

REPUBLIC OF CROATIA
MINISTRY OF FINANCE

ECONOMIC AND FISCAL POLICY GUIDELINES
FOR THE PERIOD 2013 – 2015

Zagreb, July 2012

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1. INTRODUCTION

This year's Economic and Fiscal Policy Guidelines have been drafted in a highly unfavourable macroeconomic environment. The negative trends in economic activity which started in 2008 are still present, and have received considerable impetus as the financial and economic crisis abroad deepened once more. Such trends have indicated that the current model of economic growth based on the growth of personal consumption has been exhausted, and a new model of growth is required which will be based on investment into productive sectors and an overall growth in production.

The course of fiscal policy in the preceding years, including the postponement of unpopular decisions and delays in essential structural reforms, lead to a considerable growth of foreign debt and the costs of its servicing, which indicates that the necessary and urgent fiscal consolidation which was implemented this year must continue in years to follow. The Croatian Government is determined to carry out fiscal consolidation and comply with the Fiscal Responsibility Act. The Act provides for a significant decrease in budgetary expenditures (as their share in GDP), which have recorded an independent growth in certain items. As of the accession to the European Union next year, Croatia will have to secure considerable funds in order to contribute to the EU budget, and to co-finance the projects funded from the EU budget in Croatia. Such circumstances require that a number of items of expenditure be limited and reduced in order to decrease the share of budgetary expenditure in GDP by 1 percentage point, as laid down in the Fiscal Responsibility Act. If growth is lower than planned, expenditures will have to be further reduced in order to comply with the fiscal rule set in the Act.

The budget for 2012 has been realised according to plan on the expenditure side, with slightly higher revenue than planned, giving no cause for revision at present. Any extra revenue at the end of the year should be used to reduce the planned deficit.

Sustainability of public finances cannot be achieved solely through fiscal consolidation. In addition, the Government's economic programme foresees economic growth through encouraged investments and the transfer to a new, production-based model of growth. Investment will gain momentum through investments made by the public sector and enterprises, primarily in the fields of energy, transport and environmental protection. Powerful impacts of these projects are expected in the following three years, when they are fully implemented after extensive preparations including the required analyses and reports, settlement of property and legal aspects, and publishing the calls for tenders, which are currently under way.

To achieve mid-term economic growth and to increase investment into production capacities, it is essential to improve the business climate, which should reflect in simpler and cheaper administrative procedures, improved protection of ownership through higher efficiency of the judiciary system, which also includes dealing with the widespread practice of evading obligations and the general lack of financial and legal discipline which in effect punishes the individuals and companies that abide by the law, and fiscal disburdening of business activity. In this context the transfer from direct to indirect taxes is planned to continue, and the taxable cost of labour is to be further relieved of burden.

In addition to carrying out reforms and dealing with problems in the economy, an essential issue in economic policy is better use of existing resources. Besides the current high rate of unemployment, the high rate of inactivity of Croatian citizens and their assets also presents a

challenge. In order to change this, reforms must be carried out in the labour market and in the field of social allowances which will encourage Croatian citizens to return to the labour market and use their energy, their entrepreneurship skills and other knowledge to recognize which qualities they can offer. On the other hand, in dealing with the issues of ownership, evasion of payment, etc., including the introduction of the property tax, a system must be created in which neglect of one's own property will be a luxury that only the wealthiest can afford.

The Economic and Fiscal Policy Guidelines for the period 2013 – 2015 represent a fiscal framework for the implementation of economic policy in the period concerned, and the achievement of its objective of economic growth and stable economic recovery will largely depend on the dynamics of determined and persistent implementation of all measures planned.

2. OBJECTIVES AND PRIORITIES OF THE GOVERNMENT OF THE REPUBLIC OF CROATIA IN THE PERIOD 2013 – 2015

The Strategy of Government Programmes for the period 2013 – 2015 was drafted pursuant to the Budget Act which laid down the structure of the Strategy and the ministries' strategic plans.

The Strategy aims to achieve 12 general objectives: 1. macroeconomic and economic stability, 2. optimum environment for the development of a competitive economy, 3. uniform regional development, 4. strengthening of social justice, 5. health care, maintaining and improving health, 6. promotion of knowledge, excellence and culture, 7. environmental protection and spatial development, 8. enhancing the competitiveness of the agriculture, food processing and fisheries sector, 9. strengthening of the competitiveness of Croatian tourism and reinforcing Croatia's position as one of the leading international tourist destinations, 10. strengthening the state of law and rule of law, 11. maintaining public and national safety at the highest level and 12. further strengthening of the international status of the Republic of Croatia and preservation of national identity.

These are long-term objectives which cannot be modified on a yearly basis. Their ranking however indicates the priorities this Government will uphold in the upcoming three-year period and according to which budgetary funds will be allocated.

In order to ensure that the set objectives are achieved, the Strategy of Government Programmes for the period 2013 – 2015 defines the precise methods for their attainment, with measurable results and impacts. A scheme of responsibilities for the set objectives and methods of their fulfilment have been established so as to implement the Strategy in a consistent manner.

As the Government's objectives cannot be met without sources of finance, strategic objectives have been linked to budgetary programmes. The strategic plan defines the courses of action of the ministries and other government bodies, while the budget defines the programmes, activities and projects and secures the required funds for their realisation. **The document is therefore the starting point in drafting the Economic and Fiscal Policy Guidelines for the period 2013 – 2015.**

An overview of the Strategy's key aspects is given below.

One of the basic prerequisites of sustainable economic growth and increased rate of employment is macroeconomic stability, which is therefore highlighted as the first and foremost objective of the Strategy. **Macroeconomic and economic stability** will be achieved in the upcoming three-year period through further fiscal consolidation measures in accordance with the provisions of the Fiscal Responsibility Act, and efficient collection of fiscal revenues.

The second objective of the Strategy is the creation of an **optimum environment for the development of a competitive economy**, placing special emphasis on the restructuring and development of individual branches of the industry, improving the investment climate which implies amendments to the legislative framework, and active labour market policy measures which will encompass at least 125,000 long-term unemployed individuals.

Activities aimed at achieving **uniform regional development**, the third objective of the Strategy, will ensure support to local units in the preparation and implementation of regional and local development projects eligible for financing from EU funds, with further investment in the construction of social and municipal infrastructure financed from the state budget and loans by international financial institutions.

Strengthening of social justice will be attained among other means through redefinition of the financial aid system, computerisation of the social welfare system and implementation of the Plan for deinstitutionalisation and transformation of social welfare homes and other legal entities providing social welfare services in the Republic of Croatia. With regard to the sustainability of the pension system, the system of pensions granted under more favourable terms will be re-examined, and the system of contributions for pension insurance will be improved.

The next objective is to make **health care** more accessible through reorganisation and upgrades in the emergency care system, a denser network of public health care services, development and standardisation of health care infrastructure, and computerisation of the health care system. The health care quality assurance system will be maintained through supervision of the legality of work performed by health care institutions, companies providing health care and private practices, and expert supervision of the activities performed by health care workers.

In line with the courses of **development of the education system**, in the upcoming three-year period the national curriculum will be proposed and the programme of compulsory one-year preschool education will be drafted and improved. In order to increase the percentage of highly educated population in the Republic of Croatia, public higher education institutions will offer free schooling for successful fulltime students. Among the highest priorities is encouraging the integration of universities, primarily in the functional sense, guaranteeing the autonomy and fully respecting the traditions of individual higher education institutions in the Republic of Croatia. In the period 2013 - 2015 support will be continuously given to the development of artistic activity, entrepreneurship in culture, independent (extra-institutional) culture, visual arts, performing arts, nonprofessional cultural and artistic activity, audiovisual activity and media, literary activity, publishing, library services, and the preservation of traditional culture.

With respect to the **protection and efficient management of the environment**, significant amendments to the legislative framework are planned (amendments to the Environmental Protection Act and adoption of a new Waste Act) which are aimed primarily at reducing the existing and preventing further pollution of the environment. A new strategic document is to be drafted which will define the prerequisites for sustainable spatial development of the Republic of Croatia, and will be based on the Report on the spatial status, among other sources.

The development of a **competitive agriculture, food processing and fisheries sector** involves a gradual adjustment of the system of aid for agricultural production and fisheries to the one established in the European Union, and a stronger increase in the share of investment aid through measures for rural development and investment in agricultural farms and processing facilities (IPARD programme). Considerably higher investment is planned in the modernisation and adaptation of existing aquaculture and processing facilities and the modernisation and equipping of fishing vessels, accompanied by suitable measures to manage the fishing fleet capacity.

Seeing as space and a preserved environment have been identified as the most valuable national tourism asset, in order to strengthen the **competitiveness of Croatian tourism**, priority development measures have been planned in the Strategy which are aimed primarily at using the space already occupied and the existing tourist facilities, i.e. their renovation, reconstruction, modernisation and overall improvement of quality, in line with the demands of the current tourism market.

The basic problems encumbering the **judiciary** stem from the large number of unsolved cases and the excessive length of court proceedings. All cases older than 10 years will be resolved by the end of 2014, processing capacities permitting, and all cases older than five years by the end of 2015.

Measures to meet the objective of a **competent and efficient public administration** include the planned reform of local self-government comprising three key components which are equally valuable and interconnected: functional decentralisation, i.e. the transfer of powers and competences from the central to lower levels of government, fiscal decentralisation, i.e. the transfer of corresponding funds for financing of public authorities to the units of local and regional self-government, and territorial reorganisation, i.e. identifying the optimum territorial organisation model for public services.

Strengthening the prevention of criminal behaviour and improving the system for crime detection and suppression, among other means through developing and implementing high-quality prevention programmes, will contribute to **maintaining public and national safety** in the upcoming three-year period. Membership in NATO requires a new profile of military capabilities, able to operate in conjunction with NATO Member states. The armed forces will not develop a full set of military capabilities, relying partially on the allies instead. Only those capabilities will be maintained which enable better defence in the event of a conventional attack on the Republic of Croatia.

Further strengthening of the international status of the Republic of Croatia in the upcoming three-year period will be aimed at functioning in conditions of membership in the European Union and NATO.

3. MEDIUM-TERM MACROECONOMIC TRENDS

3.1. International macroeconomic environment

The recovery of the European economies, which started in 2010, slowed down during 2011, primarily due to the intensification of negative economic trends in the second half of the year. Although the first quarter of 2011 saw the largest GDP increase since the onset of the global economic and financial crisis, due to the escalating debt crisis in the euro area, rising oil prices and slower global economic growth, in the last quarter of 2011 the European economy recorded a real GDP decline in comparison with the previous quarter. On an annual basis, in 2011 the European Union and the euro area saw a real GDP growth of 1.5%, mostly due to the positive contribution of net exports.

Table 1: International environment - macroeconomic indicators

	2010	2011	Projection 2012	Projection 2013
Real GDP growth, in %				
World	5.1	3.7	3.3	3.7
European Union	2.0	1.5	0.0	1.3
Austria	2.3	3.1	0.8	1.7
Italy	1.8	0.4	-1.4	0.4
Germany	3.7	3.0	0.7	1.7
Slovenia	1.4	-0.2	-1.4	0.7
Euro area	1.9	1.5	-0.3	1.0
Inflation, in %				
European Union	2.1	3.1	2.6	1.9
Euro area	1.6	2.7	2.4	1.8
Oil price increase, in %	28.7	38.3	5.3	-5.7

Source: European Commission: *European Economic Forecast, Spring 2012*

In line with the described trends at the end of 2011, the European Commission downgraded the projections for economic growth of the European economy in comparison with the previous projections made in autumn 2011. In 2012 real GDP is expected to stagnate in the European Union while dropping by 0.3% in the euro area. A positive contribution to GDP change during 2012 is expected to come from net foreign demand, and a negative one from domestic demand and changes in inventories. A high level of uncertainty, postponed spending and investments, the continued process of deleveraging of the domestic sectors, negative trends in real income and the need for fiscal consolidation lead to a predicted decline in all components of domestic demand in 2012. Consumer and investor trust is expected to start increasing in the second half of 2012 as a result of credible fiscal consolidation measures and structural reforms. This should, in turn, lead to a gradual strengthening of the private share of domestic demand, and consequently of the overall economic activity, towards the end of the year.

A mild recovery of the European economy is expected in 2013 with a projected real GDP growth of 1.3% in the European Union and 1.0% in the euro area. As a consequence of rising business and consumer trust, real disposable income and more favourable financing terms,

domestic demand is expected to take over the lead in fuelling economic recovery. Consumer spending and investments are therefore expected to see a real growth in 2013, unlike government spending, in line with the continued process of fiscal consolidation. The contribution of net foreign demand is expected to continue its positive trend in 2013 owing to the growth in exports of goods and services exceeding the growth of imports.

In 2011 inflation increased to 3.1% in the European Union and to 2.7% in the euro area primarily as a result of rising prices of raw materials, oil in particular, and the increase in indirect taxes and administrative prices in certain Member States. Inflation pressures are expected to alleviate over the projection period. Weak economic activity and stabilisation in raw material prices should lead to an average inflation of 2.6% in the European Union and to 2.4% in the euro area during 2012. In 2013, inflation is projected to slow down further to 1.9% in the European Union and to 1.8% in the euro area.

The described projections have a very high level of uncertainty. As regards the achievement of projected economic growth, negative risks prevail. Given their fragility and instability, further turmoil in the financial markets represents the most significant risk. In addition, failure to carry out, or postponement of, the agreed fiscal consolidation measures could lead to prolonged recovery of the economy, and the implementation of new and yet unplanned fiscal measures or a sharp rise in oil prices could have a stronger negative impact on domestic demand than expected. On the other hand, more rapid effects of economic policy measures and a stronger growth in global economy than projected could contribute to stronger recovery of the European economy. In inflation projections, the risks are in balance. Should the economic activity stay lower than expected, inflation could be less than projected; a higher rate than projected could occur as a consequence of stronger growth of the global economy, political unrest in oil exporting countries, or the negative impact of higher indirect taxes, administrative prices and measures to increase the liquidity of the financial system.

Economic trends in the European Union have a significant impact on the Croatian economy as most of Croatia's trade, foreign tourist arrivals and nights, and foreign direct investments in Croatia is connected with EU Member States. Projections of economic trends in Croatia therefore depend to a large extent on the situation in Italy, Germany, Austria and Slovenia, since the Croatian economy has the closest ties with these countries.

The debt crisis that caused a major upheaval in the Italian economy caused a drop in real GDP in the last two quarters of 2011. On an annual level, in 2011 real economic activity recorded a mild gain of 0.4%. Owing to the high level of uncertainty on the financial markets, negative trends are expected to continue in the first half of 2012, entering into mild recovery only in the last quarter. A 1.4% drop in real GDP is projected for the year 2012, resulting primarily from a strong decline in domestic demand, particularly investment and household spending. Net foreign demand is expected to make a positive contribution to GDP change due to growth of exports and decline of imports of goods and services. In 2013 a real growth of economic activity of 0.4% is expected.

In 2011 Germany recorded a real GDP growth of 3.0%, owing primarily to domestic demand, particularly household spending and investments, followed by the positive contribution of net exports. In 2012 real GDP growth is projected at 0.7% with stronger economic activity towards the year's end, while in 2013 real GDP growth is projected to accelerate to 1.7%. Economic growth is expected to be mainly driven by domestic demand, household spending in particular. Imports of goods and services growing more rapidly than exports will lead to a negative contribution of net exports to GDP growth in the projection period.

Austrian economy's strong growth of 3.1% in 2011 which was based on domestic demand, particularly investments, and changes in inventories, surpassed the pre-crisis economic growth. However, economic activity started to ease off towards the end of the year, and recorded a real drop in the last quarter. Weak economic activity is expected to continue in the first half of 2012, leading to a real growth of 0.8% in overall 2012, which is expected to accelerate to 1.7% in 2013. The growth in economic activity in 2012 and 2013 is mainly expected to be driven by domestic demand, followed by the positive contribution of net exports.

