

REPUBLIC OF CROATIA
MINISTRY OF FINANCE

ECONOMIC AND FISCAL POLICY GUIDELINES
FOR THE PERIOD 2011 - 2013

Zagreb, October 2010

CONTENTS

1. INTRODUCTION	3
2. GOALS AND PRIORITIES OF THE GOVERNMENT OF THE REPUBLIC OF CROATIA IN THE PERIOD 2011 - 2013	4
3. MEDIUM-TERM MACROECONOMIC TRENDS	11
3.1. Macroeconomic trends in 2009 and 2010	11
3.2. International environment	15
3.3. Macroeconomic projections for the period 2011 – 2013	18
3.4. Risks of realisation of projections	23
4. MEDIUM-TERM FISCAL POLICY	25
4.1. Fiscal policy in 2009 and 2010	25
4.2. The Republic of Croatia and international environment.....	27
4.3. Revenue trends for the period 2011 – 2013	29
4.4. Expenditure trends for the period 2011 – 2013.....	33
4.5. The State budget in the context of accession and full-fledged membership of Croatia in the EU.....	47
4.6. Consolidated general government in the period 2011 – 2013.....	48
5. PUBLIC DEBT IN MEDIUM-TERM PERIOD	50
5.1. Public debt in the period 2011 – 2013.....	50
5.2. Testing public debt sensitivity trends.....	52
ANNEXES	54

1. INTRODUCTION

For a second year in a row, the Government of the Republic of Croatia adopted the Economic and Fiscal Policy Guidelines (the Guidelines) based on the Strategy of Government programmes for the period from 2011 to 2013 (the Strategy), adopted at its session held on 23 September 2010.

In the Strategy, the Government has identified the most important goals and routes of operation, while establishing through the Guidelines a stronger connection between the priorities set in the Strategy and the sources of financing, i.e. the budget.

In accordance with the new Budget Act, a three-year budget framework has been introduced so the main objective is determining the trends in the fiscal policy in the upcoming three-year period. At the same time, the Guidelines represent the starting point for drawing the budget for 2011, and the projections for 2012 and 2013.

Thus set up three-year budget framework is crucial for achieving fiscal discipline and allocation of available resources in accordance with strategic priorities.

Accession of the Republic of Croatia to the European Union has significant implications on the overall economic and fiscal policy, so the budget for the upcoming three-year period is to an extent also defined by these facts.

Taking into consideration all of the above, the Guidelines contain the following:

- strategic economic and fiscal policy goals of the Republic of Croatia,
- the main macroeconomic indicators for the Republic of Croatia,
- the main fiscal policy indicators for the Republic of Croatia,
- an estimate of revenues and expenditure, receipts and expenses at all levels of the general government budget,
- the proposal of the amount of the financial plan by divisions of organisational classification comprising the amount of financial plan for the previous budget year and the current budget year, and also the proposal of the amount of the financial plan for the following budget year and two subsequent years, and
- the envisaged changes in public debt and the public debt management strategy.

2. GOALS AND PRIORITIES OF THE GOVERNMENT OF THE REPUBLIC OF CROATIA IN THE PERIOD 2011 - 2013

The Strategy of Government Programmes for the period from 2011 to 2013 ensures the continuity of implementation of strategic goals defined in the first Strategy of Government Programmes for the period from 2010 to 2012. The Strategy of Government Programmes for the period from 2010 to 2012 comprised the plans of all sectors: ranging from justice, health, social welfare system, transport and transport infrastructure, science and education, foreign policy, defence and national security to culture, protection of nature, environment and others. By combining them in one place, the Strategy has contributed to better coordination in the decision-making process regarding key issues not only of the individual sector, but at the level of the Government as well.

However, a key contribution of strategic planning is not in the setting of goals and defining the activities to achieve them, but also in the established mechanism of continuous review whether we are going in the right direction, whether we should revise the set goals, and whether there are better and more efficient ways to achieve them. In this effort, the Strategy of Government Programmes for the period 2011 - 2013 has by defining the performance indicators and target values made a big step forward compared to the previous year. Performance indicators, as objectively measurable and specific signs that something had been done, have been placed in the Strategy in a way to allow monitoring of achievements of implemented activities. This strengthens the system of accountability for the goals set and ways to achieve them.

The strategy reflects and takes into account changes in the region. Macroeconomic trends and fiscal opportunities in the coming medium-term period, conditioned the changes in the dynamics and scope of implementation of certain activities. The Economic Recovery Programme of the Government of the Republic of Croatia has significantly affected the very content of the Strategy, particularly in the section defining the ways to achieve key government goals.

The Strategy also included operational programs that are financed from EU pre-accession programs, but also pointed to the beginning of the use of the Cohesion Fund and structural funds. The Strategy is to emphasize that the funds received from EU funds and the programmes financed from them make an integral part of the state budget. In the upcoming period, these funds will have an increasingly important share in financing public needs and thus they should be considered complementary to those funded in part from the original budget revenues.

The goals of the Strategy cannot be realized without funding sources and that is why it is important to link the strategic and programme planning. The strategic plans of ministries and other state authorities for the period from 2011 to 2013, i.e. the Strategy in its entirety will be linked to the budget for the same period. The Economic and Fiscal Policy Guidelines represent the link between strategic priorities and the budget, through the limits that are assigned to ministries and other beneficiaries of the national budget, and also represent the first step in ensuring the allocation of budgetary resources to those goals that will achieve the greatest impact in priority areas.

The strategic goals included in the Strategy of Government Programmes for the period from 2011 to 2013 are the following:

Macroeconomic and economic stability

Macroeconomic and economic stability will be achieved through more efficient management of public finances by further improving budget processes, strengthening the systems of internal financial controls in the public sector and the development of macroeconomic statistics. Collecting fiscal revenues in a fair and effective manner will also contribute to the stability of public finances, and it will primarily be focused on improving the quality of taxpayer service and simplification of tax and duty procedures. In the context of accession to the European Union, strengthening of capacities to use European Union funds will be of essential, so the goal in the forthcoming period is to use the allocated funds to the greatest possible degree. This will be achieved by establishing and obtaining the operating licence for all institutions envisaged for the implementation of the IPA and subsequent European Union funds, quality preparation of projects in the amount more than the assigned allocations, efficient project implementation and quality financial management, quality preparation of programming documents for the utilisation of the future European Union funds, and systematic and coordinated education on the use of European Union funds by the bodies included in the management system, and other potential beneficiaries of funding.

Optimum environment for the development of a competitive economy

Medium-term economic policy will also be directed at ensuring the optimum environment for developing a competitive Croatian economy. To this end, measures will be taken to strengthen the competitiveness of economic subjects including restructuring and development of certain industry branches, support to development of small economy, encouraging development of economy on islands and the littoral and carrying out inspection controls of economy inspectors in the field of catering, tourism and trade. It is highly important for the competitiveness of the Croatian economy to have a more developed, competitive and flexible labour market, the functioning of which will be enabled through implementing active measures of labour market policy, development of labour market institutions, detecting and combating illegal activities in the field of occupational safety and health at work and through the detection and suppression of illegal activities related to the work of foreigners and the registration of workers into compulsory pension and health insurance. Regulated economy is on one hand based on the competitiveness of businesses, and on the other hand depends largely on the high degree of trust and customer satisfaction. Accordingly, improving the protection of economic interests and consumer safety will be achieved by establishing a good system of consumer protection, enforcement of inspection controls of inspectors in the field of protection of consumers' economic interests, the implementation of activities of sampling foodstuff and non-food products and informing the public about dangerous non-conforming products via websites. Likewise, an important precondition for sustainable and competitive economic growth is a more efficient exploitation of national resources by strengthening competitiveness and sustainability of energy systems, for example, by encouraging the construction of competitive fundamental energy facilities embedded in regional infrastructure and creating preconditions for their implementation, which is also the fundamental task in the upcoming period. Also, efforts will be made to establish the register of research areas and exploitation fields of all mineral resources, repairing and bringing the final purpose of inactive and abandoned (untreated) extraction fields, the creation, renewal and use of commodity reserves, prevention of illegal exploitation of mineral resources and maintenance

of safety and quality of supply and use of electricity and machinery and equipment under pressure.

Strengthening the state of law and the rule of law

Strengthening of the state of law and the rule of law means the strengthening and development of those constitutional and legal categories that represent the legal basis important for the development of democracy. The contribution to this is demonstrated in reform of the judiciary that is directed at the strengthening of preconditions for independence, impartiality and professionalism in the judiciary, acceleration of judicial procedures and rationalization of network of judicial authorities, strengthening the protection of human rights and freedoms, as well as improvement of the prison system. Also of great importance for the strengthening of the state of law is prevention of corruption and organised crime, which is to be achieved through strengthening of legal and institutional framework, cooperation between bodies involved in preventing corruption, and by strengthening activities in the area of preventing corruption and raising awareness about its damaging effects. Modernization of public administration, its full professionalization and provision of fast and reliable public services is an integral part of good entrepreneurial environment and an assumption for providing a better standard for all citizens. In this sense, the measures aimed at rationalizing the state administration and reform of local and regional governments will be implemented as well as those directed towards the development of an effective system of management and development of human resources in the civil service.

Promotion of knowledge, excellence and culture

Promotion of knowledge, excellence and culture through sustainable quality of the education system and expansion of sports will be achieved through the establishment of economic and efficient network of educational institutions, establishment of quality assurance system at all levels of education and development of sports and sports activities system. Development of network of colleges, encouraging consolidation of scientific potential in public institutes and universities will contribute to the development of science as a driver of long-term economic and social development. Promoting and monitoring the development of information society, the development of electronic communications and postal services, establishment of electronic administration through stronger coordination of state administration bodies, optimization and development of computer and communication infrastructure in the state administration, harmonization of national policy for information society development and using common interoperable solutions at the EU level, providing public access to official documents and information of the Republic of Croatia to all users, under same conditions, and impartially, will contribute to the creation of information society. In addition, the development of cultural and art production will result in the development and enhancement of cultural life in the Republic of Croatia through support for the development of art, improvement of entrepreneurship programmes in culture, the development of cultural infrastructure and participation in cultural life, strengthening the presence of Croatian art and culture in the world, encouraging the development of national, public, private and regional theatres and art organizations and ensembles, the support of cultural and artistic amateurism and the preservation of traditional culture, support of the production and distribution of books, journals and electronic publications, support of the development of library services and meeting the needs of users, and through support of programmes of fine arts. Also, revision and publication of a comprehensive Register of cultural goods of the Republic of Croatia, research, documentation and inventory of cultural goods, availability of cultural heritage in the digital environment, the development of comprehensive programmes for protection and

preservation of cultural goods, the systematic monitoring of the condition of cultural goods, increasing the level of inventorying, processing and presentation of museum collections, development of museum infrastructure, improving conditions and increasing the capacity to store the materials in the archives, the introduction of systems for taking over and long-term preservation of archival material in the digital form, strengthening the capacity to protect, treat and describe archival materials, the availability of archival material in the digital environment, and improving monitoring expenditure of funds for achieving cultural autonomy of national minorities will ensure protection and preservation of cultural heritage of the Republic of Croatia.

Uniform regional development

Due to the fact that the socioeconomic differences and development possibilities in different parts of the country and different social groups are becoming more profound, the Government of the Republic of Croatia will continue taking measures in order to ensure uniform regional development of Croatia. This primarily means promoting the development of counties and statistical regions through identification, selection and monitoring of implementation of priority projects in the area of municipal and social infrastructure, award of grants for business infrastructure, support to the work of Partnership Councils of statistical regions and through the management and maintenance of Central electronic database of regional development projects. Furthermore, the sustainable development of less developed regions will be encouraged through rehabilitation of war-affected areas, housing in the special care areas, investment in construction of municipal and social infrastructure on the islands and littoral, creating better living conditions for the population of islands and littoral and by co-financing construction and renewal of road infrastructure. The development of frontier regions will create a foundation for the development of a coordinated, systematic and strategic cooperation at the local, regional and central state level, which will be achieved through the strengthening of cross-border cooperation in frontier regions and involvement of Croatian partners in the transnational cooperation programmes. Forest management in the Republic of Croatia includes sustainable and balanced use of forests and permanent improvement of their condition. In line with this, measures will be implemented aimed at the development of wood industry, the approval and implementation of forest management plans, forest protection and conservation of forest genetic resources and the development of hunting and wildlife management. Sustainable development of water management will be ensured through the development and management of water supply system, water and sea protection and investment in irrigation systems development. The development of the transport system is a prerequisite for uniform regional development of Croatia, and in this sense, investing in the development of transport infrastructure will be continued, the measures that contribute to high quality and development of transport services market will be adopted and efforts will be made on increasing the level of traffic safety.

Strengthening of social justice

Strengthening of social justice is also one of the key goals of the Government of the Republic of Croatia. Care for the persons who require the help of others is an important part of the society's responsibility. To this end, the measures with a view to improving the quality of life of vulnerable social groups will continue. This will be achieved by expansion of services of help in the home and adult day-care to new local communities, encouraging local employment in social services, developing different community services required by persons with disabilities, inclusion of persons with disabilities in the labour market, redefining the system of financial aid, expanding the network of social welfare services, cooperation with civil

society, preparation and implementation of pre-accession and accession activities in the field of social inclusion, care for the victims of war and through the development of an institutional framework for volunteerism and system of measuring volunteer contributions. Likewise, it is vital to socially reinforce the families, children and the young by implementing the measures aimed at affirming families, developing a network of services outside institutions in the community, providing services in the community in collaboration with civil society organizations, local and regional administration and family centres directed towards children, the development of forms of care for victims of domestic violence outside institutions, improving the organization of activities in social welfare institutions, empowering the IT and management system of social welfare, as well as improving the infrastructure of social care institutions. Protection of dignity of the Croatian war veterans in society remains one of the priorities of the Croatian Government, which includes comprehensive care for demobilized war veterans and their family members, Croatian Homeland war army invalids, peacetime army invalids, injured explosive ordnance disposal specialists and their family members, families of the war veterans who died, who were taken prisoners or are still missing. Also, development of a sustainable pension insurance system in terms of aging population will be encouraged, the main aim of which is to increase the share of pension beneficiaries on the basis of individual capitalized savings in the total number of pension beneficiaries and to reduce the share of pension costs for the system of intergenerational solidarity in the gross domestic product. Further development of the pension system implies the achievement of long-term social and financial sustainability of the system, which will in the next three-year period, require changes in the generational solidarity system, as well as changes in the system based on individual capitalized savings.

Positioning of the Republic of Croatia as one of the leading European tourist destinations

One of the main economic policy goals is the positioning of Croatia as one of the leading European tourist destinations. The long-term effect of positive impacts in tourism will be ensured through sustainable exploitation of natural, cultural and historical resources, active participation in their preservation and development, creating of the environment that is attractive to investors, and effective promotion. The development of the tourism sector implies encouraging the development of small and medium-sized enterprises in tourism, investment in human resources development in tourism, creating conditions for good quality and safe stay of tourists and encouraging the development of tourism in underdeveloped areas. Effective promotion of the tourism product and services will be achieved by improving the quality of activities of the Croatian National Tourist Board and the system of tourist boards, as well as the promotion of Croatian tourist destinations.

More competitive sector of agriculture, food processing and fisheries

Creating a productive and competitive agriculture, food processing and fisheries sector requires consistent implementation of comprehensive measures in a number of different areas. Thus, one of the key measures is continued adjustment of systems of aid to agricultural production and fisheries to the European Union system, through the reform of the system of agricultural aid, provision of aids for sustainable use of agricultural land and structural support to farms, processing and aquaculture sectors, and through the adjustment of fishing capacity of state of resources. Also, efforts will be made to improve the market mechanisms for selling agriculture, food industry and fisheries products through land consolidation and agricultural land planning, establishment of mechanisms regulating the market of agricultural products, directing marketing of fisheries products through the fish wholesale market and

encouraging mergers in the fisheries sector. Protection of the health of humans, animals and plants, and the protection of consumers' interests, as an additional measure includes the improvement of the system of safety and quality of food and animal food, establishment of system of certification bodies, improvement of implementation of official controls, measures of health protection of animals and animal welfare, a system of compulsory coding and registration of animals and the establishment of an effective control of transport of animals, improvement of the central veterinary information system and health protection of plants. Rural development will have an increasingly important place in the forming of Croatia's agricultural policy with a view to improving the quality of life in those rural areas where these conditions are considerably lower than the average, reducing the discrepancies in economic development and living conditions relative to other areas, creating a strong agricultural sector, increasing the competitiveness of the rural area, environmental protection and protection of natural resources and protection and progress of the country areas and rural values.

Further strengthening of the international status of the Republic of Croatia

In the previous years, Croatia's international status was reinforced in all aspects of foreign policy: in the area of European integration, accession to NATO and by becoming a non-permanent member of the United Nations Security Council; by developing good neighbourly relations and improving regional cooperation and the overall positioning in the international arena. During 2009 and 2010 further progress was achieved in the EU accession negotiations, which entered its final, decisive phase. The Republic of Croatia has, owing to the persistent work of all structures involved in the negotiation process and the implementation of the reform processes and meeting all other criteria arising from future membership in the European Union, managed to create preconditions for the soon completion of the accession process. In the transitional period until full membership, informing the Croatian public about the EU and the integration process will be of utmost importance, as well as creating authentic Croatian version of *acquis communautaire* and translation for the purposes of the accession.

Improving the police and armed forces in service to citizens

One of the main tasks of the Government of the Republic of Croatia is to maintain satisfactory public order and peace in society. In this context, measures will be taken aimed at reinforcement of prevention of criminal behaviour and improving detection and fight against crime, among other things through the reform of the criminal police, further work on fight against corruption and organised crime, abuse of drugs and violence, especially violence on young people, empowerment of detection of hate crimes, criminal acts over minority and vulnerable groups, criminal acts of human trafficking and criminal acts against intellectual property, as well as through strengthening cooperation between the police and judiciary.

Moreover, measures will be taken to increase road traffic safety including focusing controls on critical time periods, places and serious offences and encouraging cooperation of all entities involved in traffic safety. Another very important factor is the strengthening of security on the state border through border police training according to EU standards, as is the building of efficient national information system for the state border management. Furthermore, by improving the activities on regulating status and issuing documents of Croatian nationals and foreigners and harmonisation of safety regulations in the field of Inspectorate of the Ministry of the Interior with EU standards, progress will be ensured in administrative activities and inspection control. Implementation of measures directed towards improving the system of protection and rescue operations, development of all components of

fire-rescuing system and decreasing pollution of areas with mines and explosive devices, will contribute to the building of integrated system of protection and rescue operations. The fundamental task of the defence system of the Republic of Croatia is to defend its sovereignty and territorial integrity. To that effect, armed forces permanently develop and maintain military capacities in order to respond to safety challenges and dangers. Maintenance of international defence and police cooperation will be contributed to by development of cooperation with neighbours, EU Member States and states in the region, and by successful participation in international peace operations and missions.

Health care, maintaining and improving health

Maintaining and improving health of the entire population by using science-based programmes for the prevention and fight against diseases and health promotion represent the main activities directed towards a healthy population. The goal is to make health care more readily available to the citizens by reorganising and improving the system of urgent medical aid, filling vacancies in the public health care network, development and standardisation of the health care infrastructure and informatisation of the health care system. The system of quality health care will also be ensured by supervising the legality of work of health care establishments, companies engaged in the health care activity and private practice, and expert supervision of the activities of health workers. For the purpose of protection of the public health care interests, meaning maintaining and improving of health, it is vital to promote healthy lifestyles, develop proper dietary habits, increase the level of physical activity and draw attention to harmful effects of various addictions, as well as a quality system of sanitary inspection.

Environmental protection and spatial development

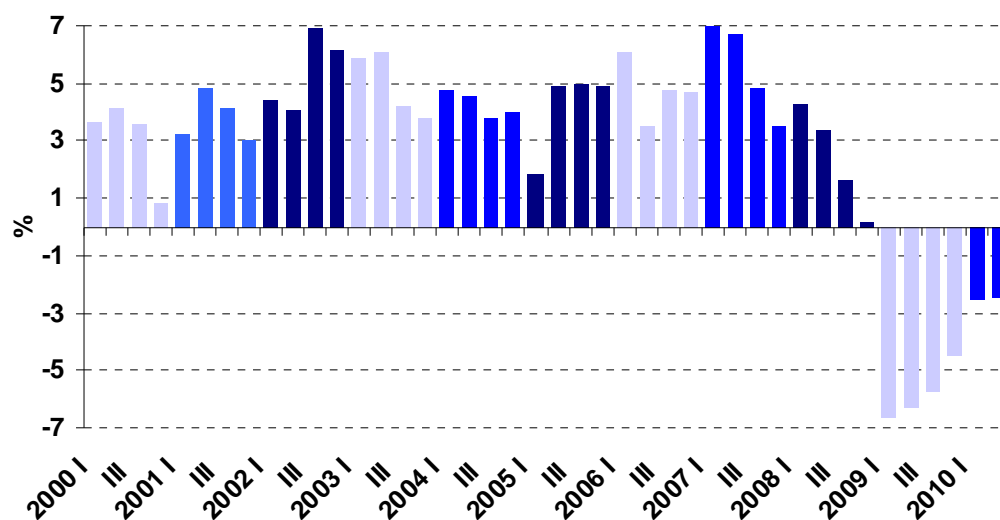
Environmental protection and spatial development is another strategic goal of the Government of the Republic of Croatia. Efficient environmental management will continue in order to create the preconditions for prevention, supervision and activities directed at reducing the pollution of air, land and the sea. Protected and preserved nature will ensure the stability of the fundamental values and potentials for further development of Croatia, and its recognition in Europe as a country that is well aware of the importance of preserving natural resources that with intelligent, sensible and sustainable exploitation may provide many development paths. The goal is to preserve the existing biological, landscape and geological diversity, restore part of the lost species and habitats, where this is possible and justified, and develop an appropriate system for their evaluation and preservation. Activities will be implemented aimed at designated use and purpose of space and at regulating the cadastre with a view to having a spatially balanced network of municipalities and large, medium and smaller towns, preserving the abundance and diversity of natural resources, many of which are a rarity by European standards, preservation of space and largely quality environment with 10 % of the area under protection, and preservation of rich architectural heritage that is valuable on the world scale. Increasing the accuracy and reliability of data on the situation on the ground is the main precondition for effective economic development, quality and efficient functioning of the real- estate market, and implementation of the capital and infrastructure state projects. Also, the measures will be implemented aimed at improving the situation in the field of housing, municipal management and construction that include the construction of apartments through the programme of government stimulated house building, financing construction of family houses, purchasing apartments for housing former tenancy rights and the granting of loans to encourage sales of apartments.

3. MEDIUM-TERM MACROECONOMIC TRENDS

3.1. Macroeconomic trends in 2009 and 2010

The negative impacts of the global economic and financial crisis strongly reflected on the Croatian economy in 2009. This is evident by the trends of gross domestic product (GDP) which recorded a real decline of 5.8% in 2009. The biggest real year-on-year GDP decline of 6.7% was recorded in the first quarter, a bit lower (6.3%) in the second quarter while the decline was slowed down to 5.7% in the third and 4.5% in the fourth quarter.

