<b>14</b>	<b>Other revenue</b>	<b>41.136</b>	<b>56.687</b>	<b>137,8</b>	<b>49.247</b>	<b>86,9</b>
<b>2</b>	<b>EXPENSE</b>	<b>84.648</b>	<b>97.832</b>	<b>115,6</b>	<b>138.861</b>	<b>141,9</b>
<b>21</b>	<b>Compensation of employees</b>	<b>25.041</b>	<b>38.987</b>	<b>155,7</b>	<b>38.098</b>	<b>97,7</b>
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
<b>22</b>	<b>Use of goods and services</b>	<b>24.374</b>	<b>26.556</b>	<b>109,0</b>	<b>58.046</b>	<b>218,6</b>
<b>24</b>	<b>Interest</b>	<b>26.133</b>	<b>31.882</b>	<b>122,0</b>	<b>33.359</b>	<b>104,6</b>
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
<b>25</b>	<b>Subsidies</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>9.304</b>	<b>-</b>
251	To public corporations	0	0	-	9.304	-
252	To private enterprises	0	0	-	0	-
<b>26</b>	<b>Grants</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
263	To other general government units	0	0	-	0	-
2631	Current	0	0	-	0	-
2632	Capital	0	0	-	0	-
<b>27</b>	<b>Social benefits</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
271	Social security benefits	0	0	-	0	-
<b>28</b>	<b>Other expense</b>	<b>9.100</b>	<b>407</b>	<b>4,5</b>	<b>54</b>	<b>13,3</b>
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>-26.544</b>	<b>-19.378</b>	<b>-</b>	<b>-25.204</b>	<b>-</b>
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
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>52.016</b>	<b>-35.878</b>	<b>-</b>	<b>64.989</b>	<b>-</b>
321	Domestic	52.016	-35.878	-	64.989	-
322	Foreign	0	0	-	0	-
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>68.904</b>	<b>-14.111</b>	<b>-</b>	<b>129.399</b>	<b>-</b>
331	Domestic	88.580	13.909	-	150.826	-
332	Foreign	-19.676	-28.020	-	-21.427	-

Source: Ministry of Finance

\*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.

**Appendix 13 Transactions of the Restructuring and Sale Centre (CERP) in 2013\*-2014 Period**

	(000 HRK)	2013	2014	Index 2014/2013
<b>1</b>	<b>REVENUE</b>	<b>17.192</b>	<b>87.007</b>	<b>-</b>
<b>11</b>	<b>Taxes</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>12</b>	<b>Social contributions</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>13</b>	<b>Grants</b>	<b>0</b>	<b>0</b>	<b>-</b>
131	From foreign governments	0	0	-
132	From international organizations	0	0	-
133	From other general government units	0	0	-
1331	Current	0	0	-
1332	Capital	0	0	-
<b>14</b>	<b>Other revenue</b>	<b>17.192</b>	<b>87.007</b>	<b>-</b>
<b>2</b>	<b>EXPENSE</b>	<b>37.215</b>	<b>88.549</b>	<b>237,9</b>
<b>21</b>	<b>Compensation of employees</b>	<b>15.152</b>	<b>12.823</b>	<b>84,6</b>
211	Wages and salaries	14.265	11.252	78,9
212	Social contributions	887	1.571	177,1
<b>22</b>	<b>Use of goods and services</b>	<b>8.814</b>	<b>19.445</b>	<b>220,6</b>
<b>24</b>	<b>Interest</b>	<b>13.188</b>	<b>56.278</b>	<b>-</b>
241	To nonresidents	432	1.631	-
242	To residents other than general government	12.756	54.647	-
<b>25</b>	<b>Subsidies</b>	<b>0</b>	<b>0</b>	<b>-</b>
251	To public corporations	0	0	-
252	To private enterprises	0	0	-
<b>26</b>	<b>Grants</b>	<b>0</b>	<b>0</b>	<b>-</b>
261	To foreign governments	0	0	-
262	To international organizations	0	0	-
263	To other general government units	0	0	-
2631	Current	0	0	-
2632	Capital	0	0	-
<b>27</b>	<b>Social benefits</b>	<b>0</b>	<b>0</b>	<b>-</b>
271	Social security benefits	0	0	-
<b>28</b>	<b>Other expense</b>	<b>61</b>	<b>3</b>	<b>4,9</b>
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>-1.675</b>	<b>-2.611</b>	<b>-</b>
31,1	Acquisition of nonfinancial assets	148	127	85,8
31,2	Disposal of nonfinancial assets	1.823	2.738	150,2
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>209.657</b>	<b>284.760</b>	<b>135,8</b>
321	Domestic	209.657	284.760	135,8
322	Foreign	0	0	-
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>228.005</b>	<b>283.691</b>	<b>124,4</b>
331	Domestic	228.617	287.458	125,7
332	Foreign	-612	-3.767	-