Slovenian economy recorded a real GDP drop of 0.2% in 2011, owing largely to a decrease in investments, primarily in construction, followed by a decrease in household spending. Similar trends are expected in 2012, and real economic activity is projected to decline by 1.4%. In 2013 the economy is expected to rebound and record a real growth of 0.7%, fed by stronger investments and exports of goods and services.

3.2. Macroeconomic trends in Croatia in 2011 and 2012

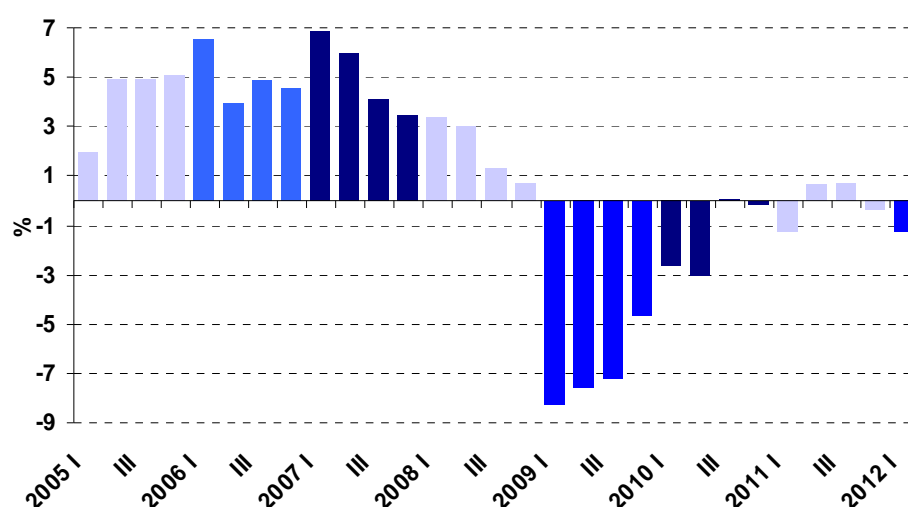
After the impacts of the global economic and financial crisis which influenced the Croatian economy mostly during 2009, when gross domestic product dropped by a real 6.9%, and the softening of negative trends in 2010 (GDP drop of 1.4%), real economic activity entered a period of stagnation during 2011¹. The majority of other macroeconomic indicators also recorded slightly more favourable trends in 2011 compared to the results in 2010. Industrial production recorded a year-on-year decline of 1.2%, which decelerated by 0.2 p.p. compared to 2010. Retail trade turnover recorded a real growth of 1.0% and the number of tourist nights grew by 7.0%. The construction works index recorded a year-on-year drop of 9.1% in 2011, decelerating its fall by 9.1 p.p. in comparison with 2010.

The real growth of gross domestic product totalled 0.0% in 2011. This was due to the real year-on-year decline in GDP of 1.2% in the first quarter, the growth of 0.6% and 0.8% in the second and third quarters respectively, followed by another year-on-year drop of economic activity of 0.4% in the last quarter of 2011.

In 2011, domestic demand had a negative contribution to GDP change for the third consecutive year. This was mostly due to gross fixed capital formation (-1.5 p.p.), which saw a real drop of 7.2%. The contribution of household spending, government spending and spending by non-profit institutions serving households to GDP change was negligible. Household spending recorded a real growth of 0.2%, government spending dropped by a real 0.3% in 2011, and spending by non-profit institutions serving households dropped by 3.3%. The largest positive contribution to GDP change in 2011 came from changes in inventories (including the statistical discrepancy), totalling 1.1 p.p. In 2011, exports and imports of goods and services recorded a real year-on-year growth of 2.0% and 1.2% respectively. Therefore, as a result of a stronger positive contribution of exports than the negative contribution of imports, the contribution of net exports to GDP change was positive and totalled 0.3 p.p.

¹ Data on gross domestic product for 2010 and 2011 is provisional.

Chart 1: Real year-on-year GDP growth



Source: CBS

In the first quarter of 2012 gross domestic product recorded a real year-on-year drop of 1.3%. All components on the expenditure side of GDP recorded a real year-on-year decline compared with the first quarter of 2011, except for exports and imports of goods and services. The largest real year-on-year decline was recorded by gross fixed capital formation (-2.8%), followed by government spending (-1.5%), spending by non-profit institutions serving households (-0.5%), and household spending (-0.3%). Exports of goods and services recorded a real year-on-year growth of 2.4%, and imports of goods and services a growth of 1.1%.

Trends in high frequency indicators published to date for the beginning of the second quarter of 2012 indicate that negative trends continue. In April and May 2012 industrial production declined by 6.6% on a year-on-year level, real turnover in retail trade by 5.9%, exports of goods by 9.7%, and imports of goods by 1.7%. In the same period, the number of tourist nights increased by 14.2%. Construction works recorded a year-on-year drop of 10.0% in April 2012.

Table 2: Overview of basic macroeconomic indicators (year-on-year change)

	2010	2011	2012 I - III	2012 IV	2012 V
GDP (real, %, sppy)	-1.4	0.0	-1.3	-	-
Industrial production (%, sppy, gross indices)	-1.4	-1.2	-5.3	-9.4	-3.8
Retail trade turnover (real, %, sppy)	-1.8	1.0	0.5	-7.3	-4.4
Number of tourist nights (%, sppy)	2.6	7.0	11.4	-1.5	24.2
Exports of goods (HRK, %, sppy)	17.4	9.9	4.8	-19.8	2.1
Imports of goods (HRK, %, sppy)	-1.3	9.7	4.2	-1.6	-1.8
Number of registered unemployed (ep, %, sppy)	9.7	-1.4	3.0	4.8	2.5
Consumer price index (%, sppy)	1.1	2.3	1.5	2.6	3.9
Total loans (ep, %, sppy)	8.1	6.1	4.2	4.1	2.2

Source: CBS, CNB

The average inflation rate as measured by the consumer price index accelerated from 1.1% in 2010 to 2.3% in 2011. The acceleration was mainly fuelled by imported inflationary pressures, i.e. the spill-over of rising raw material prices from the global market, in particular

oil and raw food materials, while domestic factors – low domestic demand and lower unit labour cost – mitigated the increase in prices.

The year-on-year increase of the consumer price index amounted to 3.9% in May 2012. The largest contribution to the growth in consumer prices on a year-on-year level in May came from the prices of electricity which recorded a year-on-year growth of 25.0%, followed by gas prices (growth of 30.8%), food prices (2.6%), which were mostly affected by meat prices increase (6.3%), prices of fuels and lubricants for personal transport equipment (5.3%) and tobacco prices (4.3%). The most significant factors alleviating the year-on-year price increase in May 2012 were the prices of telephone and telefax equipment and services which dropped by 5.8% and clothing prices (-4.5%). In comparison with April 2012, in May the consumer price index rose 1.7%, owing largely to the rising electricity (19.8%) and gas prices (22.0%). In the first five months of 2012 the average inflation rate amounted to 2.2%.

Chart 2: Consumer price index, year-on-year change



Source: CBS

Unfavourable trends in the labour market continued in 2011. Administrative unemployment recorded on average a year-on-year increase of 1.0%, and the average survey unemployment rate increased from 11.8% in 2010 to 13.5% in 2011. The average number of employed persons dropped by 1.5% in comparison with 2010. The acceleration of nominal salary increase in 2011 compared to 2010 was not sufficient to halt the trend of real salary decline.

Events in the labour market up to the present moment indicate that negative trends continue in 2012. In the first five months of 2012, the average number of unemployed persons increased by 7.7 thousand or 2.4% compared with the same period in 2011. In the same period the average number of employed persons declined by 27.5 thousand, or 2.0%. The average administrative unemployment rate amounted to 19.4% in the first five months of 2012, or 0.7 p.p. higher in comparison with the same period in 2011. In the first four months of 2012 average gross and net salaries recorded a real drop of 0.1% and 0.5% respectively.

3.3. Macroeconomic projections for the period 2013 – 2015

Macroeconomic projections are based on available information and statistical indicators published up to the beginning of July 2012 and include, to the extent possible, impact assessments for implemented and announced economic policy measures in the upcoming period. In the second half of 2011 global macroeconomic conditions deteriorated and macroeconomic projections were downgraded as a result. The slump in economic activity which started at the end of 2011 continued in the first half of 2012, and these macroeconomic projections for 2012 were consequently also downgraded in comparison with the projections from January this year. In doing so, the main economic aims of this Government were maintained – strong investments by public enterprises and planned structural changes – as the basic assumptions for the development of macroeconomic projections.

Following a real decline in gross domestic product of 1.3% in the first quarter of 2012, negative trends are expected to continue in the second quarter of 2012, as corroborated by the high frequency indicators published to date. However, a gradual recovery in economic activity is expected towards the end of the year, driven by the start-up of the investment cycle of the broader public sector. A real stagnation in gross domestic product is therefore foreseen at the level of the entire year 2012. Domestic demand should have a positive contribution to gross domestic product change solely due to the positive contribution of gross fixed capital formation, while the contribution of net foreign demand is expected to be negative. Real growth of gross domestic product is projected to accelerate by the end of the projection period. A growth rate of 1.8% is projected for 2013, 3.0% for 2014, and 3.5% for 2015. Economic recovery is projected to be driven by the positive contribution of domestic demand. Projected economic trends in Croatia in the observed period will be bolstered by more favourable economic trends in the international environment, primarily stronger economic activity in the European Union, starting from late 2012 as indicated by the latest projections of the Commission for 2012 and 2013. Projections of economic growth for Croatia in the period after 2013 stem from the assumption of continued favourable economic trends in the environment.

Table 3: Projections of macroeconomic indicators of the Republic of Croatia

	2010	2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015
GDP, in HRK million	326,980	333,956	340,801	355,287	374,213	396,150
GDP, real growth (%)	-1.4	0.0	0.0	1.8	3.0	3.5
Households' consumption	-0.9	0.2	-0.6	0.7	2.7	2.9
Government consumption	-1.6	-0.3	-2.4	-1.6	-0.2	0.9
Gross fixed capital formation	-15.0	-7.2	7.4	9.0	4.9	4.3
Exports of goods and services	5.2	2.0	-0.8	2.5	4.7	5.9
Imports of goods and services	-1.4	1.2	1.2	3.5	4.4	4.7
Consumer price index, % year-on-year change	1.1	2.3	3.2	2.7	2.4	2.3
Survey unemployment rate, annual average (%)	11.8	13.5	14.4	14.1	13.3	12.2

Source: CBS, Ministry of Finance

In 2012 household consumption is expected to record a mild real drop of 0.6%. The forecast is primarily based on the real decline in disposable income of households owing largely to continued negative trends in the labour market. Furthermore, household consumption trends are negatively impacted by the pessimistic mood of households which reflects in a continued real decline of consumer loans to households, among other things. Household consumption is projected to recover gradually over the following years and its real growth is projected to

accelerate from 0.7% in 2013 to 2.7% in 2014 and to 2.9% in 2015. Such projections are based on forecasted more favourable trends in the labour market and a more optimistic mood in households, which is also connected to the upcoming accession to the EU. A real decline in government consumption is projected in the period 2012 – 2014, in line with the fiscal consolidation measures. The projected real decline in government consumption is 2.4% in 2012, 1.6% in 2013 and 0.2% in 2014. A real growth of 0.9% is projected for government consumption in 2015. The greatest contribution to economic growth in 2012 and 2013 and a significant contribution in the subsequent years in the projection period will come from gross fixed capital formation. It is projected to see a real growth of 7.4% in 2012, followed by 9.0% in 2013, 4.9% in 2014 and 4.3% in 2015. The growth of this component in 2012 and to a large extent in 2013 is going to be driven by the start-up of the investment cycle of public enterprises, followed by the investments of the private sector.

Exports of goods and services are expected to see a real decline of 0.8% in 2012, mostly due to forecasted lower foreign demand. In the remainder of the projection period, exports of goods and services are expected to accelerate their real growth from 2.5% in 2013 to 4.7% in 2014 and to 5.9% in 2015. Exports of goods and services will therefore become the main driver of economic growth in the last two years of the projection period. Such projections rely on assumed rising foreign demand and a strong deceleration in the decline of domestic share in export markets towards the end of the projection period followed by a slight increase at the end of the projection period. The growth of 1.2% in imports of goods and services in 2012 refers to imports generated by the mentioned investments made by public enterprises. Over the rest of the projection period, in line with the rise in domestic demand, the real growth of imports of goods and services will accelerate from 3.5% in 2013 to 4.4% in 2014 and to 4.7% in 2015. Although the share of imports in final demand will gradually increase, it will still remain lower than the pre-crisis level at the end of the projection period. In 2012 and 2013 the contribution of net exports to economic growth will be negative, with a mildly positive outlook and gradual increase in the remaining part of the projection period. This will be possible mostly due to the projected surge in exports of goods and services and the partial substitution of energy imports with domestically produced energy, which will reflect in relatively lower and declining elasticity of imports in relation to final demand in the last two years of the projection period.

The average year-on-year growth of the consumer price index in 2012 is forecasted at 3.2%. Weak domestic demand and low unit labour cost are expected to mitigate the rise in prices, whereas imported inflationary pressures will be low as a result of the expected mild increase in raw material prices in the global market. Therefore the main contribution to accelerated inflation in 2012 should come from inflationary pressures related to the increase in certain administrative prices. Average inflation in 2013 is projected at 2.7%, implying stronger pressures on consumer prices from domestic demand, and, on the other hand, declining imported inflationary reflecting the declining raw material prices. Average inflation is projected to decelerate further to 2.4% in 2014 and to 2.3% in 2015.

Negative trends in the labour market are expected to continue in 2012, with the increase in average survey unemployment rate to 14.4%. Negative trends in the labour market are projected to halt in 2013 in line with the described economic rebound. The average survey unemployment rate is consequently projected to drop to 14.1% in 2013, 13.3% in 2014 and 12.2% in 2015. Over the projection period, average labour productivity is expected to see a mild growth. After a decline in 2012, the unit labour cost will also record a mild growth in the remaining part of the period.

3.4. Risks to the realisation of the projections

The described projections of economic growth face internal and external risks. The projected trends in economic activity in 2012 and 2013 are based on an assumption that gross investments by public enterprises will see a strong real growth. Should the public investment cycle fail to reach the expected level, the projected growth of economic activity would be affected both directly, through lower volume of aggregate investments, and indirectly, through the lack of spill-over of positive effects to the overall economy. Furthermore, uncertainty is still present regarding the trends in financing terms for domestic economic subjects, which is closely linked to further developments in the foreign financial markets, but also to the propensity of domestic commercial banks to make loans to the business sector which is related to the success of launched enterprise loan programmes and the fiscal consolidation process. More unfavourable trends in the labour market than expected would affect the dynamics of household consumption, the fiscal consolidation process and the quality of assets of the domestic financial system, and consequently, the economy as a whole. Projected export dynamics depend largely on the success in enhancing competitiveness of the domestic economy, i.e. on the launched process of internal devaluation, and on overall economic policy, while the dynamics of imports is closely tied to the results of the domestic energy policy. External risks refer to more unfavourable trends in the international environment than expected, primarily more pronounced recession in the European Union, which would affect Croatia mostly through lower availability of foreign capital and slower dynamics of foreign demand. With regard to inflation projections, the risk to exceed the projections comes from possible unplanned rise in administratively regulated prices and a stronger surge in raw material prices in the global market than expected. On the other hand, the main factor which could result in lower inflation than projected is a slower recovery of domestic demand than expected.

4. MEDIUM-TERM FISCAL POLICY

4.1. Fiscal policy in 2011 and 2012

Unfavourable economic trends in the previous period also reflected on fiscal trends in 2011. In 2011 national budget revenues were implemented in accordance with the annual plan, while expenditures were lower, resulting in a total consolidated general government deficit of HRK 14.9 billion or 4.5% of gross domestic product, in accordance with the national accounting plan. At the end of December 2011 the share of public debt in GDP amounted to 46.7%.

