

REPUBLIC OF CROATIA
MINISTRY OF FINANCE

ECONOMIC AND FISCAL POLICY GUIDELINES
FOR THE PERIOD 2010 – 2012

Zagreb, September 2009

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1. INTRODUCTION

The Government of the Republic of Croatia adopted the Economic and Fiscal Policy Guidelines for the period 2010 – 2012 with a view to defining fiscal policy trends in the upcoming three-year period.

So far, the Guidelines presented the starting point in the process of planning the State budget, providing economic and fiscal assumptions as the basis for further budget drawing. For the first time now, by enforcement of the new Budget Act, the Guidelines have been drawn up taking into account the Government Programmes Strategy for the period 2010 – 2012, which the Government adopted at its session held on 10 September 2009.

In the Government Programmes Strategy, the Government has identified in the process of strategic planning the most important goals and established priorities. The Guidelines establish a stronger connection between the foregoing priorities and the budget, and they position the strategic planning in the three-year budgetary framework.

A well-prepared medium-term budgetary framework links the Government priorities and the State budget in the scope of sustainable level of consumption, it underlines the concessions made between the competing Government goals, it links the State budget with the adopted policies, strategies, programmes and acts, and it improves the results of the programmes by increasing the transparency, accountability and predictability of financing.

The new Budget Act implements a three-year budgetary framework. This year, the Croatian Parliament will for the first time adopt the 2010 budget and projections for the following two years, meaning 2011 and 2012. This is a moment when more goals have to be achieved with the current budget, so the three-year budgetary framework is important in order to achieve fiscal discipline and allocate the available funds to the strategic priorities that are primarily directed at precluding further negative trends in the economy.

Taking into consideration all the above, Economic and Fiscal Policy Guidelines for the period 2010 – 2011 contain the following:

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

2. MEDIUM-TERM ECONOMIC AND FISCAL POLICY GOALS

Economic and Fiscal Policy Guidelines for the period 2010 – 2012 have been drawn up in the conditions of an altered macroeconomic environment. The financial and economic crisis has affected the world and its ramifications are also felt in Croatia, primarily in the negative economic growth rates. Therefore, in these circumstances the key goal of the Government of the Republic of Croatia is to preserve macroeconomic stability and create the conditions for recovery and stable economic growth. The overall economic policy at the time of financial restrictions and a decline in economic activity focuses on the fiscal policy that will in the given frameworks have effect on achieving the set economic goals.

In this sense, the fiscal policy defined in these Guidelines materializes through the budget the goals and measures arising from the Government Programmes Strategy so as to ensure the long-term stability and recovery, and in order to set the foundations for economic growth. In this context, fiscal policy is directed to fulfilling the twelve general goals defined in the Government Programmes Strategy.

Macroeconomic and economic stability

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

Optimum environment for the development of a competitive economy

Medium-term economic policy will also be directed at ensuring the optimum environment for developing a competitive Croatian economy. To this end, measures will be taken to strengthen the competitiveness of economic subjects including the development of the energy system, stimulating investments and attracting direct investments, increasing the number and changing the structure of exporters, creating a stimulating environment for the development of innovative economy through an efficient system of protection, application and implementation of intellectual property rights, provide aid for creating new investment-related jobs and training, changing the production programme in the favour of technologically more advanced ships requiring a greater proportion of knowledge, drawing and implementing investment projects, creating a positive image of the Republic of Croatia on the foreign

markets, stepping up economic diplomacy, harmonising legislation and planning acts, and international cooperation aimed at strengthening the competitiveness of the Croatian economy, strengthening the national quality infrastructure, speeding up of transport and, at the same time, quality protection and supervision of the economy. It is highly important for the competitiveness of the Croatian economy to have a more developed, competitive and flexible labour market, the functioning of which will be enabled through meeting employers' requirements for labour force, increasing the activities of job-seekers who have problems finding a job, and ensuring compliance with labour regulations. Likewise, an important precondition for sustainable and competitive economic growth is a more efficient exploitation of national resources by introducing biofuels, increasing the share of renewable energy sources, effective management and preventing illegal exploitation of mineral resources, and supplementing the state commodity reserves in accordance with the Balance Sheet and the State Commodity Reserves Act.

Strengthening the state of law and the rule of law

Strengthening of the state of law and the rule of law means the strengthening and development of these constitutional and legal categories that represent the legal basis for the development of democracy. The contribution to this is demonstrated in the reform of the judiciary that is directed at the development and reinforcement of judicial power, education and training of the staff working in the judicial authorities, network rationalisation and increasing the transparency in the work of the judicial authorities, and rationalisation of costs of judicial proceedings. In order to strengthen the state of law, it is highly important to prevent corruption and organised crime, which is to be achieved through harmonisation of the legislation, increasing the transparency in the work of the state authority bodies, education and training of the staff working in the bodies of the state and local government, raising public awareness about the adverse effects of corruption, implementing the anti-corruption campaign and strengthening inter-institutional cooperation among the bodies competent for carrying out the measures for the fight against corruption and organised crime. Also, introducing the system of free legal aid, development of conciliation, improving the system of legal sanctions, strengthening the efficiency of enforcement procedure, improving gender equality and protection against discrimination will be conducive to stronger protection of human rights and freedoms, which is a further prerequisite for strengthening the state of law and the rule of law. Strengthening of legal safety in economic transactions and real-estate business represents another segment in strengthening the state of law that is conducive to entrepreneurship and economic development and growth. These goals will be achieved by means of informatization and digitalisation of the data, improving the efficiency of the bankruptcy procedure, speeding up of the procedure for subscription in the land registry and drawing up of the Register of Cultural Goods, as well as other databases in the cultural heritage protection system. Improving the abilities and the quality of public services is an important factor in achieving strategic economic goals. To this end measures will be taken aimed at the professional training of civil and public servants, improving the performance and economy in the public administration system, raising the quality of administrative services and strengthening of social sensitivity.

Promoting knowledge, excellence and culture

Promoting knowledge, excellence and culture through sustainable quality of the education system and expansion of sports will be achieved through the development of efficient educational system management, drawing up and implementation of the Croatian

Qualification Framework, drawing up and implementation of the National Curriculum, implementation of the State Pedagogical Standard, developing and strengthening awareness about the importance of guidance and education, increasing the engagement in and quality of sports through the education system. Systematic improvement of the legal frameworks and fiscal regulations within the science and technology system, efficient system of protection and application of intellectual property rights, recognising and developing priority areas, strengthening of international cooperation, raising public awareness and trust in science and technology, development of stimulating financing of scientific activities in public institutes, science universities and other science institutions, and promoting the study of natural and technical sciences will contribute to the development of science as the catalyst for the long-term economic and social development. The importance of science and technology is essential for the development of the modern state, its progress and welfare. It is therefore of the utmost importance to boost the excellence of the scientific system through more intensive inclusion of the scientific system in the European Research Area, competitive projects of the National Foundation for Science, Higher Education and Technology Development, establishment and development of the technology transfer office, creating of integrated scientific programmes, promoting the establishment of science infrastructure centres, raising the quality of researchers in science, reform of PhD studies and doctoral candidates, inclusion of students in research and innovation processes, additional awards for and promotion of scientific excellence, establishment and development of centres of scientific excellence and development of the system for strengthening competencies of human resources. Likewise, the goal is to create an information society and ensure access to information to all people. Subsequently, the activities will continue aimed at continued development of the information society by establishing the model of electronic government, optimum development of the ICT infrastructure, and improving the level of competence and information of users of e-administration, fostering the information society, planning the radio diffusion network and switchover from analogue to digital broadcasting of the television programme. In addition, the development of cultural and art production will contribute to the development and enhancement of the cultural life in the Republic of Croatia through the implementation of public needs programmes in culture, promotion of books and publishing, museum and gallery activities and visual arts, music, theatre, music-and-stage, audiovisual and dance arts, and new media cultures, strengthening the role of art education and implementation of incentive programmes for entrepreneurship in culture. Also, cultural goods management, enhancing the cooperation and planning of all interest groups, improving the quality of restoration and conservation works, and control of trading in cultural goods will contribute to achieving the optimum model for the safeguarding and preservation of cultural goods.

Uniform regional development

Due to the fact that the socioeconomic differences and development possibilities in different parts of the country and different social groups are becoming more profound, the Government of the Republic of Croatia will continue taking measures in order to ensure uniform regional development of Croatia. This primarily means promoting the competitiveness of Croatian regions through identification, selection and monitoring of the implementation of priority projects, co-financing the preparation of the project documents, creating the model of a networked communication system of the county development agencies and centres, support to the projects for building entrepreneurial, business and industrial zones, cluster development, promoting the establishment of trades and crafts and small and medium-sized enterprises (SMEs), allocation of aid to employers on islands, branding of traditional products, and through the development of the new and existing commercial infrastructure. Furthermore,

sustainable development of the less developed regions will be encouraged by the construction of the housing, municipal and economic infrastructure, aid to the units of local and regional self-government, and tax relief. Development of the transport system is the precondition for balanced regional development of Croatia, and in this sense work will continue on the construction and modernisation of the transport infrastructure, development of the transport services market, setting up the system of control and traffic regulation, carrying out of hydrographical surveys, and preservation of the environment in traffic. Sustainable development of water management will be provided by the construction and maintenance of the water management objects, by investments in the water management development programmes, ensuring water quality, alignment of the national legislation with the *acquis communautaire*, and through international cooperation and investments in the irrigation system development.

Strengthening social equality

Strengthening of social equality is also one of the key goals of the Government of the Republic of Croatia. Care for the persons who require the help of others is an important part of the society's responsibility. To this end, the measures with a view to providing accessible care and improving the quality of life of vulnerable social groups will continue. This will be achieved by simplifying the access to rights to the beneficiaries and enabling the right to aid and services in the scope which is necessary to ensure the minimum standard of living to the most socially threatened groups. Likewise, it is vital to socially reinforce the families, children and the young by enhancing the quality of family life and support to particularly sensitive social groups, taking into consideration the principles affirming family values, care for the children, the young and other particularly vulnerable social groups that will finally ensure equality to be achieved in all areas of the contemporary society. Protection of dignity of the Croatian war veterans in the society remains one of the priorities of the Government of the Republic of Croatia, which includes comprehensive care for demobilised war army invalids and their family members, Croatian Homeland War army invalids, peacetime army invalids, injured explosive ordnance disposal specialists and their family members, families of the war veterans who died, who were taken prisoners or are still missing. Strengthening of the social security system for workers and coordinating the protection of the social minimum for the unemployed will also represent one of the main priorities of the socioeconomic policy in the area of social cohesion and justice that will be achieved by improving the efficiency of the social transfer system, and by fostering social dialogue, consensual dispute settlement, equality before the law and the judiciary, and by protecting the principle of "innocent until proven guilty". Also, the development of a sustainable pension insurance system will be encouraged, the main aim of which is to overcome social differences, achieve social justice and social solidarity necessary for sustaining the society and its development. The goal of further development of the pension scheme is to achieve financial and social sustainability of the system, and to achieve and maintain the balance between the level of pensions generated only in the generational solidarity system and the level of pensions generated in the two pension insurance pillars.

Positioning of Croatia as one of the leading European tourist destinations

One of the main economic policy goals is the positioning of Croatia as one of the leading European tourist destinations. The long-term effect of positive impacts in tourism will be ensured through sustainable exploitation of natural, cultural and historical resources, active participation in their preservation and development, creating of the environment that is

attractive for investors, and effective promotion. Development and improvement of the tourism product in any destination will be directed to the implementation of the incentives programme for the development of small and medium-sized enterprises (SMEs) in tourism, developing the model of implementation of Brownfield and Greenfield projects, implementation of crediting programmes for rural tourism, implementation of the programmes for the promotion, protection, renewal and inclusion in tourism of the cultural and natural heritage, promoting special forms of tourism in the continent and on the coast, stimulating the development of theme tourist routes, producing original Croatian souvenirs, stimulating education and training of staff, improving product quality, encouraging the use of the pre-accession and other international funds by approving funding for the projects in tourism that were already granted resources from the funds, fostering professional and training programmes of vocational associations and other non-for-profit organisations, encouraging the design and realisation of new tourism products and destination management, promoting the development of tourism infrastructure and the implementation of the project of interlinking the categorisation information system for tourism objects at the lower organisation level. Effective promotion of the tourism product and services will be achieved by implementing the programme of joint advertising of the private and public tourism sectors, international cooperation development, implementation of incentive programmes for the organisation of events and other promotional activities, implementation of the programme for ensuring safety of tourists and implementation of education programmes.

More competitive sector of agriculture, food industry and fisheries

Creating a productive and competitive agriculture, food industry and fisheries sector requires consistent implementation of comprehensive measures in a number of different areas. Thus, one of the key measures is continued land consolidation and agricultural land planning, taking into consideration that the greatest limiting factors to increasing the competitiveness of agricultural production are small-sized lands and displaced and fragmented land plots. Also, efforts will be made to improve the market mechanisms for selling agriculture, food industry and fisheries products through the adjustment of the legislation and planning acts for better organisation of the agricultural products market, and a number of projects and support programmes. Protection of the health of humans, animals and plants, and the protection of consumers' interests as an additional measure includes the improvement of the system of food safety and quality, strengthening communication and information exchange, and establishing and stepping up the system of official controls. Rural development will have an increasingly important place in the forming of Croatia's agricultural policy with a view to improving the quality of life in those rural areas where these conditions are considerably lower than the average, reducing the discrepancies in economic development and living conditions relative to other areas, creating a strong agricultural sector, increasing the competitiveness of the rural area, environmental protection and protection of natural resources and protection and progress of the country areas and rural values.

Further strengthening of the international status of the Republic of Croatia

In the previous years, Croatia's international status was reinforced in all aspects of foreign policy: in the area of European integration, accession to NATO and by becoming a non-permanent member of the United Nations Security Council; by developing good neighbourly relations and improving regional cooperation, and the overall positioning in the international arena. Preparations of the Republic of Croatia for accession to the European Union will be conducive to internal transformation of the Croatian society and create the conditions for its

further development and prosperity, for the wellbeing of all Croatian citizens. This goal will be achieved by means of intensive coordination and communication among different sectors, implementation of the Communication Strategy about Croatia's accession to the European Union, and creating the legislative framework for establishing the connection with EUROJUST. Further strengthening of Croatia's international position will continue with the strengthening of the bilateral and multilateral international cooperation through more frequent bilateral visits, holding of the political bilateral consultations and opinion exchange, by Croatia's participation in international forums, stepping up of the activities aimed at entering the managing/operating bodies of various multilateral organisations and institutions that are in the interest of the Republic of Croatia, and by carrying out the nuclear safety obligations assumed under international conventions and bilateral agreements. Further reinforcement of Croatia's status as a trustworthy partner at international level and a full-fledged member of NATO will be achieved by establishing coordination of the flow of information flow, through bilateral consultations and by participating in international missions.

Improving the police and armed forces as the citizens' services

One of the main tasks of the Government of the Republic of Croatia is to maintain satisfactory public order. In this context measures will be taken aimed at improving the system of prevention, detection and fight against crime, among other things through the reform of the criminal police, combat against corruption and organised crime, strengthening the capacities for detection and fight against violent acts, increasing the protection of the young as victims and perpetrators of criminal acts, and by strengthening the capacities of the police with the aim of identifying the victims of human trafficking, and tracking down the perpetrators of crime of trafficking in humans. Moreover, measures will be taken to increase road traffic safety in order to reduce accidents and ensure the normal and regular flow of traffic. Another very important factor is the strengthening of security on the state border through good organisation, training and technical equipment of the border police. Development of an integrated national security system will be implemented as the fundamental national security interest through the implementation of operational, prevention and rehabilitation measures with a view to reducing the number of fatalities and casualties, and reducing the damage caused by fires and accidents. Maintenance of the international defence and police cooperation will be contributed to by intensifying the work of military and diplomatic missions in the NATO Alliance and European Union Members, participation of Croatian representatives in NATO structures and processes of the NATO defence plans, specific form of the bilateral defence cooperation with the neighbouring states, active participation in the bodies and forums of the UN and OSCE, and continued participation of police officers in peace missions. Improving of the priority readiness of the armed forces will be directed to the planning capacity and executing joint operations through the relevant training, drills, exercises, equipment and modernisation.