Chart 1: Real GDP growth of the Republic of Croatia

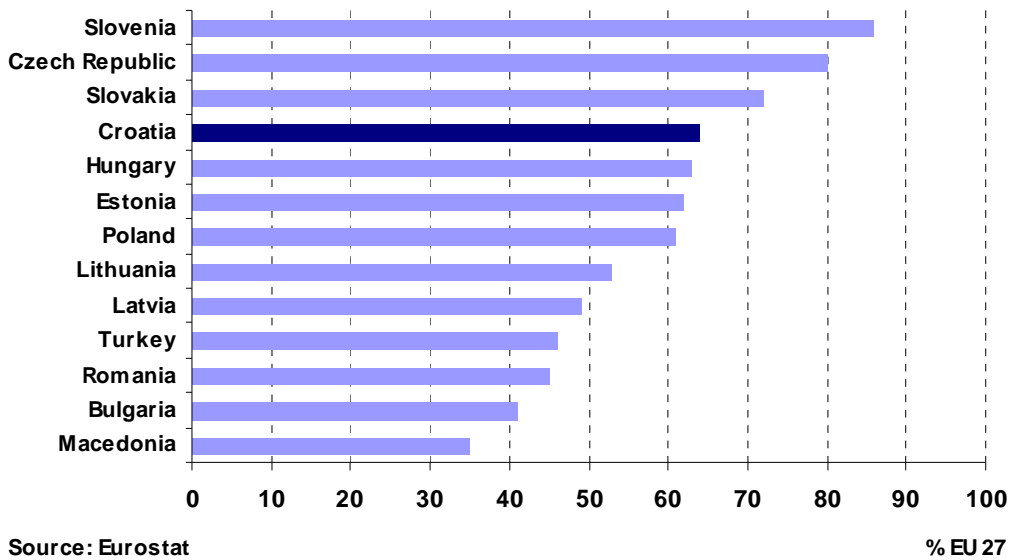


Source: CBS

All components on the expenditure side of GDP, except government consumption, were in real terms reduced compared to 2008. Reduction of disposable income and consumer pessimism influenced the real decline of personal consumption of 8.5%. Investments in fixed capital were in real terms reduced by 11.8%, as a consequence of reduction of both categories, public and private investments. Their trends were defined by lower availability and higher capital price which in combination with the decline of aggregate demand resulted in the delay of investment projects. Reduction of domestic aggregate demand also affected the reduction of the imports of goods and services which in 2009 really fell by 20.7%. Real reduction of the exports of goods and services amounted to 16.2% and it was the consequence of the decline of economic activities in trade partner countries. Government consumption recorded a real growth of 0.2%. Taking into account the share of individual components in overall GDP, the largest contribution to the real GDP reduction came from personal consumption and from investments, while the contribution of net export was positive.

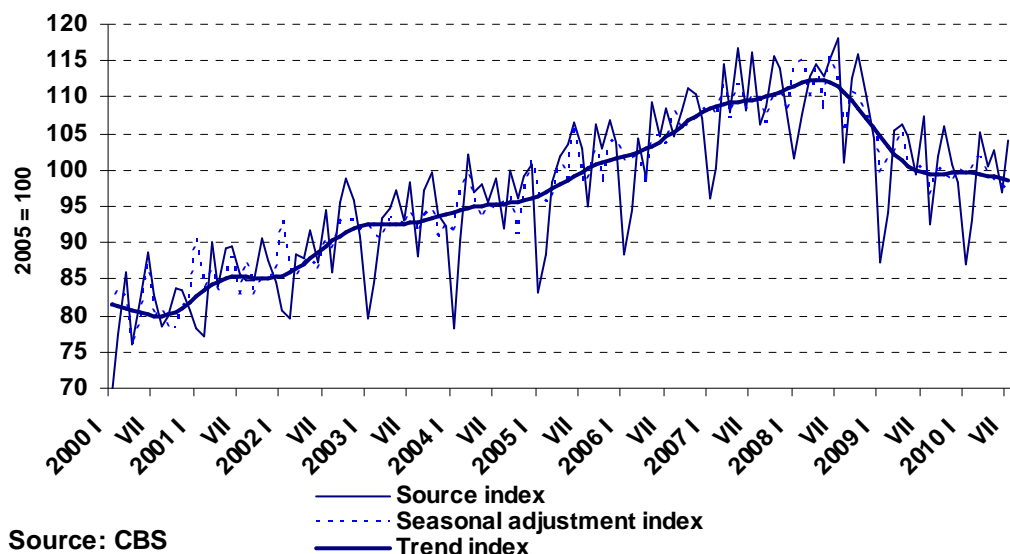
Nominal GDP decline was 2.7% in 2009, reducing the nominal GDP amount to HRK 333.1 billion or EUR 45.4 billion. GDP per capita decreased from around EUR 10,700 in 2008 to approximately EUR 10,200 in 2009. Observed in terms of purchasing power parity, Croatia's GDP reached 64.0% of EU 27 average GDP per capita, which is an increase of one percentage point compared to 2008.

Chart 2: Comparison of GDP per capita according to purchasing power parity per country (in 2009)



Indicators from the real sector including the industrial production index, turnover in retail trade, construction work index and the number of tourist arrivals and overnight stays suggested the decline of economic activity during 2009. Industrial production declined by 9.2% in year-on-year level, turnover in retail trade decreased by 15.3%, while the construction work index recorded a decline of 6.5%. Physical indicators in tourism recorded relatively smaller decline despite the economic crisis, thus the total number of tourist arrivals in 2009 was reduced by 3.2%, and overnight stays by 1.5%. After the inflation in 2008, primarily due to the high growth of the price of crude oil, amounted to 6.1%, year-on-year growth of consumer price index was in 2009 reduced to 2.4%. Decline of economic activity was also reflected on the decline of employment and the increase of unemployment. The average total number of employed persons in 2009 was reduced by 56,000 or 3.6%, while the average number of registered unemployed persons increased by 26,400 or 11.2%. Administrative unemployment rate increased from average 13.2% in 2008, to 14.9% in 2009, while the survey unemployment rate in the same period increased from 8.4% to 9.1%.

Chart 3: Industrial production index of the Republic of Croatia



In the first quarter of 2010, real year-on-year GDP decline amounted to 2.5%. All components on the expenditure side of GDP, except of exports of goods and services, recorded a real decrease on a year-on-year level in the first quarter of 2010. The highest year-on-year decline was recorded in investments in fixed capital, in the amount of 13.9%, which is at the same time the highest recorded reduction of this category until now. It is followed by the imports of goods and services with real decrease of 4.8%, personal consumption was reduced by 4.1%, and government consumption 1.1%. Real growth of the exports of goods and services amounted to 3.6% the first quarter of 2008, which was the highest positive growth rate of this category since the second quarter of 2008. Looking into the contributions to year-on-year GDP growth in the first quarter of 2010, the largest negative contribution was given by investments in fixed capital and personal consumption, while the government consumption had mild negative contribution. The net exports of goods and services achieved significant positive contribution, and positive contribution also came from changes in inventories (including statistical discrepancy).

Continued slowdown of economic activity in the first part of 2010 was suggested by indicators from the real sector, even though with less intensity. Industrial production was reduced by 0.5% on a year-on-year level in the first quarter, real turnover in retail trade 6.3%, construction work index 18.6%, number of tourist overnight stays 3.5%, imports of goods 11.6%, while exports of goods increased by 3.9%. Similar dynamics was also retained by the observed indicators during the second quarter. Thus the industrial production in the second quarter was reduced by 3.3% on a year-on-year level in the second quarter, real turnover in retail trade 4.4%, construction work index 16.8%, number of tourist overnight stays 3.5%, imports of goods 4.1%, while exports of goods increased by 20.3%. The first estimates indicate a real GDP decrease of 2.5% in the second quarter on a year-on-year level. Industrial production in July was reduced by 3.3% on a year-on-year level, while the number of tourist overnight stays increased by 5.2%, and the real turnover in real trade recorded a growth of 0.7%.

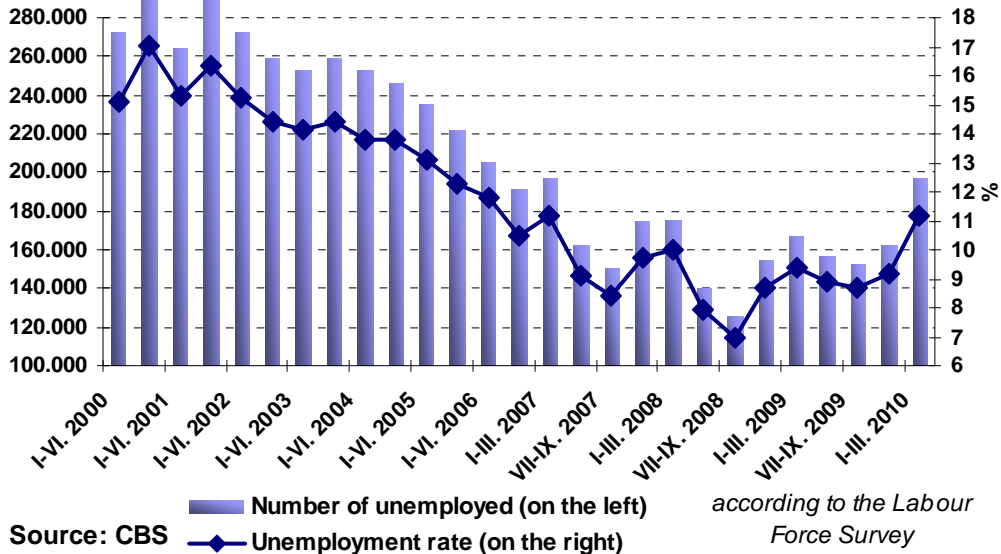
Table 1: Overview of basic macroeconomic indicators (year-on-year change)

%	Industrial production	Retail trade (in real terms)	Construction work index	Tourist overnight stays	Export of goods	Import of goods
2008	1,2	-0,5	11,8	2,0	4,8	8,8
2009	-9,2	-15,3	-6,5	-1,4	-20,3	-25,7
Q1 2009	-10,9	-16,9	-0,3	-16,7	-11,6	-22,4
Q2 2009	-9,5	-16,4	-4,9	-3,3	-22,5	-29,1
Q3 2009	-9,0	-13,6	-7,6	0,0	-29,6	-30,0
Q4 2009	-7,7	-14,4	-12,9	-7,7	-15,4	-20,1
Q1 2010	-0,5	-6,3	-18,6	-3,5	3,8	-11,5
Q2 2010	-3,3	-4,4	-16,8	-3,5	20,3	-4,1
I 2010	-0,1	-9,3	-18,4	-16,4	18,4	-8,8
II 2010	-1,3	-7,3	-21,4	-13,1	-20,7	-15,0
III 2010	-0,2	-2,8	-16,3	13,0	19,8	-10,6
IV 2010	-5,5	-8,0	-17,2	-5,4	4,2	-8,0
V 2010	-1,9	-3,7	-16,1	3,9	29,3	-1,0
VI 2010	-2,4	-1,5	-17,2	-6,2	28,5	-3,1
VII 2010	-3,3	0,7	-19,2	5,2	4,6	-0,9
I-VI 2010	-2,0	-5,3	-17,7	-3,5	12,0	-7,7
I-VII 2010	-2,2	-4,3	-17,9	1,5	10,9	-6,7

Source: CBS

Trends on the labour market indicate further decrease of employment and increase of unemployment in the first seven months of 2010. Average total number of employed persons in the first seven months of 2010 was reduced by 87,100 or 5.8% compared to the previous year, while the average number of registered unemployed persons in the same period increased by 45,600 or 17.7%. Average rate of registered unemployment in the first seven months was 17.5% and in relation to the same period of the previous year increased by three percentage points. Survey unemployment rate in the first quarter of 2010 was 11.2%, and was increased by 1.8 percentage points compared to the first quarter of 2009.

Chart 4: Trends on the labour market in the Republic of Croatia



Year-on-year growth of the consumer price index (CPI) in July 2010 amounted to 1.0%. In the first seven months of 2010, the CPI was 0.8%. On a year-on-year level, increase of prices in July was mostly contributed to by the price of fuel and lubricants for personal transport equipment which were increased by 10.2%. A significant contribution to price growth came from the price of gas which was in July increased by 17.1% and the price of heat energy (75.9%). The biggest influence on the alleviation of year-on-year price growth in July came from food prices which were reduced by 1.1%, particularly decrease of prices of meat (-6.2%), milk, cheese and eggs (-3.8%), and prices of clothing, which were reduced by 6.5%.

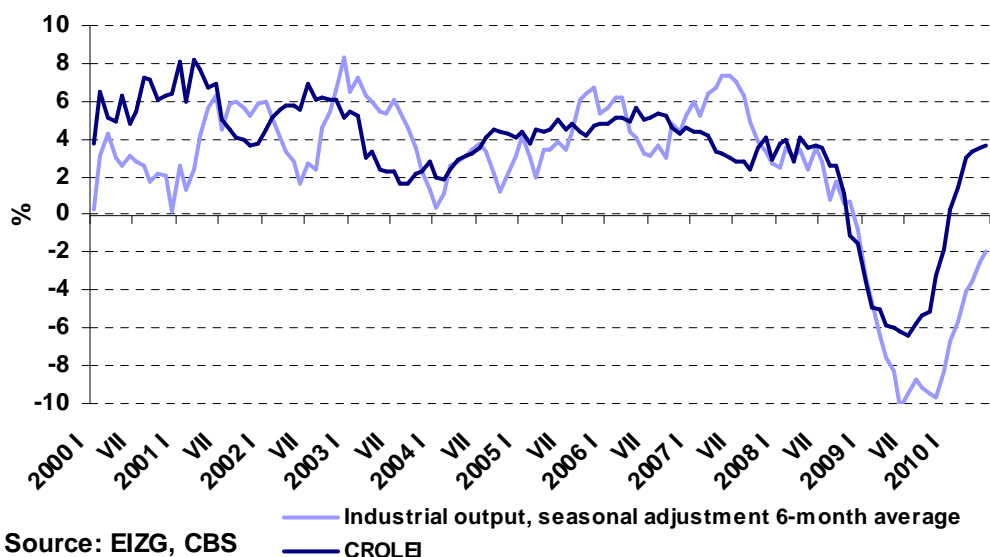
Chart 5: Year-on-year change of consumer price index in the Republic of Croatia



Source: CBS

By using the so-called leading indicators methodology, the Institute of Economics, Zagreb (IEZ) and the Ministry of Finance draw up a complex CROLEI forecasting index. This index predicts the trends in the economic activity in Croatia, where the industrial production index is used as the reference series. In June 2010 CROLEI index halted its accelerating growth which began in January of this year. Thus the year-on-year growth rate was stopped at the May level of 3.6%, which is still the highest index growth rate recorded since July 2008. As in the previous months, the rate increased on the monthly level. Considering that monthly and year-on-year index values have increased, the recovery of economic activity is expected.

Chart 6: CROLEI forecasting index, year-on-year change



Source: EIZG, CBS

3.2. International environment

The data published in the European Commission's Economic Forecasts in spring 2010 indicate real GDP decline of 4.2% in the European Union and of 4.1% in the Eurozone during 2009. The greatest contribution to the decline of economic activity came from the decline of domestic demand due to decline of personal consumption and investments. It is expected that

in 2010 the economies of the Eurozone and the European Union will record recovery and real GDP growth of 0.9% and 1.0% respectively, while the predicted acceleration in the economic activity for 2011 will amount to 1.5% and 1.5% respectively.

Table 2: International environment - macroeconomic indicators

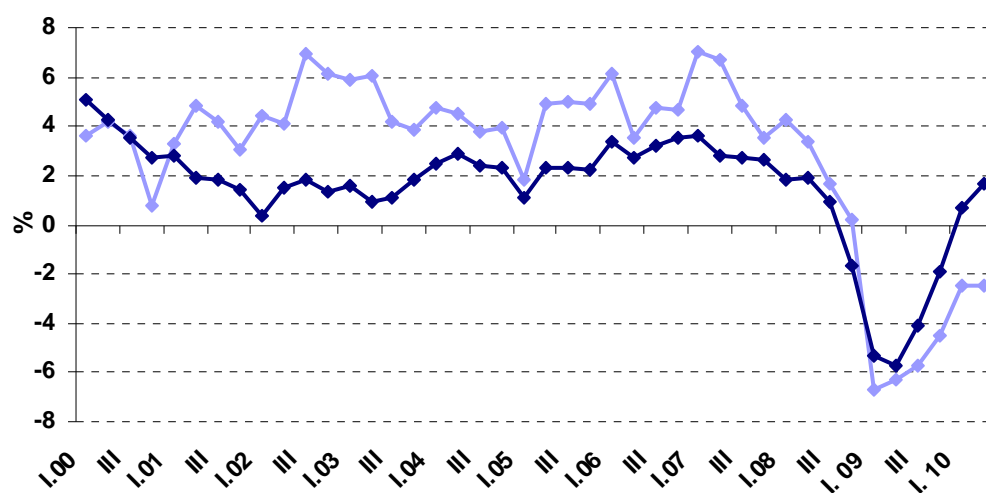
	2008	2009	2010 projection	2011 projection
Real GDP growth				
World	2,9	-0,9	4,0	4,0
European Union	0,7	-4,2	1,0	1,7
Italy	-1,3	-5,0	0,8	1,4
Germany	1,3	-5,0	1,2	1,6
Slovenia	3,5	-7,8	1,1	1,8
Eurozone	0,6	-4,1	0,9	1,5
CPI, annual change				
European Union	3,7	1,0	1,8	1,7
Eurozone	3,3	0,3	1,5	1,7
Oil price increase, in %	35,9	-37,1	36,3	5,6

Source: European Commission: Economic Forecast, Spring 2010

Inflation in 2009 reached 1.0% in the European Union and 0.3% in the Euro zone, where the impact came from the accelerated decline of the prices of energy products and food. Important inflationary pressures are also not expected in the projection period. The effects of oil price growth and expected weaker euro will be cancelled by weak domestic demand, low wages growth and low unit labour cost growth. In such conditions, inflation of 1.8% in the European Union and 1.5% in the Euro zone is expected in 2010, and in 2011 inflation of 1.7% in the European Union and the Euro zone.

Regarding the fact that the Republic of Croatia carries out around 60% of its trade with the EU Member States, the forecasts of economic trends in the European Union have a significant influence on economic trends expectations in Croatia. Along with the trade, economic trends in the European Union affect the Croatian economy via tourism as over 80% of foreign tourists come from the EU Member States. In that context, forming projections of economic trends in Croatia to a large extent depends on the situation in Germany, Italy and Slovenia, since Croatia is in economic terms most closely linked with these states.

Chart 7: Real year-on-year GDP growth of the Republic of Croatia and the European Union



Source: Eurostat, CBS ◆ Croatia ◆ European Union

In the period from the second quarter of 2008 to the second quarter of 2009, the global financial and economic crisis affected the real GDP decline of Italy. After the real GDP decrease of 1.3% in 2008, the decline in 2009 was even greater and amounted to 5.0%.

The above mentioned decline was a result of negative contribution of aggregate demand of -3.4 percentage points, changes in inventories of -0.4 percentage points and net exports of -1.2 percentage point. A recovery resulting in real GDP growth of 0.8% is expected in 2010, and its acceleration of 1.4% is expected in 2011. It is expected that the greatest contribution to growth in this period will come personal consumption.

After several years of intensive economic growth, the global economic crisis strongly hit the Slovenian economy in the last quarter of 2008. Given the high degree of openness of the Slovenian economy, trade was the main channel of transmission of negative trends in Slovenia in the last quarter of 2008 and the first quarter of 2009. Looking at the whole year, real GDP growth slowed to 3.5% in 2008 while the decline in 2009 was 7.8%. The largest contribution to real GDP decline in 2009 came from domestic demand (-6.4 percentage points), then the changes in inventories (-3.5 percentage points), while the contribution of net exports was positive and amounted to 2.1 percentage points. The expected real GDP growth for 2010 is 1.1%, with the largest contribution to net exports, and the real GDP growth for 2011 is 1.8%, where the largest contribution to growth will come from domestic demand.

Real GDP growth in Germany slowed to 1.3% in 2008, and the 2009 saw a real decline in GDP, which amounted to 5.0%. Net exports contributed the most to the real GDP decline in 2009 amounting to -3.0 percentage points, and negative contribution was also given by domestic demand (-1.0 percentage points) and changes in inventories (-0.9 percentage points). Projections indicate to real GDP growth in 2010 of 1.2% and acceleration to 1.6% in 2011. The largest contribution to real GDP growth in 2010 is expected from net exports while in 2011 the largest contribution is expected from domestic demand.

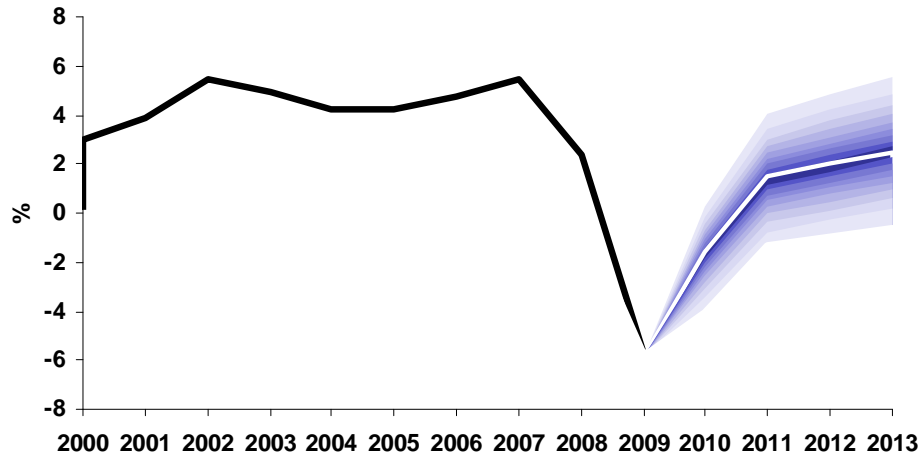
The latest projections of the European Commission published in September 2010 indicate the economic recovery in the EU progressing at a faster pace than previously envisaged. This is mostly a consequence of the more positive growth of real GDP in the second quarter stemmed from an export-driven industrial rebound, but also signs of a revival in domestic demand,

including personal consumption. Consequently, the European Commission forecasts of real GDP growth in the European Union in 2010 were revised upward from 1.0% in the spring projections to 1.8% and in the Euro zone from 0.9% to 1.7%.

3.3. Macroeconomic projections for the period 2011 – 2013

The projections for 2010 indicate a real GDP decline of the Republic of Croatia of 1.6%. In the upcoming period, a real GDP growth of 1.5% is expected in 2011, followed by 2.0% in 2012 and 2.5% in 2013. It is expected that the recovery of economic activity will be affected by more favourable trends in the economic environment, notably real GDP growth in the European Union in 2011 as indicated by the European Commission forecasts. The projections of economic growth in Croatia for the period after 2011 are based on the assumption that favourable economic trends will continue in the European Union. These projections represent a central projection which is subject to change due to a certain degree of uncertainty. The overall probability distribution forecast of real GDP growth, which includes quantification of the impact of uncertainty is shown in Chart 8 and Table 3. The fields marked with the same colour indicate the 10% probability that the achievement of real change in GDP will be in the marked range, which means that the coloured area of the projection horizon chart covers 90% of expected achievement of real GDP growth in the particular year. It should be noted that in calculating the probability distribution forecasts, the European Commission forecasts on economic growth in the EU are treated as secure, so the uncertainty of their realization is not taken into account.

Chart 8: Projection of real GDP growth



Source: CBS, MFIN

Table 3: Overview of estimated probability of realization of real GDP growth, %

	2010p	2011p	2012p	2013p
Mode of distribution (central projection):	-1,6	1,5	2,0	2,5
The estimated probability of achievement to be within the specified interval:				
Pr { > 0% }	8%	80%	87%	91%
Pr { 0% - 1,0% }	7%	21%	16%	12%
Pr { 1,0% - 2,0% }	<5%	24%	22%	19%
Pr { 2,0% - 3,0% }	<5%	19%	22%	22%
Pr { < 0% }	92%	20%	13%	9%
Pr { -1,0% - 0% }	21%	12%	9%	6%
Pr { -1,0% - -2,0% }	31%	6%	<5%	<5%
Pr { -2,0% - -3,0% }	24%	<5%	<5%	<5%
> Mode	47%	47%	49%	50%
< Mode	53%	53%	51%	50%

Source: Calculation of the Ministry of Finance

With regard to expected mild recovery of comparable foreign economies, expected reduction of Croatia's GDP of 1.6% in 2010 will be primarily the result of the structure of the economy. Specifically, the expected increase in foreign demand, as a basic channel of recovery in the short term, will not be able to compensate for the further correction in domestic demand. Here should also be added the problem of size of external debt that is in conflict with the necessity to improve cost and price competitiveness of the economy and which limits the capacities of economic policy action.