In early 2012 temporary financing was in effect on account of the parliamentary elections. After the new government was established, the drafting of the budget for 2012 started. In February 2012 the Croatian parliament adopted the budget for 2012 and the projections for 2013 and 2014. A series of measures were implemented on the revenue and expenditure sides of the budget aimed at stabilising public finances. At the beginning of 2012 the Government laid down that fiscal policy in the upcoming medium-term period would be aimed at establishing the required conditions for spurring the economy, primarily through the investment cycle and better business conditions, at the sustainability of public finances in accordance with the Fiscal Responsibility Act, and at protecting the socially most sensitive groups of the society. These fiscal policy aims will be realised through measures which are implemented at both the revenue and the expenditure side of the budget.

Significant changes in the tax system include changes in income taxation, the value-added tax and contributions. Aiming to further improve the fairness of income taxation, the basic personal allowance limit was raised while maintaining the same tax rates. As of 1 March 2012, the basic personal allowance limit was raised from HRK 1,800 to HRK 2,200, and the pensioners personal allowance limit from HRK 3,200 to HRK 3,400. In addition, according to the legislative amendments, in the calculation of income tax the 12% rate is applied from the taxable base amount to the basic personal allowance amount, the 25% rate to the difference between the basic personal allowance amount and the basic personal allowance amount multiplied by four, and the 40% rate to the amount above the basic personal allowance amount multiplied by four. The general value-added tax rate has been raised by two p.p. and equals 25% as of 1 March 2012. However, a lower rate of 10% has been introduced for certain groups of goods and services which present a relatively higher burden for population with lower income. In order to increase the cost efficiency of the economy and stimulate employment through lower labour cost, contributions for compulsory health insurance paid by employers have been reduced from 15% do 13% of the employees' gross salary.

In addition to the positive impacts of the aforementioned changes in tax revenue to competitiveness, in 2012 the Government is taking measures to remove or alleviate certain non-tax duties, for example with regard to waters, forests, etc. Among the more significant features of revenue in 2012, in addition to the mentioned tax and non-tax changes, are measures aimed at improved collection of budget revenue. These measures also aim to rectify the current situation in which payment of taxes makes the entrepreneurs less competitive in comparison to those which break the law and evade payment. In this regard the importance should be noted of the Regulation on the manner of implementing payment of contributions to salaries, salary benefits, and the monthly base for calculation of contributions pursuant to the

employment contract, according to which salaries cannot be paid unless the previous obligations have been fulfilled in terms of payment of contributions. This is confirmed by higher revenue from contributions in the first half of 2012 compared with the same period of the previous year.

During 2012 priorities were also set with regard to budget expenditures and aim at fiscal sustainability. The Fiscal Responsibility Act which applies starting from this year also contributes to this goal, placing the burden of fiscal consolidation on the expenditure side of the budget. In conditions of economic downfall this implies additional structural reforms aimed at strong cuts in budget expenditure, which was not implemented in the preceding more favourable period. In this regard considerable savings were proposed on the expenditure side in comparison with the previous year, which reflect in rationalisation or reduction of expenditures for employees, material expenses, subsidies, etc. The Government insists on compliance with the Fiscal Responsibility Act and should more unfavourable macroeconomic trends arise it will be necessary to undertake additional actions with respect to the expenditure side of the budget.

In the first half of 2012 the budget has been realised according to plan and there was no need for the budget revision at the time of drafting these Guidelines. In case revenues exceed the planned amounts they will be utilised to reduce budgetary deficit.

The expenditure side will also bear the chief burden of fiscal consolidation in 2013. In order to comply with the fiscal rule of the Fiscal Responsibility Act, until primary balance is achieved fiscal correction must be made on the expenditure side, i.e. by reducing the share of expenditure in GDP by at least one p.p. per year. This means that in case growth is weaker than planned, stronger adjustment on the expenditure side is also required. It should be stressed that a strong independent growth of certain categories is expected on the expenditure side – primarily the cost of interests, owing to the increased debt accumulated over the years, and amplified additionally due to the assimilation of the shipyards' debts and less favourable financing terms. Finally, as of mid 2013 Croatia will have to start contributing to the EU budget, which will imply an additional increase in budget expenditure, in addition to the national co-financing of EU-funded projects. In order to comply with the Fiscal Responsibility Act, other budget categories will have to be reduced accordingly. A primary budgetary surplus is projected for 2014, which will enable a mild nominal growth in budget expenditures.

4.2. Revenue trends in the period 2013 – 2015

Total budgetary central government revenues in 2013 are projected at HRK 112.7 billion, representing a year-on-year increase of 3.4%. In 2014 they will increase by 5.2% and amount to HRK 118.5 billion, and in 2015 they will increase by 4.5% totalling HRK 123.8 billion. In the medium-term period revenue will hence stand at the average level of 31.5% of GDP.

Tax revenue projections are conservative, taking into account the amendments to tax regulations which entered into force during 2012, and whose effects will also be noticeable during 2013. Notable previous amendments include changes in income tax, profit tax, value-added tax and contributions. Tax revenue trends in the projection period are also subject to future changes in the tax system aimed at alignment with the acquis, i.e. abolishing the 0% VAT rate as of 1 January 2013 and introducing the reduced 5% rate. The introduction of a

reduced 10% VAT rate is also planned for food preparation and provision of food in catering facilities and preparation and serving of soft drinks, wine and beer in the same facilities. In addition to the changes in the VAT system, it is planned to introduce the property tax as a prerequisite for further tax reforms, and to start introducing fiscal cash registers, which represents the adoption of a solution aimed at improving collection of tax revenue payments and a detour from the previous practice of tolerating tax evasion. Taking into account all of the above, tax revenue is projected at HRK 66.7 billion in 2013, recording a year-on-year growth of 3.4%. In 2014 they will stand at HRK 69.6 billion, followed by HRK 72.6 billion in 2015.

Revenues from contributions are the second most important revenue of the budget, and their projections for the period 2013 – 2015 are based on expected trends in the labour market, and in line with the positive effects in the collection of social insurance contributions owing to the new policy which makes it impossible for employers to effectuate salary payments without paying the contributions into the state budget, as was previously the case with some employers. The projections also include an additional reduction in health insurance contributions from 13% to 12% as of 1 January 2013, aimed at further strengthening the competitiveness of labour. Taking into account all of the above, contributions are projected at HRK 38.1 billion in 2013, HRK 39.4 billion in 2014, and HRK 41.2 billion in 2015.

EU assistance will become increasingly important as a category in total revenue, and are directly related to the use of pre-accession and accession funds which will become available to Croatia. Croatia will receive funds from the Cash-flow Facility in 2013 and 2014, and from 2014 onwards funds will be received for direct payments in agriculture.

Among other budget revenue, which are normally not directly related to trends in economic activity, to be noted are property income, which will largely depend on revenues from concession fees and other fees, loan interests and revenues from financial assets. Revenues from administrative fees and under special regulations, revenues from the activities of budgetary users and revenues from fines and administrative measures will follow the current trends in the upcoming period, as will revenues from the sale of nonfinancial assets.

Table 4: Trends in the budgetary central government revenue in the period 2011 – 2015

(000 HRK)	2011	2012 plan	12/11 Index	2013 projection	13/12 Index	2014 projection	14/13 Index	2015 projection	15/14 Index
TOTAL REVENUE (6+7)	107,416,678	108,950,231	101.4	112,664,971	103.4	118,481,537	105.2	123,824,842	104.5
6 Revenue	107,069,670	108,648,663	101.5	112,351,213	103.4	118,190,927	105.2	123,522,232	104.5
Tax revenues	61,088,579	64,493,746	105.6	66,713,306	103.4	69,551,016	104.3	72,608,828	104.4
Income tax	1,307,486	1,283,250	98.1	1,380,777	107.6	1,428,198	103.4	1,490,822	104.4
Profit tax	7,288,030	7,668,746	105.2	7,531,283	98.2	7,808,820	103.7	8,177,353	104.7
Property tax	448,489	458,862	102.3	437,934	95.4	448,677	102.5	462,137	103.0
Tax on goods and services	50,244,065	53,355,257	106.2	56,220,651	105.4	59,191,688	105.3	61,769,247	104.4
Value-Added Tax	37,718,154	40,522,315	107.4	43,355,647	107.0	45,950,703	106.0	48,038,586	104.5
Sales tax	129,672	131,333	101.3	134,089	102.1	139,097	103.7	145,565	104.7
Excise duties	11,215,054	11,493,105	102.5	11,510,113	100.1	11,823,745	102.7	12,244,091	103.6
Other taxes on goods and services	514,817	526,724	102.3	544,610	103.4	570,312	104.7	600,482	105.3
Tax on gains from games of chance and other taxes from games	30,995	28,394		23,611	83.2	24,726	104.7	26,034	105.3
Fees for organizing games of chance	635,373	653,387		652,580	99.9	683,104	104.7	714,489	104.6
Taxes on international trade and transactions	1,766,356	1,719,631	97.4	1,142,661	66.4	673,633	59.0	709,269	105.3
Other revenues from taxes	34,154	8,000		0		0		0	
Contributions	38,605,067	36,971,829	95.8	38,107,116	103.1	39,430,329	103.5	41,167,978	104.4
Grants	941,286	1,617,687	171.9	2,213,706	136.8	3,781,391	170.8	4,183,691	110.6
Property income	2,063,383	1,145,289	55.5	1,072,730	93.7	1,116,590	104.1	1,168,248	104.6
Income from financial assets	1,086,364	249,175	22.9	67,035	26.9	67,939	101.3	69,071	101.7
Income from nonfinancial assets	900,079	817,396	90.8	952,533	116.5	994,186	104.4	1,043,077	104.9
Income from interest on granted loans	76,940	78,719		53,162	67.5	54,466	102.5	56,100	103.0
Revenues from administrative fees and under special regulations	3,767,450	3,813,179	101.2	3,619,380	94.9	3,669,477	101.4	3,732,248	101.7
Other revenues	69,471	70,087	100.9	63,465	90.6	66,840	105.3	68,697	102.8
Fines, administrative measures and other revenues	534,434	536,846		561,510		575,284		592,543	
7 Revenue from sale of nonfinancial assets	347,008	301,568	86.9	313,758	104.0	290,610	92.6	302,610	104.1

Source: Ministry of Finance

Projections of revenue of extra-budgetary users for the period 2013 – 2015 have been made in line with the users' expectations on their collection. Total revenue of extra-budgetary users will stand at an average level of approximately 1.6% of GDP, with a level of 1.5% of GDP in 2013, 1.7% of GDP in 2014, and 1.6% of GDP in 2015.

With respect to revenue of the local and regional self-government units, it should be noted that tax revenue projections for local units include the assumption that property tax will be introduced from 2013, with a simultaneous termination of a part of the existing property fees. Total revenue of local units will stand at an average level of approximately 4.3% of GDP, amounting to 4.4% of GDP in 2013, 4.3% of GDP in 2014, and 4.2% of GDP in 2015.

4.3. Expenditure trends in the period 2013 – 2015

In the upcoming three-year period, budgetary central government expenditures will be in line with the country's fiscal capabilities, i.e. their share in gross domestic product will decline continuously, thereby contributing to the stability of public finances in the long-term period. Budget expenditures will be realised to a large extent in accordance with the goals and priorities of the Croatian Government set out in the Strategy of Government Programmes, and in compliance with the provisions of fiscal rule pursuant to the Fiscal Responsibility Act. The level and structure of expenditures will also be strongly affected by the processes related to accession and full-fledged membership of the Republic of Croatia in the European Union.

Total expenditure

Total budgetary central government expenditure in 2013 are projected at HRK 122.3 billion, comprising HRK 120.6 billion expense and HRK 1.7 billion expense for the acquisition of nonfinancial assets. This is 3.5 billion more than the 2012 plan. The reason lies primarily in higher expenses for interest on received credits and loans, followed by the obligation to contribute to the budget of the European Union as of the date of accession to full membership, 1 July 2013, the increased amounts of subsidies to the shipyards in accordance with the restructuring plans, and the planned alignment of employment pensions. In 2014 and 2015 budget expenditures will reach HRK 126.2 billion and HRK 128.8 billion respectively.

Table 5: Trends in the budgetary central government expenditure for the period 2011 - 2015

(000 HRK)	2011	2012 plan	12/11 Index	2013 projection	13/12 Index	2014 projection	14/13 Index	2015 projection	15/14 Index
TOTAL EXPENDITURE (3+4)	121,425,489	118,841,209	97.9	122,302,320	102.9	126,248,197	103.2	128,845,509	102.1
3 Expense	119,939,511	117,115,552	97.6	120,595,023	103.0	124,513,482	103.2	126,946,800	102.0
31 Compensation of employees	22,769,165	21,354,624	93.8	20,476,253	95.9	20,519,261	100.2	21,571,735	105.1
32 Material expense	8,717,511	8,974,987	103.0	8,127,692	90.6	7,975,441	98.1	8,120,759	101.8
34 Financial expense	7,596,951	7,999,500	105.3	9,981,620	124.8	10,585,864	106.1	11,005,999	104.0
35 Subsidies	6,555,277	5,481,467	83.6	6,173,289	112.6	6,269,610	101.6	6,073,360	96.9
36 Grants	4,922,718	4,965,919	100.9	6,661,948	134.2	9,186,016	137.9	9,296,263	101.2
37 Compensations to citizens and households based on insurance and other compensations	64,660,805	63,751,681	98.6	64,389,865	101.0	65,066,924	101.1	65,769,785	101.1
38 Other expense	4,717,083	4,587,375	97.3	4,784,357	104.3	4,910,366	102.6	5,108,899	104.0
4 Expense for the acquisition of nonfinancial assets	1,485,978	1,725,658	116.1	1,707,296	98.9	1,734,715	101.6	1,898,709	109.5

Source: Ministry of Finance

Compensation of employees

Compensation of employees represents the second largest item of budget expenditure according to its share in total expenditures. It is largely determined by trends in the number of state and civil servants. Total compensation of employees will decrease by HRK 878.4 million in 2013 as a consequence of the rationalisation in the number of employees, and reach the level of HRK 20.5 billion, remaining at the same projected level in 2014. In 2015 total compensation of employees will reach HRK 21.6 billion or HRK 1.1 billion more than projected for 2014.

Material expense

Material expenses include the reimbursement of costs of employees, expenses on current and investment maintenance, office equipment, energy, military equipment, etc. Further reduction is projected in the period 2013 – 2015 and expense will be averaging at HRK 8.1 billion.

Material expense trends in the upcoming three-year period will represent further rationalisation and economisation measures in all components, particularly in reimbursement of costs of employees, expenses for services, and other unmentioned expenses.

Financial expense

Financial expenses, which consist of interest on issued securities, interest on received loans and other financial expense, have been projected in accordance with the situation in the financial markets and the maturities of future obligations, as well as taking over the shipbuilding guarantees into public debt. The projected level in 2013 is HRK 10 billion, or HRK 2 billion more than planned in 2012. Financial expenses are projected at HRK 10.6 billion in 2014 and at HRK 11 billion in 2015.

Subsidies

Expense on subsidies will recorded a HRK 691.8 million increase in 2013 and amount to HRK 6.2 billion. Expense is projected to be the highest for subsidies in agriculture and Croatian Railways (HŽ), and subsidies for shipbuilding in accordance with the obligations under restructuring plans which represent the contribution of the Republic of Croatia to the process. In the upcoming period subsidies for agriculture will require better supervision and control, in order to eliminate irregularities in the withdrawal of budgetary funds, increase the efficiency, and achieve a higher level of total agricultural production. In Croatian Railways, subsidies will be aimed at investing into rail infrastructure and initiating the processes of restructuring and modernisation in Croatian Railways. Croatia's accession to the EU and access to more funds from the structural funds of the EU will give an additional boost to these processes and alleviate the pressure on use of budgetary funds. Structural reforms must be carried out in Croatian Railways in order to reduce the dependency of railways on the state budget, and contribute to strengthening their competitiveness. Subsidies are projected at HRK 6.3 billion in total in 2014 and at HRK 6.1 billion in 2015.