Health care, maintaining and improving health

Maintaining and improving health of the entire population using science-based programmes for the prevention and fight against diseases and health promotion represent the main activities directed towards a healthy population. The goal is to make health care more available to the citizens by reorganising and improving the system of urgent medical aid, filling vacancies in the public health care network, development and standardisation of the health care infrastructure, informatization of the health care system, and improving health care for handicapped persons. The system of quality health care will also be ensured by

supervising the legality of work of health care establishments, companies engaged in the health care activity and private practice, and expert supervision of the activities of health workers. For the purpose of protection of the public health care interests, meaning maintaining and improving of health, it is vital to promote healthy lifestyles, develop proper dietary habits, increase the level of physical activity and draw attention to harmful effects of various addictions, as well as a quality system of sanitary inspection and measures to eliminate the negative effects of ionising radiation.

Environmental protection and spatial development

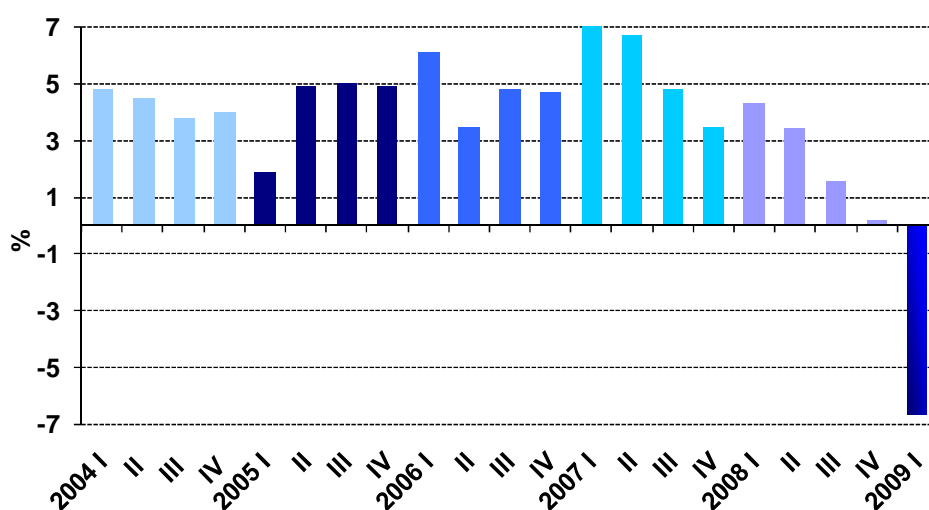
Environmental protection and spatial development is another strategic goal of the Government of the Republic of Croatia. Efficient environmental management will continue in order to create the preconditions for prevention, supervision and activities directed at reducing the pollution of air, ground and the sea. Protection and preservation of the environment will ensure the stability of the fundamental values and potentials for further development of the Republic of Croatia, and its recognition in Europe as a country that is well aware of the importance of preserving natural resources that with intelligent, sensible and sustainable exploitation may provide many development paths. The goal is to preserve the existing biological, landscape and geological diversity, restore part of the lost species and habitats, where this is possible and justified, and development of an appropriate system for their evaluation and preservation. Activities will be implemented aimed at regulating the cadastre, accurate and reliable information about the situation on the ground, and designated use and purpose of space with a view to having a spatially balanced network of municipalities and large, medium and smaller towns, preserving the abundance and diversity of natural resources, preservation of space and largely quality environment with 10% of area under protection, and rich architectural heritage that is valuable on the world scale. Increasing the accuracy and reliability of the data on the situation on the ground is the main precondition for effective economic development, quality and efficient functioning of the real-estate market, and implementation of the capital and infrastructure state projects. Also, the measures will be implemented aimed at improving the situation in the field of housing, municipal management and construction that include the adoption and implementation of the regulations within the scope of civil engineering, increasing energy efficiency in building construction, administrative and fiscal measures and promoting housing construction.

3. MEDIUM-TERM MACROECONOMIC TRENDS

3.1. Macroeconomic trends in 2008 and 2009

The year 2008 saw the slowdown of economic activity due to the spillover effects of the global economic crisis. The real growth rate of gross domestic product (GDP) was 2.4%, which is 3.1 percentage points less than the growth recorded in 2007, and also the lowest growth rate since 1999. Economic activity was the most dynamic in the first quarter, when real year-on-year GDP growth amounted to 4.3%, followed by a slowdown in economic growth which dropped to 3.4% in the second quarter, to 1.6% in the third, and to 0.2% in the last quarter of 2008. GDP breakdown by the expenditure method indicate slower real growth of all GDP components relative to 2007, apart from investments in fixed capital recording real growth of 8.2%. In 2008, the import of goods and services recorded real growth of 3.6%, while real growth of export of goods and services amounted to 1.7%. Government consumption recorded real growth of 1.9%, while private consumption slowed down to 0.8%, which is the lowest level since 1999. The main catalyst of economic growth in 2008 were investments in fixed capital, stimulated mainly by the strong construction activity, and their contribution to GDP growth amounted to 2.3 percentage points. The contribution of export of goods and services amounted to 0.8 percentage points and, with the higher negative contribution of import of goods and services of -2.1 percentage points, the contribution of net export was negative and amounted to -1.3 percentage points. Private consumption, which contributed to GDP growth by 0.6 percentage points, had the greatest influence on the deceleration of economic growth in 2008. Changes in inventories (including statistical discrepancy) and government consumption contributed to GDP growth by 0.4 percentage points each.

Chart 1: Real GDP growth of the Republic of Croatia



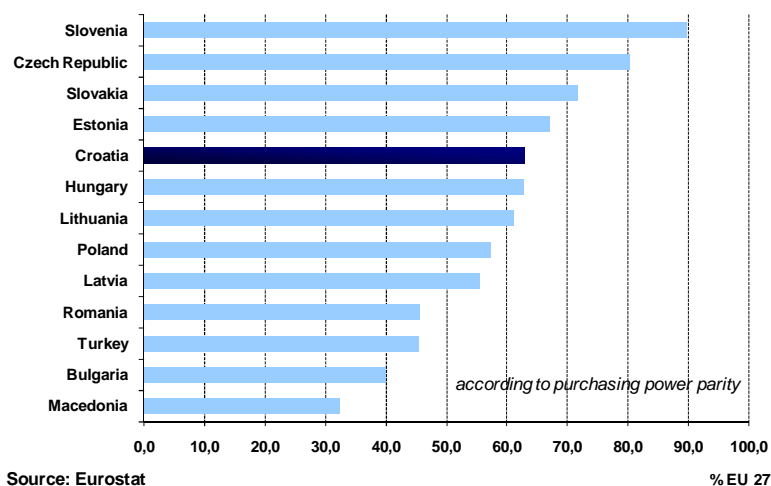
Source: CBS

Nominal GDP growth was 8.9% in 2008 reaching the nominal amount of HRK 342.2 billion or EUR 47.4 billion¹. GDP per capita increased from around EUR 9,700 in 2007 to

¹ In early 2009, the Central Bureau of Statistics released a new methodology for calculating Croatia's GDP that is harmonised with the methodology of the European System of National Accounts (ESA 95). GDP calculation has been improved by including the estimate of the

approximately EUR 10,700 in 2008. Observed in terms of purchasing power parity, Croatia's GDP reached 63.0% of EU 27 average GDP per capita.

Chart 2: GDP per capita according to purchasing power parity per country (in 2008)



In the first quarter of 2009, GDP recorded the real year-on-year decline in the amount of 6.7%. All components on the expenditure side of GDP, except of government consumption, recorded a real decrease at year-on-year level in the first quarter. The highest decline was recorded in the import of goods and services (-20.9%) and export of goods and services (-14.2%). Investments in fixed capital were in real terms reduced by 12.4% compared to the first quarter of 2008, while private consumption recorded a reduction of 9.9%. Real growth of government consumption amounted to 3.9% in the first quarter of 2009. The greatest contribution to GDP decrease in the first quarter came from private consumption in the amount of -6.8 percentage points, followed by changes in inventories with -4.1 percentage points, and investments in fixed capital with -3.6 percentage points. The contribution of government consumption was positive and amounted to 0.6 percentage points. The export of goods and services contributed to real GDP reduction with -5.0 percentage points, but due to a considerably higher positive contribution of goods and services import (12.3 percentage points) the contribution of net exports was positive in the amount of 7.2 percentage points.

A slowdown in the economic activity during 2008 was suggested by indicators from the real sector such as industrial production, retail trade, and tourist overnight stays. The highest year-on-year growth of industrial output² in 2008 was recorded in the first quarter (3.6%), followed by a slowdown to 3.0% in the second quarter, to 0.2% in the third quarter, and a decline of industrial output amounting to 1.7% in the last quarter of 2008. The above trends resulted in an increase of the 2008 industrial output of 1.2%, which is by 3.7 percentage points lower than in 2007. In 2008, real turnover in the retail trade recorded a decline of 0.5%, resulting from year-on-year growth in the first (2.8%) and second (1.3%) quarters, while in the last two quarters of 2008 real growth of the turnover in retail recorded a reduction in the amount of 2.2% and 3.2% respectively. Tourism indicators in 2008 also recorded a slowdown compared to 2007. Year-on-year growth of tourist arrivals in 2008 amounted to 0.9%, while the number of tourist overnights increased by 2.0%. The year 2008 recorded revenues from tourism in the amount of EUR 7.5 billion, which is an increase of 10.5% in comparison to

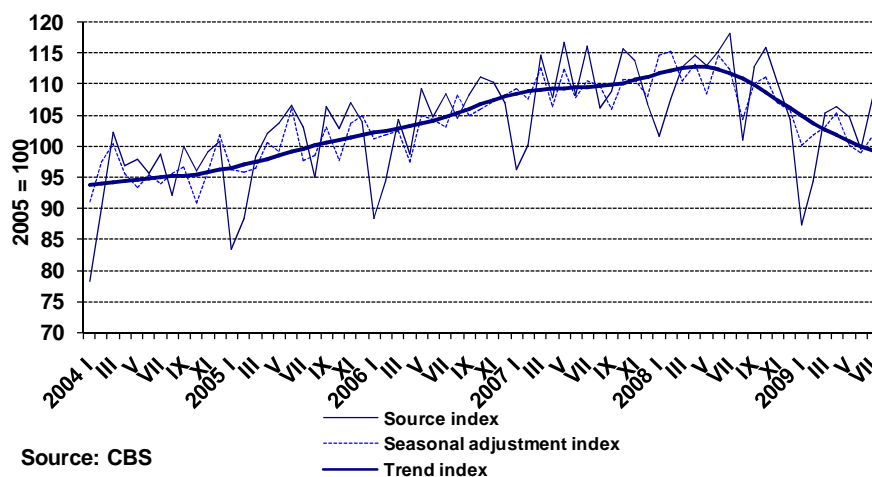
grey economy, the new estimate of imputed housing rent, and the new estimate and distribution of financial intermediation services measured indirectly, which resulted in the increase of nominal GDP.

² According to the Main Industrial Groupings, the 2009 version, and the National Classification of Economic Activities, the 2007 version.

2007. In contrast to the described trends, the construction activity in 2008 was intense, as indicated by the growth of year-on-year construction work index of 11.8%.

Macroeconomic trends in 2009 so far indicate a decline in the economic activity. Industrial output has recorded year-on-year reduction of 10.0% in the first seven months of this year, and retail trade has suffered from a real reduction of 16.3%, while tourist overnight stays recorded a decline of 4.5%. Construction work index was lower by 2.1% in the first five months of 2009 compared to the same period of 2008.

Chart 3: Industrial production index of the Republic of Croatia

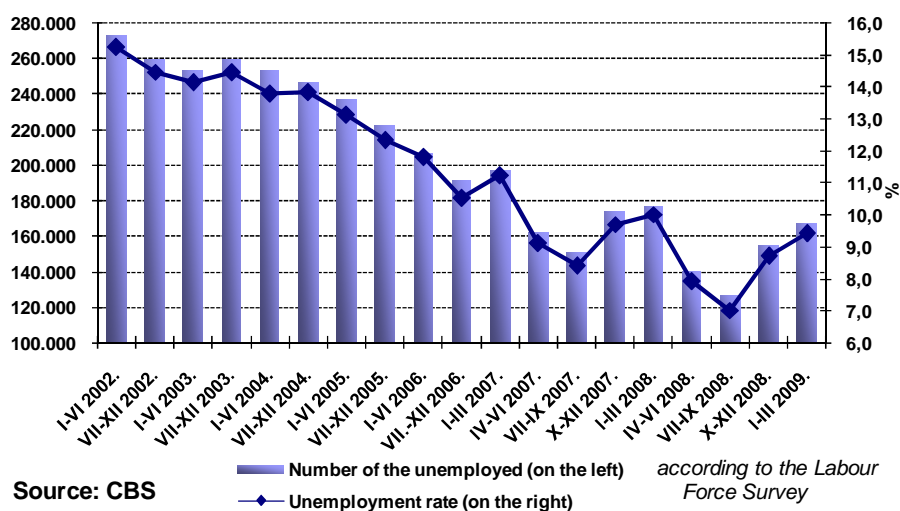


The year 2008 saw positive trends on the labour market. The number of unemployed persons registered with the Croatian Employment Service was reduced, while the number of employed persons increased on year-on-year level in all months of 2008. Thus, the average number of the unemployed was reduced by 27,705 persons or 10.5%, while the average number of the employed increased by 37,896 or 2.5% compared to 2007.

As indicated by the Labour Force Survey, working age population was 3,680,250 in 2008. Of that number 48.5% were people who work or are actively looking for a job, which means that they can be categorised as a workforce. In comparison to the results from 2007, the size of working age population increased by 23,000 and at same time the category of workforce dropped by 250 persons. The total number of the employed in 2008 on average amounted to 1,635,750, which is an increase of 21,250 in comparison to 2007, while the number of unemployed persons dropped by 21,750 to the level of 149,250. The average survey unemployment rate in 2008 amounted to 8.4%, which is by 1.2 percentage points lower than in 2007, and also the lowest recorded unemployment rate. The average administrative unemployment rate in 2008 amounted to 13.2%.

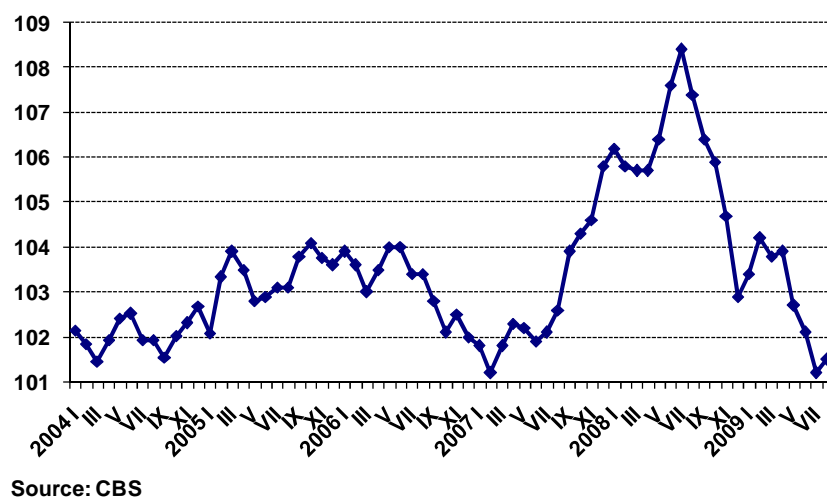
Favourable trends on the labour market stopped in February 2009, when the number of registered unemployed persons started to increase at year-on-year level. In the first seven months of this year, the average number of registered unemployed increased by 14,775 or 6.1% compared to the same period of 2008. The average administrative unemployment rate in the first seven months recorded 14.5%, which is an increase of 0.9 percentage points at year-on-year level. According to the data in the Labour Force Survey, at the moment available only for the first quarter of 2009, unemployment rate in Q1 2009 amounted to 9.4%, which is a reduction of 0.6 percentage points at year-on-year level.