Table 4: Projections of key macroeconomic indicators of the Republic of Croatia

	2008	2009	2010 projection	2011 projection	2012 projection	2013 projection
GDP, in HRK million	342.159	333.063	331.498	343.727	360.138	379.315
GDP per capita, in HRK	77.158	75.199	74.846	77.607	81.312	85.642
GDP per capita, in EUR	10.682	10.246	10.317	10.697	11.208	11.805
GDP, real growth (%)	2,4	-5,8	-1,6	1,5	2,0	2,5
Real growth of individual GDP components:						
Personal consumption	0,8	-8,5	-2,7	1,7	2,6	2,6
Public consumption	1,9	0,2	-0,3	-0,4	0,0	0,6
Investments	8,2	-11,8	-8,4	2,4	3,4	4,7
Export of goods and services	1,7	-16,2	3,4	3,9	4,1	4,8
Import of goods and services	3,6	-20,7	-0,9	4,0	4,4	5,1
CPI, % of annual change	6,1	2,4	1,4	2,1	2,5	2,5
Survey unemployment rate, annual average	8,4	9,1	10,4	10,5	10,0	9,5
Current account balance, as % of GDP	-9,2	-5,4	-3,4	-3,6	-4,1	-4,7
External debt, as % of GDP, end of period	85,1	98,2	100,7	101,1	102,0	102,0

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

The projections indicate a real decline in personal consumption of 2.7% in 2010. Considering indicators available so far, and particularly unfavourable trends in the labour market in the first half of 2010, it is certain that, after the strong real decline in personal consumption in 2009 year, a further correction in 2010 will be necessary, in order to reduce real private consumption to a sustainable levels, in the short term as well as in the medium term. Furthermore, taking into account the expected dynamics of disposable income of the citizens, this correction could to some extent be accompanied by reduction of the real value of accumulated household assets.

It should be noted that the slowdown of decline of personal consumption is expected towards the end of 2010, and in the last quarter even the slight real growth. Specifically, positive trends in the labour market and a somewhat higher level of consumer optimism are expected in the second half of 2010, especially considering the abolition of special tax on salaries, pensions and other income, and legal changes in the income tax system. The biggest impact on the year-on-year decline in personal consumption in 2010 will come from its main determinant, real wage bill, which will accelerate its decline compared to last year. Specifically, with repeated significant contribution of the decline of employment, a major part of adjustment of wages to the crisis refers precisely to 2010 so that the contribution of real reduction of net wages to the decline of personal consumption will be much more evident than in 2009. However, it should also be noted that a stronger decline in gross than net wages is expected at the annual level, since as a result of these amendments to the legislation, the share of net wages in gross wages will grow by the end of the year.

The negative contribution to change in personal consumption, but in much smaller absolute amount than in 2009, will also come from the decline of the real amount of granted consumer loans to households, which is a reflection of reduced demand for loans, but also of increased risk aversion by commercial banks. Here should also be added the impact of increased repayments of existing loans to households. Namely, besides the fact that average interest rates of commercial banks on loans for household consumption in the first half of 2010 still remain at high levels of 2009, and sometimes even exceed them, their further dynamics largely depends on the situation on foreign financial markets, which are currently characterized by a relatively high uncertainty.

As regards the rest of the projection period, it is predicted that 2011 will see a recovery of personal consumption and growth of 1.7%, followed by its acceleration to 2.6% in 2012 and 2013. Specifically, a positive contribution to personal consumption growth is foreseen from the real growth of consumer loans to households in the upcoming years, but to a much lesser extent than was the case in the period up to 2008, as much for the reason from the demand side, as from the supply side, so the contributions to the growth of personal consumption from this source will be significantly lower. Likewise, a recovery in consumer optimism is expected in the medium-term, however, it should be noted that in this time frame marginal propensity to consume will grow, but at much lower levels than in previous years. Contribution to the growth of personal consumption by the real net wage bill will be positive in 2011, while its mild growth is expected by the end of the projection period. However, assuming that in the medium-term period the growth of real gross wages will not exceed the growth of labour productivity and taking into account the expectations of the postponed and slower employment recovery points to weaker dynamics of disposable income of households than in the years before the current financial crisis. It is estimated that government consumption in 2010 and 2011 will see real decrease, in 2012 it will be stagnant, and in 2013 certain growth will be recorded.

In the circumstances of further reduction of domestic demand in 2010, the expected real drop in investments will amount to 8.4%, despite a noticeable recovery of foreign demand. Here should above all emphasise further reduction of planned investments in the construction sector, which was the main driver of investment activity over the previous year. Namely, due to exceptionally strong growth in construction activity at the time of arrival of economic crisis, long-term nature of projects and relation to the government investment cycle, adjustment of construction sector to changed conditions was slightly slower and high-frequency indicators in the construction sector began a significant decline only at the end of 2009, and at the beginning of 2010 this decline was further accelerated.

In this context should also be emphasised the presence of a gap between supply and demand for housing objects with a slighter decline of real estate market prices than initially expected, and keeping of interest rates on housing loans at high levels of the end of 2009. In this context, it is difficult to predict the dynamics and intensity of the recovery in construction activity. In addition, problems with refinancing debts and fiscal deficits of some EU Member States have resulted in new fluctuations on international financial markets and further growth of risk aversion, which further limits the possibilities of direct borrowing of companies abroad. On the other hand, domestic real interest rates of commercial banks still remain at high levels.

Taking into account a certain uncertainty regarding the dynamics of recovery of investment activity in the short term, a significant slowdown in decline of investments is still expected at the end of 2010. In the medium term, it is expected that investment spending of private sector will again become an important factor of economic growth. However, with the realistic assumption that the inflow of foreign capital in Croatia will not be as plentiful as in the period leading up to 2008, financing of business sector will rely on the domestic financial system, for which development-oriented allocation of collected funds was not a primary area of interest. However, although a weaker credit activity of commercial banks is expected in the medium term, this is to a larger extent related to loans to households. The corporate sector should have more space for domestic financing. Accordingly, a real growth in investments of 2.4% is predicted for 2011, 3.4% for 2012 and its further acceleration to 4.7% in 2013. A process of stock building recovery by the corporate sector and a positive contribution of the category of inventories to the changes of GDP is expected in 2010. Thus the inventories¹ will in 2010 be at the level of 2.5% of GDP. Similar is expected in 2011, only with slightly lower intensity, when the inventories will reach 2.7%, and then stabilize in the next two years at 2.8% of GDP.

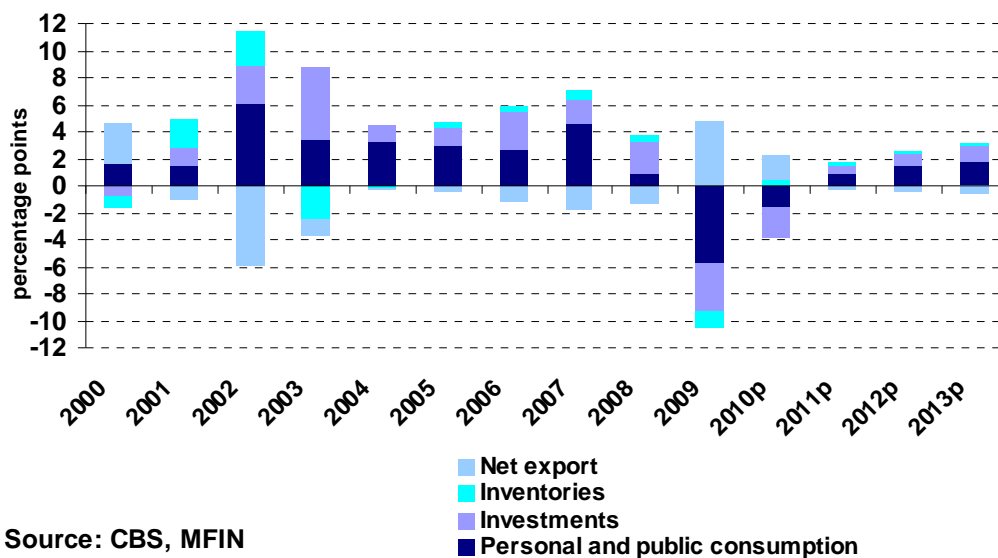
Regarding the net exports, in 2010 it is again expected to have a positive contribution to change in real GDP, but to a much lesser extent than in 2009. As a result of further decline in domestic demand, real reduction in the imports of goods and services is predicted to reach 0.9%, while moderate growth of the imports is expected at the end of the year, in line with other macroeconomic trends described. On account of the previously mentioned decline of investment demand, it is predicted that the import of capital goods will record a significant drop in 2010 and, in accordance with the decline of personal consumption, negative or negligible real contribution of imports of products related to household consumption, such as transport equipment, consumer goods and food products. Finally, in accordance with the weakening of economic activity, it is not expected that there will be any significant real contribution to the growth of imports of goods and services by other categories according to the UN Classification of Broad Economic Categories (BEC).

The projected growth in the exports of goods and services of 3.4% is the result of expected strengthening of foreign demand towards the end of 2010. Taking into account the planned recovery of economic activity of the main Croatian export partners, an increase in exports of goods is expected. On the basis of available physical indicators, increase in the export of services is also expected. In terms of the remaining projection period, assuming that circumstances in the economy will further pick up in the country and abroad, it is expected that the contribution of net exports to economic growth in 2011 will once again become negative, and will be retained until the end of the projection period.

¹ In this category, the CBS also states statistical discrepancy (difference in the calculation of GDP according to production method and expenditure method)

In other words, towards the end of the projection period, somewhat more notable acceleration of imports relative to the exports of goods and services is expected. However, it should be noted that such a negative contribution of the net exports as is expected at the end of the projection period, is still twice as low in comparison to the average in the period between 2005 and 2008.

Chart 9: Contributions to GDP growth in the Republic of Croatia



Source: CBS, MFIN

Primarily due to a decrease of the negative balance of goods and services, 2010 will see a further decline in the balance-of-payments current account deficit, but with weaker intensity than in 2009. Thus, a decrease of the balance-of-payments current account deficit is expected, expressed as a percentage of GDP at about 3.4%. As a result of repeated strengthening of the imports due to the growth of economic activity, an increase of the balance-of-payments current account deficit is expected at 3.6% of GDP in 2011, 4.1% of GDP in 2012, and 4.7% of GDP in 2013. Even though the external debt will increase in the nominal amount, stabilization of its share in GDP at about 102% is expected at the end of the observed period.

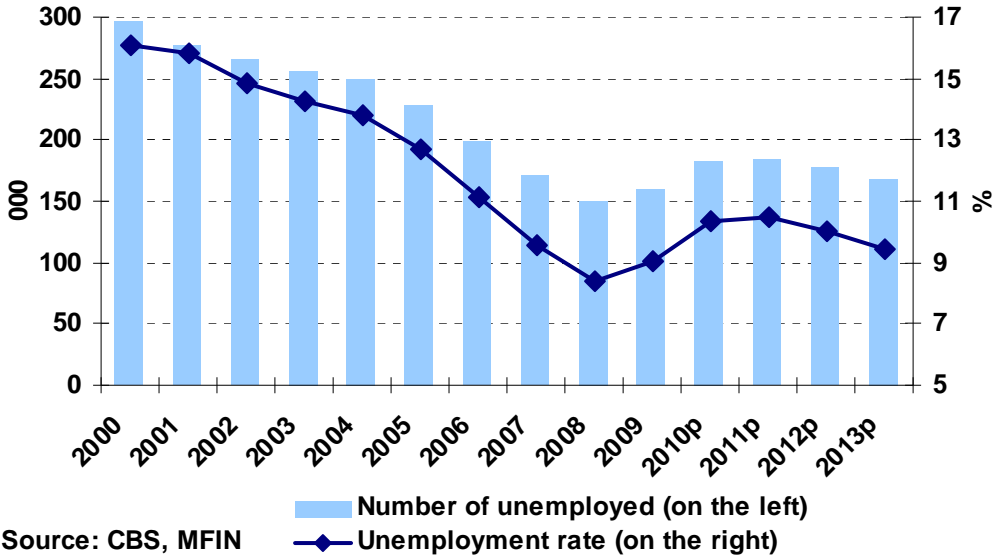
It is estimated that the average year-on-year growth of the consumer price index will slow down from 2.4% in 2009 to 1.4% in 2010. The most significant impact on the slowing down of average annual inflation rate will come from the decline of personal consumption, although, according to trends in personal consumption, its gradual weakening is expected near the end of 2010. In addition, the projected decline in unit labour cost suggests the weakening of pressures on inflation also from the cost side. In contrast, due to rising prices of primary raw materials on world markets in 2010, which is also connected to the effect of the base period, imported inflationary pressures will be strengthened. The expected weakening of the exchange rate of kuna to dollar, in accordance with stronger recovery of the U.S. economy compared to the EU Member States economies should also be noted here, which will affect further increase in the prices of imports of raw materials, especially of oil. Given the anticipated slight appreciation of the exchange rate of kuna to euro, pressures on price growth are not expected from this source. The largest contribution to reduction of inflation in 2010 is expected from food prices and the biggest contribution in the opposite direction from energy prices.

In accordance with the revival of economic activity in Croatia and its strengthening in the international environment, an acceleration of the average annual inflation at 2.1% is expected in 2011. In the last two years of the observed period, retaining inflation at around 2.5% is

expected. In this projection, along with assumptions about the absence of significant price shocks on world markets of raw materials and a stable global macroeconomic framework, also integrated are expectations that the Croatian economy will achieve its potential growth rate gradually and thus avoid increased inflationary pressures by the domestic demand, and also that growth of real gross salaries will not significantly exceed the growth of labour productivity and thus create pricing pressure from the supply side.

The projected slowdown in economic activity in 2010 will be followed by reduced employment and rising unemployment, but it is expected that the intensity of deterioration of labour market indicators will weaken towards the end of the year. The projected survey unemployment rate for 2010 is 10.4%. Seeing that in the upcoming years, the expected recovery of employment will be postponed and slower, the survey employment growth will lag behind the growth of average labour productivity in the whole projection period, particularly in 2011 when only a slight increase in employment is projected. Predictions for 2011, as a result of a somewhat greater growth of labour force, envisage further slight growth of survey unemployment rate to reach 10.5%. In the following two years of the projection period, the survey unemployment rate will record a decline, first to 10.0% in 2012, and then to 9.5% in 2013. Since the decline rate of survey employment will not significantly exceed the rate of GDP decline, significant growth in average labour productivity is not expected in 2010. In the following years productivity will pick up again, while its weakest growth is expected in 2012, and the strongest at the end of projection period, in 2013. It should also be noted that the unit labour cost should, after strong growth in the previous two years, be reduced in 2010, moderately rise in 2011 and then accelerate slightly until the end of the projection period.

Chart 10: Projections of trends on the labour market in the Republic of Croatia



3.4. Risks of realisation of projections

Macroeconomic projections are continued to be characterized by high uncertainty and a wide range of risks. The most important group of risks arises from potentially lower realisation of real GDP growth than projected. Specifically, lower level of economic activity has potentially negative effects on the labour market, fiscal and financial sector. This primarily refers to a further rise in unemployment, impact on fiscal revenues and increased risk aversion of

financial intermediaries, which all entails a wide range of negative implications in the context of maintaining macroeconomic stability.

With regard to external determinants, so far it seems that a stabilization of economic trends occurred in the region and that the European Union Member States are slowly returning to the path of economic growth. Nevertheless, taking into account the situation in the financial sector which is not yet fully consolidated, and the problems with public finances of certain countries, a significant amount of uncertainty is still present. The return of negative trends in the region would certainly have impact on Croatia through the decline in foreign demand, increase in prices and availability of capital and the strengthening of consumer pessimism.

4. MEDIUM-TERM FISCAL POLICY

4.1. Fiscal policy in 2009 and 2010

Deterioration of the macroeconomic conditions in 2009 meant the need to take measures aimed at maintaining the stability and solvency of the public finances. In the framework of ten anti-recession measures of the Government of the Republic of Croatia from February 2009, the first and most important measure announced in April 2009 and then adopted was the first budget revision, in which the total revenues were decreased by 2.6 percentage points of GDP, and the total expenditures by 1.9 percentage points of GDP compared to the original budget plan. In the process, the salary base in the state and public services was reduced to the level from December 2008, while the base for the salary base of state officials was reduced by 10%. In July, the second and third budget revisions were adopted, in which revenues were projected at the amount lower by 1.9 percentage points of GDP, and expenditures at the amount lower by 0.5 percentage points of GDP compared to the previous plan.

On the revenue side of the budget, legal changes to the value-added tax were adopted increasing the general VAT rate from 22% to 23%. Also, special tax on salaries, pensions and other income was introduced, as was the charge for providing mobile electronic communications network services. On the expenditure side, additional savings were achieved and the budget was redistributed. The salary base of state officials was reduced by further 5% and the pensions paid under the Act on the Rights and Duties of Members of the Croatian Parliament were reduced by 10%. In addition to the above, the measures granting free transportation for high school students and free textbooks for all pupils were revoked, except for the pupils coming from low-income families.

State budget execution at the end of the year was largely in accordance with the plan defined within the framework of the third budget revision for 2009. Total deficit of the consolidated general government, in accordance with the national classification of the accounting plan, was in 2009 realised in the amount of HRK 10.4 billion, or at the level of 3.2% of gross domestic product, which is by 0.3 percentage points higher than the planned deficit.

In order to open additional space for the private sector for financing in domestic financial market and after five years of absence from the international financial markets, the Republic of Croatia issued a Eurobond in the amount of EUR 750 million in May 2009, maturing in January 2015. Also, in November 2009 another bond was issued in the U.S. financial market in the amount of USD 1.5 billion with a maturity of 10 years.

In late 2009, the total public debt reached the level of HRK 117.8 billion or 35.4% of GDP.

Regarding the development of the budgetary process, under the new Budget Act which entered into force on 1 January 2009, budget planning process and budget preparation for 2010 began with the development of strategic plans for the three-year period. Accordingly, in September 2009, the Government adopted the Strategy of the Government's Programmes for a three-year period which defined twelve major goals towards which fiscal policy would be directed.

In the context of public finance management, the adoption of the New Development Strategy of Public Internal Financial Control in the Republic of Croatia for the period 2009 - 2011 should also be noted. It was adopted by the Government in September 2009 as part of the budgetary reforms initiated by the State Treasury Development and Modernisation Strategy for the period 2007 - 2011, in accordance with the new Budget Act. Previous Strategies were

directed at creating necessary preconditions for the establishment and development of the said system for budget users, including the creation of a regulatory framework and organizational capacities. The purpose of the new Strategy is for the established system to continue to evolve as a tool for the management structure for responsible, transparent and successful management of budget resources.

In the context of strengthening administrative framework for implementation of EU assistance programmes, it should be noted that the system for the management of irregularities (AFCOS system) fully functions and is prepared for timely detection and reporting of irregularities and fraud.

The abovementioned measures contributed to the stability of public finances in the conditions of economic crisis in 2009 and created a starting base for further implementation of fiscal policy in the forthcoming three-year period with the aim of ensuring the solvency of the system and creating the preconditions for economic recovery.

Further to these 2009 measures, in 2010 the Government developed new guidelines for economic policy activities. For this purpose, three financing models were elaborated - the model "A", model "B" and model "C" aimed at stimulating economic recovery. According to the model "A", the state through HBOR finances bank credit placements at a ratio of 40% HBOR: 60% commercial banks, with the aim of providing solvency to companies for overcoming difficulties in the economy and eliminating negative effects of global economic and financial crisis. In accordance with the model "B", the state formed a guarantee fund that takes on the part of risk of new credit placements of the banks. The purpose of model "C" is to complement the existing models assisting the economy. According to this model, the state participates in helping enterprises in difficulties, which have sufficient capacity and quality to survive in the market with the implementation of restructuring.

In April 2010, the Government adopted a comprehensive Economic Recovery Programme. The main goal of the Programme is to create solid foundations for economic recovery and growth. Based on the measures from the Programme, the Government of the Republic of Croatia on 6 May adopted the Implementation Activities Plan of the Economic Recovery Programme. In this Plan, the measures from the Programme are elaborated in detail as implementation activities with exact dates of implementation. This Programme recommends how to, by recognizing strengths and exploiting opportunities, return economy to the path of sustainable growth, through a comprehensive and consistent programme of measures and activities the results of which will be visible both in the short, medium and long term. Also, the Programme emphasises that the successful transformation of economy requires significant changes in the behaviour of all entities - state and public sector, private enterprises and citizens. A series of measures covered by the Programme rests on the fact that the state can only enhance economic growth by creating an enabling entrepreneurial environment through its activities, but it cannot replace private initiative and responsibility. The main goal of the programme is the economic recovery and creation of a competitive economy for achieving high standards and quality of life, the recovery which is based on the principles of stability, sustainability and social justice.

Until September 2010, the Government of the Republic of Croatia has adopted four Reports on the execution of the Implementation Activities Plan of the Economic Recovery Programme, for the months of May, June, July and August of 2010.

Continued unfavourable economic trends in 2010 were also reflected on the collection of budgetary central government revenues, while on expenditure side it was necessary to provide additional funding for certain categories. Therefore, a budget revision for 2010 was adopted in August 2010, in which on the revenue side, apart from the above mentioned

macroeconomic effects, also present were the effects of revoking lower rate (2%) of the special tax on salaries, pensions and other income since July 2010 and of revoking of its higher rate (4%) in November 2010. Also present were the effects of amendments to the Income Tax Act which has reduced the number of tax rates to three (12%, 25% and 40%) and brackets for their application. The said legislative changes in taxes have a direct impact on the increase of disposable income of the citizens of the Republic of Croatia.

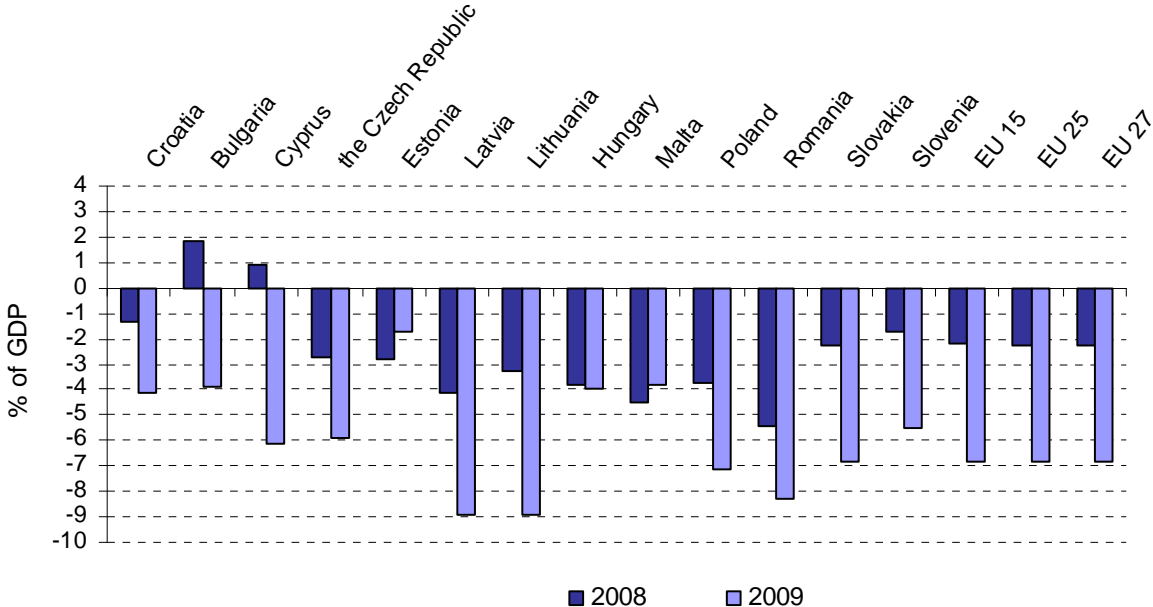
On the expenditure side, additional funds for certain categories such as pensions, compensations for damages caused by natural disasters and other have been provided with substantial savings. The overall budgetary central government expenditure for 2010 have been planned in the amount of HRK 122.3 billion in the state budget revision, where the Conclusion of the Parliament provided that the overall level of budgetary central government expenditure in 2011 and 2012 will not be increased above this amount.