Source: Ministry of Finance

*\*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.*

Appendix 14 Consolidated Central Government in the 2010-2014 Period

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>1</b>	<b>REVENUE</b>	<b>110.831.567</b>	<b>110.406.122</b>	<b>112.883.471</b>	<b>112.051.132</b>	<b>99,3</b>	<b>118.066.927</b>	<b>105,4</b>
<b>11</b>	<b>Taxes</b>	<b>62.856.582</b>	<b>61.422.186</b>	<b>64.693.898</b>	<b>63.044.946</b>	<b>97,5</b>	<b>63.349.864</b>	<b>100,5</b>
111	Taxes on income, profits, and capital gains	7.608.630	8.595.516	8.966.867	7.738.141	86,3	7.059.707	91,2
1111	Payable by individuals	1.201.546	1.307.486	1.269.525	1.372.698	108,1	1.401.942	102,1
1112	Payable by corporations and other enterprises	6.407.084	7.288.030	7.697.342	6.365.443	82,7	5.657.765	88,9
113	Taxes on property	443.983	448.489	397.736	462.315	116,2	385.981	83,5
114	Taxes on goods and services	50.980.460	50.244.065	53.205.019	53.349.544	100,3	55.191.815	103,5
1141	General taxes on goods and services	37.812.425	37.847.826	40.778.865	40.388.379	99,0	41.076.665	101,7
11411	Value-added taxes	37.688.520	37.718.154	40.652.023	40.253.061	99,0	40.923.499	101,7
11412	Sales taxes	123.905	129.672	126.841	135.319	106,7	153.166	113,2
1142	Excises	11.972.326	11.215.054	11.206.489	11.682.936	104,3	12.846.449	110,0
115	Taxes on international trade and transactions	1.644.448	1.766.356	1.754.364	1.159.371	66,1	424.501	36,6
116	Other taxes	2.179.061	367.761	369.912	335.576	90,7	287.860	85,8
<b>12</b>	<b>Social contributions</b>	<b>38.712.382</b>	<b>38.605.067</b>	<b>37.845.871</b>	<b>37.149.263</b>	<b>98,2</b>	<b>41.701.505</b>	<b>112,3</b>
<b>13</b>	<b>Grants</b>	<b>655.243</b>	<b>902.892</b>	<b>984.036</b>	<b>1.746.263</b>	<b>177,5</b>	<b>2.295.676</b>	<b>131,5</b>
<b>14</b>	<b>Other revenue</b>	<b>8.607.360</b>	<b>9.475.978</b>	<b>9.359.667</b>	<b>10.110.660</b>	<b>108,0</b>	<b>10.719.882</b>	<b>106,0</b>
<b>2</b>	<b>EXPENSE</b>	<b>122.584.020</b>	<b>122.427.705</b>	<b>120.930.466</b>	<b>126.410.159</b>	<b>104,5</b>	<b>127.920.440</b>	<b>101,2</b>
<b>21</b>	<b>Compensation of employees</b>	<b>31.371.604</b>	<b>32.004.098</b>	<b>31.663.603</b>	<b>30.764.301</b>	<b>97,2</b>	<b>30.311.466</b>	<b>98,5</b>
211	Wages and salaries	26.628.270	27.161.762	27.154.053	26.552.669	97,8	25.874.163	97,4
212	Social contributions	4.743.334	4.842.336	4.509.550	4.211.632	93,4	4.437.303	105,4
<b>22</b>	<b>Use of goods and services</b>	<b>10.306.632</b>	<b>10.363.799</b>	<b>9.767.441</b>	<b>10.079.137</b>	<b>103,2</b>	<b>9.545.095</b>	<b>94,7</b>
<b>24</b>	<b>Interest</b>	<b>6.551.773</b>	<b>7.444.623</b>	<b>8.713.979</b>	<b>9.685.243</b>	<b>111,1</b>	<b>10.425.675</b>	<b>107,6</b>