Chart 4: Labour market trends in the Republic of Croatia



Inflation measured by the consumer price index (CPI) accelerated to 6.1% in 2008, which is by 3.2 percentage points more than in 2007. Accelerated inflation was the result of significant inflation carried forward from the end of 2007, and a strong growth in the prices of foods and petroleum products due to the increase in the prices of food raw material and crude oil in the world markets. Inflationary pressures were continually intensifying until July 2008, when inflation reached 8.4%. A drop in prices was recorded afterwards, so in December 2008 year-on-year CPI growth amounted to 2.9%. A drop in prices after July was caused by decreasing imported inflation pressures reflected in the drop of agricultural raw material and crude oil prices in the world market, and a weaker domestic demand, especially private consumption.

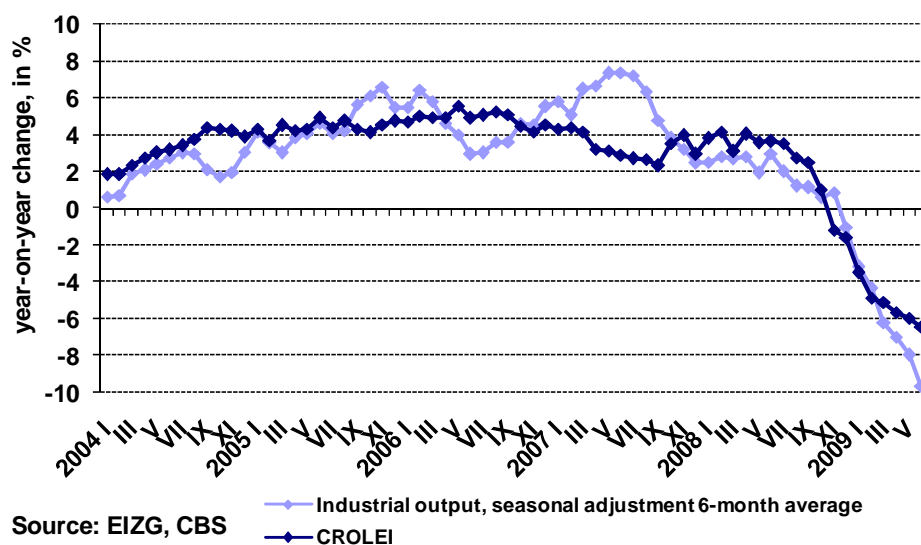
Chart 5: Year-on-year growth of consumer price index in the Republic of Croatia



Year-on-year growth of the consumer price index (CPI) amounted to 2.8% in the first eight months of 2009, while in August 2009 inflation reached 1.5%. The largest contribution to year-on-year growth of prices in August came from tobacco, the price of which increased by 21.8%, and gas price (growth of 18.5%). On the other hand, the greatest impact on mitigating price growth in August was year-on-year reduction in the prices of fuel and lubricants for passenger vehicles amounting to 12.1%.

By using the so-called leading indicators methodology, the Institute of Economics, Zagreb (IEZ), and the Ministry of Finance draw up a complex CROLEI forecasting index. This index predicts the trends in the economic activity in Croatia, where the industrial output index is used as the reference series. The CROLEI index, which in June of this year recorded a monthly drop of 0.4 index points and year-on-year decline of 6.4%, and the value of diffusion index suggest that at the end of 2009 the economy will record a negative year-on-year growth rate.

Chart 6: CROLEI forecasting index



3.2. International environment

The data published in the European Commission's Economic Forecasts in spring 2009 indicate real GDP growth of 0.9% in the European Union and of 0.8% in the Eurozone during 2008. These figures indicate a significant slowdown compared to 2007, where the largest impact on the weakening of economic activity came from the slowdown in investments and private consumption. It is expected that in 2009 the economies in the Eurozone and the European Union will record a real drop in GDP in the amount of 4.0%, while the predicted reduction in the economic activity for 2010 amounts to 0.1%.

Inflation in 2008 reached 3.7% in the European Union and 3.3% in the Eurozone, where the negative impact came from the accelerated growth of the prices of energy products and food in the first half of the year. During 2009, due to a decline in the prices of raw materials and weakening of the economic activity, a significant slowdown in inflation is expected to 0.9% in the European Union and to 0.4% in the Eurozone, while the predicted inflation for 2010 will reach 1.3% in the European Union and 1.2% in the Eurozone.

Table 1: International environment – macroeconomic indicators

	2007	2008	2009 projection	2010 projection
Real GDP growth				
World	5.1	3.1	-1.4	1.9
European Union	2.9	0.9	-4.0	-0.1
Italy	1.6	-1.0	-4.4	0.1
Germany	2.5	1.3	-5.4	0.3
Slovenia	6.8	3.5	-3.4	0.7
Eurozone	2.7	0.8	-4.0	-0.1
CPI, annual change				
European Union	2.4	3.7	0.9	1.3
Eurozone	2.1	3.3	0.4	1.2
Oil price increase, in %	9.5	35.9	-46.3	20.0

Source: European Commission: Economic Forecast, Spring 2009

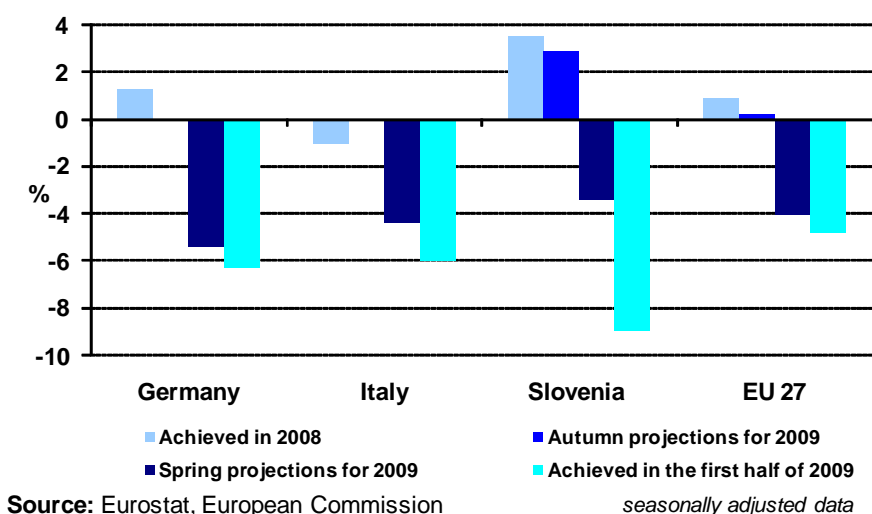
Regarding the fact that the Republic of Croatia carries out around 60% of its trade with the EU Member States, the forecasts of economic trends in the European Union have a significant impact on economic trends expectations in Croatia. Along with the trade, economic trends in the European Union affect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

The slowdown of real GDP growth in Germany to 1.3% in 2008 is mainly the result of negative contribution of net exports, which was in the previous period the main promoter of economic growth. Real decline in GDP envisaged for 2009 amounts to 5.4%, resulting from the negative contribution of both domestic and foreign demand, primarily due to a sharp drop in investments and export of goods and services. Moderate economic growth of 0.3% is expected in 2010, resulting from the positive contribution of net exports and gradual recovery of the world trade, while the contribution of domestic demand to GDP growth will remain negative.

2008 saw a decline in Italian GDP amounting to 1.0%. The main contribution to its drop came from the negative contribution of domestic supply, meaning a decline in investments and private consumption. Real decline in GDP expected in 2009 is 4.4%, again resulting from domestic demand, especially a sharp decline in private investments. At the same time, due to the sharp downturn in exports, it is expected that 2009 will see a negative contribution of net exports. Projections for 2010 predict mild economic growth of 0.1%, where all categories on the expenditure side of GDP, except investment, will record positive growth rates.

Economic growth in Slovenia amounted to 3.5% in 2008, which is almost two times less than in 2007. The main catalyst for economic development was domestic demand, particularly investments, while the contribution of net exports was slightly negative. It is expected that 2009 will see a decline in the economic activity of 3.4%, largely resulting from a sharp decline in investments. A considerable decline will be recorded both in the exports and imports of goods and services, so net exports contribution will be mildly positive. The expected real GDP growth for 2010 is 0.7%, mainly supported by domestic demand, predominantly public spending.

Chart 7: Overview of projections and achieved economic growth



According to the latest the European Commission's Economic Forecasts from September 2009, economic situation in the European Union is showing the signs of recovery, so it seems there will be no prolonged recession. Considerable state interventions managed to stabilise the financial system and provide support to economic activity, while business and consumer confidence indicators are recovering in almost all sectors and countries. The financial conditions have improved significantly during summer and some financial indicators even returned to the levels before the crisis. However, the dynamics of recovery is still uncertain. The full impact of the economic crisis on the labour market and public finance is still to be seen. Growing unemployment may negatively affect consumption, while the unused capacities and scarce supply of loans could be a limiting factor for investments, so the possibility of potential significant retroactive effect should not be disregarded. On the other hand, the measures that are being implemented in order to restore the financial stability and promote economic activities could prove to be more efficient than is expected.

3.3. Macroeconomic projections for the period 2010 – 2012

Due to the spillover of the financial crisis to the Croatian economy, real GDP decline expected in 2009 is 5.0%. A mild recovery of economic activity resulting in real GDP growth of 0.5% is expected in 2010. At the end of the projection period, gradual acceleration of economic growth is expected, but at a slower pace than in the period before 2008. Thus, the real growth of 3.0% is predicted for 2011, and its further increase to 3.5% in 2012. The result of the above mentioned economic developments will be a decrease in nominal GDP per capita from around 10,700 EUR in 2008 to around 10,300 EUR in 2009, followed by an increase to around 12,100 EUR in 2012. A decline in economic activity will lead to increased unemployment and the survey unemployment rate will increase to 9.5% in 2009. It is expected that 2010 will see further growth of unemployment rate expected to reach 9.7%, and in the following two years it will drop to finally reach 8.3% in 2012. After strong inflationary pressures for the greater part of 2008, in 2009 it is expected that the average annual inflation rate will fall to 3.0%. Predictions by the end of the projection period are that the inflation will remain at the 2009 level.

Table 2: Projections of key macroeconomic indicators of the Republic of Croatia

	2007	2008	2009 projection	2010 projection	2011 projection	2012 projection
GDP, in HRK million	314.223	342.159	335.512	347.311	369.090	394.231
GDP per capita, in HRK	70.835	77.158	75.659	78.320	83.231	88.901
GDP per capita, in EUR	9.656	10.682	10.266	10.627	11.293	12.063
GDP, real growth (%)	5,5	2,4	-5,0	0,5	3,0	3,5
Real growth of individual GDP components:						
Private consumption	6,2	0,8	-7,0	0,9	3,5	3,6
Public consumption	3,4	1,9	0,9	-2,2	-0,8	-0,1
Investments	6,5	8,2	-10,3	0,0	4,6	5,8
Export of goods and services	4,3	1,7	-12,0	0,6	3,6	4,5
Import of goods and services	6,5	3,6	-16,9	0,5	4,4	5,3
CPI, % of annual change	2,9	6,1	3,0	3,0	3,0	3,0
Survey unemployment rate, annual average	9,6	8,4	9,5	9,7	9,4	8,3
Current account balance, as % of GDP	-7,6	-9,4	-6,0	-5,5	-5,4	-5,4
External debt, as % of GDP, end of period	76,9	83,2	90,4	90,2	90,1	89,9

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

A 5.0% percent reduction of GDP in 2009 will be the result of major reduction in most components of domestic demand. This drop in the economic activity is primarily the consequence of extremely adverse economic trends in the world directly affecting the domestic economy, which is reflected in reduced foreign demand for Croatian exports, aggravation of the circumstances on the world financial markets, and spreading of pessimistic views in terms of economic expectations. According to the latest projections of the European Commission, the most important Croatian trade partners and tourism markets will record significant drops in economic activity in 2009. In 2010, in line with the expected settling of the situation in the international arena and recovery of the world economy, a slow recovery is predicted for the Croatian economy and accelerated economic growth in the next two years. The factors that will have a marked influence on accelerating the growth in the upcoming period are further implementation of structural reforms and the process of accession to the European Union.

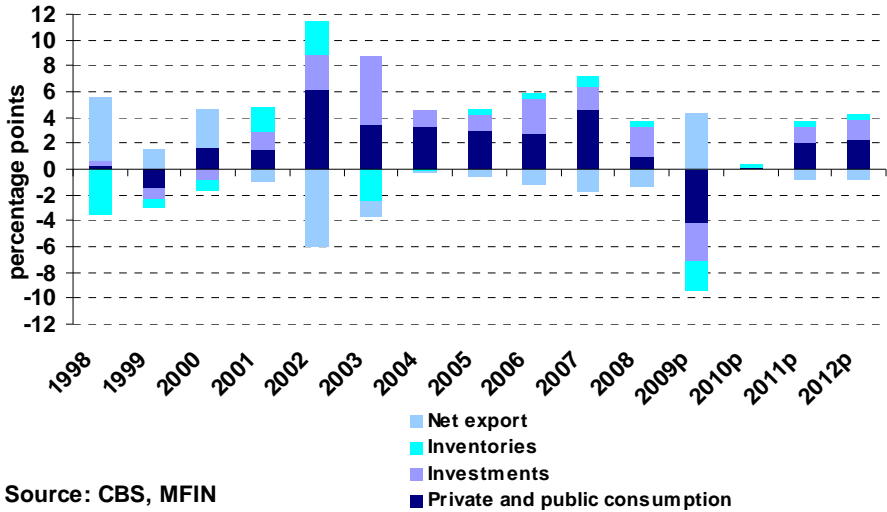
The projections for 2009 indicate a real decline in private consumption in the amount of 7.0%, followed by a moderate recovery of 0.9% in 2010, and accelerated growth of 3.6% in 2012. The real decline in private consumption in 2009 will mainly be influenced by a sharp drop in consumer optimism that started in the second half of 2008, which is mainly demonstrated through postponing the purchase of higher value durable consumer goods. Reduced consumption closely correlates to unfavourable trends in the capital market that have effect on reducing the value of the citizens' financial assets. A drop in private consumption will also be strongly affected by the considerable decline of the real amount of granted consumer credits to households, while certain negative impact may be expected from higher household credit instalments due to the growth of active banking interest rates. A negative impact of the main determinants of private consumption, real salary volume, will in 2009 be moderate, with employment having greater negative contribution relative to real salaries. The data from the labour market available so far indicate a considerably slower adjustment of wages to the crisis than physical indicators. It is expected that the average gross salary in 2009 will record only a mild real year-on-year drop, while the real reduction in the average salary, due to amended regulations, will be more significant. The contribution to private consumption resulting from repayment of debt to pensioners will also be negative. As regards the rest of the projection period, it is predicted that 2010 will see a moderate recovery of consumer optimism and a positive contribution of the wealth effect (effect of affluence) to an increase in private consumption, and minor contribution of real growth of consumer credits to households. Positive contribution to private consumption growth from the real net salaries

may not be expected before 2011, when real growth of private consumption will be more notable.

Projections indicate that by the end of the medium-term period the growth of real gross salaries will be lower than the growth of labour productivity which, with the postponed and slower employment recovery and reduced transfer payments, means weaker dynamics of disposable income of the citizens than it was so far. The contribution of repayments of debt to pensioners to an increase of private consumption will be slightly negative in 2010 as well, but it will be gradually phased out toward the end of the projection period.

It is estimated that government consumption in 2009 will see real growth of 0.9%. Afterwards it is expected that government consumption will record a real decline in all years of the observed period. In 2010 government consumption will in real terms be reduced by 2.2%, in 2011 by 0.8%, and in 2012 by 0.2%. In the circumstances of lower domestic and foreign demand in 2009, the expected real drop in investments will amount to 10.3%, influenced by a sharp decline in business optimism and reduced availability of capital, as well as high costs of financing in the country and abroad. A downturn in demand for real estate and slowdown in the growth of housing loans will affect a drop in investments in the construction activity. Also, a reduction in aggregate investments in 2009 includes a significant real decline in investments of the general government. As for the medium-term time framework, investment activity in the private sector should represent an important catalyst for economic development. However, its momentum could be postponed due to uncertainties related to the development and duration of this crisis and the expected dynamics in terms of availability of capital and the terms of financing. Towards the end of the projection period it is again expected that the inflow of foreign capital into Croatia will accelerate, but it will not be abundant as in the previous years, so the financing of the business sector will depend on the funds allocation mechanism in the domestic financial system. In accordance with the foregoing, it is predicted that in 2010 real investments will stagnate, in 2011 the growth rate is expected to reach 4.6%, while accelerated growth in 2012 is expected to reach 5.8%. Moreover, in 2009 it is expected that the share of reserves in GDP will be considerably reduced and a negative contribution to its real growth amounting to 2.3 percentage points. Towards the end of the projection period, the inventories will gradually start to increase with the most notable growth in 2011.