4.2. The Republic of Croatia and international environment

In order to get an overview of the fiscal status of the Republic of Croatia, an analysis of the Croatian fiscal policy in the context of its environment, meaning EU Member States, has to be carried out. Accordingly, a comparison of key fiscal categories of the Republic of Croatia with each of the new EU Member States, including the average of the old EU Member States and all 27 members, is presented below. It should be noted that all data are expressed according to the European ESA 95 methodology on the statistics of public finances for comparison purposes.

With its budget deficit in 2009, Croatia ranked among the states with a lower level of the general government deficit than the EU 27 average.

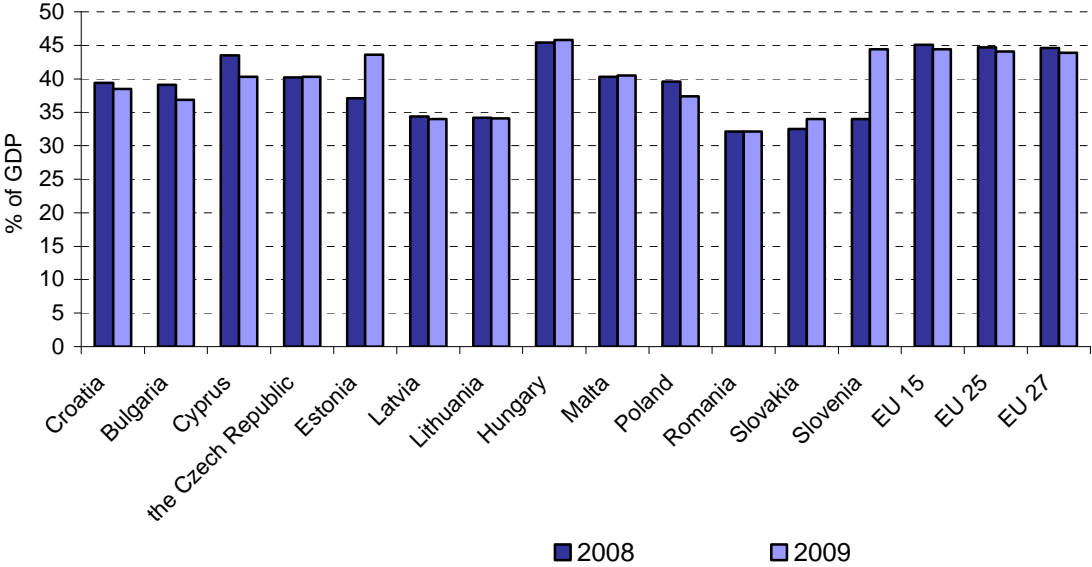
Chart 11: Total deficit/surplus of the budget of the Republic of Croatia and EU countries in 2008 and 2009



Source: Eurostat, Ministry of Finance

The analysis of the revenue side of the consolidated general government budget in 2009 shows that in Croatia the share of revenue in GDP accounts for 38.5%. In comparison to the new EU Member States, Croatia ranks seventh against the share of revenues in GDP.

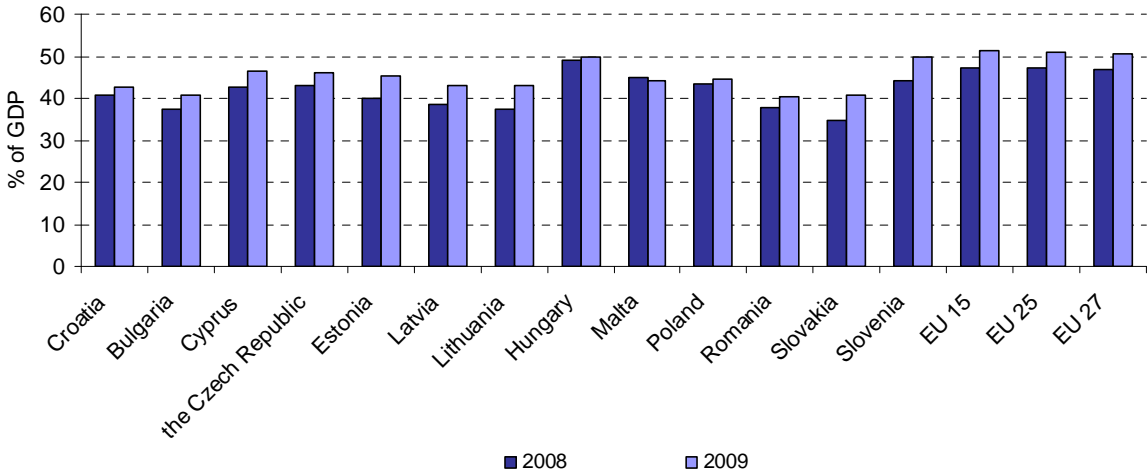
Chart 12: Total revenues of consolidated general government of the Republic of Croatia and EU Member States in 2008 and 2009



Source: Eurostat, Ministry of Finance

On the other hand, with respect to the share of expenditure in GDP in the amount of 42.6%, in 2009 Croatia ranked below EU 27 average. The highest level of government consumption was recorded by Slovenia and Hungary, while the lowest share in GDP expenditure was recorded by Romania, Bulgaria and Slovakia.

Chart 13: Total expenditure of consolidated general government of the Republic of Croatia and EU Member States in 2008 and 2009



Source: Eurostat, Ministry of Finance

Looking into key fiscal indicators of the Republic of Croatia and comparing them to those in the EU Member States, the conclusion may be drawn that Croatia is following fiscal trends in the region.

4.3. Revenue trends for the period 2011 – 2013

4.3.1. Determinants of the budgetary central government revenue for the period 2011 – 2013

Total revenues

The budgetary central government revenues for the period 2011 – 2013 have been projected in accordance with the current trends and macroeconomic projections for this period, and taking into account the estimated effects of the accession and the full membership of the Republic of Croatia in the European Union.

The total budgetary central government revenue expected for 2011 amounts to HRK 108.0 billion, accounting for a decrease of 0.3% compared to the revenue planned for 2010.

The total revenue expected for 2010 amounts to HRK 114.6 billion, which is year-on-year growth of 6.2%, while the total revenue projections for 2013 amount to HRK 121.3 billion, accounting for year-on-year growth of 5.8%.

The total budget revenue includes revenue and revenue from the sale of nonfinancial assets.

Table 5: Trends in the budgetary central government revenue in the period 2009 – 2013

(000 HRK)	2009	2010 plan	10/09 Index	2011 projection	11/10 Index	2012 projection	12/11 Index	2013 projection	13/12 Index
TOTAL REVENUE (6+7)	110.561.952	108.282.462	97,9	108.002.006	99,7	114.646.551	106,2	121.260.082	105,8
6 Revenue	110.257.947	108.015.215	98,0	107.741.736	99,7	114.375.081	106,2	120.976.512	105,8
Tax revenues	60.594.565	62.001.632	102,3	61.595.672	99,3	64.033.876	104,0	66.883.892	104,5
Income tax	1.399.411	1.200.840	85,8	948.107	79,0	990.771	104,5	1.040.310	105,0
Profit tax	9.439.858	6.314.802	66,9	5.685.162	90,0	5.839.963	102,7	6.115.481	104,7
Property tax	532.297	491.289	92,3	504.134	102,6	528.332	104,8	556.334	105,3
Tax on goods and services	46.444.427	50.458.046	108,6	52.776.583	104,6	54.993.124	104,2	57.490.082	104,5
Value-Added Tax	37.050.354	37.884.897	102,3	40.122.353	105,9	42.145.023	105,0	44.333.964	105,2
Sales tax	123.479	122.115	98,9	127.982	104,8	134.509	105,1	141.504	105,2
Excise duties	8.205.061	11.283.747	137,5	11.450.863	101,5	11.611.133	101,4	11.873.919	102,3
Taxes and fees from games of chance and entertainment	532.834	609.439	114,4	529.601	86,9	530.477	100,2	538.397	101,5
Other taxes on goods and services	532.700	557.849	104,7	545.784	97,8	571.982	104,8	602.297	105,3
Taxes on international trade and transactions	1.721.164	1.658.154	96,3	1.681.686	101,4	1.681.686	100,0	1.681.686	100,0
Other revenues from taxes	1.057.409	1.878.502	177,6	0	0,0	0	0	0	0
Contributions	39.994.739	38.774.090	96,9	39.699.160	102,4	41.423.445	104,3	43.494.617	105,0
Grants	675.331	1.029.520	152,4	1.386.564	134,7	3.738.115	269,6	5.367.102	143,6
Property income	5.308.036	2.135.432	40,2	1.030.080	48,2	1.070.564	103,9	1.122.725	104,9
Income from financial assets	1.618.849	528.338	32,6	153.316	29,0	159.236	103,9	166.085	104,3
Income from nonfinancial assets	3.689.187	1.607.093	43,6	876.764	54,6	911.329	103,9	956.640	105,0
Revenues from administrative fees and under special regulations	3.097.590	3.462.482	111,8	3.426.684	99,0	3.498.766	102,1	3.483.561	99,6
Other revenues	587.685	612.059	104,1	603.576	98,6	610.315	101,1	624.615	102,3
7 Revenue from sale of nonfinancial assets	304.005	267.247	87,9	260.270	97,4	271.470	104,3	283.570	104,5
Revenue from sale of nonproduced assets	38.392	24.118	62,8	21.400	88,7	22.000	102,8	24.000	109,1
Revenue from sale of produced assets	257.881	239.128	92,7	238.300	99,7	248.900	104,4	259.000	104,1
Revenue from sale of produced short-term assets	7.732	4.000	51,7	570	14,3	570	100,0	570	100,0

Source: Ministry of Finance

Revenues from taxes

The most important revenue group is revenues from taxes. The projections for the 2011 – 2013 revenues were primarily based on the projections of macroeconomic variables and expected economic trends, taking into account the impacts of amendments to the Income Tax Act and revoking special tax on salaries, pensions and other income. Accordingly, revenues from taxes for 2011 have been projected in the amount of HRK 61.6 billion and record year-on-year decline of 0.7%.

The projections of revenues from taxes amount to HRK 64.0 billion in 2012, and to HRK 66.9 billion in 2013.

Income tax

The projections for income tax revenue for 2011 amounts to HRK 948.1 million. This revenue is planned in line with the expectations regarding the gross salary and employment trends, and taking into account amendments to the Income Tax Act which entered into force in July 2010.

For 2012, income tax revenue is planned in the amount of HRK 990.8 million, and for 2013 in the amount of HRK 1.0 billion.

Profit tax

Revenue from the profit tax for the period 2011 – 2013 was on the basis of the growth of the overall economic activity and expected trends of company profits. The projections for 2011 revenues amount to HRK 5.7 billion.

Profit tax is paid on the basis of operations of companies in the preceding year. Since mild recovery of economic activity is expected in 2011, the planned revenue from profit tax in 2012 amounts to HRK 5.8 billion, and HRK 6.1 billion in 2013.

Taxes on property

Revenue from property taxes for the medium-term period 2011 – 2013 have been planned based on the expected trends of the economic activity and trends on the real-estate market. Based on this, it is planned that in 2011 the amount of revenue from property taxes will amount to HRK 504.1 million. In 2012 this revenue is expected to amount to HRK 528.3 million, while the projections for 2013 predict the amount of HRK 556.3 million.

Value-added tax

Basis for projections of revenue from value-added tax (VAT) for the period 2011 - 2013 is the expected growth of private consumption. Thus, in 2011 the planned revenue from VAT amounts to HRK 40.1 billion.

Revenue from VAT in 2012 is expected to reach HRK 42.1 billion, and in 2013 HRK 44.3 billion.

Excise duties

The revenue from excise duties for the period 2011 - 2013 is planned in accordance with the expected growth of the economy, taking into consideration the impacts of increase of excise duties on unleaded gasoline and excise duties on tobacco products from September 2010. Accordingly, projections of revenue from excise duties for 2011 amount to HRK 11.4 billion.

In 2012 it is predicted that revenue from excise duties will generate HRK 11.6 billion, while the projected revenue from excise duties for 2013 amounts to HRK 11.8 billion.

Table 6: Trends in revenue from excise duties in the period 2009 – 2013

(000 HRK)	2009	2010 plan	10/09 Index	2011 projection	11/10 Index	2012 projection	12/11 Index	2013 projection	13/12 Index
Excise duties	8.205.061	11.283.747	137,5	11.450.863	101,5	11.611.133	101,4	11.873.919	102,3
Special tax on passenger cars, other motor vehicle, vessels and aircraft	696.791	662.379	95,1	603.608	91,1	615.680	102,0	631.072	102,5
Special tax on petroleum derivatives	3.251.774	6.229.693	191,6	6.334.084	101,7	6.386.825	100,8	6.513.561	102,0
Special tax on alcohol	189.895	193.104	101,7	195.125	101,0	199.027	102,0	204.003	102,5
Special tax on beer	680.567	660.609	97,1	673.982	102,0	687.461	102,0	704.648	102,5
Special tax on non-alcoholic beverages	125.817	123.808	98,4	126.137	101,9	128.660	102,0	131.876	102,5
Special tax on tobacco products	3.073.671	3.237.223	105,3	3.332.458	102,9	3.399.107	102,0	3.484.085	102,5
Special tax on coffee	156.910	151.510	96,6	159.601	105,3	167.262	104,8	176.127	105,3
Special tax on luxury products	29.635	25.420	85,8	25.870	101,8	27.112	104,8	28.548	105,3

Source: Ministry of Finance

Taxes on international trade

Revenues from taxes on international trade in 2011 have been expected in the amount of HRK 1.7 billion, and for the next two years it is expected to reach the level of 2011.

Contributions

Revenue from contributions ranges second according to significance of budget revenues. The projections of revenue from contributions for the period 2011 - 2013 are based on expected trends in the labour market. Thus the expected revenue from contributions for 2011 will amount to HRK 39.7 billion. The projected revenue for 2012 amounts to HRK 41.4 billion and for 2013 HRK 43.5 billion.

Revenues from grants

Projection of revenues from grants is to the largest extent based on the expected funds from the European Union grants. Other grants relate to the foreign government grants, grants within general government and grants from the budget. Projection of total revenues from grants for 2011 amounts to HRK 1.4 billion, for 2012 HRK 3.7 billion and for 2013 HRK 5.4 billion.

Property income

The revenue from property income consists of revenue from financial and nonfinancial assets. The revenue from financial assets consists of the income from interest, dividends, and profit generated by the companies and banks in state ownership, as well as other revenue from financial assets. All categories of revenue from financial assets except for interest have a one-off character. Revenue from financial assets for 2011 is planned in the amount of HRK 153.3 million, for 2012 in the amount of HRK 159.2 million, and for 2013 in the amount of HRK 166.1 million

The revenue from nonfinancial assets consists of revenue from concessions, lease and rental of assets and other revenues from nonfinancial assets. They are projected based on the trends of the expected economic activity in the forthcoming period. Thus, in 2011 the predicted revenue amounts to HRK 876.8 million, in 2012 to HRK 911.3 million, and in 2013 to HRK 956.6 million.

Revenue from administrative fees and revenues collected under special regulations

Projections of revenue from administrative fees and revenues collected under special regulations for the period 2011 - 2013 are based on trends of these revenues so far and the expected economic activity. For 2011 these revenues amount to HRK 3.4 billion, and for 2012 and 2013 HRK 3.5 billion.

Other revenues

Other budget revenues consist of revenue from proprietary activity, revenue from fines, and revenue from donations. Projections of own revenues of budgetary users and donation revenues are in accordance with the expectations of budget users concerning the collecting of these revenues, while the projections of revenue from fines are based on the trends in the previous periods.

In accordance with the above, other revenues for 2011 amount to HRK 603.6 million, for 2012 to HRK 610.3 million, and for 2013 to HRK 624.6 million.

Revenue from the sale of nonfinancial assets

Revenue from the sale of nonfinancial assets consists of revenues from the sale of land, buildings, plants and equipment, transportation vehicles and the revenues from the sale of inventories. In accordance with the expectations regarding the sale of these objects, the projections for 2011 amount to HRK 260.3 million, for 2012 to HRK 271.5 million, and for 2013 to HRK 283.6 million.

4.3.2. Determinants of revenue of extra-budgetary users for the period 2011 – 2013

Projections of revenues of extra-budgetary users for the period 2011 – 2013 are based on the projections of trends of macroeconomic indicators and the expectations of certain users regarding the trends in the revenues they collect. In the projected period, the overall revenue of extra-budgetary users records gradual decline, specifically 1.6% of GDP in 2011 and up to 1.4% of GDP in 2013.

The most significant revenue of extra-budgetary users is grants within general government projected at the average level of 0.6% of GDP for 2011, and at the level of 0.5% of GDP for 2012 and 2013. Road charges included in the price of fuel and collected by the Croatian Roads are also paid from the position of grants. The following important revenue of extra-budgetary users is revenue from water management with the average share of 0.4% of GDP, followed by the environmental protection charges with the share of 0.3% of GDP.

Table 7: Key items of revenue of extra-budgetary users

% of GDP	2009	2010 plan	2011 projection	2012 projection	2013 projection
Total revenue	1,7	1,6	1,6	1,5	1,4
grants within general government	0,6	0,5	0,6	0,5	0,5
other grants	0,0	0,0	0,0	0,0	0,0
revenue from water management	0,5	0,5	0,5	0,4	0,4
environmental protection fee	0,3	0,3	0,3	0,3	0,3
revenue from the sale of nonfinancial assets	0,01	0,01	0,01	0,01	0,01
other	0,01	0,02	0,01	0,01	0,01

Source: Ministry of Finance

4.3.3. Determinants of revenue of local and regional self-government units for the period 2011 – 2013

Projections of revenue of the local and regional self-government units were based on the same macroeconomic assumptions as the budgetary central government revenue. Total revenue of the local units is collected at the level of 4.3% of GDP in 2011 to 4.2% of GDP in 2012 and 2013.

The most important revenue of local units is the revenue from the income tax. The projections of its growth are in accordance with the growth of gross salaries and employments, taking into account the changes in the income tax system. In the projected period, revenue from income tax of local units will account for the share of 2.3% of GDP in 2011 and 2.2% of GDP in 2012 and 2013.

The second most important revenue of local units is collected from the sale of goods and services at the level of 0.8% of GDP. Significant revenue is also collected from grants amounting to 0.5% of GDP, while revenue from property will record about 0.4% of GDP.

Table 8: Key items of revenue of local and regional self-government units

% of GDP	2009	2010 plan	2011 projection	2012 projection	2013 projection
Total revenue	5,0	4,5	4,3	4,2	4,2
income tax	2,7	2,4	2,3	2,2	2,2
property tax	0,2	0,1	0,1	0,1	0,1
grants within general government	0,6	0,6	0,5	0,5	0,5
property income	0,4	0,4	0,4	0,4	0,4
revenue from the sale goods and services	0,9	0,8	0,8	0,8	0,8
revenue from the sale of nonfinancial assets	0,1	0,1	0,1	0,1	0,1
other	0,1	0,1	0,1	0,1	0,1

Note: includes 53 largest units (32 towns, 20 counties and the City of Zagreb)

Source: Ministry of Finance

4.4. Expenditure trends for the period 2011 – 2013

4.4.1. Determinants of the budgetary central government expenditure for the period 2011 – 2013

In order to ensure a continuous implementation of strategic goals, trends in the budget expenditure will be based on the goals and programmes contained in the Strategy of the Government Programmes for the period 2011 – 2013. Correspondingly, budget expenditure in the upcoming three-year period is aimed at ensuring:

- Macroeconomic and economic stability;
- Optimum environment for the development of a competitive economy;
- Strengthening of the state of law and rule of law;
- Promotion of knowledge, excellence and culture;
- Uniform regional development;
- Strengthening of social justice;
- Positioning of the Republic of Croatia as one of the leading European tourist destinations;
- Enhancing the competitiveness of the agriculture, food processing and fisheries sector;
- Further strengthening of the international status of the Republic of Croatia;
- Improving the police and armed forces in service to citizens;
- Health care, maintenance and improvement;
- Environmental protection and spatial development.

The budgetary central government expenditure in the three-year period will be largely determined by the gradual recovery of the economy and thereby by the trends of total state budget revenue, which is to say it will be adjusted to fiscal capabilities in the upcoming three-year period. On the other hand, processes related to the accession and full-fledged membership of the Republic of Croatia in the EU will have significant implications for expenditure levels and financing structure in the upcoming period.

Total expenditure

The total expenditure of the budgetary central government for 2011 is projected in the amount of HRK 122.0 billion comprising HRK 120.6 billion expense, and HRK 1.4 billion expense

for the acquisition of nonfinancial assets. Relative to 2010, the total expenditure in 2011 is lower by HRK 352.3 million, but higher by 2.3% in 2012, and by 1.7% in 2013. The share of the budgetary central government expenditure in GDP is reduced from 36.9% in 2010 to 35.5% in 2011, 34.7% in 2012, and 33.4% in 2013.

Table 9: Trends in the budgetary central government expenditure for the period 2009 – 2013

(000 HRK)	2009		2010 plan		2011 projection		2012 projection		2013 projection	
	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP
TOTAL EXPENDITURE (3+4)	120.191.398	36,1	122.340.096	36,9	121.985.932	35,5	124.799.211	34,7	126.868.063	33,4
3 Expense	117.923.992	35,4	120.292.379	36,3	120.577.331	35,1	123.754.060	34,4	125.730.534	33,1
31 Compensation of employees	22.510.493	6,8	22.559.912	6,8	22.486.939	6,5	22.351.739	6,2	22.229.823	5,9
32 Material expense	8.018.256	2,4	8.649.561	2,6	9.025.905	2,6	8.480.273	2,4	8.175.000	2,2
34 Financial expense	5.788.120	1,7	6.303.117	1,9	7.453.543	2,2	7.740.532	2,1	7.862.227	2,1
35 Subsidies	6.710.033	2,0	6.452.241	1,9	6.322.925	1,8	6.304.886	1,8	6.313.984	1,7
36 Grants	5.431.865	1,6	5.315.806	1,6	4.893.569	1,4	4.574.425	1,4	4.574.425	1,4
37 Compensations to citizens and households based on insurance and other compensations	63.999.142	19,2	65.268.326	19,7	64.830.408	18,9	65.021.692	18,1	65.631.334	17,3
38 Other expense	5.466.084	1,6	5.743.416	1,7	5.564.043	1,6	5.280.512	1,5	6.417.085	1,7
4 Expense for the acquisition of nonfinancial assets	2.267.406	0,7	2.047.716	0,6	1.408.601	0,4	1.045.151	0,3	1.137.529	0,3

Source: Ministry of Finance

Compensations to citizens and households based on insurance and other compensations

In the structure of the total budgetary central government expenditure for the period 2011 – 2013, compensations to citizens and households and other compensations represent the largest item, with an average share of 52.3%. They consist mainly of pension expenses, healthcare expenses, child allowances, maternity benefits, unemployment benefits and care for war veterans. On average, the share of compensations to citizens and households in GDP will reduce from 18.9% in 2011 to 17.3% in 2013.

Pensions

Projections of pension expenses in 2011 amount to HRK 35.4 billion, representing a year-on-year growth of HRK 384.4 million or 1.1%. Further projections suggest an annual growth of expenses on pensions at the rate of 1.1% in 2012 and 2.7% in 2013.

Healthcare

Projections of expense on compensations to citizens and households in the Ministry of Health and Social Welfare amount to HRK 23.4 billion, representing a reduction of HRK 668.2 million or 2.8% in relation to the planned level from 2010. These expenditures will amount to HRK 23.4 billion in 2012, and HRK 23.1 billion in 2013.

Compensation of employees

Compensation of employees includes salaries, other compensation of employees and other contributions on salaries. They amount to HRK 22.5 billion in 2011 and HRK 22.4 billion in 2012. Projections of these expenses in 2013 amount to HRK 22.2 billion. These trends will have an impact on the reduction of their share in GDP from 6.5% in 2011 to 5.9% in 2013.

Material expense

Material expense include the reimbursement of costs to employees, expense on current and investment maintenance, office equipment, energy, military equipment, services, etc. Projections for 2011 suggest a growth, with total material expense amounting to HRK 9.0 billion. These expenses will decrease to HRK 8.5 billion in 2012 and to HRK 8.2 billion in 2013. Their share in GDP will thereby drop by 0.2 percentage point per annum, i.e. from 2.6% in 2011 to 2.2% in 2013.