241	To nonresidents	1.755.989	2.542.123	3.171.166	3.796.989	119,7	4.450.533	117,2
242	To residents other than general government	4.795.784	4.902.500	5.542.813	5.888.254	106,2	5.975.142	101,5
<b>25</b>	<b>Subsidies</b>	<b>6.627.115</b>	<b>6.562.431</b>	<b>5.763.304</b>	<b>5.550.567</b>	<b>96,3</b>	<b>5.184.872</b>	<b>93,4</b>
251	To public corporations	3.191.264	3.063.739	2.216.416	2.011.583	90,8	1.148.170	57,1
252	To private enterprises	3.435.850	3.498.692	3.546.888	3.538.984	99,8	4.036.702	114,1
<b>26</b>	<b>Grants</b>	<b>3.937.445</b>	<b>3.492.346</b>	<b>3.305.855</b>	<b>5.163.733</b>	<b>156,2</b>	<b>6.992.639</b>	<b>135,4</b>
261	To foreign governments	58.594	39.806	25.615	9.436	36,8	14.243	150,9
262	To international organizations	175.808	212.234	247.448	2.056.525	-	3.658.166	177,9
263	To other general government units	3.703.043	3.240.307	3.032.792	3.097.772	102,1	3.320.230	107,2
<b>27</b>	<b>Social benefits</b>	<b>56.906.667</b>	<b>56.482.968</b>	<b>56.169.850</b>	<b>58.943.356</b>	<b>104,9</b>	<b>59.393.145</b>	<b>100,8</b>
271	Social security benefits	43.008.403	42.752.824	42.797.897	45.411.600	106,1	45.731.750	100,7
272	Social assistance benefits	13.728.987	13.602.326	13.240.668	13.392.974	101,2	13.488.710	100,7
273	Employer social benefits	169.277	127.817	131.285	138.782	105,7	172.685	124,4
<b>28</b>	<b>Other expense</b>	<b>6.882.784</b>	<b>6.077.439</b>	<b>5.546.433</b>	<b>6.223.822</b>	<b>112,2</b>	<b>6.067.548</b>	<b>97,5</b>
281	Property expense other than interest	88	12	66	340	-	233	68,5
282	Miscellaneous other expense	6.882.696	6.077.427	5.546.367	6.223.482	112,2	6.067.315	97,5
2821	Current	2.325.290	2.475.222	2.172.666	2.865.866	131,9	2.938.535	102,5
2822	Capital	4.557.406	3.602.205	3.373.701	3.357.616	99,5	3.128.780	93,2
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>2.679.321</b>	<b>3.372.501</b>	<b>3.133.065</b>	<b>3.653.604</b>	<b>116,6</b>	<b>3.215.073</b>	<b>88,0</b>
311	Fixed assets	2.487.200	3.213.053	2.949.185	3.223.778	109,3	2.993.824	92,9
312	Inventories	10.955	2.473	29.280	225.477	-	-369	-
313	Valuables	6.136	3.741	3.494	1.333	38,1	829	62,2
314	Nonproduced assets	175.030	153.234	151.105	203.016	134,4	220.789	108,8
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>2.816.593</b>	<b>-353.868</b>	<b>-165.706</b>	<b>14.146.115</b>		<b>-2.724.834</b>	
321	Domestic	2.816.205	-359.208	-172.209	13.940.869		-2.930.813	
322	Foreign	388	5.341	6.503	205.245		205.979	
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>17.248.367</b>	<b>15.040.216</b>	<b>11.014.353</b>	<b>32.158.746</b>		<b>10.343.752</b>	
331	Domestic	12.892.453	6.448.390	2.958.329	10.585.751		5.868.185	
332	Foreign	4.355.914	8.591.826	8.056.024	21.572.995		4.475.567	