Chart 8: Contribution to real GDP growth in the Republic of Croatia



Source: CBS, MFIN

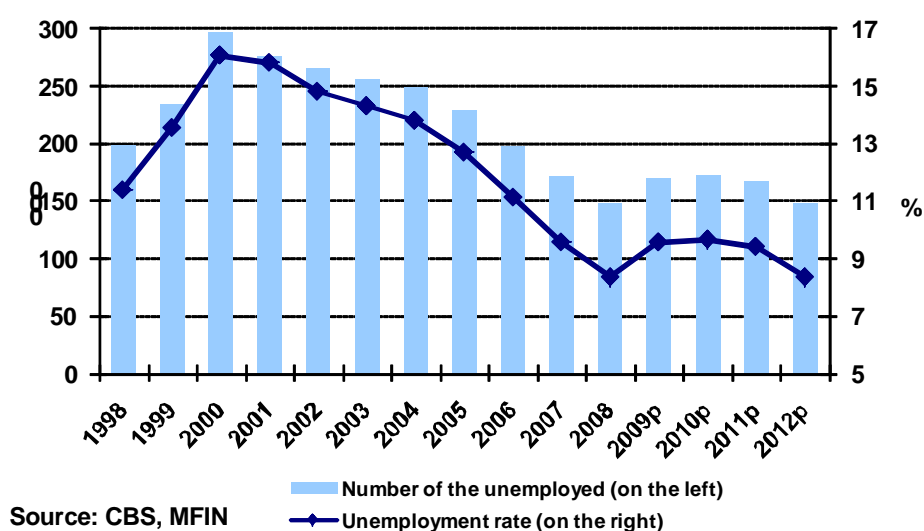
With regard to net export, in 2009 it is expected to have a significant positive contribution to GDP growth. As the result of a sharp decline in domestic demand, real reduction in the import of goods and services is predicted to reach 16.9%. On account of the previously mentioned decline in investments, it is expected that the import of capital product will record a significant drop as considerable part of investments pertains to equipment that is mainly imported. In addition, the contraction of private consumption will have an impact on a decline in imports due to the expected change in its structure, meaning relative decline in the share of durable goods relative to non-durable mass consumption goods. Finally, in accordance with the weakening of economic activity, it is expected that the demand for the import of intermediary products and energy will also fall. Taking into consideration the envisaged contraction of economic activity of the main Croatian export partners, a significant decrease in the export of goods is predicted. In terms of the export of services, physical indicators published so far in tourism suggest satisfactory results of the tourist season. A decrease in the export of goods and services in 2009 is estimated at 12.0%, meaning less than in the case of imports. In terms of the remaining projection period, assuming that circumstances in the economy will pick up in the country and abroad, it is expected that the contribution of net exports to economic growth in 2010 will be neutral, and it will again become negative in the following years finally stabilising at -0,8 percentage points. In other words, towards the end of the projection period, somewhat more notable acceleration of import relative to the export of goods and services is expected. Due to a significant decrease of the negative balance of goods and services, 2009 will see a sharp decline in the balance-of-payments current account deficit estimated at 6.0% of GDP that will mainly be covered by reducing foreign assets in the financial sector and foreign direct investment (FDI). Until the end of the projection period, the balance-of-payments current account deficit as percentage of GDP will fall to 5.4%. Having regard to somewhat more difficult foreign financing and the described economic trends, it is expected that 2009 will see a significant slowdown in the growth of foreign debt that will, expressed as a share in GDP, amount to 90.4% at the end of 2009, and decline to 89.9% at the end of the projection period.

It is estimated that the average year-on-year growth of CPI will slow down from 6.1% in 2008 to 3.0% in 2009. Very favourable effect of the base period will have a significant impact on the slowing down of year-on-year inflation. It is expected that 2009 will see reduction of imported inflationary pressures, mainly due to year-on-year price reduction of the basic raw materials in the world market. However, even though the European Commission's projections from spring 2009 expect the barrel of crude oil to drop at 46.3% the price of oil and prices of other raw materials in 2009 so far show signs of recovery, so that year-on-year reduction in the prices of primary raw materials could be lower than expected. The main national factor that will have effect on slowing down of inflation in 2009 is a significant reduction in real demand. In terms of supply, it is expected that the strong growth of unit labour cost from 2008 will additionally accelerate in 2009 as the result of a significant drop in average labour productivity and previously mentioned lower flexibility of nominal gross salaries that have the opposite effect on inflation. Inflation in 2009 will increase also due to the rise in the prices of tobacco products, gas and services in health. Exchange rate of kuna to euro, as the nominal anchor of inflationary expectations, will remain stable in 2009, thus no inflationary pressures are expected from this source. In the upcoming three years of the projection period it is expected that inflation will stand at the level of around 3.0%. This projection, with the necessary assumptions about the trends in the prices of the raw materials in the world market and other global and domestic macroeconomic trends, is mainly based on the expectation that the economy will reach its potential growth gradually, thus avoiding inflationary pressures.

The projected slowdown in economic activity in 2009 is followed by reduced employment and rising unemployment, so the projected survey unemployment rate for 2009 is 9.5%.

Seeing that in the medium-term period, the expected recovery of employment will be postponed and slower, all physical indicators in the labour market will continue to deteriorate in 2010, but not as intensively as this year, while their more substantial recovery will not occur until 2012. Predictions for 2010 envisage further growth of survey unemployment rate to reach 9.7%. In the following two years of the projection period, the unemployment rate will record a decline, first to 9.4% in 2011, then to 8.3% in 2012. A considerably faster GDP drop than employment decrease will result in a considerable reduction in average labour productivity in 2009, but in the following years productivity will pick up again and its most significant growth is expected in 2011. It should also be mentioned that the increase in unit labour cost, after reaching extremely high values in 2009, should significantly slow down in the next two years, although it could again record a moderate increase in 2012.

Chart 9: Projections of trends on the labour market in the Republic of Croatia



3.4. Risks of realisation of projections

Realisation of the described macroeconomic projections is facing considerable risks, both external and internal. First and foremost, it is very difficult to predict the duration and intensity of recovery of the world economy. Taking into consideration that antirecession incentives were discontinued and their effects in the upcoming period will subside, form of the world economy recovery path is uncertain. Besides, the impact strength of all these postponed effects of the crisis on numerous sectors of the economy is dubious, primarily on the financial system and the labour market.

Croatia is no exception to the uncertain outcomes of the economic crisis. Even though the banking sector has so far borne the consequences of the crisis well and continues to show a satisfactory level of stability, the full impact of the crisis on the quality of assets and the level of bank capitalisation will be felt with a slight delay, in late 2009 and early 2010, and the intensity of the retroactive effect on the real economic sector cannot be estimated with certainty. Also, in the case of bigger or longer disruptions in the labour market than those expected, there is a risk of disrupting the projected trends in private consumption, and consequently of economic growth too. The expected contraction of the balance of payments deficit will contribute to improving Croatia's resistance to external shocks, but in the medium-term the Croatian economy will continue to be susceptible to the changes in the

perception of risks by international investors that could render the financing of the balance of payments deficit more difficult.

As for the inflation projection risk, the greatest one is a quicker than expected increase in the prices of raw materials in the world market. Moreover, the projected inflation could be disrupted by different dynamics of the aggregate demand or growth of salaries than expected.

4. MEDIUM-TERM FISCAL POLICY

4.1. Fiscal policy in 2008 and 2009

Macroeconomic conditions changed considerably in the second half of 2008 compared to the beginning of the year. The most important macroeconomic indicators suggested a reduction in economic activity resulting in modest revenue. Due to the savings realised on the expenditure side of the budget these trends did not have a negative impact on the planned budgetary deficit. Thus, in accordance with the trend in the previous years, the general government deficit in 2008 was further reduced to the level of 0.9% of GDP.

Positive effects of the reduction of the overall general government deficit have made an impact on the level of public debt by reducing the demand for financing. In late 2008, the total public debt reached the level of HRK 99.5 billion or 29.1% of GDP, where the share of internal debt amounted to 69.6%, and external debt recorded the share of 30.4% in the total public debt.

As regards the tax system, the adoption of the Personal Identification Number Act should be underlined, which entered into force on 1 January 2009. The implementation and application of the Personal Identification Number (OIB) will promote higher efficiency of the state institutions and cut back on administrative burden of citizens, linking and automatic data exchange among all official records, faster and easier exercise of citizens' rights, and it will ensure the preconditions for a fair system of social security contributions. Moreover, OIB is the most efficient measure for systematic combat against corruption.

The amendment to the Income Tax Act entered into force in July 2008 whereby the non-taxable base personal deduction was increased from HRK 1,600 to 1,800. At the same time, the Act on the Financing of Units of Local and Regional Self-Government was also amended as the amended Income Tax Act reduced the overall income collected from taxes. It was therefore necessary to enforce additional distribution of the income tax to the local units in order to enable them to execute their functions. The former distribution of income tax has been changed so that the share of income tax for towns and municipalities increased by 3 percentage points and for counties by 0.5 percentage points.

In late 2007, the Government of the Republic of Croatia adopted the State Treasury Development and Modernisation Strategy for the period 2007 – 2011. The goal of the Strategy is to improve and enhance the public finance management system at several levels:

1. At the state level, the aim is to provide the overall fiscal discipline that is the basis for macroeconomic stability. This task, among other things, requires the preparation of the multiyear budget framework to achieve sustainability of the existing programmes and public debt policy.
2. At the level of sectors (the level of ministries), efforts are made to provide for an effective allocation of funds among the sectors, meaning the allocation of resources that is in line with the strategic priorities of the state. The “top to bottom” approach to budget planning and the development of multiyear budget framework are the basis for institutional solutions and the tools for the strengthening of strategic allocation of resources.
3. At the programming/managing level efforts are made to harmonise budget allocations and implementation efficiency which calls for balance between flexibility in budget execution and budget constraints. Implementation measures for this aim should be directed to the strengthening of fiscal control, improving the allocation of funds

between sectors, and ensuring greater flexibility for efficient management and development of the performance accountability system.

The Strategy defines the measures for achieving these goals, with special focus being placed on the implementation of the multiyear budget framework, strategic planning process, redefining of programmes, programme monitoring and evaluation procedures, and performance indicators.

These reform steps in public finances management also required amendments to the legislative framework. The new Budget Act was passed in the middle of 2008 and entered into force on 1 January 2009. The Act introduced:

- Strategic planning and the obligation to draw up the three-year strategy of the Government programmes so that the strategic priorities and Government policy goals could have a direct impact on the allocation of funds within the budget;
- Multiyear budget framework, as the Croatian Parliament will now apart from the budget for one fiscal year pass projections for the following two years;
- Higher flexibility of execution of the budget because the state budget will be passed in less detail, thus rendering the budget easier to survey;
- The possibility to transfer the activities and projects that are financed under the EU pre-accession assistance programmes, and capital projects in the case where they have not been executed by the end of the current year, to the following budget year;
- Including approval which the units of local and regional self-government issue to the institutions and legal persons in their ownership (whether newly established or operating at a loss) in the scope of possible borrowing of the local unit, and the obligation to obtain approval of the minister of finance before issuing guarantees security to the institutions and legal persons owned by the local units, thus ensuring prior control over the issue of guarantees.

In the context of the use of European Union funds, it should be noted that in 2008 intensive efforts were made to strengthen administrative capacities. The benchmarks set by the European Commission were fulfilled resulting in the lifting of suspension on signing the contract under the PHARE 2006 programme. Out of the funds allocated under PHARE 2006, 84.8% or EUR 44.8 million were contracted and will be implemented through 119 contracts.

The above positive trends were a strong basis for facing the spillover effects of the global financial crisis on the Croatian economy in the second half of 2008.

In 2009, the Government took a number of measures aimed at combating the effect of the crisis and maintaining the stability and solvency of the public finances. To this end, the antirecession measures package was adopted in February 2009. The revised budget was adopted in April 2009 as part of the antirecession measures, whereby, in line with the new macroeconomic conditions, the overall state budget revenue was reduced by HRK 8 billion compared to the original budget plan. Moreover, the overall state budget expenditure was reduced by HRK 5.4 billion in the revision and fitted in the budget framework which had an impact on the solvency of the overall system. It should be noted that within the framework of this budget revision the base salary in state and public services was reduced to the level from December 2008, while the base salary for state officials was reduced by 10%.

With a view to creating additional space to the private sector for the financing on the domestic financial market, in May 2009 the state successfully issued a Eurobond worth EUR 750 million, at the price of 99.675% of the face value with the fixed annual interest rate of 6.5%. The bond falls due on 5 January 2015.

With regard to further aggravation of macroeconomic conditions, in July 2009 two budget revisions were adopted to ensure stability and sustainability of the budget. In the revision adopted in the middle of July the projected state budget revenue was lower compared to the previous plan by HRK 6.8 billion. HRK 2.2 billion were redistributed within the budget so that additional savings amounting to HRK 780 million were achieved on the expenditure side. It has to be noted that, as part of this budget revision, the salaries of state officials were reduced by further 5% by reducing the salary base compared to the base from April 2009. What is more, the pensions paid under the Act on the Rights and Duties of Members of the Croatian Parliament were reduced by 10%. In addition, the measures granting free transportation for high school students and free textbooks for all pupils were revoked, except for the pupils coming from low-income families.

Together with the budget revision adopted at the end of July 2009, a number of acts were adopted having direct impacts on the revenue and expenditure sides of the budget. The Act on Amendments to Value-Added Tax Act was adopted increasing the general VAT rate from 22% to 23%. The Act on Special Tax on Salaries, Pensions and Other Income was introduced and it will be implemented until 31 December 2010 as a special tax imposed on salaries, pensions and other income exceeding HRK 3,000 (2%), or HRK 6,000 (4%). Adoption of the Act on Amendments to the Act on Excise Duty on Passenger Cars, Other Motor Vehicles, Vessels and Aircraft implemented equal criteria for the taxation of vessels and aircraft with passenger cars and motorcycles, and it reinforced taxation according to the economic power. The Act on the Fee for Mobile Electronic Communications Network Services implemented the charge for providing mobile electronic communications network services in the amount of 6% of the base or the income earned from the services provided. Moreover, the Employment Protection Act provides the possibility to employers to realise subsidies aimed at preserving jobs in the circumstances of the economic and financial crisis and its impact on employment, while the Act on Amendments to the Act on Employment Mediation and Unemployment Rights tied unemployment benefit with the amount of the minimum wage in order to preserve fiscally sustainable existential and socially acceptable standard. The Act on Contributions in Culture reduced the contribution base for freelance artists whose contributions are paid from the state budget. Following the adoption of these acts and projections of their fiscal effects, this budget revision increased the overall state budget revenue by HRK 1.4 billion compared to the previous plan, while expenditure was reduced by the net amount of HRK 260.5 million.