Financial expense

Projections of financial expense, which consist of interest on issued securities, interest on received loans and other financial expense, are based on future payment obligations falling due. These will amount to HRK 7.5 billion in 2011, HRK 7.7 billion in 2012, and HRK 7.9 billion in 2013. By the end of 2013, financial expense will hold their share in GDP at the average level of 2.1%.

Subsidies

In 2011, expense on subsidies decreased by HRK 129.3 million and amounted to HRK 6.3 billion. Projections suggest it will stand at the same level for the following two years. This trend will have an impact on the reduction of its share in GDP from 1.8% in 2011 to 1.7% in 2013. The expense consists mainly of subsidies for agriculture and Croatian Railways.

Grants abroad and within general government

Expense for grants allocated abroad and within general government in 2011 is predicted to amount to HRK 4.9 billion, which is HRK 422.2 million less compared to the previous year. Within their structure, 98.3% are grants within general government allocated to local units and other levels of state authorities, while the remaining 1.7% pertains to grants allocated to foreign governments and international organisations. In the following two years the total grants will increase to HRK 8.6 billion in 2012 and HRK 9.1 billion in 2013. This will have an impact on the increase of their share in GDP to the level of 2.4% in 2013. The trend of these expenses in the observed period will also be determined by the accession of the Republic of Croatia to the EU.

Other expense

Other expense, including current and capital donations, fines, penalties and forfeits, extraordinary expense and capital grants, will amount to HRK 5.6 billion in 2011, decreasing to HRK 5.3 billion in 2012, and increasing again to HRK 6.4 billion in 2013. Their share in GDP will range from the level of 1.6% in 2011 to 1.7% of GDP in 2013. The major part of other expense will be directed to other current and capital investments in transport infrastructure, science, regional development and culture. This item of expense will also be determined in the observed period by the accession of the Republic of Croatia to the EU.

Expense for the acquisition of nonfinancial assets

In the medium-term period expense for the acquisition of nonfinancial assets will stand at the average level of HRK 1.2 billion and have an average share of 0.3% of GDP. It will mainly be determined by the activities related to capital investments in transport infrastructure, regional development, environmental protection, entrepreneurial infrastructure, etc.

Table 10: Distribution of total expenditure of the budgetary central government in 2010 and 2011

(000 HRK)	2009	2010 plan	2011 projection	Share in total expenditure	Difference 2011 - 2010
TOTAL EXPENDITURE (3+4)	120.191.398	122.340.096	121.985.932	100,0	-354.163
Expense (3)	117.923.992	120.292.379	120.577.331	98,8	284.952
Compensation of employees	22.510.493	22.559.912	22.486.939	18,4	-72.974
Material expense	8.018.256	8.649.561	9.025.905	7,4	376.344
Financial expense	5.788.120	6.303.117	7.453.543	6,1	1.150.426
of which: interest	5.225.174	5.762.284	6.899.550	5,7	1.137.266
Subsidies	6.710.033	6.452.241	6.322.925	5,2	-129.316
of which:					
subsidies for agriculture	3.513.902	3.490.437	3.649.846	3,0	159.409
subsidies for Croatian Railways (HŽ)	1.649.900	1.560.580	1.467.000	1,2	-93.580
Grants	5.431.865	5.315.806	4.893.569	4,0	-422.238
of which:					
grants to units of local and regional self-government (JLP(R)S) from the position of the Ministry of Finance	1.909.747	2.147.675	2.094.500	1,7	-53.175
charge in the price of fuel collected by the Croatian Roads	1.392.622	1.350.597	1.390.000	1,1	39.403
Compensations to citizens and households	63.999.142	65.268.326	64.830.408	53,1	-437.918
of which:					
pensions	34.389.940	34.971.950	35.356.300	29,0	384.350
of which: war veterans pensions	5.016.931	5.050.000	5.280.600	4,3	230.600
healthcare	23.065.775	23.078.962	22.408.783	18,4	-670.179
of which:					
HZZO (Croatian Institute for Pension Insurance)	20.823.555	20.856.147	20.214.958	16,6	-641.189
social welfare	2.242.220	2.222.815	2.193.825	1,8	-28.990
maternity benefits	2.103.313	2.226.475	2.235.000	1,8	8.526
unemployment benefits	1.246.630	1.567.781	1.440.000	1,2	-127.781
child allowance	1.760.785	1.769.940	1.765.000	1,4	-4.940
care for war veterans	853.171	780.000	770.000	0,6	-10.000
Other expense	5.466.084	5.743.416	5.564.043	4,6	-179.374
of which:					
HŽ, modernisation	819.428	832.116	916.799	0,8	84.683
charge in the price of fuel collected by the Croatian Motorways	1.392.622	1.350.597	1.390.000	1,1	39.403
Expense for the acquisition of nonfinancial assets (4)	2.267.406	2.047.716	1.408.601	1,2	-639.115

Note: Includes all sources of funding from the groups of account 3 and 4 of economic classification

Source: Ministry of Finance

4.4.2. Expenditure of the budgetary central government by divisions

Table 11 contains an estimate of the ceiling of the financial plan for the period 2011 – 2013 broken down by budgetary central government divisions. Tables 12 to 17 give an estimate of the ceiling of the financial plan broken down by groups of accounts of economic classification level 2, as follows: table 12 for the group of account 31, table 13 for the group of account 32, table 14 for the group of account 34, table 15 for the group of account 35, table 16 for the group of account 37, and table 17 for the groups of account 36, 38 and 4 of economic classification. These estimates include:

- 3 - expense and
- 4 - expense for the acquisition of nonfinancial assets

The above groups of expense are financed from these sources of finance: general revenue and receipts, contributions (only for the Ministry of Health and Social Welfare and for the Ministry of the Economy, Labour and Entrepreneurship) and from special purpose income from borrowings.

The source of financing entitled “general revenue and receipts” comprises the following elements: revenues from taxes (for the most part), revenues from financial assets, revenues

from administrative fees, state administration revenues, revenues from fines, receipts from financial assets and borrowings and other.

The purpose of use of revenues which are classified under the source of financing “general revenue and receipts” is determined within the budget itself.

Expenditure planned in the budget of a budget user from the source of financing “general revenue and receipts” is settled up to the amount of the planned expenses irrespective of revenues collected.

Tables 11 to 17 do not include an estimate of expense and expense for the acquisition of nonfinancial assets to be financed from other sources, such as: own revenues, special purpose revenues, grants and donations. The spending rule for these sources of finance depends on the nature of the source of financing itself.

An estimate of expense and expense for the acquisition of nonfinancial assets to be financed from other sources (own revenues, special purpose revenues, grants and donations), broken down by budgetary central government divisions, is given in Table 18.

For the purpose of developing fiscally and socially sustainable budgets in the upcoming three-year period that would reflect further fiscal adjustment on the expenditure side, when drafting their financial plans, the ministries, central state offices and agencies must respect the established limits by budgetary central government divisions for all sources of finance that affect the level of the general government deficit.

Table 11: Total expenditure limits by divisions of the budgetary central government for the following sources of financing: general revenue and receipts, contributions and special purpose income from borrowing for the period 2011 – 2013

		(000 HRK)							
		2010 plan	2011 projection	11/10 Index	2012 projection	12/11 Index	2013 projection	13/12 Index	
	TOTAL	118.589.156	118.539.003	100,0	121.108.225	102,2	120.108.648	99,2	
10	CROATIAN PARLIAMENT	414.664	330.633	79,7	146.898	44,4	141.479	96,3	
13	FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	1.490	1.110	74,5	1.079	97,2	1.080	100,1	
15	PRESIDENT OF THE REPUBLIC OF CROATIA	49.938	42.400	84,9	42.407	100,0	42.005	99,1	
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	57.131	57.191	100,1	32.385	56,6	32.348	99,9	
18	AGENCY FOR THE PROTECTION OF MARKET COMPETITION	13.225	13.440	101,6	13.490	100,4	13.510	100,1	
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	169.470	161.013	95,0	163.025	101,2	161.598	99,1	
22	CENTRAL STATE OFFICE FOR E-CROATIA	20.270	18.473	91,1	18.428	99,8	18.069	98,1	
23	CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS	13.204	12.614	95,5	12.583	99,7	12.008	95,4	
24	CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT	35.402	28.260	79,8	22.451	79,4	22.334	99,5	
25	MINISTRY OF FINANCE	11.988.491	12.819.215	106,9	16.603.630	129,5	16.823.483	101,3	
27	RC – SECURITY AND INTELLIGENCE AGENCY	329.100	365.259	111,0	358.185	98,1	358.197	100,0	
30	MINISTRY OF DEFENCE	4.715.495	4.896.274	103,8	4.727.405	96,6	4.504.074	95,3	
40	MINISTRY OF THE INTERIOR	4.616.691	4.533.867	98,2	4.476.728	98,7	4.454.784	99,5	
46	MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY	4.073.940	3.967.100	97,4	3.974.343	100,2	3.960.906	99,7	
48	MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION	579.106	539.867	93,2	542.837	100,6	530.118	97,7	
50	MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP	38.461.111	38.496.147	100,1	38.742.585	100,6	39.841.448	102,8	
55	MINISTRY OF CULTURE	855.020	810.195	94,8	798.271	98,5	810.429	101,5	
60	MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT	4.393.794	4.392.661	100,0	4.283.722	97,5	2.621.099	61,2	
62	MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT	1.646.221	1.500.004	91,1	1.099.424	73,3	1.115.815	101,5	
65	MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE	6.298.655	6.082.333	96,6	6.037.609	99,3	6.088.804	100,8	
75	MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION	520.536	496.347	95,4	465.033	93,7	423.208	91,0	
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	11.522.303	11.421.316	99,1	11.350.026	99,4	11.255.840	99,2	
90	MINISTRY OF TOURISM	226.212	209.222	92,5	205.786	98,4	201.569	98,0	
95	MINISTRY OF ADMINISTRATION	400.179	390.301	97,5	387.395	99,3	384.331	99,2	
100	MINISTRY OF HEALTH AND SOCIAL WELFARE	24.153.530	23.695.659	98,1	23.560.559	99,4	23.249.532	98,7	
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	59.941	57.480	95,9	56.564	98,4	56.039	99,1	
110	MINISTRY OF JUSTICE	2.574.780	2.663.533	103,4	2.610.177	98,0	2.609.742	100,0	
120	OMBUDSMAN'S OFFICE	7.680	7.096	92,4	7.063	99,5	7.021	99,4	
121	OMBUDSMAN FOR CHILDREN	6.210	5.785	93,2	5.771	99,8	5.808	100,6	
122	OMBUDSMAN FOR GENDER EQUALITY	2.952	2.640	89,4	2.665	101,0	2.709	101,7	
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	3.225	3.159	97,9	3.199	101,3	3.228	100,9	
160	CENTRAL BUREAU OF STATISTICS	101.907	251.387	246,7	90.532	36,0	89.746	99,1	
185	STATE AUDIT OFFICE	53.896	52.772	97,9	53.294	101,0	53.633	100,6	
196	STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES	8.865	7.863	88,7	7.949	101,1	8.098	101,9	
225	STATE INSPECTOR'S OFFICE	148.570	147.359	99,2	146.598	99,5	146.438	99,9	
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	651	584	89,8	580	99,3	572	98,7	
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	5.757	5.394	93,7	5.332	98,9	5.260	98,6	
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	20.857	19.851	95,2	20.086	101,2	20.081	100,0	
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	17.903	15.056	84,1	14.862	98,7	14.944	100,6	
242	INSTITUTE FOR INFORMATION SYSTEMS SECURITY	13.070	11.272	86,2	10.622	94,2	10.720	100,9	
250	PERSONAL DATA PROTECTION AGENCY	7.713	6.876	89,1	6.649	96,7	6.542	98,4	

Source: Ministry of Finance

Table 12: Limits on compensation for employees by divisions of the budgetary central government for the following sources of financing: general revenue and receipts, contributions and special purpose income from borrowing for the period 2011 – 2013

	(000 HRK)	2011		2012		2013		
		2010 plan	projection	11/10 Index	projection	12/11 Index	projection	13/12 Index
TOTAL		22.489.820	22.421.939	99,7	22.286.969	99,4	22.165.193	99,5
10 CROATIAN PARLIAMENT	101.998	98.227	96,3	106.252	108,2	100.757	94,8	
13 FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	336	489	145,5	491	100,5	494	100,5	
15 PRESIDENT OF THE REPUBLIC OF CROATIA	30.290	26.351	87,0	26.238	99,6	26.180	99,8	
17 CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	23.739	23.674	99,7	23.800	100,5	23.920	100,5	
18 AGENCY FOR THE PROTECTION OF MARKET COMPETITION	9.267	9.643	104,1	9.653	100,1	9.700	100,5	
20 GOVERNMENT OF THE REPUBLIC OF CROATIA	61.424	60.159	97,9	62.599	104,1	60.982	97,4	
22 CENTRAL STATE OFFICE FOR E-CROATIA	2.780	2.645	95,1	2.670	101,0	2.684	100,5	
23 CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS	7.059	7.071	100,2	7.112	100,6	7.151	100,5	
24 CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT	5.785	5.563	96,2	5.502	98,9	5.464	99,3	
25 MINISTRY OF FINANCE	1.000.108	995.431	99,5	991.160	99,6	985.955	99,5	
27 RC – SECURITY AND INTELLIGENCE AGENCY	229.486	228.934	99,8	228.178	99,7	226.727	99,4	
30 MINISTRY OF DEFENCE	2.924.704	2.799.866	95,7	2.752.097	98,3	2.719.900	98,8	
40 MINISTRY OF THE INTERIOR	3.179.576	3.159.418	99,4	3.129.794	99,1	3.120.244	99,7	
46 MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY	40.809	38.910	95,3	38.812	99,8	38.555	99,3	
48 MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION	321.900	316.925	98,5	312.956	98,7	310.906	99,3	
50 MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP	597.141	591.338	99,0	588.246	99,5	578.994	98,4	
55 MINISTRY OF CULTURE	284.761	296.535	104,1	294.784	99,4	292.721	99,3	
60 MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT	237.503	229.956	96,8	229.131	99,6	251.412	109,7	
62 MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT	75.552	73.856	97,8	73.410	99,4	72.877	99,3	
65 MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE	105.674	104.945	99,3	104.272	99,4	103.355	99,1	
75 MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION	213.462	211.499	99,1	210.481	99,5	209.347	99,5	
80 MINISTRY OF SCIENCE, EDUCATION AND SPORTS	9.568.058	9.690.784	101,3	9.648.302	99,6	9.584.655	99,3	
90 MINISTRY OF TOURISM	13.970	14.228	101,8	14.215	99,9	13.845	97,4	
95 MINISTRY OF ADMINISTRATION	294.008	292.423	99,5	290.375	99,3	288.344	99,3	
100 MINISTRY OF HEALTH AND SOCIAL WELFARE	1.039.211	995.016	95,7	993.119	99,8	989.841	99,7	
106 CROATIAN ACADEMY OF SCIENCE AND ARTS	47.838	46.969	98,2	46.300	98,6	45.850	99,0	
110 MINISTRY OF JUSTICE	1.795.132	1.828.117	101,8	1.823.534	99,7	1.820.444	99,8	
120 OMBUDSMAN'S OFFICE	6.285	6.189	98,5	6.153	99,4	6.104	99,2	
121 OMBUDSMAN FOR CHILDREN	3.231	3.278	101,5	3.290	100,4	3.301	100,4	
122 OMBUDSMAN FOR GENDER EQUALITY	1.906	1.676	87,9	1.699	101,4	1.734	102,1	
123 OMBUDSMAN FOR PEOPLE WITH DISABILITIES	2.249	2.136	95,0	2.171	101,6	2.194	101,1	
160 CENTRAL BUREAU OF STATISTICS	63.493	59.944	94,4	59.845	99,8	59.817	100,0	
185 STATE AUDIT OFFICE	43.926	43.292	98,6	43.674	100,9	43.928	100,6	
196 STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES	5.801	5.100	87,9	5.220	102,4	5.374	103,0	
225 STATE INSPECTOR'S OFFICE	109.959	111.224	101,2	111.142	99,9	111.087	100,0	
230 COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	428	403	94,1	402	99,9	398	98,8	
235 CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	4.173	4.044	96,9	4.010	99,2	3.974	99,1	
240 OFFICE OF THE NATIONAL SECURITY COUNCIL	15.283	15.652	102,4	15.790	100,9	15.843	100,3	
241 OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	9.825	8.902	90,6	8.925	100,3	8.949	100,3	
242 INSTITUTE FOR INFORMATION SYSTEMS SECURITY	7.447	7.056	94,7	7.111	100,8	7.156	100,6	
250 PERSONAL DATA PROTECTION AGENCY	4.243	4.073	96,0	4.053	99,5	4.031	99,5	

Source: Ministry of Finance

Table 13: Limits of material expense by divisions of the budgetary central government for the following sources of financing: general revenue and receipts, contributions and special purpose income from borrowing for the period 2011 – 2013

		2011		2012		2013		
		2010 plan	projection	11/10 Index	projection	12/11 Index	projection	13/12 Index
(000 HRK)								
	TOTAL	7.878.333	8.333.426	105,8	7.812.576	93,7	7.578.366	97,0
10	CROATIAN PARLIAMENT	68.016	160.875	236,5	38.734	24,1	38.670	99,8
13	FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	901	540	59,9	541	100,2	555	102,5
15	PRESIDENT OF THE REPUBLIC OF CROATIA	17.894	15.062	84,2	15.232	101,1	15.012	98,6
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	7.319	6.700	91,5	6.760	100,9	6.800	100,6
18	AGENCY FOR THE PROTECTION OF MARKET COMPETITION	3.845	3.732	97,1	3.774	101,1	3.749	99,3
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	46.809	44.484	95,0	44.521	100,1	44.641	100,3
22	CENTRAL STATE OFFICE FOR E-CROATIA	16.984	15.616	91,9	15.587	99,8	15.211	97,6
23	CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS	5.814	5.370	92,4	5.333	99,3	4.725	88,6
24	CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT	23.171	16.356	70,6	16.285	99,6	16.263	99,9
25	MINISTRY OF FINANCE	885.945	882.405	99,6	906.142	102,7	930.153	102,6
27	RC – SECURITY AND INTELLIGENCE AGENCY	74.338	98.200	132,1	91.860	93,5	93.420	101,7
30	MINISTRY OF DEFENCE	1.692.906	2.052.910	121,3	1.942.030	94,6	1.753.510	90,3
40	MINISTRY OF THE INTERIOR	1.158.443	1.198.910	103,5	1.183.327	98,7	1.168.335	98,7
46	MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY	58.889	46.590	79,1	46.229	99,2	46.278	100,1
48	MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION	223.724	200.061	89,4	210.154	105,0	201.063	95,7
50	MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP	367.178	359.038	97,8	356.240	99,2	374.684	105,2
55	MINISTRY OF CULTURE	176.077	158.557	90,1	158.556	100,0	157.184	99,1
60	MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT	471.541	444.149	94,2	404.158	91,0	377.696	93,5
62	MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT	89.146	81.113	91,0	79.654	98,2	78.108	98,1
65	MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE	106.949	84.481	79,0	83.664	99,0	84.581	101,1
75	MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION	176.923	169.573	95,8	137.735	81,2	135.129	98,1
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	863.806	822.109	95,2	790.944	96,2	769.917	97,3
90	MINISTRY OF TOURISM	13.386	9.542	71,3	9.436	98,9	8.963	95,0
95	MINISTRY OF ADMINISTRATION	100.421	94.205	93,8	93.942	99,7	93.376	99,4
100	MINISTRY OF HEALTH AND SOCIAL WELFARE	434.946	393.879	90,6	388.092	98,5	377.323	97,2
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	8.525	8.160	95,7	8.138	99,7	8.120	99,8
110	MINISTRY OF JUSTICE	678.791	706.374	104,1	681.567	96,5	681.482	100,0
120	OMBUDSMAN'S OFFICE	1.327	838	63,2	841	100,4	848	100,8
121	OMBUDSMAN FOR CHILDREN	2.888	2.418	83,7	2.395	99,0	2.419	101,0
122	OMBUDSMAN FOR GENDER EQUALITY	936	882	94,2	886	100,5	891	100,6
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	906	971	107,2	976	100,6	983	100,7
160	CENTRAL BUREAU OF STATISTICS	34.782	189.588	545,1	28.964	15,3	28.344	97,9
185	STATE AUDIT OFFICE	9.060	8.580	94,7	8.740	101,9	8.840	101,1
196	STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES	2.896	2.440	84,2	2.505	102,7	2.591	103,4
225	STATE INSPECTOR'S OFFICE	35.637	33.050	92,7	33.060	100,0	32.870	99,4
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	215	175	81,6	177	101,3	174	98,4
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	1.442	1.253	86,9	1.230	98,2	1.179	95,9
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	4.380	3.780	86,3	3.762	99,5	3.825	101,7
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	5.489	5.350	97,5	5.218	97,5	5.211	99,9
242	INSTITUTE FOR INFORMATION SYSTEMS SECURITY	3.230	2.900	89,8	2.954	101,9	3.007	101,8
250	PERSONAL DATA PROTECTION AGENCY	2.459	2.212	90,0	2.234	101,0	2.238	100,2

Source: Ministry of Finance

Table 14: Limits of financial expense by divisions of the budgetary central government for the following sources of financing: general revenue and receipts, contributions and special purpose income from borrowing for the period 2011 – 2013

	(000 HRK)	2011			2012		2013	
		2010 plan	projection	11/10 Index	projection	12/11 Index	projection	13/12 Index
TOTAL		6.296.459	7.453.370	118,4	7.740.354	103,9	7.862.037	101,6
10 CROATIAN PARLIAMENT	68	56	82,1	52	92,9	54	104,0	
13 FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	7	2	21,4	2	100,0	2	103,3	
15 PRESIDENT OF THE REPUBLIC OF CROATIA	777	479	61,6	499	104,2	509	102,0	
17 CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	3	3	100,0	3	100,0	3	100,0	
18 AGENCY FOR THE PROTECTION OF MARKET COMPETITION	5	5	111,1	5	96,0	5	106,3	
20 GOVERNMENT OF THE REPUBLIC OF CROATIA	230	632	274,4	139	22,0	141	101,3	
22 CENTRAL STATE OFFICE FOR E-CROATIA	19	18	94,7	18	100,0	22	122,2	
23 CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS	4	3	75,0	3	100,0	4	133,3	
24 CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT	25	6	24,0	6	103,3	6	101,6	
25 MINISTRY OF FINANCE	5.993.997	7.152.212	119,3	7.454.712	104,2	7.584.392	101,7	
27 RC – SECURITY AND INTELLIGENCE AGENCY	475	290	61,1	295	101,7	298	101,0	
30 MINISTRY OF DEFENCE	37.368	36.208	96,9	26.208	72,4	24.409	93,1	
40 MINISTRY OF THE INTERIOR	5.128	13.629	265,8	15.680	115,1	15.569	99,3	
46 MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY	1.277	940	73,6	939	99,9	833	88,7	
48 MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION	2.700	2.820	104,4	2.785	98,8	2.738	98,3	
50 MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP	129.980	88.179	67,8	78.325	88,8	68.322	87,2	
55 MINISTRY OF CULTURE	365	363	99,6	365	100,6	365	100,0	
60 MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT	4.076	2.178	53,4	2.727	125,2	2.971	109,0	
62 MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT	428	177	41,2	179	101,1	182	101,7	
65 MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE	431	313	72,6	288	92,1	273	94,9	
75 MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION	427	390	91,2	390	100,2	396	101,4	
80 MINISTRY OF SCIENCE, EDUCATION AND SPORTS	28.198	27.655	98,1	28.028	101,3	29.641	105,8	
90 MINISTRY OF TOURISM	20	18	90,0	18	102,2	19	101,6	
95 MINISTRY OF ADMINISTRATION	275	206	74,9	212	103,1	196	92,5	
100 MINISTRY OF HEALTH AND SOCIAL WELFARE	84.886	63.797	75,2	60.878	95,4	60.075	98,7	
106 CROATIAN ACADEMY OF SCIENCE AND ARTS	4	1	25,0	1	100,0	1	105,0	
110 MINISTRY OF JUSTICE	5.178	62.698	1210,8	67.500	107,7	70.510	104,5	
120 OMBUDSMAN'S OFFICE	2	2	100,0	2	100,0	2	100,0	
121 OMBUDSMAN FOR CHILDREN	4	3	75,0	3	103,3	3	103,2	
122 OMBUDSMAN FOR GENDER EQUALITY	1	1	80,0	1	101,3	1	100,6	
123 OMBUDSMAN FOR PEOPLE WITH DISABILITIES	1	1	80,0	1	102,5	1	102,4	
160 CENTRAL BUREAU OF STATISTICS	30	30	99,3	30	100,7	31	103,3	
185 STATE AUDIT OFFICE	0	0		0		0		
196 STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES	2	2	95,0	2	105,3	2	100,0	
225 STATE INSPECTOR'S OFFICE	45	40	89,6	42	105,0	43	102,4	
230 COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	1	0	40,0	0	105,0	0	102,4	
235 CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	4	1	34,3	1	103,3	1	102,4	
240 OFFICE OF THE NATIONAL SECURITY COUNCIL	5	4	80,0	4	105,0	4	102,4	
241 OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	4	4	102,5	4	101,2	4	101,2	
242 INSTITUTE FOR INFORMATION SYSTEMS SECURITY	8	6	75,0	7	108,3	7	103,1	
250 PERSONAL DATA PROTECTION AGENCY	1	0	45,0	0	104,4	0	102,1	