Grants abroad and within the general government

Expenses for grants from the state budget allocated abroad and within the general government in 2013 are projected at HRK 6.7 billion, or HRK 1.7 billion more than the previous year, primarily due to the obligation to contribute to the European Union budget as of the date of Croatia's accession to full membership of the European Union, 1 July 2013. In the following two years the total amount of grants will reach HRK 9.2 billion and HRK 9.3 billion respectively, since it includes the year-long effect of the obligation to contribute to the European Union budget.

Compensations to citizens and households based on insurance and other compensations

Compensations to citizens and households based on insurance and other compensations represent the largest item of budget expenditure and will increase by HRK 638.2 million in

comparison with the plan for 2012. The amount will be largely determined by the trends in expense on pensions and health care, and expense on child allowances, maternity benefits, unemployment benefits and social welfare. Expenses for pensions in 2013 are projected at HRK 35.7 billion, and at HRK 36.1 billion and HRK 36.6 billion in 2014 and 2015 respectively. In this period alignment of pensions arising from employment will be carried out. Health care expenses are projected at HRK 19.8 billion or HRK 326.5 million more than the planned level from 2012. It should be noted that expenses for prescription medicines rose on an annual level due to expected income as a result of the increase in VAT rate from 0% to 5%. Health care expenses of the state budget are projected at HRK 20 billion and HRK 20.2 billion in 2014 and 2015 respectively. The required rationalisations in this item of expenditure are only possible within fixed budget limits, by carrying out structural reforms within each ministry. The implementation of structural reforms and rationalisation of operations will improve the quality of public services, in particular in the system of health care, social welfare, elementary and secondary education and science.

Other expense

Other expenses, including current and capital donations, fines, penalties and forfeits, extraordinary expense and capital grants, will amount to HRK 4.8 billion in 2013. In 2014 they will reach HRK 4.9 billion, and in 2015 HRK 5.1 billion. The largest portion of these expenses will be directed to other current and capital investments in transport infrastructure, science, regional development and culture.

Due to limited funds priority should be given to projects which are co-financed from EU funds. Individual ministries must therefore dedicate particular attention to the planning and preparation of projects which will be realised using EU funds in the upcoming period.

Expense for the acquisition of nonfinancial assets

In 2013 and 2014 expense for the acquisition of nonfinancial assets are projected at HRK 1.7 billion, followed by HRK 1.9 billion in 2015. It will mainly be determined by the activities related to capital investments in health and social welfare, science and education, the judiciary, and others.

Table 6: Distribution of total expenditure of the budgetary central government in the period 2011 – 2013

(000 HRK)	2011	2012 plan	2013 projection	Share in total expenditure	Difference 2013 - 2012
TOTAL EXPENDITURE (3+4)	121,425,489	118,841,209	122,302,320	100.0	3,461,111
Expense (3)	119,939,511	117,115,552	120,595,023	98.6	3,479,472
Compensation of employees	22,769,165	21,354,624	20,476,253	16.7	-878,371
Material expense	8,717,511	8,974,987	8,127,692	6.6	-847,295
Financial expense	7,596,951	7,999,500	9,981,620	8.2	1,982,121
of which: interest	7,097,592	7,512,619	9,527,901	7.8	2,015,282
Subsidies	6,555,277	5,481,467	6,173,289	5.0	691,822
of which:					
subsidies for agriculture	3,687,313	2,769,248	2,872,350	2.3	103,102
subsidies for Croatian Railways (HŽ)	1,491,300	1,206,600	1,215,600	1.0	9,000
Grants	4,922,718	4,965,919	6,661,948	5.4	1,696,029
of which:					
additional funds for decentralised functions	1,998,878	1,538,553	1,518,287	1.2	-20,266
charge in the price of fuel collected by the Croatian Roads	1,390,000	1,400,000	1,387,872	1.1	-12,128
contribution of RoC to EU budget	0	0	1,741,232	1.4	1,741,232
Compensations to citizens and households	64,660,805	63,751,681	64,389,865	52.6	638,185
of which:					
pensions	34,887,508	35,244,690	35,663,800	29.2	419,110
of which: war veterans pensions	4,808,219	4,880,000	4,900,000	4.0	20,000
healthcare	20,488,905	19,467,581	19,794,046	16.2	326,465
of which:					
HZZO (Croatian Institute for Health Insurance)	2,035,062	1,943,433	1,944,998	1.6	1,565
social welfare	2,111,686	2,115,761	2,115,000	1.7	-761
maternity benefits	1,494,461	1,508,400	1,400,000	1.1	-108,400
unemployment benefits	213,124	108,387	157,182		
child allowance	1,726,953	1,726,953	1,730,000	1.4	3,047
care for war veterans	734,825	732,296	702,000	0.6	-30,296
Other expense	4,717,083	4,587,375	4,784,357	3.9	196,982
of which:					
HŽ, modernisation	534,920	400,374	638,097	0.5	237,723
charge in the price of fuel collected by the Croatian Motorways	1,390,000	1,400,000	1,387,872	1.1	-12,128
Expense for the acquisition of nonfinancial assets (4)	1,485,978	1,725,658	1,707,296	1.4	-18,361

Note: Includes all sources of funding from the group of accounts 3 and 4 of economic classification

Source: Ministry of Finance

In 2013 total expenditure of extra-budgetary users will record a 1.9% share in GDP, followed by 1.7% of GDP in 2014, and 1.9% of GDP in 2015.

Total expenditure of the local and regional self-government units are projected at 4.4% of GDP in 2013, dropping to 4.3% of GDP in 2014, and to 4.2% of GDP in 2015.

4.3.1. Expenditure of the budgetary central government by divisions

Table 7 contains an estimate of the ceiling of the financial plan for the period 2013 – 2015 broken down by budgetary central government divisions. These estimates include expense (group of account 3) and expense for the acquisition of nonfinancial assets (group of account 4). These expenditures are financed from the following sources: general revenue and receipts, contributions (only for the Ministry of Health and the Ministry of Labour and Pension System) and special purpose income from borrowing.

The source of financing entitled “general revenue and receipts” comprises the following items: 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 financial plan of a budget user from the source of financing “general revenue and receipts” is settled up to the amount of the planned expenditure irrespective of revenues collected.

Table 7 does 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.

For the purpose of developing fiscally and socially sustainable budgets in the upcoming three-year period, the ministries, central state administrative offices and agencies must draft their financial plans respecting the set limits according to divisions of the state budget for the sources of finance that affect the level of the general government deficit.

Given the limitations of the budget, budgetary users are encouraged to focus on projects which can be co-financed from European funds, and to plan and use these funds to realise projects within the scope of work of individual ministries and other budgetary users. Own funds must also be secured for the purpose of national co-financing. Taking into account the extended preparation of such projects, planning and drafting of project ideas must be undertaken as soon as possible in order to enable their realisation in 2014.

Table 7: 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 2013 – 2015

		(000 HRK)						
		2012 plan	2013 projection	13/12 Index	2014 projection	14/13 Index	2015 projection	15/14 Index
	TOTAL	114,832,362	117,784,964	102.6	120,948,638	102.7	123,380,547	102.0
10	CROATIAN PARLIAMENT	205,000	134,734	65.7	136,373	101.2	141,439	103.7
13	FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	995	948	95.3	960	101.2	973	101.4
15	PRESIDENT OF THE REPUBLIC OF CROATIA	49,000	45,120	92.1	45,305	100.4	46,484	102.6
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	30,900	27,875	90.2	28,236	101.3	29,395	104.1
18	CROATIAN COMPETITION AGENCY	13,900	11,506	82.8	11,542	100.3	11,967	103.7
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	161,243	153,528	95.2	155,298	101.2	158,473	102.0
25	MINISTRY OF FINANCE	12,005,905	15,952,644	132.9	18,591,418	116.5	19,285,933	103.7
26	STATE OFFICE FOR TRADE POLICY	15,500	15,777	101.8	15,899	100.8	16,477	103.6
27	RC – SECURITY AND INTELLIGENCE AGENCY	355,000	331,848	93.5	332,439	100.2	344,044	103.5
28	CENTRAL PROCUREMENT OFFICE	5,757	5,393	93.7	5,475	101.5	5,687	103.9
29	STATE PROPERTY MANAGEMENT ADMINISTRATION	7,500	7,023	93.6	7,054	100.4	7,348	104.2
30	MINISTRY OF DEFENCE	4,780,000	4,426,229	92.6	4,473,872	101.1	4,619,367	103.3
32	STATE OFFICE FOR CROATS ABROAD	4,265	1,757	41.2	1,757	100.0	1,845	105.0
40	MINISTRY OF THE INTERIOR	4,390,000	4,099,247	93.4	4,121,672	100.5	4,273,378	103.7
41	MINISTRY OF WAR VETERANS	1,144,000	1,104,241	96.5	1,121,291	101.5	1,144,297	102.1
48	MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS	595,735	547,372	91.9	551,529	100.8	572,047	103.7
49	MINISTRY OF ECONOMY	325,000	809,104	249.0	813,754	100.6	538,118	66.1
51	MINISTRY OF ENTREPRENEURSHIP AND CRAFTS	300,000	294,460	98.2	296,693	100.8	298,393	100.6
55	MINISTRY OF CULTURE	687,000	691,101	100.6	715,926	103.6	727,893	101.7
60	MINISTRY OF AGRICULTURE	3,900,000	3,622,193	92.9	2,983,157	82.4	2,933,254	98.3
61	MINISTRY OF REGIONAL DEVELOPMENT AND EU FUNDS	1,080,000	1,048,146	97.1	1,129,035	107.7	1,142,707	101.2
	MINISTRY OF MARITIME AFFAIRS, TRANSPORT AND INFRASTRUCTURE	5,647,387	5,604,258	99.2	5,655,354	100.9	5,842,075	103.3
65	MINISTRY OF CONSTRUCTION AND PHYSICAL PLANNING	434,000	415,304	95.7	437,881	105.4	445,724	101.8
76	MINISTRY FOR ENVIRONMENTAL AND NATURE PROTECTION	161,000	150,141	93.3	150,820	100.5	154,965	102.7
77	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	11,306,000	10,728,074	94.9	10,754,583	100.2	11,230,780	104.4
80	MINISTRY OF LABOUR AND PENSION SYSTEM	38,020,000	38,330,962	100.8	38,754,994	101.1	39,207,848	101.2
86	MINISTRY OF TOURISM	204,000	202,544	99.3	207,336	102.4	208,128	100.4
90	MINISTRY OF ADMINISTRATION	360,000	340,404	94.6	358,281	105.3	372,620	104.0
95	MINISTRY OF HEALTH	19,900,000	20,139,440	101.2	20,475,316	101.7	20,814,556	101.7
96	MINISTRY OF SOCIAL POLICY AND YOUTH	5,869,000	5,817,349	99.1	5,830,685	100.2	5,915,394	101.5
102	CROATIAN ACADEMY OF SCIENCE AND ARTS	52,200	50,042	95.9	50,152	100.2	52,621	104.9
106	MINISTRY OF JUSTICE	2,430,000	2,303,655	94.8	2,357,163	102.3	2,444,760	103.7
110	OMBUDSMAN'S OFFICE	9,026	8,505	94.2	8,568	100.7	8,952	104.5
120	OMBUDSMAN FOR CHILDREN	5,355	5,031	93.9	5,078	100.9	5,269	103.7
121	OMBUDSMAN FOR GENDER EQUALITY	2,794	2,644	94.6	2,672	101.1	2,776	103.9
122	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	3,151	2,971	94.3	3,002	101.1	3,112	103.6
123	CROATIAN BUREAU OF STATISTICS	89,000	83,316	93.6	84,177	101.0	87,193	103.6
160	STATE AUDIT OFFICE	57,000	53,530	93.9	53,612	100.2	56,025	104.5
185	STATE COMMISSION FOR SUPERVISION OF PUBLIC PROCUREMENT PROCEDURE	8,300	7,831	94.4	7,881	100.6	8,168	103.7
196	STATE INSPECTOR'S OFFICE	135,000	128,956	95.5	130,861	101.5	136,045	104.0
225	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	648	529	81.6	532	100.4	552	103.8
230	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	5,087	4,812	94.6	4,862	101.0	5,053	103.9
235	OFFICE OF THE NATIONAL SECURITY COUNCIL	22,100	20,597	93.2	20,838	101.2	21,694	104.1
240	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	17,000	21,209	124.8	22,157	104.5	22,703	102.5
241	INFORMATION SYSTEMS SECURITY BUREAU	15,200	12,823	84.4	13,174	102.7	13,605	103.3
242	PERSONAL DATA PROTECTION AGENCY	6,500	5,483	84.4	5,481	100.0	5,680	103.6
250	STATE OFFICE FOR RADIOLOGICAL AND NUCLEAR SAFETY	13,300	12,113	91.1	12,285	101.4	12,473	101.5
256	RAILWAY MARKET REGULATORY AGENCY	2,613	2,195	84.0	2,208	100.6	2,260	102.3

Source: Ministry of Finance

Table 8: 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 2013 – 2015

		2013		2014		2015		
		2012 plan	projection	13/12 Index	projection	14/13 Index	projection	15/14 Index
(000 HRK)								
	TOTAL	21,291,302	20,422,984	95.9	20,465,087	100.2	21,517,379	105.1
10	CROATIAN PARLIAMENT	112,311	96,688	86.1	96,697	100.0	101,763	105.2
13	FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	270	256	95.0	256	100.0	270	105.2
15	PRESIDENT OF THE REPUBLIC OF CROATIA	23,596	22,497	95.3	22,499	100.0	23,678	105.2
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	23,200	22,120	95.3	22,122	100.0	23,281	105.2
18	CROATIAN COMPETITION AGENCY	9,856	8,031	81.5	8,099	100.8	8,523	105.2
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	61,174	60,572	99.0	60,604	100.1	63,778	105.2
25	MINISTRY OF FINANCE	918,397	912,089	99.3	941,760	103.3	991,095	105.2
26	STATE OFFICE FOR TRADE POLICY	9,220	10,133	109.9	11,029	108.8	11,606	105.2
27	RC – SECURITY AND INTELLIGENCE AGENCY	232,317	221,500	95.3	221,521	100.0	233,126	105.2
28	CENTRAL PROCUREMENT OFFICE	4,132	3,981	96.3	4,033	101.3	4,244	105.2
29	STATE PROPERTY MANAGEMENT ADMINISTRATION	5,882	5,608	95.3	5,608	100.0	5,902	105.2
30	MINISTRY OF DEFENCE	2,703,504	2,656,250	98.3	2,644,686	99.6	2,783,230	105.2
32	STATE OFFICE FOR CROATS ABROAD	1,758	1,676	95.3	1,676	100.0	1,764	105.2
40	MINISTRY OF THE INTERIOR	2,951,831	2,824,035	95.7	2,830,609	100.2	2,978,893	105.2
41	MINISTRY OF WAR VETERANS	22,027	21,571	97.9	22,070	102.3	23,227	105.2
48	MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS	282,942	269,767	95.3	269,794	100.0	283,927	105.2
49	MINISTRY OF ECONOMY	55,940	59,924	107.1	62,008	103.5	65,257	105.2
51	MINISTRY OF ENTREPRENEURSHIP AND CRAFTS	29,016	26,410	91.0	26,413	100.0	27,797	105.2
55	MINISTRY OF CULTURE	228,359	220,956	96.8	220,977	100.0	232,554	105.2
60	MINISTRY OF AGRICULTURE	203,420	228,002	112.1	228,025	100.0	239,970	105.2
61	MINISTRY OF REGIONAL DEVELOPMENT AND EU FUNDS	75,046	67,569	90.0	67,576	100.0	71,116	105.2
65	MINISTRY OF MARITIME AFFAIRS, TRANSPORT AND INFRASTRUCTURE	96,691	98,070	101.4	98,079	100.0	103,217	105.2
76	MINISTRY OF CONSTRUCTION AND PHYSICAL PLANNING	154,446	147,140	95.3	146,144	99.3	153,800	105.2
77	MINISTRY FOR ENVIRONMENTAL AND NATURE PROTECTION	77,300	72,794	94.2	72,801	100.0	76,615	105.2
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	9,319,309	8,855,303	95.0	8,848,582	99.9	9,311,901	105.2
86	MINISTRY OF LABOUR AND PENSION SYSTEM	464,489	403,501	86.9	407,745	101.1	410,188	100.6
90	MINISTRY OF TOURISM	12,667	12,137	95.8	12,374	102.0	13,022	105.2
95	MINISTRY OF ADMINISTRATION	257,743	249,198	96.7	262,345	105.3	276,089	105.2
96	MINISTRY OF HEALTH	263,481	252,893	96.0	253,597	100.3	266,232	105.0
102	MINISTRY OF SOCIAL POLICY AND YOUTH	670,542	639,320	95.3	639,382	100.0	672,874	105.2
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	48,485	46,668	96.3	46,763	100.2	49,213	105.2
110	MINISTRY OF JUSTICE	1,696,561	1,638,831	96.6	1,638,991	100.0	1,724,851	105.2
120	OMBUDSMAN'S OFFICE	6,964	7,160	102.8	7,181	100.3	7,557	105.2
121	OMBUDSMAN FOR CHILDREN	3,609	3,450	95.6	3,499	101.4	3,682	105.2
122	OMBUDSMAN FOR GENDER EQUALITY	2,039	1,944	95.3	1,944	100.0	2,046	105.2
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	2,161	2,072	95.9	2,085	100.6	2,195	105.2
160	CROATIAN BUREAU OF STATISTICS	57,961	56,075	96.7	57,575	102.7	60,591	105.2
185	STATE AUDIT OFFICE	47,207	46,058	97.6	46,062	100.0	48,475	105.2
196	STATE COMMISSION FOR SUPERVISION OF PUBLIC PROCUREMENT PROCEDURE	5,666	5,491	96.9	5,491	100.0	5,779	105.2
225	STATE INSPECTOR'S OFFICE	101,295	98,009	96.8	98,967	101.0	104,151	105.2
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	415	385	92.8	387	100.5	407	105.2
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	3,834	3,682	96.0	3,655	99.3	3,846	105.2
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	16,606	16,130	97.1	16,335	101.3	17,191	105.2
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	10,847	10,433	96.2	10,434	100.0	10,980	105.2
242	INFORMATION SYSTEMS SECURITY BUREAU	7,098	8,216	115.7	8,217	100.0	8,647	105.2
250	PERSONAL DATA PROTECTION AGENCY	4,702	3,805	80.9	3,806	100.0	4,005	105.2
256	STATE OFFICE FOR RADIOLOGICAL AND NUCLEAR SAFETY	3,772	3,596	95.3	3,596	100.0	3,785	105.2
257	RAILWAY MARKET REGULATORY AGENCY	1,217	988	81.2	988	100.0	1,040	105.2