Source: Ministry of Finance



Appendix 15 Consolidated Central Government by Government Level in the 2010-2014 Period

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>1</b>	<b>REVENUE</b>	<b>110.831.567</b>	<b>110.406.122</b>	<b>112.883.471</b>	<b>112.051.132</b>	<b>99,3</b>	<b>118.066.927</b>	<b>105,4</b>
	Budgetary Central Government	107.457.602	107.067.244	109.558.431	108.581.764	99,1	114.015.605	105,0
	Extrabudgetary Users	3.373.965	3.338.878	3.325.040	3.469.368	104,3	4.051.322	116,8
	Croatian Waters	1.690.712	1.594.280	1.580.154	1.715.167	108,5	1.992.362	116,2
	Fund for Environmental Protection and Energy Efficiency	1.040.675	1.091.289	1.056.681	1.039.054	98,3	1.168.651	112,5
	Croatian Roads Ltd.	86.234	57.462	55.417	51.460	92,9	54.039	105,0
	State Agency for Deposit Insurance and Bank Rehabilitation	529.642	552.819	576.101	597.248	103,7	749.263	125,5
	Croatian Privatization Fund	26.702	1.892	-	-	-	0	-
	Government Asset Management Agency	-	41.136	56.687	49.247	86,9	0	-
	Restructuring and Sale Centre	-	-	-	17.192	-	87.007	-
<b>2</b>	<b>EXPENSE</b>	<b>122.584.020</b>	<b>122.427.705</b>	<b>120.930.466</b>	<b>126.410.159</b>	<b>104,5</b>	<b>127.920.440</b>	<b>101,2</b>
	Budgetary Central Government	118.312.278	118.224.125	117.050.976	121.822.292	104,1	123.671.900	101,5
	Extrabudgetary Users	4.271.742	4.203.581	3.879.490	4.587.868	118,3	4.248.540	92,6
	Croatian Waters	1.771.232	1.458.210	1.455.498	1.512.665	103,9	1.525.932	100,9
	Fund for Environmental Protection and Energy Efficiency	1.003.648	914.777	959.728	882.764	92,0	1.129.801	128,0
	Croatian Roads Ltd.	1.405.891	1.320.918	1.276.972	1.478.081	115,7	1.329.603	90,0
	State Agency for Deposit Insurance and Bank Rehabilitation	16.967	408.867	89.460	538.282	-	174.655	32,4
	Croatian Privatization Fund	74.004	16.161	-	-	-	-	-
	Government Asset Management Agency	-	84.648	97.832	138.861	141,9	0	-
	Restructuring and Sale Centre	-	-	-	37.215	-	88.549	-
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>2.679.321</b>	<b>3.372.501</b>	<b>3.133.065</b>	<b>3.653.604</b>	<b>116,6</b>	<b>3.215.073</b>	<b>88,0</b>
	Acquisition	3.005.786	3.751.920	3.442.252	3.941.883	114,5	3.908.430	99,2
	Budgetary Central Government	1.550.672	1.485.978	1.107.982	1.564.011	141,2	1.856.997	118,7
	Extrabudgetary Users	1.455.114	2.265.942	2.334.270	2.377.872	101,9	2.051.433	86,3
	Disposals	326.465	379.419	309.187	288.280	93,2	693.357	240,5
	Budgetary Central Government	318.306	347.008	278.356	259.494	93,2	689.720	265,8
	Extrabudgetary Users	8.159	32.411	30.831	28.786	93,4	3.637	12,6
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>2.816.593</b>	<b>-353.868</b>	<b>-165.706</b>	<b>14.146.115</b>	<b>-</b>	<b>-2.724.834</b>	<b>-</b>
<b>321</b>	<b>Domestic</b>	<b>2.816.205</b>	<b>-359.208</b>	<b>-172.209</b>	<b>13.940.869</b>	<b>-</b>	<b>-2.930.813</b>	<b>-</b>
	Budgetary Central Government	1.942.719	-818.011	-651.421	13.792.657	-	-3.998.830	-
	Extrabudgetary Users	873.486	458.803	479.212	148.212	30,9	1.068.017	-
<b>322</b>	<b>Foreign</b>	<b>388</b>	<b>5.341</b>	<b>6.503</b>	<b>205.245</b>	<b>-</b>	<b>205.979</b>	<b>100,4</b>
	Budgetary Central Government	388	5.341	6.503	205.245	-	205.979	100,4
	Extrabudgetary Users	0	0	0	0	-	0	-
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>17.248.367</b>	<b>15.040.216</b>	<b>11.014.353</b>	<b>32.158.746</b>	<b>292,0</b>	<b>10.343.752</b>	<b>32,2</b>
<b>331</b>	<b>Domestic</b>	<b>12.892.453</b>	<b>6.448.390</b>	<b>2.958.329</b>	<b>10.585.751</b>	<b>-</b>	<b>5.868.185</b>	<b>55,4</b>
	Budgetary Central Government	11.835.071	4.793.136	1.413.994	8.904.914	-	4.822.165	54,2
	Extrabudgetary Users	1.057.382	1.655.254	1.544.335	1.680.837	108,8	1.046.020	62,2
<b>332</b>	<b>Foreign</b>	<b>4.355.914</b>	<b>8.591.826</b>	<b>8.056.024</b>	<b>21.572.995</b>	<b>267,8</b>	<b>4.475.567</b>	<b>20,7</b>
	Budgetary Central Government	4.276.958	8.597.227	8.125.181	21.534.837	265,0	4.524.128	21,0
	Extrabudgetary Users	78.956	-5.401	-69.157	38.158	-	-48.561	-

Source: Ministry of Finance

Appendix 16 Local Government (53 Units, 32 Cities, Counties and the City of Zagreb) in the 2010-2014 Period