Source: Ministry of Finance

Table 15: Limits of expense for subsidies by divisions of the budgetary central government for the following sources of financing: general revenue and receipts, contributions and special purpose income from borrowing for the period 2011 – 2013

		2011		2012		2013		
		2010 plan	projection	11/10 Index	projection	12/11 Index	projection	13/12 Index
		(000 HRK)						
TOTAL		6.418.134	6.165.679	96,1	6.084.136	98,7	4.478.434	73,6
10	CROATIAN PARLIAMENT	0	0		0		0	
13	FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	0	0		0		0	
15	PRESIDENT OF THE REPUBLIC OF CROATIA	0	0		0		0	
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	0	0		0		0	
18	AGENCY FOR THE PROTECTION OF MARKET COMPETITION	0	0		0		0	
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	0	0		0		0	
22	CENTRAL STATE OFFICE FOR E-CROATIA	0	0		0		0	
23	CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS	0	0		0		0	
24	CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT	0	0		0		0	
25	MINISTRY OF FINANCE	313.984	292.000	93,0	283.000	96,9	288.000	101,8
27	RC – SECURITY AND INTELLIGENCE AGENCY	1.500	800	53,3	800	100,0	800	100,0
30	MINISTRY OF DEFENCE	0	0		0		0	
40	MINISTRY OF THE INTERIOR	0	0		0		0	
46	MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY	6.287	4.500	71,6	4.200	93,3	4.100	97,6
48	MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION	0	0		0		0	
50	MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP	328.676	248.539	75,6	249.561	100,4	348.554	139,7
55	MINISTRY OF CULTURE	51.800	43.700	84,4	42.700	97,7	42.800	100,2
60	MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT	3.460.437	3.505.000	101,3	3.462.600	98,8	1.793.900	51,8
62	MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT	1.740	0	X	0		0	
65	MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE	2.167.697	1.999.520	92,2	1.968.935	98,5	1.925.720	97,8
75	MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION	0	0		0		0	
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	31.773	25.000	78,7	25.150	100,6	27.050	107,6
90	MINISTRY OF TOURISM	54.241	46.620	86,0	47.190	101,2	47.510	100,7
95	MINISTRY OF ADMINISTRATION	0	0		0		0	
100	MINISTRY OF HEALTH AND SOCIAL WELFARE	0	0		0		0	
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	0	0		0		0	
110	MINISTRY OF JUSTICE	0	0		0		0	
120	OMBUDSMAN'S OFFICE	0	0		0		0	
121	OMBUDSMAN FOR CHILDREN	0	0		0		0	
122	OMBUDSMAN FOR GENDER EQUALITY	0	0		0		0	
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	0	0		0		0	
160	CENTRAL BUREAU OF STATISTICS	0	0		0		0	
185	STATE AUDIT OFFICE	0	0		0		0	
196	STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES	0	0		0		0	
225	STATE INSPECTOR'S OFFICE	0	0		0		0	
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	0	0		0		0	
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	0	0		0		0	
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	0	0		0		0	
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	0	0		0		0	
242	INSTITUTE FOR INFORMATION SYSTEMS SECURITY	0	0		0		0	
250	PERSONAL DATA PROTECTION AGENCY	0	0		0		0	

Source: Ministry of Finance

Table 16: Limits of expense for compensation to citizens and households by divisions of the budgetary central government for the following sources of financing: general revenue and receipts, contributions and special purpose income from borrowing for the period 2011 – 2013

		2011		2012		2013		
(000 HRK)		2010 plan	projection	11/10 Index	projection	12/11 Index	projection	13/12 Index
	TOTAL	63.326.307	63.388.517	100,1	63.555.869	100,3	64.141.748	100,9
10	CROATIAN PARLIAMENT	12	0	X	0		0	
13	FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	0	0		0		0	
15	PRESIDENT OF THE REPUBLIC OF CROATIA	0	0		0		0	
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	0	0		0		0	
18	AGENCY FOR THE PROTECTION OF MARKET COMPETITION	0	0		0		0	
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	8.301	7.040	84,8	7.040	100,0	7.045	100,1
22	CENTRAL STATE OFFICE FOR E-CROATIA	0	0		0		0	
23	CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS	80	40	50,0	40	100,0	35	87,5
	CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT	5.600	5.600	100,0	0	X	0	
25	MINISTRY OF FINANCE	205.260	205.240	100,0	210.230	102,4	220.200	104,7
27	RC – SECURITY AND INTELLIGENCE AGENCY	809	800	98,9	810	101,3	805	99,4
30	MINISTRY OF DEFENCE	10.103	6.650	65,8	6.570	98,8	5.800	88,3
40	MINISTRY OF THE INTERIOR	18.134	20.095	110,8	18.084	90,0	19.091	105,6
46	MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY	3.865.848	3.796.545	98,2	3.805.162	100,2	3.793.601	99,7
48	MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION	8.400	7.580	90,2	7.400	97,6	7.350	99,3
50	MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP	36.820.310	37.069.140	100,7	37.329.095	100,7	38.200.475	102,3
55	MINISTRY OF CULTURE	37.066	34.280	92,5	34.680	101,2	35.260	101,7
60	MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT	110	90	81,8	95	105,6	89	93,7
62	MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT	18.830	18.000	95,6	17.000	94,4	15.000	88,2
65	MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE	6.375	5.650	88,6	5.650	100,0	5.645	99,9
75	MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION	0	0		0		0	
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	157.119	214.355	136,4	214.335	100,0	214.195	99,9
90	MINISTRY OF TOURISM	1.954	3.580	183,2	3.560	99,4	3.550	99,7
95	MINISTRY OF ADMINISTRATION	0	0		0		0	
100	MINISTRY OF HEALTH AND SOCIAL WELFARE	22.156.774	21.988.292	99,2	21.890.489	99,6	21.607.707	98,7
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	0	0		0		0	
110	MINISTRY OF JUSTICE	4.580	4.680	102,2	4.735	101,2	4.986	105,3
120	OMBUDSMAN'S OFFICE	0	0		0		0	
121	OMBUDSMAN FOR CHILDREN	0	0		0		0	
122	OMBUDSMAN FOR GENDER EQUALITY	16	15	93,8	16	106,7	16	100,0
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	0	0		0		0	
160	CENTRAL BUREAU OF STATISTICS	350	415	118,6	428	103,1	435	101,6
185	STATE AUDIT OFFICE	180	360	200,0	380	105,6	395	103,9
196	STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES	0	0		0		0	
225	STATE INSPECTOR'S OFFICE	0	0		0		0	
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	0	0		0		0	
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	10	5	50,0	0	X	0	
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	19	15	78,9	20	133,3	18	90,0
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	0	0		0		0	
242	INSTITUTE FOR INFORMATION SYSTEMS SECURITY	66	50	75,8	50	100,0	50	100,0
250	PERSONAL DATA PROTECTION AGENCY	0	0		0		0	

Source: Ministry of Finance

Table 17: Limits of other expenditure (groups of account 36, 38 and 4 of economic classification) by divisions of the budgetary central government for the following sources of financing: general revenue and receipts, contributions and special purpose income from borrowing for the period 2011 – 2013

		2011			2012		2013	
		(000 HRK)	2010 plan	projection	11/10 Index	projection	12/11 Index	projection
	TOTAL	12.180.104	10.776.073	88,5	13.628.322	126,5	13.882.869	101,9
10	CROATIAN PARLIAMENT	244.571	71.475	29,2	1.860	2,6	1.999	107,5
13	FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	246	80	32,5	45	56,3	30	66,7
15	PRESIDENT OF THE REPUBLIC OF CROATIA	977	508	52,0	437	86,0	304	69,6
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	26.070	26.814	102,9	1.822	6,8	1.625	89,2
18	AGENCY FOR THE PROTECTION OF MARKET COMPETITION	109	60	55,0	58	96,7	56	96,6
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	52.705	48.698	92,4	48.726	100,1	48.789	100,1
22	CENTRAL STATE OFFICE FOR E-CROATIA	488	195	40,0	153	78,5	152	99,3
23	CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS	247	130	52,7	95	73,1	93	97,9
24	CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT	822	735	89,5	658	89,5	600	91,2
25	MINISTRY OF FINANCE	3.589.197	3.291.927	91,7	6.758.387	205,3	6.814.784	100,8
27	RC – SECURITY AND INTELLIGENCE AGENCY	22.492	36.235	161,1	36.242	100,0	36.147	99,7
30	MINISTRY OF DEFENCE	50.414	640	1,3	500	78,1	455	91,0
40	MINISTRY OF THE INTERIOR	255.410	141.815	55,5	129.843	91,6	131.545	101,3
46	MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY	100.829	79.615	79,0	79.000	99,2	77.539	98,2
48	MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION	22.383	12.481	55,8	9.542	76,5	8.062	84,5
50	MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP	217.826	139.913	64,2	141.118	100,9	270.418	191,6
55	MINISTRY OF CULTURE	304.952	276.760	90,8	267.186	96,5	282.099	105,6
60	MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT	220.127	211.288	96,0	185.012	87,6	195.032	105,4
62	MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT	1.460.524	1.326.859	90,8	929.182	70,0	949.649	102,2
65	MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE	3.911.529	3.887.424	99,4	3.874.800	99,7	3.969.230	102,4
75	MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION	129.724	114.885	88,6	116.427	101,3	78.336	67,3
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	873.349	641.413	73,4	643.267	100,3	630.382	98,0
90	MINISTRY OF TOURISM	142.641	135.234	94,8	131.366	97,1	127.682	97,2
95	MINISTRY OF ADMINISTRATION	5.475	3.467	63,3	2.866	82,7	2.415	84,3
100	MINISTRY OF HEALTH AND SOCIAL WELFARE	437.713	254.675	58,2	227.981	89,5	214.585	94,1
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	3.574	2.350	65,8	2.125	90,4	2.068	97,3
110	MINISTRY OF JUSTICE	91.098	61.663	67,7	32.841	53,3	32.319	98,4
120	OMBUDSMAN'S OFFICE	67	67	100,0	67	100,0	67	100,0
121	OMBUDSMAN FOR CHILDREN	87	86	99,1	83	96,7	85	101,9
122	OMBUDSMAN FOR GENDER EQUALITY	93	66	71,0	63	95,5	67	106,3
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	70	52	74,1	51	99,0	50	97,1
160	CENTRAL BUREAU OF STATISTICS	3.252	1.410	43,4	1.265	89,7	1.119	88,5
185	STATE AUDIT OFFICE	730	540	74,0	500	92,6	470	94,0
196	STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES	166	321	193,4	222	69,2	131	59,0
225	STATE INSPECTOR'S OFFICE	2.930	3.045	103,9	2.354	77,3	2.438	103,6
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	7	6	85,7	0	X	0	
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	129	90	69,9	90	100,0	105	116,7
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	1.170	400	34,2	510	127,5	390	76,5
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	2.585	800	30,9	715	89,4	780	109,1
242	INSTITUTE FOR INFORMATION SYSTEMS SECURITY	2.319	1.260	54,3	500	39,7	500	100,0
250	PERSONAL DATA PROTECTION AGENCY	1.010	590	58,4	361	61,2	272	75,3

Source: Ministry of Finance

Table 18: Limits of expenditure from other sources by divisions of the budgetary central government (except sources 1, 2 and 8) for the period 2011 – 2013

		2011		2012		2013		
		2010 plan	projection	11/10 Index	projection	12/11 Index	projection	13/12 Index
(000 HRK)								
TOTAL		118.589.156	118.539.003	100,0	121.108.225	102,2	120.108.648	99,2
10	CROATIAN PARLIAMENT	414.664	330.633	79,7	146.898	44,4	141.479	96,3
13	FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	1.490	1.110		1.079		1.080	
15	PRESIDENT OF THE REPUBLIC OF CROATIA	49.938	42.400	84,9	42.407	100,0	42.005	99,1
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	57.131	57.191		32.385		32.348	
18	AGENCY FOR THE PROTECTION OF MARKET COMPETITION	13.225	13.440	101,6	13.490	X	13.510	
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	169.470	161.013	95,0	163.025	101,2	161.598	99,1
22	CENTRAL STATE OFFICE FOR E-CROATIA	20.270	18.473	91,1	18.428	99,8	18.069	98,1
23	CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS	13.204	12.614	95,5	12.583	99,7	12.008	X
24	CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT	35.402	28.260		22.451		22.334	
25	MINISTRY OF FINANCE	11.988.491	12.819.215	106,9	16.603.630	129,5	16.823.483	101,3
27	RC – SECURITY AND INTELLIGENCE AGENCY	329.100	365.259	111,0	358.185	98,1	358.197	100,0
30	MINISTRY OF DEFENCE	4.715.495	4.896.274	103,8	4.727.405	96,6	4.504.074	95,3
40	MINISTRY OF THE INTERIOR	4.616.691	4.533.867	98,2	4.476.728	98,7	4.454.784	99,5
46	MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY	4.073.940	3.967.100	97,4	3.974.343	100,2	3.960.906	99,7
48	MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION	579.106	539.867	93,2	542.837	100,6	530.118	97,7
50	MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP	38.461.111	38.496.147	100,1	38.742.585	100,6	39.841.448	102,8
55	MINISTRY OF CULTURE	855.020	810.195	94,8	798.271	98,5	810.429	101,5
60	MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT	4.393.794	4.392.661	100,0	4.283.722	97,5	2.621.099	61,2
62	MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT	1.646.221	1.500.004	91,1	1.099.424	73,3	1.115.815	101,5
65	MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE	6.298.655	6.082.333	96,6	6.037.609	99,3	6.088.804	100,8
75	MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION	520.536	496.347	95,4	465.033	93,7	423.208	91,0
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	11.522.303	11.421.316	99,1	11.350.026	99,4	11.255.840	99,2
90	MINISTRY OF TOURISM	226.212	209.222	92,5	205.786	98,4	201.569	98,0
95	MINISTRY OF ADMINISTRATION	400.179	390.301	97,5	387.395	99,3	384.331	99,2
100	MINISTRY OF HEALTH AND SOCIAL WELFARE	24.153.530	23.695.659	98,1	23.560.559	99,4	23.249.532	98,7
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	59.941	57.480	95,9	56.564	98,4	56.039	99,1
110	MINISTRY OF JUSTICE	2.574.780	2.663.533	103,4	2.610.177	98,0	2.609.742	100,0
120	OMBUDSMAN'S OFFICE	7.680	7.096	92,4	7.063	99,5	7.021	X
121	OMBUDSMAN FOR CHILDREN	6.210	5.785		5.771		5.808	
122	OMBUDSMAN FOR GENDER EQUALITY	2.952	2.640		2.665		2.709	
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	3.225	3.159		3.199		3.228	
160	CENTRAL BUREAU OF STATISTICS	101.907	251.387	246,7	90.532	36,0	89.746	99,1
185	STATE AUDIT OFFICE	53.896	52.772		53.294		53.633	
196	STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES	8.865	7.863		7.949		8.098	
225	STATE INSPECTOR'S OFFICE	148.570	147.359	99,2	146.598	99,5	146.438	99,9
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	651	584		580		572	
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	5.757	5.394		5.332		5.260	
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	20.857	19.851		20.086		20.081	
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	17.903	15.056		14.862		14.944	
242	INSTITUTE FOR INFORMATION SYSTEMS SECURITY	13.070	11.272		10.622		10.720	
250	PERSONAL DATA PROTECTION AGENCY	7.713	6.876	89,1	6.649	96,7	6.542	X

Source: Ministry of Finance

4.4.3. Determinants of expenditure of extra-budgetary users for the period 2011 – 2013

Total expenditure of extra-budgetary users will gradually reduce its share in GDP from 2.0% of GDP in 2011 to 1.6% of GDP in 2013. The most significant category in the total expenditure is material expense, which will amount to 0.7% of GDP in 2011 and then drop to 0.6% of GDP in 2012 and 2013. Expense for the acquisition of nonfinancial assets will drop from 0.8% of GDP in 2011 to 0.4% of GDP in 2013. Financial expense and other expense will hold a share of 0.2% of GDP for the entire duration of the observed period. Compensation of employees and capital grants will also stand at the level of 0.1% of GDP.

Table 19: Key items of expenditure of extra-budgetary users

% of GDP	2009	2010 plan	2011 projection	2012 projection	2013 projection
Total expenditure	1,7	1,8	2,0	1,7	1,6
compensation of employees	0,1	0,1	0,1	0,1	0,1
material expense	0,9	0,7	0,7	0,6	0,6
financial expense	0,1	0,1	0,2	0,2	0,2
capital grants	0,1	0,1	0,1	0,1	0,1
expense for the acquisition of nonfinancial assets	0,3	0,5	0,8	0,5	0,4
other	0,3	0,3	0,2	0,2	0,2

Source: Ministry of Finance

4.4.4. Determinants of expenditure of the local and regional self-government units for the period 2011 – 2013

Total expenditure of the local and regional self-government units will decrease by 0.1 percentage points per annum, i.e. from 4.6% of GDP in 2011 to 4.4% of GDP in 2013. The key item of the local units, material expense, will stand at the average level of 1.4% of GDP. Compensation of employees will remain at the level of 1.0% of GDP. Financial expense and grants will stand at the level of 0.1% of GDP, and compensation to citizens and households and other expense at the level of 0.2% of GDP. Subsidies and current donations will both stand at 0.3% of GDP. Expense for the acquisition of nonfinancial assets will have a 0.8% share in GDP.

Table 20: Key items of expenditure of the local and regional self-government units

% of GDP	2009	2010 plan	2011 projection	2012 projection	2013 projection
Total expenditure	5,2	4,7	4,6	4,5	4,4
compensation of employees	1,0	1,0	1,0	1,0	1,0
material expense	1,6	1,5	1,5	1,4	1,4
financial expense	0,1	0,1	0,1	0,1	0,1
subsidies	0,4	0,3	0,3	0,3	0,3
grants	0,1	0,1	0,1	0,1	0,1
compensations to citizens and households	0,2	0,2	0,2	0,2	0,2
current donations	0,4	0,4	0,4	0,3	0,3
expense for the acquisition of nonfinancial assets	1,0	0,9	0,8	0,8	0,8
other	0,3	0,2	0,2	0,2	0,2

Note: includes 53 largest units (32 towns, 20 counties and the City of Zagreb)

Source: Ministry of Finance

4.5. The State budget in the context of accession and full-fledged membership of Croatia in the EU

The Republic of Croatia, being a candidate country for EU membership, has access to pre-accession assistance programmes of the EU (first generation programmes: CARDS, PHARE, ISPA and SAPARD, and the new pre-accession programme IPA).

The primary objective of the EU pre-accession assistance programmes is to strengthen government institutions with the aim of accelerating their integration into the EU system and preparing for the sound use of EU funds in the future – once the country has achieved EU membership.

In the context of preparation for membership and use of pre-accession assistance programmes, the state budget revenues and expenditures of the Republic of Croatia have, to a certain extent, been under the influence of the process of accession to the EU for many years now.

By the realization of pre-accession programmes the EU assistance is provided, which is an integral part of the state budget revenue, while, on the expenditure side, is used as a partial or sole source of financing in concrete projects related to the fulfilment of conditions for membership and preparation for use of EU funds.

The period covered in these Economic and Fiscal Policy Guidelines is more complex in view of the fact that the status of Croatia will have changed from that of an EU candidate country into its full-fledged member. The impact of the above on the state budget is an integral part of these Guidelines, even though at this point it is only possible to include projections of individual revenue and expenditure categories, seeing that these are a subject of negotiation under various chapters in the EU accession negotiations. This applies particularly to estimations of impact on state budget revenue and expenditure as of the moment of achieving full membership.

Impacts on state budget revenue side in the upcoming three-year period can be classified into four main groups. The first group consists of pre-accession assistance programmes which are, according to EU rules, to be used by the end of 2014, thereby covering the entire period of these Guidelines. The second group represents EU funds to which Croatia will have gained access after its accession. During the first year, the main activities will be related to the process of contracting and first payments are to be expected in late 2012 and 2013. Considering that EU funds awarded to the Republic of Croatia in 2012 and 2013 are expected to be used by 2016, the impact on the state budget will be more pronounced in the year 2014, 2015 and 2016.

The third group comprises the use of agricultural funds which will impact the state budget in a more substantial manner from 2013 onwards.

The fourth group includes funds for border management and further development of institutions – the so-called assistance for full transition and participation in Community programmes.

The fifth group of impact is related to the participation of Croatia as a Member State in the budget of the European Union, which is part of the state budget expenditure. Member States

are obliged to contribute own resources (a portion of funds based on gross national income, customs duties, sugar levies, a portion of funds based on VAT, and funds for correction mechanisms for certain Member States) to the budget of the EU. A positive net financial position towards the EU budget is initially ensured for new Member States (through direct compensations – payments to the budget of the Member State) in view of the fact that there is a discrepancy between the schedule of compulsory payments to the EU budget and the dynamics of use of EU funds, i.e. own resources are to be paid immediately - in the year in which they are collected, and funds are withdrawn according to the dynamics of project execution.

The main impacts on state budget expenditure side are directly related to three facts. First, a significant portion of budget expenditure is already associated to the process of accession to the EU. Second, increased use of EU assistance will result in increased and/or modified structure of financing of individual categories of state budget expenditure. Third, expenditure includes the transfer, i.e. payment into the EU budget which is estimated to amount to an average of approximately 1% of GDP in 2012 and 2013.

All of the above has been taken into consideration in these Guidelines and with the assumption of full-fledged membership of the Republic of Croatia in the EU as of 2012.

A special impact of accession to the EU on state budget expenditure side needs to be examined in the first year of membership, i.e. 2012, and in the context of the Conclusion of the Croatian Parliament which states that the level of state budget expenditures in 2011 and 2012 cannot exceed the level set in the amended budget for 2010.

On account of the expenditure related to the obligation of the Republic of Croatia to participate in the budget of the EU, estimated to amount to approximately 1% of GDP in 2012, it would be necessary to reduce all other budget expenditures in the same amount without exceeding the total allowed level of state budget expenditure defined in the above mentioned Conclusion. In this context, the total state budget expenditure level in 2012 must be viewed exclusive of the expenditure related to the participation in the EU budget, since this expenditure was not present in 2010, which is the reference year for the above mentioned Conclusion. With the total level of state budget expenditures amounting to HRK 124.8 billion in 2012, and the approximate 1% of GDP to be contributed to the EU budget, the level of state budget expenditures in 2012 that is comparable with the expenditure level set in the referent amended budget for 2010, is approximately HRK 1 billion lower than the level of expenditure set in the amended state budget for 2010.