Source: Ministry of Finance

Table 9: 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 2013 – 2015

		2013		2014		2015		
		2012 plan	projection	13/12 Index	projection	14/13 Index	projection	15/14 Index
(000 HRK)								
	TOTAL	8,045,818	7,303,832	90.8	7,207,182	98.7	7,239,086	100.4
10	CROATIAN PARLIAMENT	61,438	35,848	58.3	35,688	99.6	35,688	100.0
13	FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	691	662	95.8	671	101.4	671	100.0
15	PRESIDENT OF THE REPUBLIC OF CROATIA	23,378	20,932	89.5	20,932	100.0	20,932	100.0
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	6,612	5,180	78.3	5,400	104.2	5,400	100.0
18	CROATIAN COMPETITION AGENCY	4,001	3,418	85.4	3,384	99.0	3,384	100.0
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	35,580	31,408	88.3	31,251	99.5	31,251	100.0
25	MINISTRY OF FINANCE	827,406	962,844	116.4	819,643	85.1	819,643	100.0
26	STATE OFFICE FOR TRADE POLICY	5,500	5,239	95.3	4,571	82.7	4,571	100.0
27	RC – SECURITY AND INTELLIGENCE AGENCY	116,722	104,701	89.7	105,430	100.7	105,430	100.0
28	CENTRAL PROCUREMENT OFFICE	1,413	1,247	88.2	1,247	100.0	1,247	100.0
29	STATE PROPERTY MANAGEMENT ADMINISTRATION	1,228	1,063	86.5	1,063	100.0	1,063	100.0
30	MINISTRY OF DEFENCE	2,035,871	1,730,320	85.0	1,789,528	103.4	1,796,478	100.4
32	STATE OFFICE FOR CROATS ABROAD	102	80	78.8	80	100.0	80	100.0
40	MINISTRY OF THE INTERIOR	1,226,323	1,099,237	89.6	1,101,981	100.2	1,105,402	100.3
41	MINISTRY OF WAR VETERANS	48,809	39,663	81.3	40,162	101.3	42,011	104.6
48	MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS	290,740	252,620	86.9	256,124	101.4	262,509	102.5
49	MINISTRY OF ECONOMY	87,866	85,882	97.7	81,886	95.3	83,002	101.4
51	MINISTRY OF ENTREPRENEURSHIP AND CRAFTS	31,140	23,266	74.7	20,576	88.4	20,892	101.5
55	MINISTRY OF CULTURE	137,372	129,186	94.0	127,865	99.0	128,257	100.3
60	MINISTRY OF AGRICULTURE	464,164	465,812	100.4	467,110	100.3	468,899	100.4
61	MINISTRY OF REGIONAL DEVELOPMENT AND EU FUNDS	77,626	70,953	91.4	70,953	100.0	71,085	100.2
65	MINISTRY OF MARITIME AFFAIRS, TRANSPORT AND INFRASTRUCTURE	124,635	106,600	85.5	105,019	98.5	106,553	101.5
76	MINISTRY OF CONSTRUCTION AND PHYSICAL PLANNING	130,146	105,021	80.7	105,717	100.7	105,904	100.2
77	MINISTRY FOR ENVIRONMENTAL AND NATURE PROTECTION	57,574	53,070	92.2	52,464	98.9	52,795	100.6
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	753,139	636,264	84.5	610,434	95.9	613,311	100.5
86	MINISTRY OF LABOUR AND PENSION SYSTEM	228,015	225,505	98.9	223,854	99.3	224,338	100.2
90	MINISTRY OF TOURISM	6,735	5,865	87.1	5,979	102.0	6,123	102.4
95	MINISTRY OF ADMINISTRATION	99,510	89,003	89.4	93,316	104.8	93,912	100.6
96	MINISTRY OF HEALTH	187,175	148,707	79.4	148,611	99.9	149,956	100.9
102	MINISTRY OF SOCIAL POLICY AND YOUTH	248,903	225,232	90.5	225,232	100.0	225,515	100.1
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	2,685	2,350	87.5	2,354	100.2	2,373	100.8
110	MINISTRY OF JUSTICE	617,815	543,539	88.0	554,409	102.0	556,145	100.3
120	OMBUDSMAN'S OFFICE	1,772	1,337	75.4	1,378	103.1	1,385	100.6
121	OMBUDSMAN FOR CHILDREN	1,722	1,556	90.4	1,574	101.2	1,582	100.4
122	OMBUDSMAN FOR GENDER EQUALITY	707	659	93.2	682	103.6	684	100.3
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	917	875	95.4	894	102.1	894	100.0
160	CROATIAN BUREAU OF STATISTICS	30,656	26,433	86.2	26,059	98.6	26,059	100.0
185	STATE AUDIT OFFICE	8,205	6,677	81.4	6,677	100.0	6,677	100.0
196	STATE COMMISSION FOR SUPERVISION OF PUBLIC PROCUREMENT PROCEDURE	2,501	2,229	89.1	2,264	101.6	2,264	100.0
225	STATE INSPECTOR'S OFFICE	33,089	30,394	91.9	31,038	102.1	31,038	100.0
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	231	142	61.5	142	100.0	142	100.0
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	1,162	1,052	90.6	1,125	106.9	1,125	100.0
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	5,113	4,163	81.4	4,152	99.7	4,152	100.0
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	4,273	4,402	103.0	4,475	101.7	4,475	100.0
242	INFORMATION SYSTEMS SECURITY BUREAU	3,668	2,855	77.8	2,820	98.8	2,820	100.0
250	PERSONAL DATA PROTECTION AGENCY	1,667	1,551	93.0	1,652	106.5	1,652	100.0
256	STATE OFFICE FOR RADIOLOGICAL AND NUCLEAR SAFETY	8,567	7,708	90.0	8,231	106.8	8,231	100.0
257	RAILWAY MARKET REGULATORY AGENCY	1,253	1,087	86.8	1,087	100.0	1,087	100.0

Source: Ministry of Finance

Table 10: 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 2013 – 2015

		2013			2014		2015	
		2012 plan	projection	13/12 Index	projection	14/13 Index	projection	15/14 Index
(000 HRK)								
TOTAL		7,997,893	9,979,522	124.8	10,583,788	106.1	11,003,922	104.0
10	CROATIAN PARLIAMENT	55	55	100.0	55	100.0	55	100.0
13	FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	2	2	100.0	2	100.0	2	100.0
15	PRESIDENT OF THE REPUBLIC OF CROATIA	81	81	100.0	81	100.0	81	100.0
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	2	2	100.0	2	100.0	2	100.0
18	CROATIAN COMPETITION AGENCY	4	5	126.3	4	79.2	4	100.0
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	1,988	1,988	100.0	1,988	100.0	1,988	100.0
25	MINISTRY OF FINANCE	7,757,232	9,756,639	125.8	10,365,616	106.2	10,785,750	104.1
26	STATE OFFICE FOR TRADE POLICY	16	16	100.0	16	100.0	16	100.0
27	RC – SECURITY AND INTELLIGENCE AGENCY	347	347	100.0	347	100.0	347	100.0
28	CENTRAL PROCUREMENT OFFICE	2	2	100.0	2	100.0	2	100.0
29	STATE PROPERTY MANAGEMENT ADMINISTRATION	20	20	100.0	20	100.0	20	100.0
30	MINISTRY OF DEFENCE	30,699	30,699	100.0	30,699	100.0	30,699	100.0
32	STATE OFFICE FOR CROATS ABROAD	0	0	#	0	#	0	#
40	MINISTRY OF THE INTERIOR	5,319	5,322	100.1	5,324	100.0	5,324	100.0
41	MINISTRY OF WAR VETERANS	3,951	4,192	106.1	4,072	97.1	4,072	100.0
48	MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS	2,786	2,786	100.0	2,786	100.0	2,786	100.0
49	MINISTRY OF ECONOMY	2,382	551	23.1	551	100.0	551	100.0
51	MINISTRY OF ENTREPRENEURSHIP AND CRAFTS	663	175	26.4	175	100.0	175	100.0
55	MINISTRY OF CULTURE	304	324	106.6	324	100.0	324	100.0
60	MINISTRY OF AGRICULTURE	3,641	6,042	166.0	5,802	96.0	5,802	100.0
61	MINISTRY OF REGIONAL DEVELOPMENT AND EU FUNDS	118	118	100.0	118	100.0	118	100.0
65	MINISTRY OF MARITIME AFFAIRS, TRANSPORT AND INFRASTRUCTURE	2,963	2,833	95.6	2,833	100.0	2,833	100.0
76	MINISTRY OF CONSTRUCTION AND PHYSICAL PLANNING	357	357	100.0	353	98.9	353	100.0
77	MINISTRY FOR ENVIRONMENTAL AND NATURE PROTECTION	861	77	8.9	77	100.0	77	100.0
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	27,366	27,136	99.2	27,136	100.0	27,136	100.0
86	MINISTRY OF LABOUR AND PENSION SYSTEM	62,240	52,295	84.0	42,195	80.7	42,195	100.0
90	MINISTRY OF TOURISM	27	27	100.5	28	101.9	28	100.0
95	MINISTRY OF ADMINISTRATION	240	245	101.9	257	105.1	257	100.0
96	MINISTRY OF HEALTH	5,302	5,303	100.0	5,304	100.0	5,304	100.0
102	MINISTRY OF SOCIAL POLICY AND YOUTH	42,851	42,851	100.0	42,851	100.0	42,851	100.0
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	0	0	#	0	#	0	#
110	MINISTRY OF JUSTICE	45,901	38,849	84.6	44,607	114.8	44,607	100.0
120	OMBUDSMAN'S OFFICE	2	2	100.0	2	100.0	2	100.0
121	OMBUDSMAN FOR CHILDREN	4	4	100.0	5	125.0	5	100.0
122	OMBUDSMAN FOR GENDER EQUALITY	3	3	100.0	3	100.0	3	100.0
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	1	1	166.3	1	100.0	1	100.0
160	CROATIAN BUREAU OF STATISTICS	30	40	133.3	40	100.0	40	100.0
185	STATE AUDIT OFFICE	0	0	#	0	#	0	#
196	STATE COMMISSION FOR SUPERVISION OF PUBLIC PROCUREMENT PROCEDURE	3	3	100.0	3	100.0	3	100.0
225	STATE INSPECTOR'S OFFICE	101	101	99.8	81	80.3	81	100.0
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	1	1	100.0	1	100.0	1	100.0
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	1	1	100.0	1	102.4	1	100.0
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	7	7	100.0	7	100.0	7	100.0
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	4	4	100.0	4	100.0	4	100.0
242	INFORMATION SYSTEMS SECURITY BUREAU	6	6	100.0	6	100.0	6	100.0
250	PERSONAL DATA PROTECTION AGENCY	1	1	100.0	1	100.0	1	100.0
256	STATE OFFICE FOR RADIOLOGICAL AND NUCLEAR SAFETY	9	9	100.0	9	100.0	9	100.0
257	RAILWAY MARKET REGULATORY AGENCY	1	1	100.0	1	100.0	1	100.0

Source: Ministry of Finance

Table 11: 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 2013 – 2015

	(000 HRK)	2013			2014		2015	
		2012 plan	projection	13/12 Index	projection	14/13 Index	projection	15/14 Index
TOTAL		5,344,724	5,698,573	106.6	5,088,356	89.3	4,752,306	93.4
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	CROATIAN COMPETITION AGENCY	0	0	#	0	#	0	#
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	0	0	#	0	#	0	#
25	MINISTRY OF FINANCE	142,662	200,172	140.3	202,767	101.3	202,767	100.0
26	STATE OFFICE FOR TRADE POLICY	0	0	#	0	#	0	#
27	RC – SECURITY AND INTELLIGENCE AGENCY	700	700	100.0	700	100.0	700	100.0
28	CENTRAL PROCUREMENT OFFICE	0	0	#	0	#	0	#
29	STATE PROPERTY MANAGEMENT ADMINISTRATION	0	0	#	0	#	0	#
30	MINISTRY OF DEFENCE	0	0	#	0	#	0	#
32	STATE OFFICE FOR CROATS ABROAD	0	0	#	0	#	0	#
40	MINISTRY OF THE INTERIOR	300	300	100.0	300	100.0	300	100.0
41	MINISTRY OF WAR VETERANS	2,700	3,000	111.1	3,000	100.0	3,000	100.0
48	MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS	0	0	#	0	#	0	#
49	MINISTRY OF ECONOMY	145,890	649,250	445.0	652,250	100.5	372,250	57.1
51	MINISTRY OF ENTREPRENEURSHIP AND CRAFTS	137,879	143,836	104.3	148,639	103.3	148,639	100.0
55	MINISTRY OF CULTURE	48,800	48,800	100.0	48,800	100.0	48,800	100.0
60	MINISTRY OF AGRICULTURE	2,637,998	2,413,422	91.5	1,772,394	73.4	1,708,023	96.4
61	MINISTRY OF REGIONAL DEVELOPMENT AND EU FUNDS	8,000	8,000	100.0	8,000	100.0	8,000	100.0
65	MINISTRY OF MARITIME AFFAIRS, TRANSPORT AND INFRASTRUCTURE	2,013,343	2,014,650	100.1	2,030,080	100.8	2,038,401	100.4
76	MINISTRY OF CONSTRUCTION AND PHYSICAL PLANNING	0	0	#	0	#	0	#
77	MINISTRY FOR ENVIRONMENTAL AND NATURE PROTECTION	0	0	#	0	#	0	#
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	35,650	37,800	106.0	41,600	110.1	41,600	100.0
86	MINISTRY OF LABOUR AND PENSION SYSTEM	110,415	117,900	106.8	117,900	100.0	117,900	100.0
90	MINISTRY OF TOURISM	60,218	60,573	100.6	61,755	102.0	61,755	100.0
95	MINISTRY OF ADMINISTRATION	0	0	#	0	#	0	#
96	MINISTRY OF HEALTH	0	0	#	0	#	0	#
102	MINISTRY OF SOCIAL POLICY AND YOUTH	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	CROATIAN BUREAU OF STATISTICS	0	0	#	0	#	0	#
185	STATE AUDIT OFFICE	0	0	#	0	#	0	#
196	STATE COMMISSION FOR SUPERVISION OF PUBLIC PROCUREMENT PROCEDURE	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	170	170	100.0	170	100.0	170	100.0
242	INFORMATION SYSTEMS SECURITY BUREAU	0	0	#	0	#	0	#
250	PERSONAL DATA PROTECTION AGENCY	0	0	#	0	#	0	#
256	STATE OFFICE FOR RADIOLOGICAL AND NUCLEAR SAFETY	0	0	#	0	#	0	#
257	RAILWAY MARKET REGULATORY AGENCY	0	0	#	0	#	0	#