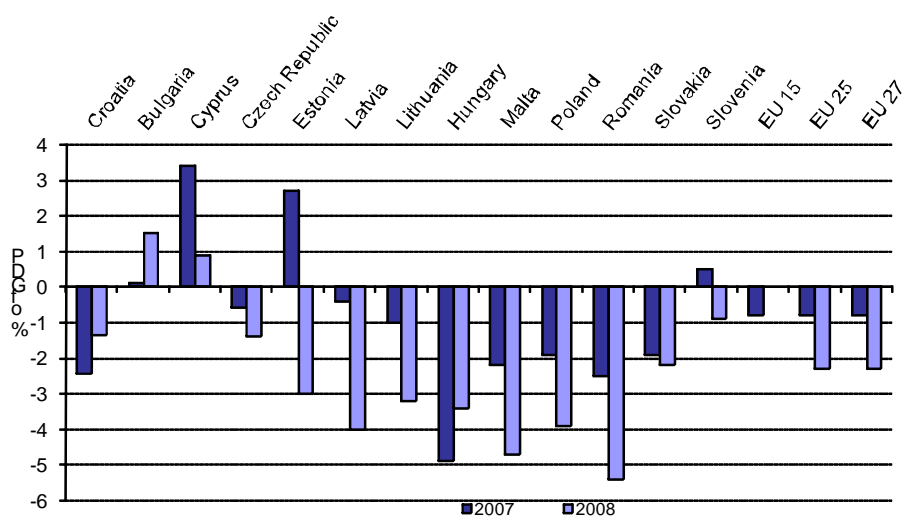
In 2008 and 2009 the foregoing measures contributed to the stability of public finances in the circumstances of economic crisis and created the starting point for further implementation of the fiscal policy in the upcoming three-year period with a view to ensuring solvency of the system and creating the preconditions for economic recovery.

4.2. The Republic of Croatia and international environment

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

With its budget deficit in 2008, Croatia ranked among the states with a lower level of the general government deficit than the EU 27 average.

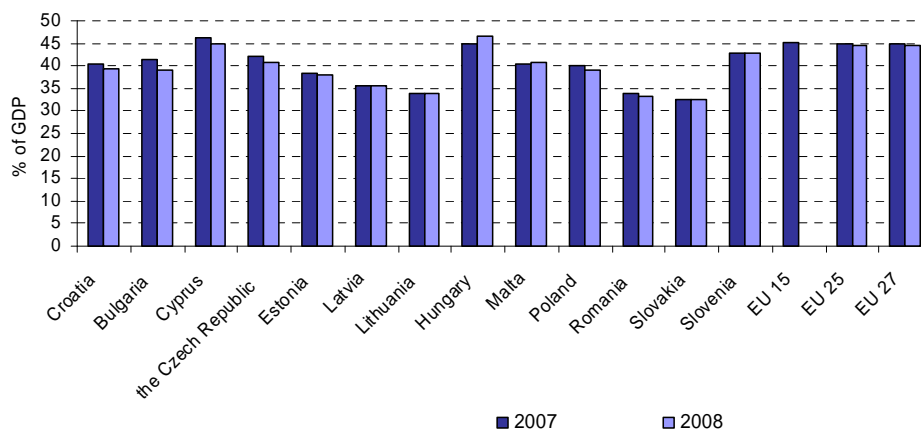
Chart 10: Total deficit/surplus of the budget of the Republic of Croatia and EU countries in 2007 and 2008



Source: Eurostat, Ministry of Finance

The analysis of the revenue side of the consolidated general government budget in 2008 shows that in Croatia the share of revenue in GDP accounts for 39.4%. In comparison to the new European Union Member States, Croatia ranks sixth against the share of revenues in GDP.

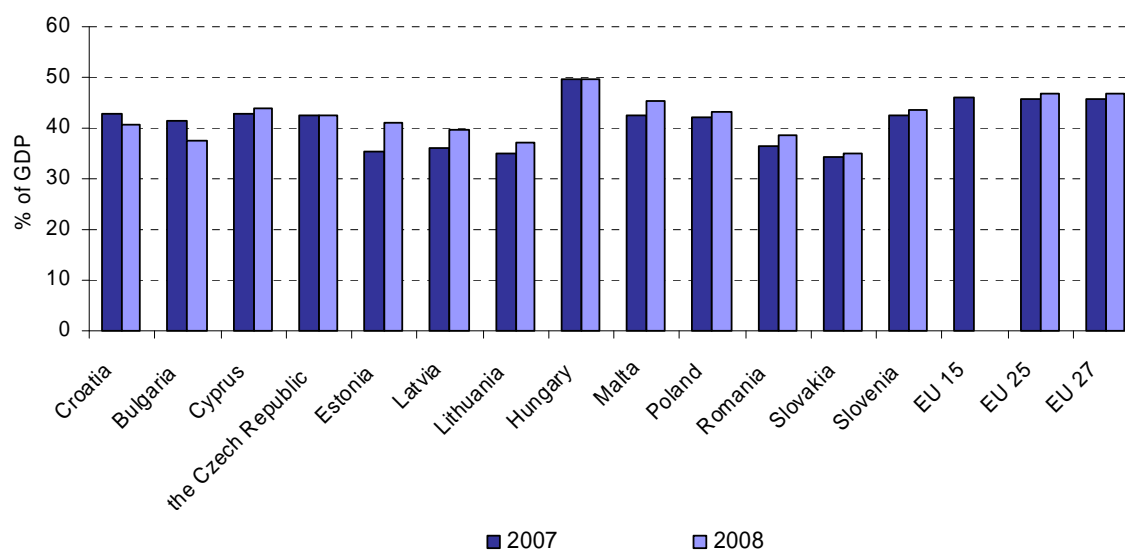
Chart 11: Expenditure of consolidated general government of the Republic of Croatia and EU Member States in 2007 and 2008



Source: Eurostat, Ministry of Finance

On the other hand, with respect to the share of expenses in GDP in the amount of 40.8%, in 2008 Croatia ranked slightly below the EU 27 average. The highest level of public spending was recorded by Hungary, Malta and Cyprus, while the lowest share in GDP expenditure was recorded by Slovakia, Latvia and Bulgaria.

Chart 12: Expenditure of consolidated general government of the Republic of Croatia and EU Member States in 2007 and 2008



Source: Eurostat, Ministry of Finance

The conclusion to be drawn from the given comparison of the key fiscal variables in the Republic of Croatia to those in the EU Member States is that Croatia is following fiscal trends in the region. However, in the circumstances of economic crisis and financial restrictions, fiscal policy is facing new challenges, and the main goal is to achieve the stability of public finances in unstable macroeconomic conditions.

4.3. Revenue trends for the period 2010 – 2012

4.3.1. Determinants of the budgetary central government revenue for the period 2010 – 2012

Total revenues

In accordance with the current trends and macroeconomic projections for the period 2010 – 2012, the projections for the overall budgetary central government revenue amount to HRK 113.1 billion for 2010. This is HRK 1.8 billion or 1.7% more compared to the revenue planned for 2009.

The total revenue expected for 2011 amounts to HRK 115.5 billion, which is year-on-year growth of 2.2%, while the total revenue projections for 2012 amount to HRK 121.2 billion, accounting for year-on-year growth of 5.0%.

The foregoing growth of revenue in the projection period results from the assumption of economic recovery and legislative measures adopted in July 2009 that have a direct impact on the revenue side of the budget.

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

Table 3: Trends in the state budget revenue for the period 2008 – 2012

(000 HRK)	2008	2009 plan	09/08 Index	2010 projection	10/09 Index	2011 projection	11/10 Index	2012 projection	12/11 Index
Total revenue (6+7)	116,076,074	111,210,059	95.8	113,052,042	101.7	115,514,719	102.2	121,242,089	105.0
6 Revenue	115,772,655	110,871,511	95.8	112,803,142	101.7	115,255,019	102.2	120,971,189	105.0
Tax revenues	66,344,968	60,346,779	91.0	62,611,070	103.8	62,890,349	100.4	65,738,222	104.5
Income tax	1,687,502	1,555,815	92.2	1,579,163	101.5	1,654,094	104.7	1,751,734	105.9
Profit tax	10,564,703	9,550,173	90.4	8,657,487	90.7	8,788,114	101.5	9,047,846	103.0
Property tax	635,930	596,426	93.8	619,204	103.8	660,051	106.6	706,904	107.1
Tax on goods and services	51,555,968	46,104,732	89.4	47,848,971	103.8	50,090,311	104.7	52,618,045	105.0
Value-Added Tax	41,308,036	36,818,812	89.1	38,482,873	104.5	40,463,731	105.1	42,709,124	105.5
Sales tax	166,531	142,219	85.4	145,628	102.4	149,119	102.4	152,693	102.4
Excise duties	8,948,922	7,978,069	89.2	8,030,324	100.7	8,187,484	102.0	8,374,683	102.3
Taxes and fees from games of chance and entertainment	588,612	634,218	107.7	638,439	100.7	701,875	109.9	751,696	107.1
Other taxes on goods and services	543,868	531,413	97.7	551,708	103.8	588,102	106.6	629,848	107.1
Taxes on international trade and transactions	1,900,865	1,784,632	93.9	1,786,246	100.1	1,697,779	95.0	1,613,694	95.0
Other revenues from taxes	0	755,000		2,120,000	280.8	0		0	
Contributions	40,703,484	40,771,078	100.2	41,387,040	101.5	43,351,319	104.7	45,904,497	105.9
Grants	542,580	1,043,058	192.2	1,090,929	104.6	1,049,987	96.2	1,086,736	103.5
Property income	4,672,074	5,099,504	109.1	3,778,673	74.1	3,890,129	102.9	4,025,460	103.5
Income from financial assets	880,491	1,604,262	182.2	237,843	14.8	249,575	104.9	263,032	105.4
Income from nonfinancial assets	3,791,583	3,495,243	92.2	3,540,829	101.3	3,640,554	102.8	3,762,428	103.3
Revenues from administrative fees and under special regulations	2,939,615	3,032,829	103.2	3,354,626	110.6	3,477,260	103.7	3,599,834	103.5
Other revenues	569,934	578,262	101.5	580,803	100.4	595,974	102.6	616,439	103.4
7 Revenue from sale of nonfinancial assets	303,419	338,549	111.6	248,900	73.5	259,700	104.3	270,900	104.3
Revenue from sale of nonproduced assets	41,683	50,945	122.2	20,000	39.3	21,400	107.0	22,000	102.8
Revenue from sale of produced assets	254,352	284,910	112.0	228,900	80.3	238,300	104.1	248,900	104.4
Revenue from sale of produced short-term assets	7,385	2,694	36.5	0		0		0	

Source: Ministry of Finance

Revenues from taxes

Revenues from taxes comprise the major part of revenue. The projections for the 2010 – 2012 budgetary central government revenues were primarily based on the projections of macroeconomic variables and expected economic trends, taking into account the impacts of certain acts and VAT, special tax on salaries and pensions, and excise duty on cars, other motor vehicles, vessels and aircraft. Accordingly, the projections of revenues from taxes for 2010 amount to HRK 62.6 billion with year-on-year growth of 3.8%.

The projections of revenues for 2011 and 2012 are based on the same assumptions. Thus, revenues from taxes amount to HRK 62.9 billion in 2011 and to HRK 65.7 billion in 2012.

Income tax

The projections for income tax revenue for 2010 amounts to HRK 1.6 billion, which is an increase of 1.5% compared to 2009. This revenue is planned in line with the expectations regarding the gross salary and employment trends.

In 2011 it is expected to increase at the rate of 4.7%, and in 2012 at the rate of 5.9%.

Profit tax

Revenue from the profit tax for the period 2010 – 2011 was planned on the basis of the growth of the overall economic activity. The projections for 2010 amount to HRK 8.7 billion recording a year-on-year drop of 9.3%. As profit tax is paid on the basis of operations of companies in the preceding year, the projections of revenue from this source for 2010 are based on the expected economic activities and trends in the operation of companies in 2009.

Since it is expected that 2010 will see a mild recovery of economic activity, the planned revenue from profit tax in 2011 amounts to HRK 8.8 billion (year-on-year growth of 1.5%), and HRK 9.0 billion in 2012 (growth amounting to 3.0%).

Taxes on property

Revenue from property taxes for the period 2010 – 2012 have been planned based on the expected trends in the overall economic activity, taking into account the expected trends on the real estate market. Based on this, it is planned that in 2010 they will increase by 3.8% reaching HRK 619.2 million. In 2011 this revenue is expected to amount to HRK 660.1 million (growth of 6.6%), while the projections for 2012 predict the amount of HRK 706.9 million (7.1% more compared to the previous year).

Value-added tax

Projections of revenue from value-added tax (VAT) for 2010 are based on the expected growth of nominal private consumption, taking into account the expected impacts of increase of the general VAT rate from 22% to 23%. Thus, in 2010 the planned revenue from VAT amounts to HRK 38.5 billion, which represents a year-on-year growth of 4.5%.

Revenue from VAT in 2011 is expected to reach HRK 40.5 billion (year-on-year growth of 5.1%), and in 2012 HRK 42.7 billion (an increase of 5.5%).

Excise duties

The revenue from excise duties for the period 2010 – 2012 is planned in accordance with the expected growth of the economy, taking into consideration the impacts of amendments to the Act on Excise Duty on Passenger Cars, Other Motor Vehicles, Vessels and Aircraft. Accordingly, projections of revenue from excise duties for 2010 amount to HRK 8.0 billion, which represents an increase of 0.7% compared to the previous year.

In 2011 it is predicted that revenue from excise duties will generate HRK 8.2 billion, or 2.0% more than in 2010, while the projected revenue from excise duties for 2012 amounts to HRK 8.4 billion, or 2.3% more than in 2011.

Table 4: Trends in revenue from excise duties in the period 2008 – 2012

<i>(000 HRK)</i>	2008	2009 plan	09/08 index	2010 projection	10/09 index	2011 projection	11/10 index	2012 projection	12/11 index
Excise duties	8,948,922	7,978,069	89.2	8,030,324	100.7	8,187,484	102.0	8,374,683	102.3
Special tax on passenger cars, other motor vehicle, vessels and aircraft	1,452,827	964,181	66.4	969,457	100.5	998,942	103.0	1,034,155	103.5
Special tax on petroleum derivatives	3,138,936	3,112,378	99.2	3,079,409	98.9	3,096,079	100.5	3,127,814	101.0
Special tax on alcohol	218,786	157,568	72.0	158,430	100.5	163,248	103.0	169,003	103.5
Special tax on beer	717,401	687,789	95.9	691,553	100.5	712,585	103.0	737,704	103.5
Special tax on non-alcoholic beverages	139,160	131,365	94.4	132,084	100.5	136,101	103.0	140,899	103.5
Special tax on tobacco products	3,084,293	2,737,342	88.8	2,803,301	102.4	2,870,850	102.4	2,940,026	102.4
Special tax on coffee	166,979	155,686	93.2	161,631	103.8	172,294	106.6	184,524	107.1
Special tax on luxury products	30,540	31,761	104.0	34,458	108.5	37,385	108.5	40,559	108.5

Source: Ministry of Finance

Taxes on international trade

Revenue from taxes on international trade for 2010 is expected to reach the level achieved in 2009, while in 2011 and 2012 it is expected to reach the level HRK 1.7 billion and HRK 1.6 billion respectively.

Other taxes

It is expected that HRK 2.1 billion will be collected on the basis of imposing special tax on salaries, pensions and other income during 2010.

Contributions

The projections of revenue from contributions for the period 2010 – 2012 are based on the expected trends in gross salaries and number of the employed. The expected revenue from contributions in 2010 amounts to HRK 41.4 billion, which is an increase of 1.5% compared to 2009. The projections for 2011 amount to HRK 43.4 billion (growth of 4.7%), and for 2012 to HRK 45.9 billion (growth of 5.9%).

Grants

The projections of revenue from grants are mainly based on the expected resources from pre-accession funds for the projects proposed under the pre-accession programmes of the European Union, which have been made accessible to the Republic of Croatia following the adoption of the pre-accession strategy. It should be noted that the Guidelines do not include the resources from the structural and cohesion funds which will be at Croatia's disposal after accession to the EU as this negotiation process is under way and the total amount of these funds is not known.

Property income

The revenue from property income consists of revenue from financial and nonfinancial assets. The revenue from financial assets comprises the income from interest, dividends, and profit generated by the companies and banks in state ownership, and other revenue from financial assets. All categories of revenue from financial assets except for interest have a one-off character. Revenue from financial assets for 2010 is planned in the amount of HRK 237.8 million, for 2011 in the amount of HRK 249.6 million, and for 2012 in the amount of HRK 263.0 million.

The most important item in the revenue from nonfinancial assets is the revenue from road charges. The projections of this revenue are planned in accordance with the growth of the economy, taking into account the trends in the previous years. Thus, in 2010 and 2011 the revenue from road charges is expected to reach HRK 2.7 billion, and in 2012 HRK 2.8 billion. Along with road charges, the group of revenues from nonfinancial assets consists of concession revenue, lease and rental of assets, and other revenues from nonfinancial assets. The projections are based on the trends of the expected economic activity in the forthcoming period. Thus, in 2010 the predicted revenue from nonfinancial assets amounts to HRK 3.5 billion, in 2011 to HRK 3.6 billion, and in 2012 to HRK 3.8 billion.