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>1</b>	<b>REVENUE</b>	<b>15.041.812</b>	<b>14.763.088</b>	<b>15.035.185</b>	<b>15.881.175</b>	<b>105,6</b>	<b>16.063.026</b>	<b>101,1</b>
<b>11</b>	<b>Taxes</b>	<b>8.872.440</b>	<b>8.805.856</b>	<b>9.423.857</b>	<b>11.446.693</b>	<b>121,5</b>	<b>11.538.387</b>	<b>100,8</b>
111	Taxes on income, profits, and capital gains	8.021.829	7.965.284	8.606.644	8.953.357	104,0	9.078.307	101,4
1111	Payable by individuals	8.021.829	7.965.284	8.606.644	8.953.357	104,0	9.078.307	101,4
1112	Payable by corporations and other enterprises	0	0	0	0	-	0	-
113	Taxes on property	439.983	437.557	404.927	1.888.472	-	1.861.545	98,6
114	Taxes on goods and services	398.714	392.941	402.483	594.962	147,8	590.749	99,3
1141	General taxes on goods and services	49.883	51.405	55.378	80.982	146,2	83.000	102,5
11411	Value-added taxes	0	0	0	0	-	0	-
11412	Sales taxes	49.883	51.405	55.378	80.982	146,2	83.000	102,5
1142	Excises	0	0	0	0	-	0	-
115	Taxes on international trade and transactions	0	0	0	0	-	0	-
116	Other taxes	11.913	10.075	9.804	9.902	101,0	7.786	78,6
<b>12</b>	<b>Social contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>13</b>	<b>Grants</b>	<b>2.147.948</b>	<b>2.122.230</b>	<b>1.798.058</b>	<b>2.080.283</b>	<b>115,7</b>	<b>2.259.783</b>	<b>108,6</b>
131	From foreign governments	3.776	549	11	2.898	-	319	11,0
132	From international organizations	2.367	8.814	23.687	30.516	128,8	87.786	287,7
133	From other general government units	2.141.806	2.112.867	1.774.361	2.046.869	115,4	2.171.678	106,1
<b>14</b>	<b>Other revenue</b>	<b>4.021.424</b>	<b>3.835.003</b>	<b>3.813.270</b>	<b>2.354.200</b>	<b>61,7</b>	<b>2.264.856</b>	<b>96,2</b>
<b>2</b>	<b>EXPENSE</b>	<b>13.066.277</b>	<b>12.661.547</b>	<b>13.269.948</b>	<b>13.860.755</b>	<b>104,5</b>	<b>13.824.974</b>	<b>99,7</b>
<b>21</b>	<b>Compensation of employees</b>	<b>3.622.102</b>	<b>3.604.127</b>	<b>3.717.421</b>	<b>3.678.957</b>	<b>99,0</b>	<b>3.818.334</b>	<b>103,8</b>
211	Wages and salaries	3.133.718	3.088.997	3.210.747	3.191.714	99,4	3.286.889	103,0
212	Social contributions	488.383	515.130	506.675	487.242	96,2	531.445	109,1
<b>22</b>	<b>Use of goods and services</b>	<b>4.995.571</b>	<b>4.998.530</b>	<b>5.228.358</b>	<b>5.381.866</b>	<b>102,9</b>	<b>5.555.019</b>	<b>103,2</b>
<b>24</b>	<b>Interest</b>	<b>102.517</b>	<b>126.181</b>	<b>134.863</b>	<b>112.617</b>	<b>83,5</b>	<b>122.375</b>	<b>108,7</b>
241	To nonresidents	352	583	179	94	52,7	16	17,0
242	To residents other than general government	102.147	125.597	134.589	112.523	83,6	122.359	108,7
<b>25</b>	<b>Subsidies</b>	<b>1.253.408</b>	<b>1.043.625</b>	<b>1.037.691</b>	<b>1.179.666</b>	<b>113,7</b>	<b>1.059.333</b>	<b>89,8</b>
251	To public corporations	1.066.185	882.406	891.619	1.043.335	117,0	914.072	87,6
252	To private enterprises	187.223	161.219	146.072	136.331	93,3	145.261	106,6
<b>26</b>	<b>Grants</b>	<b>299.226</b>	<b>291.279</b>	<b>313.289</b>	<b>412.553</b>	<b>131,7</b>	<b>389.746</b>	<b>94,5</b>
261	To foreign governments	0	510	707	6.168	-	2.794	45,3
262	To international organizations	0	605	4.817	6.107	126,8	25.771	-
263	To other general government units	299.226	290.163	307.765	400.278	130,1	361.181	90,2
2631	Current	167.229	153.746	160.947	203.328	126,3	208.611	102,6
2632	Capital	131.997	136.417	146.818	196.950	134,1	152.570	77,5
<b>27</b>	<b>Social benefits</b>	<b>647.916</b>	<b>652.601</b>	<b>710.944</b>	<b>916.056</b>	<b>128,9</b>	<b>972.195</b>	<b>106,1</b>
271	Social security benefits	0	0	0	0	-	0	-
272	Social assistance benefits	616.744	623.596	689.990	896.218	129,9	936.127	104,5
273	Employer social benefits	31.172	29.005	20.954	19.838	94,7	36.068	181,8
<b>28</b>	<b>Other expense</b>	<b>2.145.538</b>	<b>1.945.205</b>	<b>2.127.383</b>	<b>2.179.040</b>	<b>102,4</b>	<b>1.907.972</b>	<b>87,6</b>
281	Property expense other than interest	0	0	0	0	-	0	-
282	Miscellaneous other expense	2.145.538	1.945.205	2.127.383	2.179.040	102,4	1.907.972	87,6
2821	Current	1.483.437	1.372.127	1.423.299	1.431.798	100,6	1.444.153	100,9
2822	Capital	662.101	573.078	704.084	747.242	106,1	463.819	62,1
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>2.168.528</b>	<b>1.671.392</b>	<b>1.440.588</b>	<b>1.610.529</b>	<b>111,8</b>	<b>1.639.601</b>	<b>101,8</b>
311	Fixed assets	2.223.776	1.642.846	1.427.353	1.791.997	125,5	1.613.451	90,0
312	Inventories	0	0	0	0	-	0	-
313	Valuables	69	146	93	909	-	121	13,3
314	Nonproduced assets	-55.318	28.400	13.142	-182.377	-	26.029	-
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>-226.342</b>	<b>440.757</b>	<b>247.184</b>	<b>159.538</b>	<b>64,5</b>	<b>427.094</b>	<b>267,7</b>
321	Domestic	-226.342	440.757	247.184	159.538	64,5	427.094	267,7
322	Foreign	0	0	0	0	-	0	-
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>-33.349</b>	<b>10.608</b>	<b>-77.465</b>	<b>-250.354</b>	<b>-</b>	<b>-171.357</b>	<b>-</b>
331	Domestic	-20.901	17.113	-71.266	-244.872	-	-168.555	-
332	Foreign	-12.448	-6.505	-6.199	-5.482	-	-2.802	-