Source: Ministry of Finance

Table 12: 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 2013 – 2015

		2013			2014		2015	
		2012 plan	projection	13/12 Index	projection	14/13 Index	projection	15/14 Index
		(000 HRK)						
TOTAL		62,152,329	62,789,874	101.0	63,466,022	101.1	64,168,883	101.1
10	CROATIAN PARLIAMENT	200	135	67.5	100	74.1	100	100.0
13	FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	0	0	#	0	#	0	#
15	PRESIDENT OF THE REPUBLIC OF CROATIA	450	405	90.0	405	100.0	405	100.0
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	0	0	#	0	#	0	#
18	CROATIAN COMPETITION AGENCY	0	0	#	0	#	0	#
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	8,136	7,308	89.8	7,308	100.0	7,308	100.0
25	MINISTRY OF FINANCE	15,000	0	#	0	#	0	#
26	STATE OFFICE FOR TRADE POLICY	0	0	#	0	#	0	#
27	RC – SECURITY AND INTELLIGENCE AGENCY	1,009	908	90.0	908	100.0	908	100.0
28	CENTRAL PROCUREMENT OFFICE	0	0	#	0	#	0	#
29	STATE PROPERTY MANAGEMENT ADMINISTRATION	0	0	#	0	#	0	#
30	MINISTRY OF DEFENCE	9,660	8,694	90.0	8,694	100.0	8,694	100.0
32	STATE OFFICE FOR CROATS ABROAD	2,405	0	#	0	#	0	#
40	MINISTRY OF THE INTERIOR	14,663	13,196	90.0	13,196	100.0	13,196	100.0
41	MINISTRY OF WAR VETERANS	1,043,718	1,013,230	97.1	1,027,325	101.4	1,047,325	101.9
48	MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS	6,300	5,715	90.7	5,715	100.0	5,715	100.0
49	MINISTRY OF ECONOMY	100	135	135.0	135	100.0	135	100.0
51	MINISTRY OF ENTREPRENEURSHIP AND CRAFTS	200	180	90.0	180	100.0	180	100.0
55	MINISTRY OF CULTURE	35,363	31,827	90.0	31,827	100.0	31,827	100.0
60	MINISTRY OF AGRICULTURE	20	18	90.0	18	100.0	18	100.0
61	MINISTRY OF REGIONAL DEVELOPMENT AND EU FUNDS	61,000	54,900	90.0	54,900	100.0	54,900	100.0
65	MINISTRY OF MARITIME AFFAIRS, TRANSPORT AND INFRASTRUCTURE	6,432	5,850	91.0	5,886	100.6	5,886	100.0
76	MINISTRY OF CONSTRUCTION AND PHYSICAL PLANNING	38,600	38,600	100.0	38,600	100.0	38,600	100.0
77	MINISTRY FOR ENVIRONMENTAL AND NATURE PROTECTION	3,800	3,452	90.8	3,510	101.7	3,510	100.0
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	269,007	281,367	104.6	312,029	110.9	312,029	100.0
86	MINISTRY OF LABOUR AND PENSION SYSTEM	36,975,366	37,333,520	101.0	37,702,165	101.0	38,152,093	101.2
90	MINISTRY OF TOURISM	1,177	1,064	90.4	1,085	102.0	1,085	100.0
95	MINISTRY OF ADMINISTRATION	40	36	91.2	38	105.1	38	100.0
96	MINISTRY OF HEALTH	18,822,869	19,149,309	101.7	19,398,830	101.3	19,580,830	100.9
102	MINISTRY OF SOCIAL POLICY AND YOUTH	4,834,285	4,837,571	100.1	4,850,821	100.3	4,901,754	101.0
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	0	0	#	0	#	0	#
110	MINISTRY OF JUSTICE	2,240	2,016	90.0	2,016	100.0	2,016	100.0
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	CROATIAN BUREAU OF STATISTICS	50	203	405.0	100	49.4	100	100.0
185	STATE AUDIT OFFICE	100	90	90.0	90	100.0	90	100.0
196	STATE COMMISSION FOR SUPERVISION OF PUBLIC PROCUREMENT PROCEDURE	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	6	5	90.0	0	#	0	#
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	15	14	90.0	14	100.0	14	100.0
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	100	90	90.0	90	100.0	90	100.0
242	INFORMATION SYSTEMS SECURITY BUREAU	20	36	180.0	36	100.0	36	100.0
250	PERSONAL DATA PROTECTION AGENCY	0	0	#	0	#	0	#
256	STATE OFFICE FOR RADIOLOGICAL AND NUCLEAR SAFETY	0	0	#	0	#	0	#
257	RAILWAY MARKET REGULATORY AGENCY	0	0	#	0	#	0	#

Source: Ministry of Finance

Table 13: 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 2013 – 2015

(000 HRK)		2012 plan	2013 projection	13/12 Index	2014 projection	14/13 Index	2015 projection	15/14 Index
TOTAL		10,000,295	11,590,179	115.9	14,138,203	122.0	14,698,970	104.0
10	CROATIAN PARLIAMENT	30,996	2,008	6.5	3,833	190.9	3,833	100.0
13	FORMER PRESIDENT OF THE REPUBLIC OF CROATIA	32	28	86.3	30	107.9	30	100.0
15	PRESIDENT OF THE REPUBLIC OF CROATIA	1,495	1,205	80.6	1,388	115.2	1,388	100.0
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	1,086	574	52.9	712	124.1	712	100.0
18	CROATIAN COMPETITION AGENCY	40	52	132.3	56	106.8	56	100.0
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	54,365	52,252	96.1	54,148	103.6	54,148	100.0
25	MINISTRY OF FINANCE	2,345,208	4,120,900	175.7	6,261,632	151.9	6,486,678	103.6
26	STATE OFFICE FOR TRADE POLICY	764	390	51.0	284	72.8	284	100.0
27	RC – SECURITY AND INTELLIGENCE AGENCY	3,905	3,692	94.5	3,533	95.7	3,533	100.0
28	CENTRAL PROCUREMENT OFFICE	210	164	78.0	194	118.4	194	100.0
29	STATE PROPERTY MANAGEMENT ADMINISTRATION	370	333	89.9	363	109.1	363	100.0
30	MINISTRY OF DEFENCE	265	265	100.0	265	100.0	265	100.0
32	STATE OFFICE FOR CROATS ABROAD	0	0	#	0	#	0	#
40	MINISTRY OF THE INTERIOR	191,564	157,157	82.0	170,263	108.3	170,263	100.0
41	MINISTRY OF WAR VETERANS	22,795	22,586	99.1	24,663	109.2	24,663	100.0
48	MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS	12,967	16,484	127.1	17,110	103.8	17,110	100.0
49	MINISTRY OF ECONOMY	32,822	13,363	40.7	16,924	126.6	16,924	100.0
51	MINISTRY OF ENTREPRENEURSHIP AND CRAFTS	101,103	100,593	99.5	100,710	100.1	100,710	100.0
55	MINISTRY OF CULTURE	236,802	260,008	109.8	286,132	110.0	286,132	100.0
60	MINISTRY OF AGRICULTURE	590,758	508,896	86.1	509,809	100.2	510,544	100.1
61	MINISTRY OF REGIONAL DEVELOPMENT AND EU FUNDS	858,211	846,606	98.6	927,488	109.6	937,488	101.1
65	MINISTRY OF MARITIME AFFAIRS, TRANSPORT AND INFRASTRUCTURE	3,403,323	3,376,255	99.2	3,413,456	101.1	3,585,184	105.0
76	MINISTRY OF CONSTRUCTION AND PHYSICAL PLANNING	110,452	124,186	112.4	147,067	118.4	147,067	100.0
77	MINISTRY FOR ENVIRONMENTAL AND NATURE PROTECTION	21,465	20,749	96.7	21,968	105.9	21,968	100.0
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	901,530	890,205	98.7	914,803	102.8	924,803	101.1
86	MINISTRY OF LABOUR AND PENSION SYSTEM	179,476	198,242	110.5	261,135	131.7	261,135	100.0
90	MINISTRY OF TOURISM	123,176	122,879	99.8	126,114	102.6	126,114	100.0
95	MINISTRY OF ADMINISTRATION	2,466	1,922	77.9	2,324	120.9	2,324	100.0
96	MINISTRY OF HEALTH	621,173	583,228	93.9	668,974	114.7	812,233	121.4
102	MINISTRY OF SOCIAL POLICY AND YOUTH	72,419	72,376	99.9	72,399	100.0	72,399	100.0
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	1,030	1,025	99.5	1,035	101.0	1,035	100.0
110	MINISTRY OF JUSTICE	67,483	80,421	119.2	117,141	145.7	117,141	100.0
120	OMBUDSMAN'S OFFICE	288	6	2.2	7	115.4	7	100.0
121	OMBUDSMAN FOR CHILDREN	20	20	100.0	0	#	0	#
122	OMBUDSMAN FOR GENDER EQUALITY	45	38	85.3	43	110.7	43	100.0
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	72	22	30.5	22	100.9	22	100.0
160	CROATIAN BUREAU OF STATISTICS	303	565	186.6	403	71.3	403	100.0
185	STATE AUDIT OFFICE	1,488	705	47.4	783	111.0	783	100.0
196	STATE COMMISSION FOR SUPERVISION OF PUBLIC PROCUREMENT PROCEDURE	130	108	83.1	122	113.0	122	100.0
225	STATE INSPECTOR'S OFFICE	515	453	88.0	775	171.1	775	100.0
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	3	2	78.0	2	115.4	2	100.0
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	85	71	84.4	81	113.2	81	100.0
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	360	283	78.6	332	117.1	332	100.0
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	1,606	6,110	380.5	6,984	114.3	6,984	100.0
242	INFORMATION SYSTEMS SECURITY BUREAU	4,408	1,710	38.8	2,095	122.5	2,095	100.0
250	PERSONAL DATA PROTECTION AGENCY	130	125	96.1	22	17.9	22	100.0
256	STATE OFFICE FOR RADIOLOGICAL AND NUCLEAR SAFETY	952	800	84.0	449	56.1	449	100.0
257	RAILWAY MARKET REGULATORY AGENCY	142	119	83.6	132	111.1	132	100.0

Source: Ministry of Finance

4.4. Consolidated general government in the period 2013 – 2015

According to the projected trends in revenue and expenditure at all levels of general government budget, deficit is expected to decline from 3.4% of GDP in 2012 to 3.0% of GDP in 2013, 2.2% of GDP in 2014, and 1.6% of GDP in 2015. The largest contribution to lower deficit will come from the budgetary central government which will record a deficit at the level of 2.7% of GDP in 2013, 2.1% of GDP in 2014, and 1.3% of GDP in 2015. The deficit of the extra-budgetary users will amount to 0.3% of GDP in 2013. This includes the planned investments by Croatian Waters and Croatian Roads, in accordance with the programme of investment aimed at the renovation and development of the water supply system and the construction and reconstruction of state roads, i.e. their maintenance and management. In the following two years the deficit of the extra-budgetary users will stand at 0.1% of GDP and 0.3% of GDP. Local units will have a balanced budget in the observed medium-term period.

Table 14: Consolidated general government budget in the period 2011 – 2015

(000 HRK)	2011	2012 plan	2013 projection	2014 projection	2015 projection
TOTAL REVENUE (6+7)	123,867,979	125,969,100	129,568,049	135,726,295	141,488,257
6 Revenue	123,034,568	125,102,031	128,800,781	134,956,958	140,689,644
7 Revenue from the sale of nonfinancial assets	833,412	867,069	767,268	769,337	798,613
TOTAL EXPENDITURE (3+4)	138,745,822	137,539,399	140,326,308	143,954,846	147,809,835
3 Expense	132,888,885	130,987,669	133,517,917	137,634,343	140,770,056
4 Expense for the acquisition of nonfinancial assets	5,856,937	6,551,730	6,808,391	6,320,503	7,039,779
TOTAL DEFICIT/SURPLUS	-14,877,842	-11,570,298	-10,758,259	-8,228,551	-6,321,578
<i>% of GDP</i>	-4.5	-3.4	-3.0	-2.2	-1.6
FINANCING	14,877,842	11,570,298	10,758,259	8,228,551	6,321,578
8 Income from financial assets and borrowings	27,708,880	25,092,316	30,988,749	29,997,861	29,678,131
5 Expense for financial assets and loan repayment	13,962,052	13,351,284	19,418,538	20,914,077	22,712,777
Change in currency and deposits	-1,131,015	170,733	811,952	855,234	643,775

Source: Ministry of Finance

Table 15: Revenue, expenditure and total deficit/surplus of general government in the period 2011 - 2015

(000 HRK)	2011	2012 plan	2013 projection	2014 projection	2015 projection
BUDGETARY CENTRAL GOVERNMENT					
Total revenue	107,416,678	108,950,231	112,664,971	118,481,537	123,824,842
% of GDP	32.2	32.0	31.7	31.7	31.3
Total expenditure	121,425,489	118,841,209	122,302,320	126,248,197	128,845,509
% of GDP	36.4	34.9	34.4	33.7	32.5
Total deficit/surplus	-14,008,811	-9,890,979	-9,637,348	-7,766,661	-5,020,667
% of GDP	-4.2	-2.9	-2.7	-2.1	-1.3
EXTRA-BUDGETARY USERS					
Total revenue	5,147,667	5,406,188	5,728,156	5,998,552	6,380,891
% of GDP	1.5	1.6	1.6	1.6	1.6
Total expenditure	6,446,848	6,221,418	6,883,063	6,503,922	7,601,556
% of GDP	1.9	1.8	1.9	1.7	1.9
Total deficit/surplus	-1,299,181	-815,230	-1,154,907	-505,370	-1,220,665
% of GDP	-0.4	-0.2	-0.3	-0.1	-0.3
LOCAL GOVERNMENT					
Total revenue	15,215,924	15,041,005	15,696,240	16,140,670	16,729,006
% of GDP	4.6	4.4	4.4	4.3	4.2
Total expenditure	14,785,775	15,905,094	15,662,244	16,097,190	16,809,252
% of GDP	4.4	4.7	4.4	4.3	4.2
Total deficit/surplus	430,149	-864,090	33,996	43,480	-80,246
% of GDP	0.1	-0.3	0.0	0.0	0.0
CONSOLIDATED GENERAL GOVERNMENT					
Total revenue	123,867,979	125,969,100	129,568,049	135,726,295	141,488,257
% of GDP	37.1	37.0	36.5	36.3	35.7
Total expenditure	138,745,822	137,539,399	140,326,308	143,954,846	147,809,835
% of GDP	41.5	40.4	39.5	38.5	37.3
of which: interest	7,567,182	8,116,088	10,307,514	10,961,102	11,400,591
% of GDP	2.3	2.4	2.9	2.9	2.9
Total deficit/surplus	-14,877,842	-11,570,298	-10,758,259	-8,228,551	-6,321,578
% of GDP	-4.5	-3.4	-3.0	-2.2	-1.6
Primary deficit/surplus	-7,310,660	-3,454,210	-450,745	2,732,551	5,079,012
% of GDP	-2.2	-1.0	-0.1	0.7	1.3

Source: Ministry of Finance

Table 16 presents general government expenditure in line with the ESA 95 methodology. The basic difference between this methodology and the national methodology is the inclusion of debt repayment to pensioners in expenditures, and the different treatment of payments under guarantees. The presentation of expenditure in accordance with this methodology is important in order to demonstrate compliance with the Fiscal Responsibility Act. ESA 95 expenditures shown below refer to overall general government expenditures without omission of any item of expenditure, which contributes to the more restrictive nature of the fiscal rule concerned. In the event of lower economic growth, expenditures will have to be further reduced in order to comply with the fiscal rule laid down in the Fiscal Responsibility Act.