Revenue from administrative fees and revenues collected under special regulations

Projections of revenue from administrative fees and revenue collected under special regulations for 2010 amount to HRK 3.4 billion, for 2011 to HRK 3.5 billion, and for 2012 they amount to HRK 3.6 billion. These categories of revenue are based on the expected economic activity, taking into account the impacts of the Act on the Fee for Mobile Electronic Communications Network Services.

Other revenues

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

In accordance with the above, other revenues for 2010 amount to HRK 580.8 million, for 2011 to HRK 596.0 million, and for 2012 to HRK 616.4 million

Revenue from the sale of nonfinancial assets

Revenue from the sale of nonfinancial assets consist of revenues from the sale of land, buildings, plants and equipment, transportation vehicles and revenues from the sale of reserves. In accordance with the expectations regarding the sale of these objects, the projections for 2010 amount to HRK 248.9 million, for 2011 to HRK 259.7 million, and for 2012 to HRK 270.9 million.

4.3.2. Determinants of revenue of extra-budgetary users for the period 2010 – 2012

Projections of revenues of extra-budgetary users for the period 2010 – 2012 are based on the projections of trends in macroeconomic indicators and the expectations of certain users regarding the trends in the revenues they collect. The overall revenue of extra-budgetary users in the projected period is relatively stable at the average level of 1.6%.

The most significant revenue of extra-budgetary users is grants within general government projected at the level of 0.6% of GDP. The most important item paid from the position of grants is road charges included in the price of fuel and collected by the Croatian Roads. The following important revenue of extra-budgetary users is revenue from water management with the share of 0.5% of GDP, and environmental protection charges with the share of 0.3% of GDP.

Table 5: Key items of revenue of extra-budgetary users

% of GDP	2008	2009	plan	2010 projection	2011 projection	2012 projection
Total revenue	1.9	1.6		1.6	1.6	1.5
grants within general government	0.6	0.5		0.6	0.6	0.6
other grants	0.0	0.0		0.0	0.0	0.0
revenue from water management	0.5	0.5		0.5	0.5	0.4
environmental protection fee	0.4	0.3		0.3	0.3	0.3
revenue from the sale of nonfinancial assets	0.1	0.0		0.0	0.0	0.0
other	0.3	0.2		0.2	0.2	0.2

Source: Ministry of finance

4.3.3. Determinants of revenue of local and regional self-government units for the period 2010 – 2012

Projections of revenue of the local and regional self-government units were based on the same assumptions as the budgetary central government revenue, i.e. based on the projections of macroeconomic indicators. By the end of 2012 they show the average share of 4.7% of GDP.

The most important revenue of local units is collected from the income tax. The projections of its growth are in accordance with the growth of gross salaries and employment. In the projected period they will account for the average share of 2.6% of GDP

The second most significant revenue of local units is collected from the sale of goods and services at the level of 0.8% of GDP. Significant revenue is also collected from grants amounting to 0.5% of GDP, while revenue from assets will record approximately 0.3 of GDP.

Table 6: Key items of revenue of local and regional self-government units

% of GDP	2008	2009	plan	2010 projection	2011 projection	2012 projection
Total revenue	5.2	4.8		4.8	4.7	4.7
income tax	2.7	2.7		2.6	2.6	2.6
property tax	0.2	0.2		0.1	0.1	0.1
grants within general government	0.6	0.6		0.5	0.5	0.5
property income	0.3	0.3		0.3	0.3	0.3
revenue from the sale goods and services	1.0	0.8		0.8	0.8	0.8
revenue from the sale of nonfinancial assets	0.3	0.1		0.2	0.2	0.2
other	0.1	0.1		0.1	0.1	0.1

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

Source: Ministry of Finance

4.4. Medium-term expenditure trends for the period 2010 – 2012

4.4.1. Determinants of budgetary central government expenditure for the period 2010 – 2012

As of 2004, a significant feature of fiscal policy in Croatia has been successful implementation of fiscal consolidation. This direction of the fiscal policy, together with the implementation of structural reforms in public finances and development of the budgetary process set the foundations for the stability of public finances. Every year the deficit was lower, and in 2005 the state achieved a primary surplus. This means that it covered public spending solely from the collected revenue, while borrowing was related to repayment of past debts.

After the world crisis occurred, which also had an impact on Croatia, the need for further adjustment arose in order to ensure the sustainability of public finances. To this end, three budget revisions were adopted in 2009, together with additional measures aimed at reducing and control of both the expenditure and revenue sides of the budget.

In the follow-up to the measures undertaken in 2009, with a view to further sustainability of the system of public finances, and with the promotion of economic recovery, trends in the budget expenditure will be based on the goals and programmes contained in the Strategy of the Government Programmes for the period 2010 – 2012. Correspondingly, budget expenditure in the upcoming three-year period are aimed at ensuring:

- macroeconomic and economic stability;
- optimum environment for the development of a competitive economy;
- strengthening of the state of law and the rule of law;
- promotion of knowledge, excellence, and culture;
- strengthening of social justice;
- positioning of the Republic of Croatia as one of the leading European tourist destinations;

- more competitive agricultural, foodstuffs and fisheries sector;
- further strengthening of the international status of the Republic of Croatia;
- improvement of the police and armed forces as citizens' services;
- health care, protection and improvement of health;
- environmental protection and spatial development.

Total expenditure

The total budgetary central government expenditure for 2010 is projected in the amount of HRK 120.4 billion comprising, out of which expense amounts to HRK 118.5 billion and expense for the acquisition of nonfinancial assets amounts to HRK 1.9 billion. When compared to 2009, the total expenditure is reduced by HRK 151.7 million, whereby its share in GDP has been reduced from 35.9% in 2009 to 34.7% in 2010.

The envisaged annual growth of the budgetary central government expenditure in 2011 is 2.2% and 2.4% in 2012. At the same time, of its share in GDP will drop by 1.3 percentage points, meaning from 33.3% in 2011 to 32.0% in 2012.

Table 7: Trends in state budget expenditure for the period 2008 – 2012

(000 HRK)	2008		2009 plan		2010 projection		2011 projection		2012 projection	
	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP
TOTAL EXPENDITURE (3+4)	118,583,975	34.7	120,537,131	35.9	120,385,427	34.7	123,080,181	33.3	126,049,368	32.0
3 Expense	115,292,426	33.7	118,041,084	35.2	118,519,720	34.1	121,119,467	32.8	124,106,577	31.5
31 Compensation of employees	21,594,259	6.3	22,164,759	6.6	22,382,770	6.4	22,857,612	6.2	23,678,277	6.0
32 Material expense	8,528,949	2.5	8,516,429	2.5	8,244,339	2.4	8,450,961	2.3	8,585,982	2.2
34 Financial expense	5,347,997	1.6	5,251,802	1.6	6,260,323	1.8	6,491,325	1.8	6,698,622	1.7
35 Subsidies	6,859,512	2.0	6,985,483	2.1	6,159,701	1.8	6,368,714	1.7	6,454,673	1.6
36 Grants	5,716,534	1.7	5,332,940	1.6	5,033,148	1.4	5,276,840	1.4	5,317,160	1.3
37 Compensations to citizens and households based on insurance and other compensations	60,135,609	17.6	63,786,513	19.0	64,531,863	18.6	65,600,586	17.8	67,132,448	17.0
38 Other expense	7,109,566	2.1	6,003,157	1.8	5,907,576	1.7	6,073,429	1.6	6,239,416	1.6
4 Expense for the acquisition of nonfinancial assets	3,291,549	1.0	2,496,048	0.7	1,865,707	0.5	1,960,714	0.5	1,942,791	0.5

Source: Ministry of Finance

Compensations to citizens and households based on insurance and other compensations

In the structure of the total budgetary central government expenditure for the period 2010 – 2012, compensations to citizens and households and other compensations represent the biggest item accounting for on average 53.4%. They mainly pertain to pension expenses and healthcare expenses. In addition, they are defined by the trends in expenses for child allowances, maternity benefits, unemployment benefits and permanent rights of war veterans. Overall, compensations to citizens and households will reduce their share in GDP from 18.6% in 2010 to 17.0% in 2012.

Pensions

The projections for pension expenditures in 2010 amount to HRK 34.7 billion, representing an increase of HRK 600 million or 1.8%. Changes in the number of pensioners were taken into account, as well as the funds required to pay the pension bonus to equalise the status of the so called “old” and “new” pensioners. It is predicted that there will be no indexation of

pensions in 2010, which means they will not be adjusted to the growth of gross salaries and consumer prices, which is stipulated by the Act on Special Tax on Salaries, Pensions and Other Income. In the next two years pensions will grow at the rate of 2.6% and 3.8% respectively.

Healthcare

Healthcare expenditure in 2010 is predicted to amount to HRK 24.3 billion, which is HRK 79.8 or 0.3% less than planned for 2009. This will enable further implementation of the reform of the healthcare system, and provide the necessary funds to help the most vulnerable groups of society. In 2011 healthcare expenditure will amount to HRK 24.4 billion, and in 2012 HRK 24.7 billion.

Compensation of employees

Compensation of employees, which includes salaries and other compensation of employees and other contributions on salaries, will amount to HRK 22.4 billion in 2010, HRK 22.9 billion in 2011, and HRK 23.7 billion in 2012. The projections for 2010 predict their annual growth of 1%, which implies wage bill increase of 0.5%, as well as salary growth in the education and science sector which will amount to 2.2% on the basis of the Agreement on Salary Bonuses in Education and Science. The projections of growth of compensations of employees in 2011 amount to 2.1%, and 3.6% in 2012. These trends will have an impact on the reduction of their share in GDP from 6.4% u 2010 to 6.0% u 2012.

Material expense

Material expense includes the reimbursement of costs to employees, expense on regular and investment maintenance services, office equipment, energy, military equipment, services etc. Further savings in these expenses are planned for 2010 in the amount of HRK 272.1 million, so that the nominal material expense will total HRK 8.2 billion. In 2011 these expenses will amount to HRK 8.5 billion, and in 2012 HRK 8.6 billion. In this way their share in GDP will be reduced by 0.2 percentage points, meaning from 2.4% in 2010 to 2.2% in 2012.

Financial expense

Financial expense consists of interest on issued securities, interest on received loans and other financial expense. Thus, projections of financial expenditure are based on future payment obligations falling due. Consequently, they will amount to HRK 6.3 billion in 2010, HRK 6.5 billion in 2011, and HRK 6.7 billion in 2012. By the end of 2012, financial expense will reduce its share in GDP to the level of 1.7%

Subsidies

In 2010 subsidises will amount to HRK 6.2 billion, which is HRK 825.8 million less than in 2009. The largest portion of subsidies are earmarked for agriculture and Croatian Railways. In 2011 and 2012 expenses for subsidies will stand at the level of HRK 6.4 billion, whereby in the medium-term period their share in GDP will be reduced from 1.8% in 2010 to 1.6% of GDP in 2012.

Grants abroad and within general government

Expense for grants allocated abroad and within general government in 2010 is planned in the amount of HRK 5.0 billion, which is HRK 299.8 million less compared to the previous year. Within their structure, 99.1% relate to grants within general government allocated to local units and other levels of state authorities, while the remaining 0.9% pertains to grants allocated to foreign governments and international organisations. In the next two years the total grants will stand at the level of HRK 5.3 billion. This trend will have an impact on reducing their share in GDP to the level of 1.3% in 2012.

Other expense

Other expense, including current and capital donations, fines, penalties and forfeits, extraordinary expenses and capital grants, will amount to HRK 5.9 billion in 2010, increasing to HRK 6.1 billion in 2011, and HRK 6.2 billion in 2012. At the same time, its share in GDP will range from the level of 1.7% in 2010 to the level of 1.6% in 2012. The major part of this expense will be directed to other current and capital investments in culture, regional development, transportation infrastructure, science and tourism.

Expense for the acquisition of nonfinancial assets

Expense for the acquisition of nonfinancial assets in the medium-term period will stand on average at the level of HRK 1.9 billion, or 0.5% of GDP. It will mainly be determined by the activities related to capital investments in science and education, healthcare, judiciary, environmental protection etc.

Table 8: Distribution of total expenditure of the state budget in 2009 and 2010

(000 HRK)	2009 plan	2010 projection	Share in total expenditure	Difference 2010 - 2009
TOTAL EXPENDITURE (3+4)	120,537,131	120,385,427	100.0	-151,704
Expense (3)	118,041,084	118,519,720	98.5	478,636
Compensation of employees	22,164,759	22,382,770	18.6	218,011
Material expense	8,516,429	8,244,339	6.8	-272,090
Financial expense	5,251,802	6,260,323	5.2	1,008,521
Subsidies	6,985,483	6,159,701	5.1	-825,783
of which:				
subsidies for agriculture	3,558,832	3,126,501	2.6	-432,331
subsidies for Croatian Railways (HŽ)	1,631,900	1,463,002	1.2	-168,898
Grants	5,332,940	5,033,148	4.2	-299,792
of which:				
grants to units of local and regional self-government (JLP(R)S) from the position of the Ministry of Finance	2,010,009	2,096,000	1.7	85,991
charge in the price of fuel collected by the Croatian Roads	1,343,247	1,350,597	1.1	7,350
Compensations to citizens and households	63,786,513	64,531,863	53.6	745,350
of which:				
pensions	34,098,458	34,698,458	28.8	600,000
healthcare	23,321,807	23,219,994	19.3	-101,813
of which:				
HZZO (Croatian Institute for Pension Insurance)	21,021,145	20,970,958	17.4	-50,187
social welfare	2,300,662	2,249,036	1.9	-51,626
maternity benefits	2,018,000	2,140,000	1.8	122,000
unemployment benefits	1,081,381	1,181,381	1.0	100,000
child allowance	1,805,000	1,850,000	1.5	45,000
care for war veterans	908,668	931,600	0.8	22,932
Other expense	6,003,157	5,907,576	4.9	-95,581
of which:				
HŽ, modernisation	877,824	907,653	0.8	29,829
charge in the price of fuel collected by the Croatian Motorways	1,343,247	1,350,597	1.1	7,350
Expense for the acquisition of nonfinancial assets (4)	2,496,048	1,865,707	1.5	-630,340

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

Source: Ministry of Finance

4.4.2. Expenditure of the budgetary central government by divisions

Table 9 shows an estimate of the ceiling of the financial plan for the period 2010 – 2012 broken down by the budgetary central government divisions. This estimate includes:

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

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

Sources of finance under “general revenue and receipts” comprise the following elements: revenues from taxes (for the most part), revenues from financial assets, revenues from

administrative fees, state administration revenues, revenues from fines, income 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 under “general revenue and receipts” is settled up to the amount of the planned expenses irrespective of the revenue collected.

Table 9 does not include an estimate of expense and expense for the acquisition of financial 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 finance.

For the purpose of developing fiscally and socially sustainable budgets in the upcoming three-year period that will reflect further fiscal adjustment on the expenditure side, in the process of drawing up their proposals for financial plans the ministries, central state offices and agencies must comply with the specified limitation per division of the state budget for the sources of finance that affect the amount of the general government budget deficit.