4.6. Consolidated general government in the period 2011 – 2013

In accordance with the expected trends in revenue and expenditure at all levels of general government budget, it is expected that the general government deficit will grow from 4.6% of GDP in 2010 to 4.8% of GDP in 2011, after which a continuous decline is predicted to the level of 3.2% of GDP in 2013. The increase of general government deficit is mainly due to the increase of total deficit of the extra-budgetary users, Croatian Waters in particular, which is related to the Conclusion of the Croatian Government and the Decision of the Ministry of Regional Development, Forestry and Water Management on the financing of projects in the field of water supply, drainage and adverse effects of water.

In view of the trend of the total general government deficit in the upcoming three-year period, it should be noted that the budgetary central government will record a drop from 4.1% of GDP in 2011 to 1.5% of GDP in 2013, and extra-budgetary users from 0.5% of GDP to 0.1% of GDP, whereas local government will maintain the average level of 0.3% of GDP in the observed medium-term period.

Table 21: Consolidated general government budget in the period 2009 – 2013

(000 HRK)	2009	2010 plan	2011 projection	2012 projection	2013 projection
TOTAL REVENUE (6+7)	128.859.776	124.986.375	124.487.854	131.469.335	138.692.524
6 Revenue	128.085.627	124.291.013	123.772.254	130.720.030	137.966.983
7 Revenue from the sale of nonfinancial assets	774.149	695.362	715.600	749.304	725.541
TOTAL EXPENDITURE (3+4)	139.301.713	140.397.435	140.966.273	143.120.433	145.725.356
3 Expense	132.709.167	133.701.884	134.039.585	137.457.577	139.996.605
4 Expense for the acquisition of nonfinancial assets	6.592.546	6.695.550	6.926.688	5.662.857	5.728.751
TOTAL DEFICIT/SURPLUS	-10.441.937	-15.411.060	-16.478.419	-11.651.098	-7.032.832
% of GDP	-3,1	-4,6	-4,8	-3,2	-1,9
FINANCING	10.441.937	15.411.060	16.478.419	11.651.098	7.032.832
8 Income from financial assets and borrowings	28.942.181	38.457.824	30.553.572	23.222.640	23.569.985
5 Expense for financial assets and loan repayment	14.062.643	22.275.054	13.254.499	10.984.255	15.879.241
Change in currency and deposits	4.437.601	771.710	820.654	587.287	657.912

Source: Ministry of Finance

Table 22: Revenue, expenditure and total deficit/surplus of general government in the period 2009 – 2013

(000 HRK)	2009	2010 plan	2011 projection	2012 projection	2013 projection
BUDGETARY CENTRAL GOVERNMENT					
Total revenue	110.561.952	108.282.462	108.002.006	114.646.551	121.260.082
% of GDP	33,2	32,7	31,4	31,8	32,0
Total expenditure	120.191.398	122.340.096	121.985.932	124.799.211	126.868.063
% of GDP	36,1	36,9	35,5	34,7	33,4
Total deficit/surplus	-9.629.446	-14.057.634	-13.983.926	-10.152.660	-5.607.981
% of GDP	-2,9	-4,2	-4,1	-2,8	-1,5
EXTRA-BUDGETARY USERS					
Total revenue	5.665.736	5.235.484	5.464.095	5.493.063	5.371.690
% of GDP	1,7	1,6	1,6	1,5	1,4
Total expenditure	5.826.072	6.020.425	7.031.794	6.070.139	5.920.226
% of GDP	1,7	1,8	2,0	1,7	1,6
Total deficit/surplus	-160.336	-784.941	-1.567.699	-577.077	-548.536
% of GDP	0,0	-0,2	-0,5	-0,2	-0,1
LOCAL GOVERNMENT					
Total revenue	16.512.358	15.021.734	14.856.147	15.197.470	15.868.094
% of GDP	5,0	4,5	4,3	4,2	4,2
Total expenditure	17.164.512	15.590.219	15.782.941	16.118.832	16.744.409
% of GDP	5,2	4,7	4,6	4,5	4,4
Total deficit/surplus	-652.155	-568.485	-926.794	-921.362	-876.316
% of GDP	-0,2	-0,2	-0,3	-0,3	-0,2
CONSOLIDATED GENERAL GOVERNMENT					
Total revenue	128.859.776	124.986.375	124.487.854	131.469.335	138.692.524
% of GDP	38,7	37,7	36,2	36,5	36,6
Total expenditure	139.301.713	140.397.435	140.966.273	143.120.433	145.725.356
% of GDP	41,8	42,4	41,0	39,7	38,4
Total deficit/surplus	-10.441.937	-15.411.060	-16.478.419	-11.651.098	-7.032.832
% of GDP	-3,1	-4,6	-4,8	-3,2	-1,9

Source: Ministry of Finance

5. PUBLIC DEBT IN MEDIUM-TERM PERIOD

5.1. Public debt in the period 2011 – 2013

The text below describes the institutional framework and presents the major features of the borrowing policy and public debt management of the Republic of Croatia in the observed period. In this context, it presents the structure of financing of the overall general government deficit, and the projection of developments and structure of public debt. The public debt sensitivity tests presented at end of this chapter demonstrate changes in the level of public debt under conditions of significant changes in the assumptions of key macroeconomic and fiscal indicators as one of the models of quantifying risks related to public debt management.

The Budget Act lays down the institutional framework of borrowing and public debt management so as to meet the financial requirements of the state, by achieving the lowest possible medium-term and long-term costs of financing while assuming a prudent level of risk.

In the period 2005 – 2009, the financing was mostly focused on domestic sources. If state borrowing through the issue of bonds is analysed, it is evident that there had been no issues abroad in that period. However, taking into account the changed conditions on the financial markets, as well as on the domestic market, and foreign bonds maturity in 2009, a part of the financing requirements was realised by issuing two Eurobonds, the first in May 2009 in the amount of EUR 750 million and the second in November 2009 in the amount of USD 1.5 billion. With a view to reprogramming liabilities falling due, in March 2010 the Republic of Croatia issued ten-year bonds on the domestic market in the amount of HRK 3.5 billion with an annual interest rate of 6.75%, and EUR 350 million in kuna equivalent value with an annual interest rate of 6.50%. Furthermore, in July 2010 two more ten-year bonds were issued on the domestic market, the first in the amount of HRK 1.5 billion with a fixed interest rate of 6.75%, and the second in kuna equivalent value of EUR 650 million value with an interest rate of 6.50%, in addition to which a Eurobond was issued in the US market in the amount of USD 1.25 billion with an interest rate of 6.625% and a maturity period of 10 years. Considering the mentioned changed circumstances on the financial markets, and the changed domestic and global macroeconomic conditions, a part of the total financing requirements was realised through short-term financing instruments.

In the upcoming three-year period the financing requirements of the overall budget deficit and liabilities falling due will be directed to both domestic and foreign financial markets with the main goal of adjusting liabilities falling due according to the amount and date of payment.

Trends in the overall general government deficit and maturity of liabilities in the upcoming three-year period will result in increased financing requirements compared to the historical average, reflecting on the share of public debt in GDP.

Table 23: Financing the total general government deficit in the period 2009 – 2013

(000 HRK)	2009	2010 plan	2011 projection	2012 projection	2013 projection
FINANCING	10.441.937	15.411.060	16.478.419	11.651.098	7.032.832
domestic	10.185.454	9.239.882	8.049.876	2.412.719	-1.639.246
loans	5.336.647	944.371	3.267.381	-1.074.926	-4.946.148
borrowings	8.574.591	11.142.951	5.066.449	2.960.199	3.958.299
repayments	3.237.943	10.198.580	1.799.069	4.035.126	8.904.447
bonds	4.848.807	8.295.511	4.782.495	3.487.645	3.306.902
borrowings	5.131.270	12.370.000	7.344.265	7.294.265	7.326.219
repayments	282.463	4.074.489	2.561.770	3.806.620	4.019.317
foreign	7.282.422	7.964.818	10.150.196	11.002.237	10.439.096
loans	-518.651	889.818	1.405.196	2.237	-60.904
borrowings	1.563.180	2.572.088	2.950.986	1.249.626	1.006.903
repayments	2.081.831	1.682.270	1.545.790	1.247.389	1.067.806
bonds	7.801.073	7.075.000	8.745.000	11.000.000	10.500.000
borrowings	12.855.638	10.800.000	14.250.000	11.000.000	10.500.000
repayments	5.054.565	3.725.000	5.505.000	0	0
loan acquisition	2.961.890	1.662.651	1.468.370	1.506.220	1.499.620
loan disposals	577.823	1.086.240	479.640	523.670	541.400
shares and other equity acquisition	443.951	932.065	374.500	388.900	388.050
shares and other equity disposals	239.680	486.545	462.231	194.880	237.164
securities acquisition	5.000	0	0	0	0
change in currency and deposits	4.437.601	771.710	820.654	587.287	657.912

Source: Ministry of Finance

The majority of liabilities falling due in the period 2011 – 2013 are three maturity dates for bonds of which two are domestic, one denominated in euro in the amount of 500 million, and the other is denominated in kuna amounting to 4.0 billion, and one foreign bond in the amount of EUR 750 million.

Table 24: Overview of the bonds of the Republic of Croatia in the period 2011 – 2013

Bond	Date of issue	Amount (in million)	Interest rate	Date of maturity
DOMESTIC BONDS				
Series 03 D-12	23.5.2002.	500 EUR	6,88%	23.5.2012.
Series 11 D-13	11.7.2006.	4.000 HRK	4,50%	11.7.2013.
FOREIGN BONDS				
Euro - EUR III 2011	06.03.2001.	750 EUR	6,75%	14.03.2011.

Source: Ministry of Finance

In accordance with the planned financing, in the following period public debt will increase its share in GDP from the estimated level of 40.7% of GDP in 2010 to around 46% of GDP in the period 2012 – 2013, after which a gradual decline of the share of public debt in GDP is expected. Also, certain changes will occur in the levels of foreign and domestic public debt components expressed as a share of GDP resulting from maturity of liabilities in the projection period, and the planned realization of new borrowing on the domestic as well as on the foreign financial market.

Table 25: Projection of development and structure of public debt in the period 2009 - 2013

<i>% of GDP</i>	2009	2010*	2011*	2012*	2013*
Total deficit/surplus	-3,1	-4,6	-4,8	-3,2	-1,9
Public debt	35,4	40,7	44,6	46,3	46,3
Foreign	11,3	13,7	16,2	18,5	20,3
Domestic	24,1	27,0	28,4	27,8	25,9

* projection

Source: Ministry of Finance

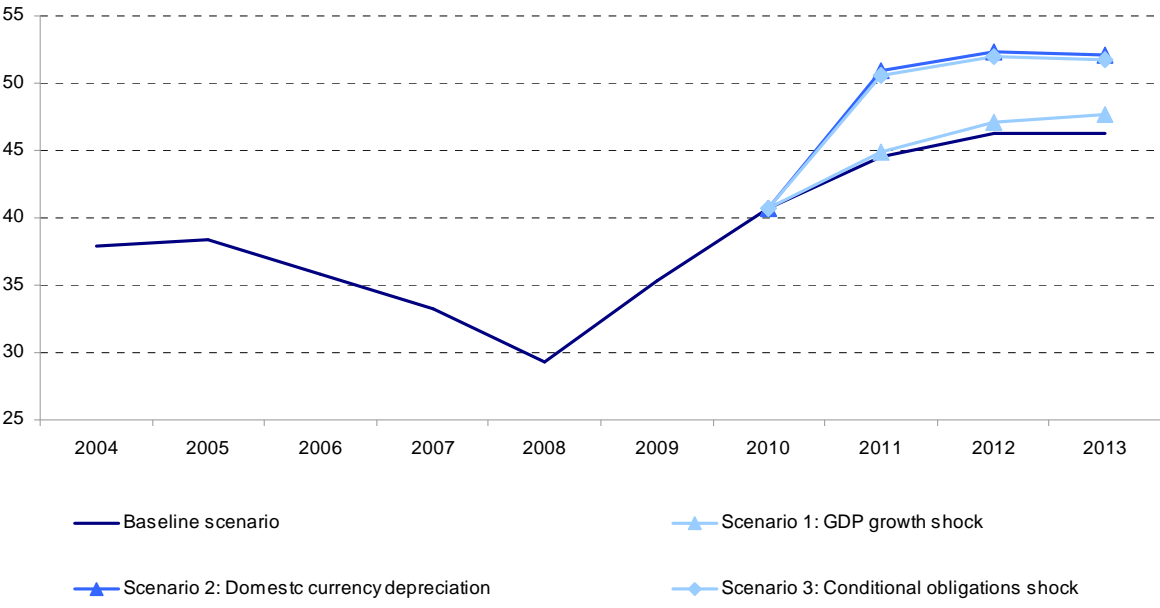
5.2. Testing public debt sensitivity trends

Trends in public debt are directly related to macroeconomic conditions, i.e. results and assumptions for the implementation of fiscal policy. It is therefore highly important to continuously carry out public debt sensitivity tests on different factors to get a realistic overview of all implications of potential change in the assumptions that determine the projections of the trends in public debt in the medium-term period and thus represent the highest risk, and in order to ensure the conditions to avoid those trends or mitigate their impacts. The test is carried out by setting a baseline scenario on the basis of medium-term macroeconomic projections. It is followed by a series of alternative scenarios where the assumed variables are subjected to various shocks. The shocks are usually linked to historic values of the observed variables and their variability, but they can also be arbitrary.

The carried out public debt sensitivity tests indicate that the depreciation of domestic currency, primarily against the euro, has the greatest influence on public debt development, i.e. its growth. The reason for this is the fact that a large share of debt is denominated in foreign currency. The test shows that the arbitrary shock of depreciation of kuna in the amount of 25% increases the level of public debt to over 50% of GDP in the observed period.

The debt also demonstrates higher sensitivity to changes in conditional obligations (guarantees). For the purpose of this test, public debt was assumed to increase by the level of conditional obligations in the arbitrarily chosen amount of 3% GDP in 2011. This indicates that it is necessary to constrain their growth and remove the need for their issuing, i.e. to restructure certain sectors of the economy. Furthermore, public debt demonstrates a highly unfavourable medium-term development with respect to the arbitrary assumption of real GDP growth in the period 2011 – 2013 at half the expected rate. In this case, in the medium-term period public debt will increase to around 47% of GDP.

Chart 14: Development of public debt share in GDP according to various scenarios (in %)



Source: Ministry of Finance

ANNEXES

Annex 1: Budgetary central government in the period 2009 – 2013

	Execution 2009		2010 plan		2011 projection		2012 projection		2013 projection	
	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP
TOTAL REVENUE (6+7)	110.561.951.800	33,2	108.282.461.539	32,7	108.002.005.920	31,4	114.646.551.120	31,8	121.260.082.349	32,0
6 Revenue	110.257.946.738	33,1	108.015.214.665	32,6	107.741.735.895	31,3	114.375.081.095	31,8	120.976.512.324	31,9
61 Revenues from taxes	60.594.565.280	18,2	62.001.632.491	18,7	61.595.671.621	17,9	64.033.876.222	17,8	66.883.892.344	17,6
62 Contributions	39.994.738.956	12,0	38.774.089.786	11,7	39.699.160.098	11,5	41.423.444.802	11,5	43.494.617.042	11,5
63 Grants	675.330.832	0,2	1.029.519.544	0,3	1.386.563.926	0,4	3.738.114.724	1,0	5.367.101.740	1,4
64 Property income	5.308.035.995	1,6	2.135.431.621	0,6	1.030.080.371	0,3	1.070.564.228	0,3	1.122.725.132	0,3
65 Revenues from sale of goods and services	3.097.590.496	0,9	3.462.481.868	1,0	3.426.684.084	1,0	3.498.765.867	1,0	3.483.560.657	0,9
66 Other revenue	587.685.179	0,2	612.059.355	0,2	603.575.795	0,2	610.315.252	0,2	624.615.409	0,2
7 Revenue from the sale of nonfinancial assets	304.005.062	0,1	267.246.874	0,1	260.270.025	0,1	271.470.025	0,1	283.570.025	0,1
71 Revenues from the sale of non-produced assets	38.392.342	0,0	24.118.422	0,0	21.400.000	0,0	22.000.000	0,0	24.000.000	0,0
72 Revenues from the sale of produced assets	257.881.035	0,1	239.128.452	0,1	238.300.000	0,1	248.900.000	0,1	259.000.000	0,1
74 Revenues from the sale of produced current assets	7.731.686	0,0	4.000.000	0,0	570.025	0,0	570.025	0,0	570.025	0,0
TOTAL EXPENDITURE (3+4)	120.191.397.951	36,1	122.340.095.692	36,9	121.985.932.354	35,5	124.799.210.912	34,7	126.868.062.983	33,4
3 Expense	117.923.991.688	35,4	120.292.379.215	36,3	120.577.331.203	35,1	123.754.060.098	34,4	125.730.534.069	33,1
31 Compensation of employees	22.510.492.999	6,8	22.559.912.444	6,8	22.486.938.765	6,5	22.351.739.451	6,2	22.229.823.489	5,9
32 Material expense	8.018.255.831	2,4	8.649.560.844	2,6	9.025.905.241	2,6	8.480.273.482	2,4	8.175.000.217	2,2
34 Financial expense	5.788.119.755	1,7	6.303.116.822	1,9	7.453.542.550	2,2	7.740.531.780	2,1	7.862.226.955	2,1
35 Subsidies	6.710.032.870	2,0	6.452.240.510	1,9	6.322.924.834	1,8	6.304.886.272	1,8	6.313.984.272	1,7
36 Grants	5.431.865.088	1,6	5.315.806.342	1,6	4.893.568.739	1,4	4.874.425.040	1,4	4.910.080.505	1,4
37 Compensations to citizens and households based on insurance and other compensations	63.999.141.592	19,2	65.268.325.925	19,7	64.830.408.278	18,9	65.021.692.258	18,1	65.631.333.911	17,3
38 Other expense	5.466.083.555	1,6	5.743.416.328	1,7	5.564.042.796	1,6	5.280.511.815	1,5	5.417.084.720	1,7
4 Expense for the acquisition of nonfinancial assets	2.267.406.263	0,7	2.047.716.477	0,6	1.408.601.151	0,4	1.045.150.814	0,3	1.137.528.914	0,3
41 Expense for the acquisition of non-produced assets	117.732.514	0,0	85.033.475	0,0	78.269.000	0,0	60.164.700	0,0	79.949.300	0,0
42 Expense for the acquisition of produced fixed assets	1.907.381.918	0,6	1.761.370.495	0,5	1.182.822.934	0,3	875.783.114	0,2	961.168.614	0,3
43 Expense for the acquisition of precious metals and other deposited valuables	8.929.241	0,0	3.397.000	0,0	1.930.000	0,0	2.004.000	0,0	2.041.000	0,0
44 Strategic inventories	43.143.443	0,0	14.500.000	0,0	13.000.000	0,0	13.000.000	0,0	13.000.000	0,0
45 Expense for additional investments in nonfinancial assets	190.219.147	0,1	183.415.507	0,1	132.579.217	0,0	94.199.000	0,0	81.370.000	0,0
TOTAL DEFICIT(-) / SURPLUS(+)	-9.629.446.151	-2,9	-14.057.634.153	-4,2	-13.983.926.435	-4,1	-10.152.659.792	-2,8	-5.607.980.634	-1,5
NET FINANCING	9.629.446.151	2,9	14.057.634.153	4,2	13.983.926.435	4,1	10.152.659.792	2,8	5.607.980.634	1,5
CHANGES TO DEPOSIT BALANCE	4.127.799.707	1,2	70.000	0,0	0	0,0	0	0,0	0	0,0
8 Income from financial assets and borrowings	26.590.185.460	8,0	35.361.307.661	10,7	25.531.615.911	7,4	20.051.985.664	5,6	20.137.192.555	5,3
81 Loan disposals	142.181.371	0,0	733.739.650	0,2	259.639.650	0,1	292.669.650	0,1	305.400.000	0,1
82 Securities (other than shares) disposals	17.984.969.300	5,4	23.020.000.000	6,9	21.300.000.000	6,2	18.000.000.000	5,0	17.500.000.000	4,6
83 Shares and other equity disposals	8.378.310	0,0	0	0,0	0	0,0	0	0	0,0	
84 Loan incurrences	8.454.656.479	2,5	11.607.568.011	3,5	3.971.976.261	1,2	1.759.316.014	0,5	2.331.792.555	0,6
5 Expenses for financial assets and loan repayments	12.832.939.602	3,9	21.303.603.508	6,4	11.547.689.476	3,4	9.899.325.872	2,7	14.529.211.921	3,8
51 Loan acquisition	2.460.385.456	0,7	1.412.507.889	0,4	1.260.250.000	0,4	1.322.100.000	0,4	1.320.500.000	0,3
53 Shares and other equity acquisition	387.918.355	0,1	804.054.700	0,2	341.500.000	0,1	349.900.000	0,1	344.050.000	0,1
54 Loan repayments	4.656.179.118	1,4	11.302.672.242	3,4	1.894.986.737	0,6	4.438.023.467	1,2	8.864.661.921	2,3
55 Repayments of securities (other than shares)	5.328.456.673	1,6	7.784.368.677	2,3	8.050.952.739	2,3	3.789.302.405	1,1	4.000.000.000	1,1