Table 16: Expenditure of general government in the period 2011 - 2015, ESA 95

(000 HRK)	2011	2012 plan	2013 projection	2014 projection	2015 projection
Expenditure of general government, ESA 95	140,176,140	138,492,330	140,673,735	144,185,508	148,011,222
% of GDP	42.0	40.6	39.6	38.5	37.4
change, percentage points		-1.3	-1.0	-1.1	-1.2

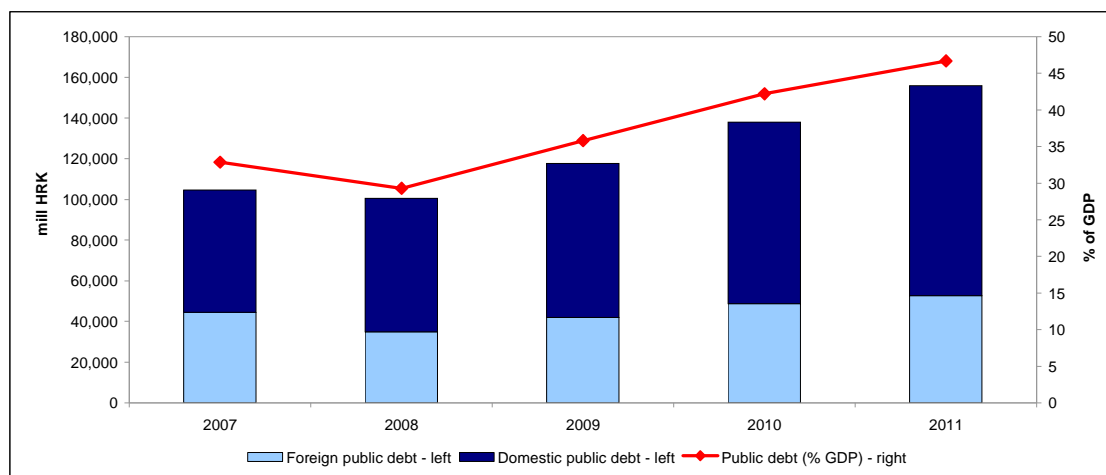
Source: Ministry of Finance

5. PUBLIC DEBT IN MEDIUM-TERM PERIOD

5.1. Public debt in the period 2013 – 2015

Since public debt is directly connected to the main instruments of fiscal policy, trends in total revenue and expenditure, i.e. net lending/borrowing have strong impact on changes in the level of public debt. At the end of 2011, due to further unfavourable fiscal trends, the nominal amount of public debt increased on a year-on-year level by HRK 18 billion, and totalled HRK 156 billion or 46.7% of GDP. This increase in public debt is mostly due to the general government deficit in 2011, but partially also due to the depreciation of the kuna versus the euro and the dollar, as approximately 70% of the public debt is expressed in these currencies. In the observed period domestic general government debt rose by HRK 14 billion and foreign debt by HRK 3.9 billion.

Chart 3: Trends in public debt in the period 2007 – 2011



Source: Ministry of Finance

During 2011 two issues of bonds were listed on the domestic market: a five-year kuna bond in the amount of HRK 1.5 billion with an annual coupon of 5.75% and maturing in July 2016, and a bond with a foreign currency clause in the amount of EUR 600 million with an annual coupon of 6.50% and maturing in July 2022. A portion of the bonds for restructuring of the economy from 1991 were refinanced in September 2011 through a five-year loan in the amount of EUR 260 million, with a fixed interest rate of 5.5%. The government placed two issues of bonds on the foreign market. In March 2011 a ten-year bond was issued on the US market in the amount of USD 1.5 billion with a 6.375% coupon, and in June 2011 Eurobonds were issued in the amount of EUR 750 million, maturing in 2018 and with an annual coupon of 5.875%. In late June 2011 the Economic Recovery Development Policy Loan was approved by the World Bank in the amount of EUR 150 million, due in 15 years and with an interest rate of 2.505%. A portion of the total financing needs in 2011 was achieved through short-term instruments – syndicated loans from domestic banks and treasury bills.

With regard to the amount of debt according to the levels of government, at the end of 2011 the largest portion of debt referred to the central government (93.7%), followed by the debt of extra-budgetary users (5.1%) and the debt of local government units (1.3%). The central government made most of its borrowing on the domestic market and consequently domestic debt represents 65.5% of its total debt. The domestic component of debt also predominates in extra-budgetary users with a 73.5% share in their total debt. Local government units also made most of their borrowing locally and their share of domestic debt equals 88.7%.

According to the budget for 2012, government deficit will be financed abroad, while the domestic market will only be used to refinance the liabilities falling due. This ensures the required inflow of capital where private flows are absent, and avoids the potential squeezing out of the domestic private sector on the domestic financial market. In April 2012 the Government issued a five-year bond on the US market in the total amount of USD 1.5 billion.

In the upcoming period, the financing policy will be marked by reduced financing needs, primarily due to reduced fiscal deficit, and the financing will be distributed among domestic and foreign sources. In respect to positive contributions to the financing and dynamics of public debt, the significance of receipts from the privatisation process in the upcoming period should be noted.

Table 17: Financing the total general government deficit in the period 2012 – 2015

(000 HRK)	2012 plan	2013 projection	2014 projection	2015 projection
FINANCING	11,570,298	10,758,259	8,228,551	6,321,578
Income from financial assets and borrowings	25,092,316	30,988,749	29,997,861	29,678,131
<i>of which:</i>				
<i>borrowings through bonds</i>	15,128,514	20,445,000	20,260,000	21,280,375
<i>borrowings through loans</i>	7,355,158	7,971,178	7,168,012	6,123,778
Expense for financial assets and repayments	13,351,284	19,418,538	20,914,077	22,712,777
<i>of which:</i>				
<i>repayments of bonds</i>	3,915,033	4,019,400	8,711,900	13,831,900
<i>repayment of loans</i>	7,389,206	12,940,223	9,793,774	6,472,474

Source: Ministry of Finance

Six bonds are falling due in the period 2013 – 2015, of which four are domestic and two foreign. Two of the domestic bonds are denominated in euro, the first in the amount of EUR 650 million, and the second in the amount of EUR 350 million, and the remaining two are in kuna, in the amount of HRK 4.0 billion and HRK 5.5 billion. The foreign bonds are two Eurobonds, the first in the amount of EUR 500 million maturing in 2014, and the second in the amount of EUR 750 million maturing in 2015.

Table 18: Overview of the bonds of the Republic of Croatia in the period 2013 – 2015

Bond	Date of issue	Amount (in million)	Interest rate	Date of maturity
DOMESTIC BONDS				
Series 11 D-13	11.7.2006	4.000 HRK	4.50%	11.7.2013
Series 05 D-14	10.2.2004	650 EUR	5.50%	10.2.2014
Series 09 D-15	14.7.2005	350 EUR	4.25%	14.7.2015
Series 10 D-15	15.12.2005	5.500 HRK	5.25%	15.12.2015
FOREIGN BONDS				
Euro - EUR VI 2014	15.4.2004	500 EUR	5.00%	15.4.2014
Euro - EUR VII 2015	5.6.2009	750 EUR	6.50%	5.1.2015

Source: Ministry of Finance

In addition to the basic projection of public debt which is based on medium-term fiscal and economic trends, it should be stressed that an increase in public debt is expected in the period up to Croatia's accession to the EU on account of the Act Regulating the Rights and Obligations of Shipyards Undergoing the Restructuring Process, which regulates the rights and obligations of shipyards included in the restructuring process. Upon approval of the shipyards' restructuring plans and their privatisation, a portion of the obligations will be converted into direct government debt, with new terms and maturity dates. The implementation of procedures provided for in the Act Regulating the Rights and Obligations of Shipyards Undergoing the Restructuring Process will depend on the implementation of adopted restructuring programmes and other actions related to the privatisation of shipyards. The shipyards' liabilities to be taken over by public debt amount to HRK 9.2 billion. In light of this, projections indicate that public debt will increase from 46.7% of GDP at the end of 2011 to 51.7% at the end of 2012. In 2013, in line with the fiscal and economic trends, public debt will grow to 52.9% of GDP, after which it is expected to decrease to 52.6% in 2014, and then to 51.5% of GDP in 2015. In the event that higher non-debt financing income is achieved than expected, a faster adjustment is possible, i.e. a sharper turn could occur in the trend of share of public debt in GDP.

Table 19: Projection of trend and structure of public debt in the period 2011 - 2015

% of GDP	2011	2012*	2013*	2014*	2015*
Public debt	46.7	51.7	52.9	52.6	51.5
Foreign	15.8	17.5	20.2	21.2	20.2
Domestic	30.9	34.3	32.7	31.4	31.3

*projection includes the effects of taking over the shipyards debt

Source: Ministry of Finance

ANNEXES

Annex 1: Budgetary central government in the period 2011 – 2015

	Execution 2011		2012 plan		2013 projection		2014 projection		2015 projection	
	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP
TOTAL REVENUE (6+7)	107,416,677,883	32.2	108,950,230,504	32.0	112,664,971,464	31.7	118,481,536,791	31.7	123,824,841,884	31.3
6 Revenue	107,069,669,876	32.1	108,648,662,675	31.9	112,351,213,316	31.6	118,190,926,791	31.6	123,522,231,884	31.2
61 Revenues from taxes	61,088,579,332	18.3	64,493,745,965	18.9	66,713,306,297	18.8	69,551,015,764	18.6	72,608,827,096	18.3
62 Contributions	38,605,066,634	11.6	36,971,828,682	10.8	38,107,115,641	10.7	39,430,328,837	10.5	41,167,978,096	10.4
63 Grants	941,286,313	0.3	1,617,687,225	0.5	2,213,706,325	0.6	3,781,390,667	1.0	4,183,690,667	1.1
64 Property income	2,063,382,572	0.6	1,145,289,252	0.3	1,072,729,940	0.3	1,116,590,196	0.3	1,168,247,925	0.3
65 Revenues from administrative fees, fees under special regulations and compensations	3,767,450,257	1.1	3,813,178,580	1.1	3,619,379,664	1.0	3,669,476,882	1.0	3,732,247,648	0.9
66 Revenues from sale of products and goods, provided services and revenues from donations	69,470,685	0.0	70,087,351	0.0	63,465,294	0.0	66,840,298	0.0	68,697,181	0.0
68 Fines, administrative measures and other revenues	534,434,084	0.2	536,845,620	0.2	561,510,155	0.2	575,284,147	0.2	592,542,672	0.1
7 Revenue from the sale of nonfinancial assets	347,008,007	0.1	301,567,829	0.1	313,758,148	0.1	290,610,000	0.1	302,610,000	0.1
71 Revenues from the sale of non-produced assets	44,805,883	0.0	42,000,000	0.0	44,000,000	0.0	46,000,000	0.0	48,000,000	0.0
72 Revenues from the sale of produced assets	301,438,276	0.1	258,057,829	0.1	268,248,148	0.1	243,100,000	0.1	253,100,000	0.1
74 Revenues from the sale of produced current assets	763,848	0.0	1,510,000	0.0	1,510,000	0.0	1,510,000	0.0	1,510,000	0.0
TOTAL EXPENDITURE (3+4)	121,425,488,783	36.4	118,841,209,205	34.9	122,302,319,869	34.4	126,248,197,391	33.7	128,845,508,825	32.5
3 Expense	119,939,510,606	35.9	117,115,551,691	34.4	120,595,023,445	33.9	124,513,482,342	33.3	126,946,800,225	32.0
31 Compensation of employees	22,769,164,891	6.8	21,354,623,558	6.3	20,476,252,556	5.8	20,519,261,140	5.5	21,571,735,392	5.4
32 Material expense	8,717,511,038	2.6	8,974,987,016	2.6	8,127,691,888	2.3	7,975,441,191	2.1	8,120,759,106	2.0
34 Financial expense	7,596,950,961	2.3	7,999,499,609	2.3	9,981,620,211	2.8	10,585,864,393	2.8	11,005,998,867	2.8
35 Subsidies	6,555,277,305	2.0	5,481,466,982	1.6	6,173,288,542	1.7	6,269,609,889	1.7	6,073,359,812	1.5
36 Grants	4,922,717,810	1.5	4,965,918,586	1.5	6,661,947,533	1.9	9,186,016,037	2.5	9,296,262,552	2.3
37 Compensations to citizens and households based on insurance and other compensations	64,660,805,238	19.4	63,751,680,766	18.7	64,389,865,405	18.1	65,066,923,703	17.4	65,769,785,054	16.6
38 Other expense	4,717,083,363	1.4	4,587,375,174	1.3	4,784,357,311	1.3	4,910,365,989	1.3	5,108,899,442	1.3
4 Expense for the acquisition of nonfinancial assets	1,485,978,177	0.4	1,725,657,514	0.5	1,707,296,424	0.5	1,734,715,049	0.5	1,898,708,600	0.5
41 Expense for the acquisition of non-produced assets	58,851,940	0.0	72,857,563	0.0	51,622,725	0.0	61,949,035	0.0	61,949,035	0.0
42 Expense for the acquisition of produced fixed assets	1,310,170,456	0.4	1,513,184,896	0.4	1,475,169,150	0.4	1,436,962,492	0.4	1,600,956,043	0.4
43 Expense for the acquisition of precious metals and other deposited valuables	3,741,433	0.0	3,704,000	0.0	1,825,720	0.0	1,974,000	0.0	1,974,000	0.0
44 Strategic inventories	3,236,606	0.0	10,000,000	0.0	9,580,000	0.0	12,000,000	0.0	12,000,000	0.0
45 Expense for additional investments in nonfinancial assets	109,977,741	0.0	125,911,055	0.0	169,098,829	0.0	221,829,522	0.1	221,829,522	0.1
TOTAL DEFICIT(-) / SURPLUS(+)	-14,008,810,899	-4.2	-9,890,978,701	-2.9	-9,637,348,405	-2.7	-7,766,660,600	-2.1	-5,020,666,940	-1.3
NET FINANCING CHANGES TO DEPOSIT BALANCE	14,008,810,899	4.2	9,890,978,701	2.9	9,637,348,405	2.7	7,766,660,600	2.1	5,020,666,940	1.3
8 Income from financial assets and borrowings	24,493,509,707	7.3	21,169,511,559	6.2	27,287,049,061	7.7	26,913,949,870	7.2	25,483,185,528	6.4
5 Expenses for financial assets and loan repayments	12,683,568,396	3.8	11,278,532,858	3.3	17,649,700,656	5.0	19,147,289,270	5.1	20,462,518,588	5.2