Table 9: 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 2010 – 2012

	(000 HRK)	2009 plan	2010 projection	10/09 index	2011 projection	11/10 index	2012 projection	12/11 index
TOTAL		113,923,375	113,763,591	99.9	116,303,071	102.2	119,045,122	102.4
10 CROATIAN PARLIAMENT		151,952	256,951	169.1	340,537	132.5	163,162	47.9
15 PRESIDENT OF THE REPUBLIC OF CROATIA		49,150	46,838	95.3	44,166	94.3	45,062	102.0
17 CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA		42,114	57,613	136.8	50,126	87.0	34,399	68.6
18 AGENCY FOR THE PROTECTION OF MARKET COMPETITION		13,650	13,270	97.2	13,365	100.7	13,680	102.4
20 GOVERNMENT OF THE REPUBLIC OF CROATIA		181,158	173,276	95.6	174,827	100.9	176,431	100.9
21 CENTRAL STATE OFFICE FOR ADMINISTRATION		249,359	0	0	0	0	0	0
22 CENTRAL STATE OFFICE FOR E-CROATIA		24,411	21,895	89.7	22,042	100.7	22,770	103.3
23 CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS		12,066	13,764	114.1	13,892	100.9	12,531	90.2
24 CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT		27,761	41,435	149.3	33,797	81.6	36,335	107.5
25 MINISTRY OF FINANCE		10,478,651	11,641,370	111.1	11,964,900	102.8	12,290,682	102.7
27 RC – SECURITY AND INTELLIGENCE AGENCY		335,968	335,100	99.7	370,000	110.4	383,000	103.5
30 MINISTRY OF DEFENCE		5,007,732	4,749,600	94.8	4,730,500	99.6	4,869,000	102.9
40 MINISTRY OF THE INTERIOR		4,361,958	4,295,942	98.5	4,317,950	100.5	4,364,600	101.1
46 MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY		3,944,710	4,073,940	103.3	4,078,920	100.1	4,073,882	99.9
48 MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION		578,463	599,150	103.6	597,430	99.7	610,862	102.2
50 MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP		37,229,342	37,735,750	101.4	38,649,420	102.4	39,944,100	103.3
55 MINISTRY OF CULTURE		872,003	848,020	97.2	863,330	101.8	881,187	102.1
60 MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT		4,192,656	3,665,380	87.4	3,734,085	101.9	3,629,236	97.2
62 MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT		1,430,392	1,286,115	89.9	1,342,262	104.4	1,377,053	102.6
65 MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE		3,822,881	3,455,881	90.4	3,717,665	107.6	4,056,122	109.1
75 MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION		366,329	337,735	92.2	380,364	112.6	415,102	109.1
80 MINISTRY OF SCIENCE, EDUCATION AND SPORTS		11,566,735	11,222,191	97.0	11,603,231	103.4	12,004,651	103.5
90 MINISTRY OF TOURISM		235,175	226,242	96.2	234,442	103.6	240,693	102.7
95 MINISTRY OF ADMINISTRATION		201,830	456,040	226.0	465,235	102.0	478,344	102.8
100 MINISTRY OF HEALTH AND SOCIAL WELFARE		24,737,728	24,447,999	98.8	24,626,361	100.7	24,845,205	100.9
106 CROATIAN ACADEMY OF SCIENCE AND ARTS		62,384	60,292	96.6	61,467	101.9	63,170	102.8
110 MINISTRY OF JUSTICE		2,536,588	2,520,172	99.4	2,657,001	105.4	2,755,399	103.7
115 DEVELOPMENT AND EMPLOYMENT FUND		47,386	48,106	101.5	47,223	98.2	46,842	99.2
116 REGIONAL DEVELOPMENT FUND		97,052	96,060	99.0	97,757	101.8	105,066	107.5
120 OMBUDSMAN'S OFFICE		7,203	7,180	99.7	7,330	102.1	7,566	103.2
121 OMBUDSMAN FOR CHILDREN		5,714	5,710	99.9	5,883	103.0	5,997	101.9
122 OMBUDSMAN FOR GENDER EQUALITY		2,854	2,755	96.5	2,812	102.0	2,898	103.1
123 OMBUDSMAN FOR PEOPLE WITH DISABILITIES		2,925	3,026	103.5	3,064	101.2	3,113	101.6
140 METEOROLOGICAL AND HYDROLOGICAL SERVICE		92,983	92,698	99.7	94,013	101.4	95,186	101.2
150 STATE OFFICE FOR METROLOGY		25,615	24,852	97.0	25,277	101.7	26,016	102.9
151 CROATIAN STANDARDS INSTITUTE		12,298	12,361	100.5	12,579	101.8	12,921	102.7
152 CROATIAN ACCREDITATION AGENCY		6,672	6,445	96.6	6,607	102.5	6,915	104.7
156 STATE INTELLECTUAL PROPERTY OFFICE		20,073	19,449	96.9	19,677	101.2	20,146	102.4
160 CENTRAL BUREAU OF STATISTICS		76,782	82,203	107.1	82,926	100.9	84,420	101.8
175 CROATIAN HYDROGRAPHIC INSTITUTE		11,222	11,051	98.5	11,233	101.6	11,555	102.9
180 STATE GEODETIC DIRECTORATE		241,731	234,215	96.9	238,437	101.8	245,595	103.0
185 STATE AUDIT OFFICE		54,568	53,896	98.8	54,678	101.5	56,334	103.0
196 STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES		6,321	6,606	104.5	6,741	102.0	7,019	104.1
220 CROATIAN MINE ACTION CENTRE		270,740	250,275	92.4	268,754	107.4	282,691	105.2
225 STATE INSPECTOR'S OFFICE		152,502	151,155	99.1	156,011	103.2	160,988	103.2
230 COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES		676	651	96.2	661	101.7	683	103.2
235 CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY		5,999	5,527	92.1	5,700	103.1	5,904	103.6
240 OFFICE OF THE NATIONAL SECURITY COUNCIL		17,803	19,007	106.8	19,454	102.4	20,153	103.6
241 OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS		17,330	15,470	89.3	16,170	104.5	17,024	105.3
242 INSTITUTE FOR INFORMATION SYSTEMS SECURITY		11,177	11,130	99.6	11,332	101.8	11,719	103.4
250 PERSONAL DATA PROTECTION AGENCY		6,964	6,909	99.2	6,938	100.4	7,242	104.4
255 CROATIAN INSTITUTE FOR RADIATION PROTECTION		7,036	6,558	93.2	6,104	93.1	5,884	96.4
260 STATE INSTITUTE FOR NUCLEAR SAFETY		8,604	8,337	96.9	8,395	100.7	8,586	102.3

Source: Ministry of Finance

Table 10: Limits on compensation of 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 2010 – 2012

	(000 HRK)	2009 plan	2010 projection	10/09 index	2011 projection	11/10 index	2012 projection	12/11 index
TOTAL		22,073,730	22,284,557	101.0	22,757,276	102.1	23,574,049	103.6
10	CROATIAN PARLIAMENT	106,466	103,388	97.1	105,432	102.0	115,080	109.2
15	PRESIDENT OF THE REPUBLIC OF CROATIA	28,824	30,448	105.6	27,555	90.5	28,050	101.8
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	24,130	23,210	96.2	23,673	102.0	24,496	103.5
18	AGENCY FOR THE PROTECTION OF MARKET COMPETITION	9,251	9,005	97.3	9,190	102.1	9,515	103.5
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	61,404	59,701	97.2	60,849	101.9	62,951	103.5
21	CENTRAL STATE OFFICE FOR ADMINISTRATION	193,338	0		0		0	
22	CENTRAL STATE OFFICE FOR E-CROATIA	3,011	2,721	90.3	2,811	103.3	2,992	106.4
23	CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS	6,280	6,072	96.7	6,195	102.0	6,377	102.9
24	CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT	5,899	6,090	103.2	6,207	101.9	6,425	103.5
25	MINISTRY OF FINANCE	985,349	996,000	101.1	1,018,000	102.2	1,057,950	103.9
27	RC – SECURITY AND INTELLIGENCE AGENCY	230,886	228,000	98.8	232,380	101.9	239,842	103.2
30	MINISTRY OF DEFENCE	2,993,237	2,854,300	95.4	2,854,000	100.0	2,917,000	102.2
40	MINISTRY OF THE INTERIOR	3,120,895	3,148,442	100.9	3,210,000	102.0	3,332,500	103.8
46	MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY	40,870	39,940	97.7	40,720	102.0	42,132	103.5
48	MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION	338,077	346,200	102.4	353,000	102.0	365,112	103.4
50	MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP	563,346	554,700	98.5	565,500	101.9	584,800	103.4
55	MINISTRY OF CULTURE	277,403	276,100	99.5	281,508	102.0	291,262	103.5
60	MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT	155,055	171,000	110.3	174,300	101.9	180,300	103.4
62	MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT	67,330	68,330	101.5	69,660	101.9	72,050	103.4
65	MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE	92,588	91,580	98.9	93,400	102.0	96,600	103.4
75	MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION	100,495	101,030	100.5	103,018	102.0	106,567	103.4
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	9,136,299	9,424,530	103.2	9,702,000	102.9	10,082,800	103.9
90	MINISTRY OF TOURISM	10,668	11,560	108.4	11,820	102.2	12,320	104.2
95	MINISTRY OF ADMINISTRATION	143,726	346,320	241.0	352,930	101.9	364,700	103.3
100	MINISTRY OF HEALTH AND SOCIAL WELFARE	1,036,694	1,041,792	100.5	1,061,860	101.9	1,097,681	103.4
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	46,613	47,838	102.6	48,733	101.9	50,306	103.2
110	MINISTRY OF JUSTICE	1,799,438	1,791,712	99.6	1,827,134	102.0	1,891,149	103.5
115	DEVELOPMENT AND EMPLOYMENT FUND	2,412	2,573	106.7	2,623	102.0	2,714	103.5
116	REGIONAL DEVELOPMENT FUND	1,579	2,083	131.9	2,124	102.0	2,197	103.4
120	OMBUDSMAN'S OFFICE	6,215	6,244	100.5	6,368	102.0	6,595	103.6
121	OMBUDSMAN FOR CHILDREN	3,578	3,495	97.7	3,565	102.0	3,689	103.5
122	OMBUDSMAN FOR GENDER EQUALITY	1,810	1,718	94.9	1,771	103.1	1,843	104.0
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	1,991	2,047	102.8	2,087	102.0	2,160	103.5
140	METEOROLOGICAL AND HYDROLOGICAL SERVICE	43,268	46,163	106.7	47,060	101.9	48,662	103.4
150	STATE OFFICE FOR METROLOGY	11,945	12,582	105.3	12,826	101.9	13,263	103.4
151	CROATIAN STANDARDS INSTITUTE	7,108	7,064	99.4	7,203	102.0	7,451	103.4
152	CROATIAN ACCREDITATION AGENCY	3,286	3,504	106.6	3,575	102.0	3,698	103.4
156	STATE INTELLECTUAL PROPERTY OFFICE	13,776	13,684	99.3	13,955	102.0	14,435	103.4
160	CENTRAL BUREAU OF STATISTICS	42,367	44,688	105.5	45,570	102.0	47,133	103.4
175	CROATIAN HYDROGRAPHIC INSTITUTE	9,205	9,091	98.8	9,273	102.0	9,595	103.5
180	STATE GEODETIC DIRECTORATE	111,925	114,163	102.0	116,362	101.9	120,288	103.4
185	STATE AUDIT OFFICE	44,987	43,926	97.6	44,868	102.1	46,405	103.4
196	STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES	5,042	5,115	101.5	5,219	102.0	5,399	103.5
220	CROATIAN MINE ACTION CENTRE	30,058	29,944	99.6	30,523	101.9	31,584	103.5
225	STATE INSPECTOR'S OFFICE	115,448	114,755	99.4	117,916	102.8	121,962	103.4
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	438	428	97.9	436	101.9	451	103.4
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	4,233	4,143	97.9	4,246	102.5	4,415	104.0
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	13,269	14,193	107.0	14,437	101.7	14,944	103.5
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	7,785	7,930	101.9	8,087	102.0	8,369	103.5
242	INSTITUTE FOR INFORMATION SYSTEMS SECURITY	5,458	6,334	116.1	6,459	102.0	6,680	103.4
250	PERSONAL DATA PROTECTION AGENCY	4,131	3,977	96.3	4,049	101.8	4,191	103.5
255	CROATIAN INSTITUTE FOR RADIATION PROTECTION	2,052	1,958	95.4	1,996	102.0	2,075	103.9
260	STATE INSTITUTE FOR NUCLEAR SAFETY	2,792	2,744	98.3	2,798	102.0	2,894	103.4

Source: Ministry of Finance

Table 11: 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 2010 – 2012

	(000 HRK)	2009 plan	2010 projection	10/09 index	2011 projection	11/10 index	2012 projection	12/11 index
TOTAL		7,645,699	7,436,834	97.3	7,595,699	102.1	7,702,436	101.4
10 CROATIAN PARLIAMENT		41,691	61,700	148.0	102,200	165.6	44,000	43.1
15 PRESIDENT OF THE REPUBLIC OF CROATIA		17,745	14,780	83.3	14,990	101.4	15,300	102.1
17 CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA		7,219	7,600	105.3	7,800	102.6	8,100	103.8
18 AGENCY FOR THE PROTECTION OF MARKET COMPETITION		4,092	4,000	97.8	3,901	97.5	3,960	101.5
20 GOVERNMENT OF THE REPUBLIC OF CROATIA		54,144	50,200	92.7	51,500	102.6	51,300	99.6
21 CENTRAL STATE OFFICE FOR ADMINISTRATION		54,274	0		0		0	
22 CENTRAL STATE OFFICE FOR E-CROATIA		20,820	18,630	89.5	18,700	100.4	19,250	102.9
23 CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS		5,261	7,500	142.5	7,550	100.7	6,100	80.8
24 CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT		19,902	19,900	100.0	19,700	99.0	20,000	101.5
25 MINISTRY OF FINANCE		840,791	820,000	97.5	822,900	100.4	830,000	100.9
27 RC – SECURITY AND INTELLIGENCE AGENCY		71,188	81,830	114.9	110,100	134.5	121,069	110.0
30 MINISTRY OF DEFENCE		1,787,535	1,800,000	100.7	1,820,000	101.1	1,900,000	104.4
40 MINISTRY OF THE INTERIOR		922,656	922,000	99.9	922,000	100.0	937,000	101.6
46 MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY		59,177	57,000	96.3	57,600	101.1	57,800	100.3
48 MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION		210,195	227,300	108.1	218,300	96.0	219,400	100.5
50 MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP		307,680	304,800	99.1	305,000	100.1	305,500	100.2
55 MINISTRY OF CULTURE		109,375	108,300	99.0	109,400	101.0	110,000	100.5
60 MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT		315,620	286,000	90.6	289,000	101.0	292,000	101.0
62 MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT		94,246	85,345	90.6	86,200	101.0	88,300	102.4
65 MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE		99,947	85,900	85.9	86,800	101.0	88,950	102.5
75 MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION		83,904	79,505	94.8	81,236	102.2	83,215	102.4
80 MINISTRY OF SCIENCE, EDUCATION AND SPORTS		810,964	775,600	95.6	791,501	102.1	796,351	100.6
90 MINISTRY OF TOURISM		10,891	10,560	97.0	10,700	101.3	10,950	102.3
95 MINISTRY OF ADMINISTRATION		55,891	105,530	188.8	108,260	102.6	109,300	101.0
100 MINISTRY OF HEALTH AND SOCIAL WELFARE		462,530	353,530	76.4	364,600	103.1	371,450	101.9
106 CROATIAN ACADEMY OF SCIENCE AND ARTS		10,430	8,500	81.5	8,530	100.4	8,580	100.6
110 MINISTRY OF JUSTICE		643,336	643,000	99.9	660,000	102.6	670,000	101.5
115 DEVELOPMENT AND EMPLOYMENT FUND		2,884	3,160	109.6	3,215	101.7	3,216	100.0
116 REGIONAL DEVELOPMENT FUND		2,080	1,580	75.9	1,630	103.2	1,660	101.8
120 OMBUDSMAN'S OFFICE		897	890	99.3	912	102.4	919	100.7
121 OMBUDSMAN FOR CHILDREN		2,040	2,060	101.0	2,160	104.9	2,195	101.6
122 OMBUDSMAN FOR GENDER EQUALITY		942	936	99.3	944	100.9	953	100.9
123 OMBUDSMAN FOR PEOPLE WITH DISABILITIES		723	758	104.8	785	103.6	781	99.4
140 METEOROLOGICAL AND HYDROLOGICAL SERVICE		43,099	41,100	95.4	41,500	101.0	41,850	100.8
150 STATE OFFICE FOR METROLOGY		10,560	10,101	95.7	10,220	101.2	10,340	101.2
151 CROATIAN STANDARDS INSTITUTE		4,015	4,360	108.6	4,390	100.7	4,421	100.7
152 CROATIAN ACCREDITATION AGENCY		3,031	2,780	91.7	2,890	104.0	3,060	105.9
156 STATE INTELLECTUAL PROPERTY OFFICE		5,523	4,930	89.3	4,986	101.1	4,990	100.1
160 CENTRAL BUREAU OF STATISTICS		29,850	34,850	116.8	30,520	87.6	30,650	100.4
175 CROATIAN HYDROGRAPHIC INSTITUTE		1,567	1,560	99.6	1,580	101.3	1,610	101.9
180 STATE GEODETIC DIRECTORATE		111,509	104,850	94.0	107,320	102.4	109,450	102.0
185 STATE AUDIT OFFICE		8,713	8,630	99.0	8,723	101.1	8,798	100.9
196 STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES		1,219	1,420	116.5	1,480	104.2	1,560	105.4
220 CROATIAN MINE ACTION CENTRE		237,830	217,800	91.6	235,600	108.2	248,400	105.4
225 STATE INSPECTOR'S OFFICE		34,646	34,100	98.4	35,600	104.4	36,281	101.9
230 COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES		227	215	94.6	220	102.2	223	101.2
235 CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY		1,400	1,230	87.9	1,270	103.2	1,303	102.5
240 OFFICE OF THE NATIONAL SECURITY COUNCIL		3,310	3,420	103.3	3,560	104.1	3,700	103.9
241 OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS		5,896	5,101	86.5	5,231	102.5	5,371	102.7
242 INSTITUTE FOR INFORMATION SYSTEMS SECURITY		3,331	3,300	99.1	3,500	106.1	3,589	102.5
250 PERSONAL DATA PROTECTION AGENCY		1,940	2,234	115.2	2,290	102.5	2,350	102.6
255 CROATIAN INSTITUTE FOR RADIATION PROTECTION		2,232	2,138	95.8	2,245	105.0	2,303	102.6
260 STATE INSTITUTE FOR NUCLEAR SAFETY		4,730	4,320	91.3	4,460	103.2	4,589	102.9