Source: Ministry of Finance

Appendix 17 Consolidated General Government in the 2010-2014 Period

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>1</b>	<b>REVENUE</b>	<b>123.709.173</b>	<b>123.024.529</b>	<b>126.131.604</b>	<b>125.878.640</b>	<b>99,8</b>	<b>131.916.723</b>	<b>104,8</b>
<b>11</b>	<b>Taxes</b>	<b>71.729.021</b>	<b>70.228.042</b>	<b>74.117.755</b>	<b>74.491.639</b>	<b>100,5</b>	<b>74.888.251</b>	<b>100,5</b>
111	Taxes on income, profits, and capital gains	15.630.459	16.560.799	17.573.511	16.691.498	95,0	16.138.014	96,7
1111	Payable by individuals	9.223.376	9.272.770	9.876.169	10.326.054	104,6	10.480.249	101,5
1112	Payable by corporations and other enterprises	6.407.084	7.288.030	7.697.342	6.365.443	82,7	5.657.765	88,9
113	Taxes on property	883.966	886.046	802.663	2.350.786	292,9	2.247.526	95,6
114	Taxes on goods and services	51.379.174	50.637.006	53.607.502	53.944.506	100,6	55.782.564	103,4
1141	General taxes on goods and services	37.862.308	37.899.231	40.834.243	40.469.361	99,1	41.159.665	101,7
11411	Value-added taxes	37.688.520	37.718.154	40.652.023	40.253.061	99,0	40.923.499	101,7
11412	Sales taxes	173.788	181.077	182.220	216.300	118,7	236.166	109,2
1142	Excises	11.972.326	11.215.054	11.206.489	11.682.936	104,3	12.846.449	110,0
115	Taxes on international trade and transactions	1.644.448	1.766.356	1.754.364	1.159.371	66,1	4.245.501	36,6
116	Other taxes	2.190.974	377.836	379.715	345.478	91,0	295.646	85,6
<b>12</b>	<b>Social contributions</b>	<b>38.712.382</b>	<b>38.605.067</b>	<b>37.845.871</b>	<b>37.149.263</b>	<b>98,2</b>	<b>41.701.505</b>	<b>112,3</b>
121	Social security contributions	38.712.382	38.605.067	37.845.871	37.149.263	98,2	41.701.505	112,3
<b>13</b>	<b>Grants</b>	<b>638.985</b>	<b>880.441</b>	<b>995.042</b>	<b>1.772.879</b>	<b>178,2</b>	<b>2.342.229</b>	<b>132,1</b>
<b>14</b>	<b>Other revenue</b>	<b>12.628.784</b>	<b>13.310.980</b>	<b>13.172.936</b>	<b>12.464.859</b>	<b>94,6</b>	<b>12.984.738</b>	<b>104,2</b>
<b>2</b>	<b>EXPENSE</b>	<b>133.486.090</b>	<b>132.944.571</b>	<b>132.413.362</b>	<b>138.217.247</b>	<b>104,4</b>	<b>139.532.184</b>	<b>101,0</b>
<b>21</b>	<b>Compensation of employees</b>	<b>34.993.705</b>	<b>35.608.225</b>	<b>35.381.024</b>	<b>34.443.258</b>	<b>97,3</b>	<b>34.129.800</b>	<b>99,1</b>
211	Wages and salaries	29.761.988	30.250.759	30.364.799	29.744.383	98,0	29.161.052	98,0
212	Social contributions	5.231.717	5.357.466	5.016.225	4.698.875	93,7	4.968.748	105,7
<b>22</b>	<b>Use of goods and services</b>	<b>15.302.203</b>	<b>15.362.330</b>	<b>14.995.799</b>	<b>15.461.004</b>	<b>103,1</b>	<b>15.100.114</b>	<b>97,7</b>
<b>24</b>	<b>Interest</b>	<b>6.654.290</b>	<b>7.570.804</b>	<b>8.848.842</b>	<b>9.797.860</b>	<b>110,7</b>	<b>10.548.050</b>	<b>107,7</b>