Source: Ministry of Finance

Annex 2: Extra-budgetary users in the period 2011 – 2015

	Execution 2011		2012 plan		2013 projection		2014 projection		2015 projection	
	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP
TOTAL REVENUE (6+7)	5,147,666,989	1.5	5,406,187,891	1.6	5,728,155,991	1.6	5,998,552,219	1.6	6,380,891,274	1.6
6 Revenue	5,114,099,686	1.5	5,251,007,891	1.5	5,586,495,991	1.6	5,846,392,219	1.6	6,228,731,274	1.6
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	1,831,541,730	0.5	1,924,916,228	0.6	2,050,112,037	0.6	2,337,589,412	0.6	2,822,400,367	0.7
64 Property income	685,516,435	0.2	703,474,863	0.2	730,761,154	0.2	798,354,007	0.2	759,988,907	0.2
65 Revenues from administrative fees, fees under special regulations and compensations	2,569,248,538	0.8	2,593,586,800	0.8	2,734,592,800	0.8	2,638,018,800	0.7	2,643,912,000	0.7
66 Revenues from sale of products and goods, provided services and revenues from donations	26,342,334	0.0	27,530,000	0.0	69,530,000	0.0	70,930,000	0.0	930,000	0.0
68 Fines, administrative measures and other revenues	1,450,650	0.0	1,500,000	0.0	1,500,000	0.0	1,500,000	0.0	1,500,000	0.0
7 Revenue from the sale of nonfinancial assets	33,567,303	0.0	155,180,000	0.0	141,660,000	0.0	152,160,000	0.0	152,160,000	0.0
71 Revenues from the sale of non-produced assets	13,656,730	0.0	16,000,000	0.0	16,500,000	0.0	17,000,000	0.0	17,000,000	0.0
72 Revenues from the sale of produced assets	19,910,573	0.0	139,180,000	0.0	125,160,000	0.0	135,160,000	0.0	135,160,000	0.0
74 Revenues from the sale of produced current assets	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
TOTAL EXPENDITURE (3+4)	6,446,847,649	1.9	6,221,418,088	1.8	6,883,062,747	1.9	6,503,922,367	1.7	7,601,556,386	1.9
3 Expense	4,200,117,107	1.3	4,129,235,388	1.2	4,286,807,747	1.2	4,630,900,167	1.2	5,465,258,086	1.4
31 Compensation of employees	261,790,735	0.1	287,652,012	0.1	287,528,440	0.1	290,634,440	0.1	293,736,440	0.1
32 Material expense	2,286,377,737	0.7	2,261,656,880	0.7	2,330,828,030	0.7	2,384,516,980	0.6	2,533,794,100	0.6
34 Financial expense	492,284,986	0.1	534,107,496	0.2	651,017,547	0.2	704,106,047	0.2	713,156,946	0.2
35 Subsidies	7,153,461	0.0	9,749,000	0.0	18,456,000	0.0	18,483,480	0.0	18,483,480	0.0
36 Grants	126,493,167	0.0	174,688,000	0.1	211,658,730	0.1	203,570,220	0.1	398,503,120	0.1
37 Compensations to citizens and households based on insurance and other compensations	395,459,232	0.1	60,410,000	0.0	7,000,000	0.0	3,000,000	0.0	1,500,000	0.0
38 Other expense	630,557,790	0.2	800,972,000	0.2	780,319,000	0.2	1,026,589,000	0.3	1,506,084,000	0.4
4 Expense for the acquisition of nonfinancial assets	2,246,730,541	0.7	2,092,182,700	0.6	2,596,255,000	0.7	1,873,022,200	0.5	2,136,298,300	0.5
41 Expense for the acquisition of non-produced assets	149,282,177	0.0	132,700,000	0.0	116,574,000	0.0	121,100,000	0.0	118,100,000	0.0
42 Expense for the acquisition of produced fixed assets	1,980,869,464	0.6	1,847,498,700	0.5	2,228,681,000	0.6	1,500,922,200	0.4	1,767,198,300	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	0.0
44 Strategic inventories	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
45 Expense for additional investments in nonfinancial assets	116,578,900	0.0	111,984,000	0.0	251,000,000	0.1	251,000,000	0.1	251,000,000	0.1
TOTAL DEFICIT(-) / SURPLUS(+)	-1,299,180,659	-0.4	-815,230,197	-0.2	-1,154,906,756	-0.3	-505,370,148	-0.1	-1,220,665,112	-0.3
NET FINANCING	1,299,180,659	0.4	815,230,197	0.2	1,154,906,756	0.3	505,370,148	0.1	1,220,665,112	0.3
CHANGES TO DEPOSIT BALANCE	608,681,925	0.2	377,841,162	0.1	736,546,060	0.2	760,823,100	0.2	648,570,600	0.2
8 Income from financial assets and borrowings	2,745,840,425	0.8	3,078,741,841	0.9	3,185,883,949	0.9	2,543,070,901	0.7	3,627,584,600	0.9
5 Expenses for financial assets and loan repayments	837,977,841	0.3	1,885,670,482	0.6	1,294,431,133	0.4	1,276,877,653	0.3	1,758,348,888	0.4

Source: Ministry of Finance

Annex 3: Units of local and regional self-government in the period 2011 – 2015

	Execution 2011		2012 plan		2013 projection		2014 projection		2015 projection	
	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP
TOTAL REVENUE (6+7)	15,215,924,481	4.6	15,041,004,511	4.4	15,696,239,535	4.4	16,140,670,392	4.3	16,729,006,240	4.2
6 Revenue	14,763,088,228	4.4	14,630,683,563	4.3	15,384,389,676	4.3	15,814,102,946	4.2	16,385,163,376	4.1
61 Revenues from taxes	8,792,559,177	2.6	8,714,106,256	2.6	8,902,840,651	2.5	9,149,831,883	2.4	9,544,766,689	2.4
62 Contributions	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
63 Grants	2,114,917,203	0.6	1,652,337,804	0.5	2,500,730,853	0.7	2,584,830,892	0.7	2,638,354,355	0.7
64 Property income	1,117,444,011	0.3	1,131,194,485	0.3	1,249,838,483	0.4	1,281,754,285	0.3	1,321,536,862	0.3
65 Revenues from administrative fees, fees under special regulations and compensations	2,603,632,509	0.8	2,967,359,510	0.9	2,527,107,573	0.7	2,584,192,136	0.7	2,655,717,900	0.7
66 Revenues from sale of products and goods, provided services and revenues from donations	69,688,365	0.0	68,521,121	0.0	122,396,847	0.0	128,173,300	0.0	134,953,667	0.0
68 Fines, administrative measures and other revenues	54,326,634	0.0	91,588,166	0.0	50,284,687	0.0	52,657,846	0.0	55,443,446	0.0
7 Revenue from the sale of nonfinancial assets	452,836,253	0.1	410,320,948	0.1	311,849,860	0.1	326,567,446	0.1	343,842,863	0.1
71 Revenues from the sale of non-produced assets	214,944,443	0.1	233,156,466	0.1	152,405,155	0.0	159,597,834	0.0	168,040,559	0.0
72 Revenues from the sale of produced assets	237,891,810	0.1	177,164,482	0.1	159,444,705	0.0	166,969,612	0.0	175,802,304	0.0
74 Revenues from the sale of produced current assets	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
TOTAL EXPENDITURE (3+4)	14,785,775,332	4.4	15,905,094,096	4.7	15,662,243,597	4.4	16,097,190,229	4.3	16,809,252,439	4.2
3 Expense	12,661,547,064	3.8	13,171,204,577	3.9	13,157,403,856	3.7	13,384,424,611	3.6	13,804,480,611	3.5
31 Compensation of employees	3,429,696,396	1.0	3,572,939,340	1.0	3,529,787,291	1.0	3,565,939,946	1.0	3,628,856,099	0.9
32 Material expense	5,123,691,948	1.5	5,203,906,440	1.5	5,167,071,023	1.5	5,244,564,920	1.4	5,400,103,108	1.4
34 Financial expense	222,659,522	0.1	214,601,056	0.1	283,079,247	0.1	291,278,357	0.1	306,032,220	0.1
35 Subsidies	1,043,624,681	0.3	1,200,000,000	0.4	1,178,007,892	0.3	1,202,897,954	0.3	1,288,124,795	0.3
36 Grants	291,455,442	0.1	293,000,000	0.1	314,408,812	0.1	322,048,857	0.1	337,147,306	0.1
37 Compensations to citizens and households based on insurance and other compensations	693,471,895	0.2	702,000,000	0.2	739,000,000	0.2	746,035,912	0.2	777,975,881	0.2
38 Other expense	1,856,947,180	0.6	1,984,757,741	0.6	1,946,049,591	0.5	2,011,658,666	0.5	2,066,241,201	0.5
4 Expense for the acquisition of nonfinancial assets	2,124,228,268	0.6	2,733,889,518	0.8	2,504,839,740	0.7	2,712,765,617	0.7	3,004,771,827	0.8
41 Expense for the acquisition of non-produced assets	243,343,971	0.1	259,635,861	0.1	254,708,101	0.1	265,233,786	0.1	298,249,199	0.1
42 Expense for the acquisition of produced fixed assets	1,606,551,445	0.5	2,151,133,657	0.6	1,962,627,995	0.6	2,125,847,158	0.6	2,374,272,628	0.6
43 Expense for the acquisition of precious metals and other deposited valuables	146,442	0.0	100,000	0.0	200,000	0.0	100,000	0.0	100,000	0.0
44 Strategic inventories	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
45 Expense for additional investments in nonfinancial assets	274,186,410	0.1	323,020,000	0.1	287,303,645	0.1	321,584,674	0.1	332,150,000	0.1
TOTAL DEFICIT(-) / SURPLUS(+)	430,149,149	0.1	-864,089,584	-0.3	33,995,939	0.0	43,480,163	0.0	-80,246,199	0.0
NET FINANCING	-430,149,149	-0.1	864,089,584	0.3	-33,995,939	0.0	-43,480,163	0.0	80,246,199	0.0
CHANGES TO DEPOSIT BALANCE	459,172,963	0.1	-207,108,196	-0.1	75,405,623	0.0	94,410,740	0.0	-4,795,586	0.0
8 Income from financial assets and borrowings	663,753,050	0.2	1,092,174,526	0.3	515,815,926	0.1	540,840,577	0.1	567,360,613	0.1
5 Expenses for financial assets and loan repayments	634,729,236	0.2	435,193,138	0.1	474,406,242	0.1	489,910,000	0.1	491,910,000	0.1

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

Source: Ministry of Finance

Annex 4: Consolidated general government in the period 2011 – 2015

	Execution 2011		2012 plan		2013 projection		2014 projection		2015 projection	
	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP	HRK	% of GDP
TOTAL REVENUE (6+7)	123,867,979,154	37.1	125,969,100,106	37.0	129,568,048,598	36.5	135,726,295,355	36.3	141,488,256,621	35.7
6 Revenue	123,034,567,590	36.8	125,102,031,329	36.7	128,800,780,590	36.3	134,956,957,909	36.1	140,689,643,757	35.5
61 Revenues from taxes	69,881,138,509	20.9	73,207,852,221	21.5	75,616,146,947	21.3	78,700,847,647	21.0	82,153,594,384	20.7
62 Contributions	38,605,066,634	11.6	36,971,828,682	10.8	38,107,115,641	10.7	39,430,328,837	10.5	41,167,978,096	10.4
63 Grants	975,455,045	0.3	1,766,618,457	0.5	2,243,230,823	0.6	3,809,346,924	1.0	4,197,962,612	1.1
64 Property income	3,866,343,018	1.2	2,979,958,600	0.9	3,053,329,577	0.9	3,196,698,488	0.9	3,249,773,694	0.8
65 Revenues from administrative fees, fees under special regulations and compensations	8,940,331,304	2.7	9,374,124,890	2.8	8,881,080,037	2.5	8,891,687,818	2.4	9,031,877,548	2.3
66 Revenues from sale of products and goods, provided services and revenues from donations	165,501,383	0.0	166,138,472	0.0	255,392,141	0.1	265,943,598	0.1	204,580,849	0.1
68 Fines, administrative measures and other revenues	590,211,368	0.2	629,933,786	0.2	613,294,842	0.2	629,441,993	0.2	649,486,118	0.2
7 Revenue from the sale of nonfinancial assets	833,411,563	0.2	867,068,777	0.3	767,268,008	0.2	769,337,446	0.2	798,612,863	0.2
71 Revenues from the sale of non-produced assets	273,407,056	0.1	291,156,466	0.1	212,905,155	0.1	222,597,834	0.1	233,040,559	0.1
72 Revenues from the sale of produced assets	559,240,659	0.2	574,402,311	0.2	552,852,853	0.2	545,229,612	0.1	564,062,304	0.1
74 Revenues from the sale of produced current assets	763,848	0.0	1,510,000	0.0	1,510,000	0.0	1,510,000	0.0	1,510,000	0.0
TOTAL EXPENDITURE (3+4)	138,745,821,563	41.5	137,539,398,589	40.4	140,326,307,820	39.5	143,954,845,940	38.5	147,809,834,872	37.3
3 Expense	132,888,884,577	39.8	130,987,668,856	38.4	133,517,916,656	37.6	137,634,343,073	36.8	140,770,056,145	35.5
31 Compensation of employees	26,460,652,022	7.9	25,215,214,910	7.4	24,293,568,287	6.8	24,375,835,526	6.5	25,494,327,931	6.4
32 Material expense	16,127,580,723	4.8	16,440,550,336	4.8	15,625,590,940	4.4	15,604,523,092	4.2	16,054,656,314	4.1
34 Financial expense	8,311,895,469	2.5	8,748,208,161	2.6	10,915,717,005	3.1	11,581,248,797	3.1	12,025,188,033	3.0
35 Subsidies	7,606,055,447	2.3	6,691,215,982	2.0	7,369,752,434	2.1	7,490,991,323	2.0	7,379,968,087	1.9
36 Grants	1,428,376,219	0.4	2,005,283,786	0.6	2,666,696,683	0.8	4,817,171,067	1.3	4,585,430,201	1.2
37 Compensations to citizens and households based on insurance and other compensations	65,749,736,365	19.7	64,514,090,766	18.9	65,135,865,405	18.3	65,815,959,615	17.6	66,549,260,935	16.8
38 Other expense	7,204,588,333	2.2	7,373,104,915	2.2	7,510,725,902	2.1	7,948,613,655	2.1	8,681,224,642	2.2
4 Expense for the acquisition of nonfinancial assets	5,856,936,986	1.8	6,551,729,732	1.9	6,808,391,164	1.9	6,320,502,867	1.7	7,039,778,727	1.8
41 Expense for the acquisition of non-produced assets	451,478,088	0.1	465,193,424	0.1	422,904,826	0.1	448,282,821	0.1	478,298,234	0.1
42 Expense for the acquisition of produced fixed assets	4,897,591,365	1.5	5,511,817,253	1.6	5,666,478,145	1.6	5,063,731,850	1.4	5,742,426,971	1.4
43 Expense for the acquisition of precious metals and other deposited valuables	3,887,875	0.0	3,804,000	0.0	2,025,720	0.0	2,074,000	0.0	2,074,000	0.0
44 Strategic inventories	3,887,875	0.0	3,804,000	0.0	2,025,720	0.0	2,074,000	0.0	2,074,000	0.0
45 Expense for additional investments in nonfinancial assets	500,743,051	0.1	560,915,055	0.2	707,402,473	0.2	794,414,196	0.2	804,979,522	0.2
TOTAL DEFICIT(-) / SURPLUS(+)	-14,877,842,410	-4.5	-11,570,298,482	-3.4	-10,758,259,223	-3.0	-8,228,550,585	-2.2	-6,321,578,251	-1.6
NET FINANCING	14,877,842,410	4.5	11,570,298,482	3.4	10,758,259,223	3.0	8,228,550,585	2.2	6,321,578,251	1.6
CHANGES TO DEPOSIT BALANCE	-1,131,014,701	-0.3	170,732,966	0.1	811,951,683	0.2	855,233,840	0.2	643,775,014	0.2
8 Income from financial assets and borrowings	27,708,879,666	8.3	25,092,315,926	7.4	30,988,748,936	8.7	29,997,861,348	8.0	29,678,130,742	7.5
5 Expenses for financial assets and loan repayments	13,962,051,957	4.2	13,351,284,478	3.9	19,418,538,031	5.5	20,914,076,923	5.6	22,712,777,476	5.7

Source: Ministry of Finance