Source: Ministry of Finance

Annex 2: Extra-budgetary users in the period 2009 – 2013

	Execution 2009		2010 plan		2011 projection		2012 projection		2013 projection	
	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP
TOTAL REVENUE (6+7)	5.665.736.225	1,7	5.235.484.307	1,6	5.464.095.000	1,6	5.493.062.500	1,5	5.371.690.000	1,4
6 Revenue	5.645.004.821	1,7	5.184.484.307	1,6	5.423.995.000	1,6	5.452.962.500	1,5	5.331.590.000	1,4
61 Revenues from taxes	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0
62 Contributions	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0
63 Grants	1.862.552.786	0,6	1.704.529.144	0,5	1.998.379.790	0,6	1.978.474.318	0,5	1.840.473.864	0,5
64 Property income	686.250.935	0,2	765.703.846	0,2	623.181.210	0,2	643.021.182	0,2	668.398.136	0,2
65 Revenues from sale of goods and services	3.054.781.785	0,9	2.700.249.317	0,8	2.749.724.000	0,8	2.768.357.000	0,8	2.770.418.000	0,7
66 Other revenue	41.419.315	0,0	14.002.000	0,0	52.710.000	0,0	63.110.000	0,0	52.300.000	0,0
7 Revenue from the sale of nonfinancial assets	20.731.404	0,0	51.000.000	0,0	40.100.000	0,0	40.100.000	0,0	40.100.000	0,0
71 Revenues from the sale of non-produced assets	6.889.249	0,0	30.000.000	0,0	25.000.000	0,0	25.000.000	0,0	25.000.000	0,0
72 Revenues from the sale of produced assets	13.842.155	0,0	21.000.000	0,0	15.100.000	0,0	15.100.000	0,0	15.100.000	0,0
74 Revenues from the sale of produced current assets	0	0,0	0	0,0	0	0,0	0	0	0	0,0
TOTAL EXPENDITURE (3+4)	5.826.072.273	1,7	6.020.425.299	1,8	7.031.793.612	2,0	6.070.139.380	1,7	5.920.225.880	1,6
3 Expense	4.706.469.428	1,4	4.281.601.299	1,3	4.324.085.612	1,3	4.300.475.880	1,2	4.296.005.880	1,1
31 Compensation of employees	280.460.129	0,1	288.071.100	0,1	305.984.700	0,1	323.305.320	0,1	332.148.720	0,1
32 Material expense	2.834.023.448	0,9	2.384.951.680	0,7	2.238.082.680	0,7	2.124.528.680	0,6	2.179.205.280	0,6
34 Financial expense	317.482.469	0,1	473.771.519	0,1	584.832.232	0,2	676.003.880	0,2	684.616.880	0,2
35 Subsidies	89.672.998	0,0	48.050.000	0,0	13.500.000	0,0	16.700.000	0,0	16.700.000	0,0
36 Grants	233.937.430	0,1	290.781.000	0,1	387.200.000	0,1	433.800.000	0,1	442.500.000	0,1
37 Compensations to citizens and households based on insurance and other compensations	217.742	0,0	2.000.000	0,0	2.000.000	0,0	2.000.000	0,0	2.000.000	0,0
38 Other expense	950.675.212	0,3	793.976.000	0,2	792.486.000	0,2	724.138.000	0,2	638.835.000	0,2
4 Expense for the acquisition of nonfinancial assets	1.119.602.844	0,3	1.738.824.000	0,5	2.707.708.000	0,8	1.769.663.500	0,5	1.624.220.000	0,4
41 Expense for the acquisition of non-produced assets	173.410.024	0,1	118.200.000	0,0	89.300.000	0,0	90.300.000	0,0	117.300.000	0,0
42 Expense for the acquisition of produced fixed assets	856.929.243	0,3	1.531.665.000	0,5	2.494.958.000	0,7	1.566.013.500	0,4	1.349.920.000	0,4
43 Expense for the acquisition of precious metals and other deposited valuables	0	0,0	0	0,0	0	0,0	0	0	0	0,0
44 Strategic inventories	0	0,0	0	0,0	0	0,0	0	0	0	0,0
45 Expense for additional investments in nonfinancial assets	89.263.577	0,0	88.959.000	0,0	123.450.000	0,0	113.350.000	0,0	157.000.000	0,0
TOTAL DEFICIT(-) / SURPLUS(+)	-160.336.048	0,0	-784.940.992	-0,2	-1.567.698.612	-0,5	-577.076.880	-0,2	-548.535.880	-0,1
NET FINANCING	160.336.048	0,0	784.940.992	0,2	1.567.698.612	0,5	577.076.880	0,2	548.535.880	0,1
CHANGES TO DEPOSIT BALANCE	919.256.337	0,3	771.639.500	0,2	820.654.300	0,2	587.286.700	0,2	657.911.824	0,2
8 Income from financial assets and borrowings	1.864.578.795	0,6	2.220.371.612	0,7	3.688.349.032	1,1	1.814.479.700	0,5	2.084.663.824	0,5
81 Loan disposals	309.911.550	0,1	197.000.000	0,1	80.000.000	0,0	91.000.000	0,0	96.000.000	0,0
82 Securities (other than shares) disposals	0	0,0	0	0,0	0	0,0	0	0	0	0,0
83 Shares and other equity disposals	207.902.306	0,1	445.544.500	0,1	423.731.300	0,1	156.379.700	0,0	198.663.824	0,1
84 Loan incurrences	1.346.764.939	0,4	1.577.827.112	0,5	3.184.617.732	0,9	1.567.100.000	0,4	1.790.000.000	0,5
5 Expenses for financial assets and loan repayments	784.986.411	0,2	663.791.120	0,2	1.299.996.120	0,4	650.116.120	0,2	878.216.120	0,2
51 Loan acquisition	428.310.951	0,1	180.623.000	0,1	87.500.000	0,0	63.000.000	0,0	53.000.000	0,0
53 Shares and other equity acquisition	200.000	0,0	105.000.000	0,0	0	0,0	0	0	0	0,0
54 Loan repayments	356.475.460	0,1	378.168.120	0,1	1.212.496.120	0,4	587.116.120	0,2	825.216.120	0,2
55 Repayments of securities (other than shares)	0	0,0	0	0,0	0	0,0	0	0	0	0,0

Source: Ministry of Finance

Annex 3: Consolidated central government in the period 2009 – 2013

	Execution 2009		2010 plan		2011 projection		2012 projection		2013 projection	
	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP
TOTAL REVENUE (6+7)	114.367.627.532	34,3	111.816.916.702	33,7	111.474.721.130	32,4	118.171.739.302	32,8	124.798.298.485	32,9
6 Revenue	114.042.891.066	34,2	111.498.669.828	33,6	111.174.351.105	32,3	117.860.169.277	32,7	124.474.628.460	32,8
61 Revenues from taxes	60.594.565.280	18,2	62.001.632.491	18,7	61.595.671.621	17,9	64.033.876.222	17,8	66.883.892.344	17,6
62 Contributions	39.994.738.956	12,0	38.774.089.786	11,7	39.699.160.098	11,5	41.423.444.802	11,5	43.494.617.042	11,5
63 Grants	677.823.125	0,2	1.033.019.544	0,3	1.393.563.926	0,4	3.748.714.724	1,0	5.374.101.740	1,4
64 Property income	5.994.286.930	1,8	2.901.135.467	0,9	1.653.261.581	0,5	1.713.585.410	0,5	1.791.123.268	0,5
65 Revenues from sale of goods and services	6.152.372.280	1,8	6.162.731.185	1,9	6.176.408.084	1,8	6.267.122.867	1,7	6.253.978.657	1,6
66 Other revenue	629.104.494	0,2	626.061.355	0,2	656.285.795	0,2	673.425.252	0,2	676.915.409	0,2
7 Revenue from the sale of nonfinancial assets	324.736.466	0,1	318.246.874	0,1	300.370.025	0,1	311.570.025	0,1	323.670.025	0,1
71 Revenues from the sale of non-produced assets	45.281.591	0,0	54.118.422	0,0	46.400.000	0,0	47.000.000	0,0	49.000.000	0,0
72 Revenues from the sale of produced assets	271.723.190	0,1	260.128.452	0,1	253.400.000	0,1	264.000.000	0,1	274.100.000	0,1
74 Revenues from the sale of produced current assets	7.731.686	0,0	4.000.000	0,0	570.025	0,0	570.025	0,0	570.025	0,0
TOTAL EXPENDITURE (3+4)	124.157.409.731	37,3	126.659.491.847	38,2	127.026.346.176	37,0	128.901.475.974	35,8	130.954.814.999	34,5
3 Expense	120.770.400.624	36,3	122.872.951.370	37,1	122.910.037.025	35,8	126.086.661.660	35,0	128.193.066.085	33,8
31 Compensation of employees	22.790.953.127	6,8	22.847.983.544	6,9	22.792.923.465	6,6	22.675.044.771	6,3	22.561.972.209	5,9
32 Material expense	10.852.279.278	3,3	11.034.512.524	3,3	11.263.987.921	3,3	10.604.802.162	2,9	10.354.205.497	2,7
34 Financial expense	6.105.602.225	1,8	6.776.888.341	2,0	8.038.374.782	2,3	8.416.535.660	2,3	8.546.843.835	2,3
35 Subsidies	6.799.705.868	2,0	6.500.290.510	2,0	6.336.424.834	1,8	6.321.586.272	1,8	6.330.684.272	1,7
36 Grants	3.805.742.026	1,1	3.905.558.198	1,2	3.289.388.949	1,0	7.040.350.722	2,0	7.710.106.641	2,0
37 Compensations to citizens and households based on insurance and other compensations	63.999.359.334	19,2	65.270.325.925	19,7	64.832.408.278	18,9	65.023.692.258	18,1	65.633.333.911	17,3
38 Other expense	6.416.758.766	1,9	6.537.392.328	2,0	6.356.528.796	1,8	6.004.649.815	1,7	7.055.919.720	1,9
4 Expense for the acquisition of nonfinancial assets	3.387.009.107	1,0	3.786.540.477	1,1	4.116.309.151	1,2	2.814.814.314	0,8	2.761.748.914	0,7
41 Expense for the acquisition of non-produced assets	291.142.538	0,1	203.233.475	0,1	167.569.000	0,0	150.464.700	0,0	197.249.300	0,1
42 Expense for the acquisition of produced fixed assets	2.764.311.161	0,8	3.293.035.495	1,0	3.677.780.934	1,1	2.441.796.614	0,7	2.311.088.614	0,6
43 Expense for the acquisition of precious metals and other deposited valuables	8.929.241	0,0	3.397.000	0,0	1.930.000	0,0	2.004.000	0,0	2.041.000	0,0
44 Strategic inventories	43.143.443	0,0	14.500.000	0,0	13.000.000	0,0	13.000.000	0,0	13.000.000	0,0
45 Expense for additional investments in nonfinancial assets	279.482.724	0,1	272.374.507	0,1	256.029.217	0,1	207.549.000	0,1	238.370.000	0,1
TOTAL DEFICIT(-) / SURPLUS(+)	-9.789.782.199	-2,9	-14.842.575.145	-4,5	-15.551.625.047	-4,5	-10.729.736.672	-3,0	-6.156.516.514	-1,6
NET FINANCING	9.789.782.199	2,9	14.842.575.145	4,5	15.551.625.047	4,5	10.729.736.672	3,0	6.156.516.514	1,6
CHANGES TO DEPOSIT BALANCE	5.047.056.044	1,5	771.709.500	0,2	820.654.300	0,2	587.286.700	0,2	657.911.824	0,2
8 Income from financial assets and borrowings	28.454.764.255	8,5	37.581.679.273	11,3	29.219.964.943	8,5	21.866.465.364	6,1	22.221.856.379	5,9
81 Loan disposals	452.092.921	0,1	930.739.650	0,3	339.639.650	0,1	383.669.650	0,1	401.400.000	0,1
82 Securities (other than shares) disposals	17.984.969.300	5,4	23.020.000.000	6,9	21.300.000.000	6,2	18.000.000.000	5,0	17.500.000.000	4,6
83 Shares and other equity disposals	216.280.616	0,1	445.544.500	0,1	423.731.300	0,1	156.379.700	0,0	198.663.824	0,1
84 Loan incurrences	9.801.421.416	2,9	13.185.395.123	4,0	7.156.593.993	2,1	3.326.416.014	0,9	4.121.792.555	1,1
5 Expenses for financial assets and loan repayments	13.617.926.013	4,1	21.967.394.628	6,6	12.847.685.596	3,7	10.549.441.992	2,9	15.407.428.041	4,1
51 Loan acquisition	2.888.696.407	0,9	1.593.130.889	0,5	1.347.750.000	0,4	1.385.100.000	0,4	1.373.500.000	0,4
53 Shares and other equity acquisition	388.118.355	0,1	909.054.700	0,3	341.500.000	0,1	349.900.000	0,1	344.050.000	0,1
54 Loan repayments	5.012.654.578	1,5	11.680.840.362	3,5	3.107.482.857	0,9	5.025.139.587	1,4	9.689.878.041	2,6
55 Repayments of securities (other than shares)	5.328.456.673	1,6	7.784.368.677	2,3	8.050.952.739	2,3	3.789.302.405	1,1	4.000.000.000	1,1

Source: Ministry of Finance

Annex 4: Units of local and regional self-government in the period 2009 – 2013

	Execution 2009		2010 plan		2011 projection		2012 projection		2013 projection	
	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP
TOTAL REVENUE (6+7)	16.512.357.616	5,0	15.021.734.098	4,5	14.856.147.105	4,3	15.197.470.047	4,2	15.868.093.550	4,2
6 Revenue	16.062.944.730	4,8	14.644.618.768	4,4	14.440.917.352	4,2	14.759.735.699	4,1	15.466.222.484	4,1
61 Revenues from taxes	9.877.330.106	3,0	8.666.527.178	2,6	8.520.249.978	2,5	8.690.654.977	2,4	9.125.187.726	2,4
62 Contributions	0	0,0	0	0,0	0	0,0	0	0	0	0,0
63 Grants	2.023.402.662	0,6	1.855.296.136	0,6	1.846.019.655	0,5	1.902.940.048	0,5	1.977.087.050	0,5
64 Property income	1.200.682.675	0,4	1.248.102.414	0,4	1.241.861.902	0,4	1.266.699.140	0,4	1.330.034.097	0,4
65 Revenues from sale of goods and services	2.876.257.684	0,9	2.811.342.568	0,8	2.769.752.098	0,8	2.835.147.140	0,8	2.966.404.497	0,8
66 Other revenue	85.271.603	0,0	63.350.471	0,0	63.033.719	0,0	64.294.393	0,0	67.509.113	0,0
7 Revenue from the sale of nonfinancial assets	449.412.886	0,1	377.115.330	0,1	415.229.753	0,1	437.734.348	0,1	401.871.066	0,1
71 Revenues from the sale of non-produced assets	315.370.451	0,1	271.895.886	0,1	310.536.407	0,1	310.947.135	0,1	289.744.491	0,1
72 Revenues from the sale of produced assets	134.042.435	0,0	105.219.444	0,0	104.693.347	0,0	126.787.214	0,0	112.126.574	0,0
74 Revenues from the sale of produced current assets	0	0,0	0	0,0	0	0,0	0	0	0	0,0
TOTAL EXPENDITURE (3+4)	17.164.512.272	5,2	15.590.218.598	4,7	15.782.940.988	4,6	16.118.831.765	4,5	16.744.409.331	4,4
3 Expense	13.958.975.228	4,2	12.681.208.628	3,8	12.972.562.583	3,8	13.270.789.496	3,7	13.777.407.110	3,6
31 Compensation of employees	3.484.854.155	1,0	3.463.753.850	1,0	3.573.166.466	1,0	3.665.561.460	1,0	3.761.028.304	1,0
32 Material expense	5.313.772.322	1,6	4.967.630.085	1,5	5.048.985.233	1,5	5.123.420.069	1,4	5.291.937.171	1,4
34 Financial expense	180.962.453	0,1	205.249.547	0,1	217.854.754	0,1	227.714.392	0,1	237.878.094	0,1
35 Subsidies	1.275.536.164	0,4	1.065.396.255	0,3	1.075.200.000	0,3	1.131.098.473	0,3	1.216.873.240	0,3
36 Grants	328.601.499	0,1	237.047.329	0,1	298.908.657	0,1	313.098.734	0,1	343.432.334	0,1
37 Compensations to citizens and households based on insurance and other compensations	827.273.451	0,2	688.766.832	0,2	700.911.222	0,2	710.045.678	0,2	748.097.634	0,2
38 Other expense	2.547.975.184	0,8	2.053.364.731	0,6	2.057.536.251	0,6	2.099.850.690	0,6	2.178.160.333	0,6
4 Expense for the acquisition of nonfinancial assets	3.205.537.044	1,0	2.909.009.970	0,9	2.810.378.405	0,8	2.848.042.269	0,8	2.967.002.221	0,8
41 Expense for the acquisition of non-produced assets	297.959.880	0,1	165.529.096	0,0	131.143.100	0,0	127.656.798	0,0	140.118.888	0,0
42 Expense for the acquisition of produced fixed assets	2.460.724.220	0,7	2.354.390.363	0,7	2.312.935.305	0,7	2.341.785.471	0,7	2.393.843.229	0,6
43 Expense for the acquisition of precious metals and other deposited valuables	202.469	0,0	109.206	0,0	200.000	0,0	200.000	0,0	200.000	0,0
44 Strategic inventories	0	0,0	0	0,0	0	0,0	0	0	0	0,0
45 Expense for additional investments in nonfinancial assets	446.650.475	0,1	388.981.306	0,1	366.100.000	0,1	378.400.000	0,1	432.840.104	0,1
TOTAL DEFICIT(-) / SURPLUS(+)	-652.154.656	-0,2	-568.484.500	-0,2	-926.793.883	-0,3	-921.361.718	-0,3	-876.315.781	-0,2
NET FINANCING	652.154.656	0,2	568.484.500	0,2	926.793.883	0,3	921.361.718	0,3	876.315.781	0,2
CHANGES TO DEPOSIT BALANCE	-614.454.873	-0,2	0	0,0	0	0,0	0	0,0	0	0,0
8 Income from financial assets and borrowings	487.417.209	0,1	876.144.230	0,3	1.333.606.957	0,4	1.356.174.792	0,4	1.348.128.855	0,4
81 Loan disposals	125.730.229	0,0	155.500.000	0,0	140.000.000	0,0	140.000.000	0,0	140.000.000	0,0
82 Securities (other than shares) disposals	1.937.981	0,0	150.000.000	0,0	294.265.333	0,1	294.265.333	0,1	326.219.397	0,1
83 Shares and other equity disposals	23.399.153	0,0	41.000.000	0,0	38.500.000	0,0	38.500.000	0,0	38.500.000	0,0
84 Loan incurrences	336.349.846	0,1	529.644.230	0,2	860.841.623	0,3	883.409.458	0,2	843.409.458	0,2
5 Expenses for financial assets and loan repayments	449.717.426	0,1	307.659.730	0,1	406.813.074	0,1	434.813.074	0,1	471.813.074	0,1
51 Loan acquisition	73.193.491	0,0	69.519.936	0,0	120.619.936	0,0	121.119.936	0,0	126.119.936	0,0
52 Securities acquisition	5.000.000	0,0	0	0,0	0	0,0	0	0	0	0,0
53 Shares and other equity acquisition	55.832.350	0,0	23.010.000	0,0	33.000.000	0,0	39.000.000	0,0	44.000.000	0,0
54 Loan repayments	307.120.156	0,1	200.009.794	0,1	237.375.664	0,1	257.375.664	0,1	282.375.664	0,1
55 Repayments of securities (other than shares)	8.571.429	0,0	15.120.000	0,0	15.817.474	0,0	17.317.474	0,0	19.317.474	0,0

Note: includes 53 largest units (32 towns, 20 counties and the City of Zagreb)

Source: Ministry of Finance

Annex 5: Consolidated general government in the period 2009 – 2013

	Execution 2009		2010 plan		2011 projection		2012 projection		2013 projection	
	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP
TOTAL REVENUE (6+7)	128.859.776.274	38,7	124.986.375.059	37,7	124.487.853.872	36,2	131.469.334.700	36,5	138.692.523.653	36,6
6 Revenue	128.085.626.922	38,5	124.291.012.855	37,5	123.772.254.094	36,0	130.720.030.327	36,3	137.966.982.562	36,4
61 Revenues from taxes	70.471.895.386	21,2	70.668.159.669	21,3	70.115.921.599	20,4	72.724.531.199	20,2	76.009.080.070	20,0
62 Contributions	39.994.738.956	12,0	38.774.089.786	11,7	39.699.160.098	11,5	41.423.444.802	11,5	43.494.617.042	11,5
63 Grants	681.016.913	0,2	1.036.039.939	0,3	1.396.569.219	0,4	3.751.780.122	1,0	5.377.320.408	1,4
64 Property income	7.194.969.605	2,2	4.149.237.881	1,3	2.895.123.483	0,8	2.980.284.551	0,8	3.121.157.366	0,8
65 Revenues from sale of goods and services	9.028.629.964	2,7	8.974.073.753	2,7	8.946.160.182	2,6	9.102.270.007	2,5	9.220.383.154	2,4
66 Other revenue	714.376.097	0,2	689.411.826	0,2	719.319.514	0,2	737.719.645	0,2	744.424.521	0,2
7 Revenue from the sale of nonfinancial assets	774.149.352	0,2	695.362.204	0,2	715.599.778	0,2	749.304.373	0,2	725.541.091	0,2
71 Revenues from the sale of non-produced assets	360.652.042	0,1	326.014.308	0,1	356.936.407	0,1	357.947.135	0,1	338.744.491	0,1
72 Revenues from the sale of produced assets	405.765.625	0,1	365.347.896	0,1	358.093.347	0,1	390.787.214	0,1	386.226.574	0,1
74 Revenues from the sale of produced current assets	7.731.686	0,0	4.000.000	0,0	570.025	0,0	570.025	0,0	570.025	0,0
TOTAL EXPENDITURE (3+4)	139.301.713.129	41,8	140.397.434.704	42,4	140.966.272.802	41,0	143.120.433.090	39,7	145.725.355.948	38,4
3 Expense	132.709.166.978	39,8	133.701.884.257	40,3	134.039.585.246	39,0	137.457.576.507	38,2	139.996.604.813	36,9
31 Compensation of employees	26.275.807.282	7,9	26.311.737.394	7,9	26.366.089.931	7,7	26.340.606.231	7,3	26.323.000.513	6,9
32 Material expense	16.166.051.600	4,9	16.002.142.609	4,8	16.312.973.154	4,7	15.728.222.231	4,4	15.646.142.668	4,1
34 Financial expense	6.286.564.678	1,9	6.982.137.888	2,1	8.256.229.536	2,4	8.644.250.052	2,4	8.784.721.929	2,3
35 Subsidies	8.075.242.032	2,4	7.565.686.765	2,3	7.411.624.834	2,2	7.452.684.745	2,1	7.547.557.512	2,0
36 Grants	2.114.134.651	0,6	2.290.329.786	0,7	1.745.283.244	0,5	5.453.574.806	1,5	6.079.670.593	1,6
37 Compensations to citizens and households based on insurance and other compensations	64.826.632.785	19,5	65.959.092.757	19,9	65.533.319.500	19,1	65.733.737.936	18,3	66.381.431.545	17,5
38 Other expense	8.964.733.950	2,7	8.590.757.059	2,6	8.414.065.047	2,4	8.104.500.505	2,3	9.234.080.053	2,4
4 Expense for the acquisition of nonfinancial assets	6.592.546.151	2,0	6.695.550.447	2,0	6.926.687.556	2,0	5.662.856.583	1,6	5.728.751.135	1,5
41 Expense for the acquisition of non-produced assets	589.102.418	0,2	368.762.571	0,1	298.712.100	0,1	278.121.498	0,1	337.368.188	0,1
42 Expense for the acquisition of produced fixed assets	5.225.035.381	1,6	5.647.425.858	1,7	5.990.716.239	1,7	4.783.582.085	1,3	4.704.931.843	1,2
43 Expense for the acquisition of precious metals and other deposited valuables	9.131.710	0,0	3.506.206	0,0	2.130.000	0,0	2.204.000	0,0	2.241.000	0,0
44 Strategic inventories	43.143.443	0,0	14.500.000	0,0	13.000.000	0,0	13.000.000	0,0	13.000.000	0,0
45 Expense for additional investments in nonfinancial assets	726.133.199	0,2	661.355.813	0,2	622.129.217	0,2	585.949.000	0,2	671.210.104	0,2
TOTAL DEFICIT(-) / SURPLUS(+)	-10.441.936.855	-3,1	-15.411.059.645	-4,6	-16.478.418.930	-4,8	-11.651.098.390	-3,2	-7.032.832.295	-1,9
NET FINANCING	10.441.936.855	3,1	15.411.059.645	4,6	16.478.418.930	4,8	11.651.098.390	3,2	7.032.832.295	1,9
CHANGES TO DEPOSIT BALANCE	4.437.601.171	1,3	771.709.500	0,2	820.654.300	0,2	587.286.700	0,2	657.911.824	0,2
8 Income from financial assets and borrowings	28.942.181.464	8,7	38.457.823.503	11,6	30.553.571.900	8,9	23.222.640.156	6,4	23.569.985.234	6,2
81 Loan disposals	577.823.150	0,2	1.086.239.650	0,3	479.639.650	0,1	523.669.650	0,1	541.400.000	0,1
82 Securities (other than shares) disposals	17.986.907.281	5,4	23.170.000.000	7,0	21.594.265.333	6,3	18.294.265.333	5,1	17.826.219.397	4,7
83 Shares and other equity disposals	239.679.769	0,1	486.544.500	0,1	462.231.300	0,1	194.879.700	0,1	237.163.824	0,1
84 Loan incurrences	10.137.771.264	3,0	13.715.039.353	4,1	8.017.435.616	2,3	4.209.825.472	1,2	4.965.202.013	1,3
5 Expenses for financial assets and loan repayments	14.062.643.439	4,2	22.275.054.358	6,7	13.254.498.670	3,9	10.984.255.066	3,1	15.879.241.115	4,2
51 Loan acquisition	2.961.889.896	0,9	1.662.650.825	0,5	1.468.369.936	0,4	1.506.219.936	0,4	1.499.619.936	0,4
53 Shares and other equity acquisition	443.950.705	0,1	932.064.700	0,3	374.500.000	0,1	388.900.000	0,1	388.050.000	0,1
54 Loan repayments	5.319.774.734	1,6	11.880.850.156	3,6	3.344.858.521	1,0	5.282.515.251	1,5	9.972.253.705	2,6
55 Repayments of securities (other than shares)	5.337.028.102	1,6	7.799.488.677	2,4	8.066.770.213	2,3	3.806.619.879	1,1	4.019.317.474	1,1

Source: Ministry of Finance