241	To nonresidents	1.756.342	2.542.706	3.171.345	3.797.083	119,7	4.450.549	117,2
242	To residents other than general government	4.897.931	5.028.097	5.677.402	6.000.777	105,7	6.097.501	101,6
<b>25</b>	<b>Subsidies</b>	<b>7.880.522</b>	<b>7.606.056</b>	<b>6.800.995</b>	<b>6.730.232</b>	<b>99,0</b>	<b>6.244.205</b>	<b>92,8</b>
251	To public corporations	4.257.449	3.946.146	3.108.035	3.054.917	98,3	2.062.242	67,5
252	To private enterprises	3.623.073	3.659.911	3.692.959	3.675.315	99,5	4.181.963	113,8
<b>26</b>	<b>Grants</b>	<b>2.072.465</b>	<b>1.638.943</b>	<b>1.832.092</b>	<b>3.522.619</b>	<b>192,3</b>	<b>5.169.155</b>	<b>146,7</b>
261	To foreign governments	58.594	40.316	26.322	15.605	59,3	17.037	109,2
262	To international organizations	175.808	212.840	252.265	2.062.633	-	3.683.937	178,6
263	To other general government units	1.838.063	1.385.788	1.553.505	1.444.382	93,0	1.468.181	101,6
<b>27</b>	<b>Social benefits</b>	<b>57.554.583</b>	<b>57.135.569</b>	<b>56.880.795</b>	<b>59.859.412</b>	<b>105,2</b>	<b>60.365.340</b>	<b>100,8</b>
271	Social security benefits	43.008.403	42.752.824	42.797.897	45.411.600	106,1	45.731.750	100,7
272	Social assistance benefits	14.345.732	14.225.922	13.930.658	14.289.193	102,6	14.424.837	100,9
273	Employer social benefits	200.449	156.822	152.240	158.619	104,2	208.753	131,6
<b>28</b>	<b>Other expense</b>	<b>9.028.322</b>	<b>8.022.645</b>	<b>7.673.816</b>	<b>8.402.862</b>	<b>109,5</b>	<b>7.975.520</b>	<b>94,9</b>
281	Property expense other than interest	88	12	66	340	-	233	68,5
282	Miscellaneous other expense	9.028.234	8.022.632	7.673.750	8.402.522	109,5	7.975.287	94,9
2821	Current	3.808.726	3.847.349	3.595.965	4.297.664	119,5	4.382.688	102,0
2822	Capital	5.219.508	4.175.283	4.077.785	4.104.858	100,7	3.592.599	87,5
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>4.847.849</b>	<b>5.043.893</b>	<b>4.573.653</b>	<b>5.264.132</b>	<b>115,1</b>	<b>4.854.674</b>	<b>92,2</b>
311	Fixed assets	4.710.976	4.855.899	4.376.538	5.015.774	114,6	4.607.275	91,9
312	Inventories	10.955	2.473	29.280	225.477	-	-369	-
313	Valuables	6.206	3.888	3.587	2.242	62,5	950	42,4
314	Nonproduced assets	119.712	181.634	164.247	20.639	12,6	246.818	-
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>2.590.507</b>	<b>87.221</b>	<b>58.456</b>	<b>14.305.668</b>	<b>-</b>	<b>-2.325.120</b>	<b>-</b>
321	Domestic	2.590.119	81.880	51.953	14.100.423	-	-2.531.099	-
322	Foreign	388	5.341	6.503	205.245	-	205.979	100,4
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>17.215.273</b>	<b>15.051.156</b>	<b>10.913.866</b>	<b>31.908.407</b>	<b>292,4</b>	<b>10.145.015</b>	<b>31,8</b>
331	Domestic	12.871.808	6.465.835	2.864.041	10.340.894	-	5.672.250	54,9
332	Foreign	4.343.466	8.585.321	8.049.825	21.567.513	267,9	4.472.765	20,7

Source: Ministry of Finance

Appendix 18 Consolidated General Government by Government Level in the 2010-2014 Period

	(HRK 000)	2010	2011	2012	2013	Index 2013/2012	2014	Index 2014/2013
<b>1</b>	<b>REVENUES</b>	<b>123.709.173</b>	<b>123.024.529</b>	<b>126.131.604</b>	<b>125.878.640</b>	<b>99,8</b>	<b>131.916.723</b>	<b>104,8</b>
	Budgetary Central Government	107.457.602	107.067.244	109.558.431	108.581.764	99,1	114.015.605	105,0
	Extrabudgetary Users	3.351.565	3.307.063	3.312.348	3.462.570	104,5	4.009.770	115,8
	Croatian Waters	1.668.312	1.584.711	1.574.858	1.714.897	108,9	1.991.817	116,1
	Fund for Environmental Protection and Energy Efficiency	1.040.675	1.069.043	1.049.285	1.032.526	98,4	1.127.644	109,2
	Croatian Roads Ltd.	86.234	57.462	55.417	51.460	92,9	54.039	105,0
	State Agency for Deposit Insurance and Bank Rehabilitation	529.642	552.819	576.101	597.248	103,7	749.263	125,5
	Croatian Privatization Fund	26.702	1.892	-	-	-	-	-
	Government Asset Management Agency	-	41.136	56.687	49.247	86,9	0	-
	Restructuring and Sale Centre	-	-	-	17.192	-	87.007	-
	Local Government	12.900.006	12.650.221	13.260.825	13.834.306	104,3	13.891.348	100,4
<b>2</b>	<b>EXPENSE</b>	<b>133.486.090</b>	<b>132.944.571</b>	<b>132.413.362</b>	<b>138.217.247</b>	<b>104,4</b>	<b>139.532.184</b>	<b>101,0</b>
	Budgetary Central Government	116.237.015	116.163.322	115.318.008	119.880.768	104,0	121.753.270	101,6
	Extrabudgetary Users	4.205.199	4.151.516	3.838.098	4.482.523	116,8	3.995.492	89,1
	Croatian Waters	1.754.034	1.436.668	1.439.851	1.455.114	101,1	1.486.771	102,2
	Fund for Environmental Protection and Energy Efficiency	954.303	884.255	933.983	834.970	89,4	1.039.645	124,5
	Croatian Roads Ltd.	1.405.891	1.320.918	1.276.972	1.478.081	115,7	1.205.872	81,6
	State Agency for Deposit Insurance and Bank Rehabilitation	16.967	408.867	89.460	538.282	-	174.655	32,4
	Croatian Privatization Fund	74.004	16.161	-	-	-	-	-
	Government Asset Management Agency	-	84.648	97.832	138.861	141,9	0	-
	Restructuring and Sale Centre	-	-	-	37.215	-	88.549	237,9
	Local Government	13.043.877	12.629.732	13.257.257	13.853.957	104,5	13.783.422	99,5
<b>31</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>4.847.849</b>	<b>5.043.893</b>	<b>4.573.653</b>	<b>5.264.132</b>	<b>115,1</b>	<b>4.854.674</b>	<b>92,2</b>
	Acquisition	5.626.796	5.876.148	5.175.902	6.040.604	116,7	5.852.680	96,9
	Budgetary Central Government	1.550.672	1.485.978	1.107.982	1.564.011	141,2	1.856.997	118,7
	Extrabudgetary Users	1.455.114	2.265.942	2.334.270	2.377.872	101,9	2.051.433	86,3
	Local Government	2.621.009	2.124.228	1.733.651	2.098.721	121,1	1.944.250	92,6
	Disposals	778.947	832.255	602.250	776.472	128,9	998.006	128,5
	Budgetary Central Government	318.306	347.008	278.356	278.356	93,2	689.720	265,8
	Extrabudgetary Users	8.159	32.411	30.831	28.786	93,4	3.637	12,6
	Local Government	452.482	452.836	293.063	488.192	166,6	304.649	62,4
<b>32</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>2.590.507</b>	<b>87.221</b>	<b>58.456</b>	<b>14.305.668</b>		<b>-2.325.120</b>	
<b>321</b>	<b>Domestic</b>	<b>2.590.119</b>	<b>81.880</b>	<b>51.953</b>	<b>14.100.423</b>		<b>-2.531.099</b>	
	Budgetary Central Government	1.942.756	-817.680	-674.443	13.792.673		-4.026.325	
	Extrabudgetary Users	873.486	458.803	479.212	148.212		1.068.017	
	Local Government	-226.123	440.757	247.184	159.538		427.209	
<b>322</b>	<b>Foreign</b>	<b>388</b>	<b>5.341</b>	<b>6.503</b>	<b>205.245</b>		<b>205.979</b>	
	Budgetary Central Government	388	5.341	6.503	205.245		205.979	
	Extrabudgetary Users	0	0	0	0		0	
	Local Government	0	0	0	0		0	
<b>33</b>	<b>NET INCURRENCE OF LIABILITIES</b>	<b>17.215.273</b>	<b>15.051.156</b>	<b>10.913.866</b>	<b>31.908.407</b>		<b>10.145.015</b>	
<b>331</b>	<b>Domestic</b>	<b>12.871.808</b>	<b>6.465.835</b>	<b>2.864.041</b>	<b>10.340.894</b>		<b>5.672.250</b>	
	Budgetary Central Government	11.835.071	4.793.136	1.413.994	8.904.914		4.822.165	
	Extrabudgetary Users	1.057.382	1.655.254	1.544.335	1.680.837		1.046.020	
	Local Government	-20.645	17.444	-94.288	-244.857		-195.935	
<b>332</b>	<b>Foreign</b>	<b>4.343.466</b>	<b>8.585.321</b>	<b>8.049.825</b>	<b>21.567.513</b>		<b>4.472.765</b>	
	Budgetary Central Government	4.276.958	8.597.227	8.125.181	21.534.837		4.524.128	
	Extrabudgetary Users	78.956	-5.401	-69.157	38.158		-48.561	
	Local Government	-12.448	-6.505	-6.199	-5.482		-2.802	

Source: Ministry of Finance

**Publisher:**

Ministry of Finance of the Republic of Croatia

Zagreb, Katančičeva 5

**Editor:**

Bureau for Macroeconomic and Fiscal Analysis and Projections

**Prepared by:**

Bureau for Macroeconomic and Fiscal Analysis and Projections

Sector for Budget Preparation and Financing of Local and Regional Self-Government Units

Sector for Public Debt Management

Sector for European Union

Sector for International Financial Relations

Sector for the Tasks of the National Fund

General Secretariat

**ISSN 1331 - 6192**

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Zagreb, 2015