Source: Ministry of Finance

Table 12: 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 2010 – 2012

	(000 HRK)	2009 plan	2010 projection	10/09 index	2011 projection	11/10 index	2012 projection	12/11 index
TOTAL		5,244,509	6,253,036	119.2	6,484,033	103.7	6,691,329	103.2
10	CROATIAN PARLIAMENT	66	33	50.3	50	151.5	40	80.0
15	PRESIDENT OF THE REPUBLIC OF CROATIA	921	850	92.3	800	94.1	820	102.5
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA	5	3	60.0	3	103.3	3	103.2
18	AGENCY FOR THE PROTECTION OF MARKET COMPETITION	5	5	90.0	5	101.1	5	105.5
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	215	175	81.5	178	101.7	180	101.1
21	CENTRAL STATE OFFICE FOR ADMINISTRATION	90	0		0		0	
22	CENTRAL STATE OFFICE FOR E-CROATIA	14	9	64.3	10	111.1	10	102.0
23	CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS	4	2	50.0	2	100.0	2	105.0
24	CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT	1,420	2,800	197.2	2,850	101.8	2,860	100.4
25	MINISTRY OF FINANCE	4,894,805	5,915,000	120.8	6,140,000	103.8	6,350,000	103.4
27	RC – SECURITY AND INTELLIGENCE AGENCY	285	290	101.8	300	103.4	310	103.3
30	MINISTRY OF DEFENCE	48,519	48,000	98.9	45,000	93.8	40,000	88.9
40	MINISTRY OF THE INTERIOR	14,160	14,000	98.9	14,500	103.6	14,200	97.9
46	MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY	1,250	1,200	96.0	1,200	100.0	1,250	104.2
48	MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION	4,845	4,200	86.7	4,230	100.7	4,500	106.4
50	MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP	94,121	140,000	148.7	142,000	101.4	141,400	99.6
55	MINISTRY OF CULTURE	401	420	104.8	422	100.5	425	100.7
60	MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT	2,527	2,300	91.0	2,400	104.3	2,450	102.1
62	MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT	154	100	64.9	102	102.0	103	101.0
65	MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE	423	250	59.1	255	102.0	260	102.0
75	MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION	442	400	90.5	410	102.5	420	102.4
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	84,267	90,000	106.8	95,000	105.6	97,000	102.1
90	MINISTRY OF TOURISM	20	21	105.0	22	104.8	23	102.3
95	MINISTRY OF ADMINISTRATION	166	260	156.6	265	101.9	270	101.9
100	MINISTRY OF HEALTH AND SOCIAL WELFARE	79,285	17,300	21.8	18,600	107.5	19,400	104.3
106	CROATIAN ACADEMY OF SCIENCE AND ARTS	27	4	14.8	4	101.3	4	101.2
110	MINISTRY OF JUSTICE	8,512	8,300	97.5	8,245	99.3	8,180	99.2
115	DEVELOPMENT AND EMPLOYMENT FUND	6,554	6,250	95.4	6,300	100.8	6,320	100.3
116	REGIONAL DEVELOPMENT FUND	350	355	101.4	357	100.6	360	100.9
120	OMBUDSMAN'S OFFICE	3	3	103.3	3	103.2	3	102.8
121	OMBUDSMAN FOR CHILDREN	4	4	100.6	4	100.6	4	102.5
122	OMBUDSMAN FOR GENDER EQUALITY	1	1	50.0	1	110.0	1	105.5
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES	2	1	50.0	1	105.0	1	102.9
140	METEOROLOGICAL AND HYDROLOGICAL SERVICE	346	255	73.8	258	101.2	262	101.6
150	STATE OFFICE FOR METROLOGY	17	10	55.9	10	103.2	10	103.1
151	CROATIAN STANDARDS INSTITUTE	22	21	95.5	22	104.8	23	103.6
152	CROATIAN ACCREDITATION AGENCY	22	21	96.8	21	101.0	21	100.2
156	STATE INTELLECTUAL PROPERTY OFFICE	16	15	93.8	16	103.3	16	103.2
160	CENTRAL BUREAU OF STATISTICS	60	35	58.3	36	102.9	37	102.2
175	CROATIAN HYDROGRAPHIC INSTITUTE	0	0		0		0	
180	STATE GEODETIC DIRECTORATE	35	42	120.0	44	104.3	46	104.1
185	STATE AUDIT OFFICE	0	0		0		0	
196	STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES	2	3	127.5	3	100.0	3	107.7
220	CROATIAN MINE ACTION CENTRE	20	10	50.0	11	105.0	11	102.9
225	STATE INSPECTOR'S OFFICE	64	60	93.8	64	106.7	65	101.6
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES	1	0	X	0	X	0	X
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	3	4	107.7	4	108.6	4	106.3
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	13	5	38.5	5	104.0	5	101.0
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS	6	4	67.0	4	101.5	4	106.9
242	INSTITUTE FOR INFORMATION SYSTEMS SECURITY	8	8	100.0	8	101.3	8	101.1
250	PERSONAL DATA PROTECTION AGENCY	4	1	28.6	1	102.5	1	102.4
255	CROATIAN INSTITUTE FOR RADIATION PROTECTION	2	2	105.0	2	101.4	2	104.7
260	STATE INSTITUTE FOR NUCLEAR SAFETY	10	7	70.0	7	101.3	7	100.6

Source: Ministry of Finance

Table 13: 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 2010 – 2012

	(000 HRK)	2009 plan	2010 projection	10/09 index	2011 projection	11/10 index	2012 projection	12/11 index
TOTAL		6,842,683	5,995,200	87.6	6,239,250	104.1	6,319,080	101.3
10	CROATIAN PARLIAMENT							
15	PRESIDENT OF THE REPUBLIC OF CROATIA							
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA							
18	AGENCY FOR THE PROTECTION OF MARKET COMPETITION							
20	GOVERNMENT OF THE REPUBLIC OF CROATIA							
21	CENTRAL STATE OFFICE FOR ADMINISTRATION							
22	CENTRAL STATE OFFICE FOR E-CROATIA							
23	CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS							
24	CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT							
25	MINISTRY OF FINANCE	325,654	325,000	99.8	330,000	101.5	335,000	101.5
27	RC – SECURITY AND INTELLIGENCE AGENCY	2,000	0	X	1,950	X	1,980	101.5
30	MINISTRY OF DEFENCE							
40	MINISTRY OF THE INTERIOR							
46	MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY	8,000	5,000	62.5	7,500	150.0	8,000	106.7
48	MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION							
50	MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP	739,840	572,000	77.3	550,000	96.2	520,000	94.5
55	MINISTRY OF CULTURE	11,380	10,000	87.9	11,500	115.0	11,500	100.0
60	MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT	3,428,832	2,980,000	86.9	3,050,000	102.3	2,930,000	96.1
62	MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT	1,000	0	X	0	X	0	X
65	MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE	2,237,898	2,022,000	90.4	2,200,300	108.8	2,420,000	110.0
75	MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION							
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	55,172	45,200	81.9	48,000	106.2	49,600	103.3
90	MINISTRY OF TOURISM	32,401	36,000	111.1	40,000	111.1	43,000	107.5
95	MINISTRY OF ADMINISTRATION							
100	MINISTRY OF HEALTH AND SOCIAL WELFARE							
106	CROATIAN ACADEMY OF SCIENCE AND ARTS							
110	MINISTRY OF JUSTICE							
115	DEVELOPMENT AND EMPLOYMENT FUND	506	0	X	0	X	0	X
116	REGIONAL DEVELOPMENT FUND							
120	OMBUDSMAN'S OFFICE							
121	OMBUDSMAN FOR CHILDREN							
122	OMBUDSMAN FOR GENDER EQUALITY							
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES							
140	METEOROLOGICAL AND HYDROLOGICAL SERVICE							
150	STATE OFFICE FOR METROLOGY							
151	CROATIAN STANDARDS INSTITUTE							
152	CROATIAN ACCREDITATION AGENCY							
156	STATE INTELLECTUAL PROPERTY OFFICE							
160	CENTRAL BUREAU OF STATISTICS							
175	CROATIAN HYDROGRAPHIC INSTITUTE							
180	STATE GEODETIC DIRECTORATE							
185	STATE AUDIT OFFICE							
196	STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES							
220	CROATIAN MINE ACTION CENTRE							
225	STATE INSPECTOR'S OFFICE							
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES							
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY							
240	OFFICE OF THE NATIONAL SECURITY COUNCIL							
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS							
242	INSTITUTE FOR INFORMATION SYSTEMS SECURITY							
250	PERSONAL DATA PROTECTION AGENCY							
255	CROATIAN INSTITUTE FOR RADIATION PROTECTION							
260	STATE INSTITUTE FOR NUCLEAR SAFETY							

Source: Ministry of Finance

Table 14: Limits of expense for compensations 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 2010 – 2012

	(000 HRK)	2009 plan	2010 projection	10/09 index	2011 projection	11/10 index	2012 projection	12/11 index
TOTAL		62,040,698	62,814,808	101.2	63,804,321	101.6	65,244,416	102.3
10	CROATIAN PARLIAMENT	40	30	75.0	35	116.7	42	120.0
15	PRESIDENT OF THE REPUBLIC OF CROATIA	20	10	50.0	11	110.0	12	109.1
17	CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA							
18	AGENCY FOR THE PROTECTION OF MARKET COMPETITION							
20	GOVERNMENT OF THE REPUBLIC OF CROATIA	8,594	8,400	97.7	8,400	100.0	8,400	100.0
21	CENTRAL STATE OFFICE FOR ADMINISTRATION							
22	CENTRAL STATE OFFICE FOR E-CROATIA	35	0	X	0	X	0	X
23	CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS	80	0	X	0	X	0	X
24	CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT							
25	MINISTRY OF FINANCE	150,000	143,000	95.3	150,000	104.9	150,000	100.0
27	RC – SECURITY AND INTELLIGENCE AGENCY	909	900	99.0	920	102.2	950	103.3
30	MINISTRY OF DEFENCE	10,249	10,300	100.5	10,500	101.9	10,800	102.9
40	MINISTRY OF THE INTERIOR	18,265	10,000	54.7	14,000	140.0	14,000	100.0
46	MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY	3,731,294	3,882,100	104.0	3,893,000	100.3	3,890,000	99.9
48	MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION	8,547	9,100	106.5	9,200	101.1	9,400	102.2
50	MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP	35,310,776	36,010,800	102.0	36,900,000	102.5	38,200,000	103.5
55	MINISTRY OF CULTURE	48,999	39,000	79.6	40,000	102.6	41,500	103.8
60	MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT	110	80	72.6	85	106.3	86	101.2
62	MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT	21,840	16,840	77.1	12,300	73.0	10,500	85.4
65	MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE	6,350	5,250	82.7	5,600	106.7	5,800	103.6
75	MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION							
80	MINISTRY OF SCIENCE, EDUCATION AND SPORTS	85,107	92,000	108.1	95,000	103.3	97,000	102.1
90	MINISTRY OF TOURISM	1,969	0	X	0	X	0	X
95	MINISTRY OF ADMINISTRATION							
100	MINISTRY OF HEALTH AND SOCIAL WELFARE	22,596,877	22,545,877	99.8	22,625,000	100.4	22,766,000	100.6
106	CROATIAN ACADEMY OF SCIENCE AND ARTS							
110	MINISTRY OF JUSTICE	4,644	4,670	100.6	4,860	104.1	5,047	103.8
115	DEVELOPMENT AND EMPLOYMENT FUND	34,962	36,000	103.0	35,000	97.2	34,500	98.6
116	REGIONAL DEVELOPMENT FUND							
120	OMBUDSMAN'S OFFICE							
121	OMBUDSMAN FOR CHILDREN							
122	OMBUDSMAN FOR GENDER EQUALITY	17	16	94.1	18	109.4	18	101.7
123	OMBUDSMAN FOR PEOPLE WITH DISABILITIES							
140	METEOROLOGICAL AND HYDROLOGICAL SERVICE	61	0	X	0	X	0	X
150	STATE OFFICE FOR METROLOGY							
151	CROATIAN STANDARDS INSTITUTE							
152	CROATIAN ACCREDITATION AGENCY							
156	STATE INTELLECTUAL PROPERTY OFFICE							
160	CENTRAL BUREAU OF STATISTICS	474	0	X	0	X	0	X
175	CROATIAN HYDROGRAPHIC INSTITUTE							
180	STATE GEODETIC DIRECTORATE							
185	STATE AUDIT OFFICE	338	400	118.3	356	89.0	321	90.1
196	STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES							
220	CROATIAN MINE ACTION CENTRE	63	0	X	0	X	0	X
225	STATE INSPECTOR'S OFFICE							
230	COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES							
235	CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY	30	0	X	0	X	0	X
240	OFFICE OF THE NATIONAL SECURITY COUNCIL	27	19	70.4	21	110.5	24	113.8
241	OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS							
242	INSTITUTE FOR INFORMATION SYSTEMS SECURITY	20	16	80.0	15	93.8	17	113.3
250	PERSONAL DATA PROTECTION AGENCY							
255	CROATIAN INSTITUTE FOR RADIATION PROTECTION							
260	STATE INSTITUTE FOR NUCLEAR SAFETY							

Source: Ministry of Finance

Table 15: Limits of other expense by divisions of the budgetary central government for the following sources of finance: general revenue and receipts, contributions and special purpose income from borrowing for the period 2010 – 2012

	(000 HRK)	2009 plan	2010 projection	10/09 index	2011 projection	11/10 index	2012 projection	12/11 index
TOTAL		10,076,056	8,979,156	89.1	9,422,493	104.9	9,513,812	101.0
10 CROATIAN PARLIAMENT		3,690	91,800	2487.8	132,820	144.7	4,000	3.0
15 PRESIDENT OF THE REPUBLIC OF CROATIA		1,640	750	45.7	810	108.0	880	108.6
17 CONSTITUTIONAL COURT OF THE REPUBLIC OF CROATIA		10,759	26,800	249.1	18,650	69.6	1,800	9.7
18 AGENCY FOR THE PROTECTION OF MARKET COMPETITION		302	260	86.0	270	103.8	200	74.1
20 GOVERNMENT OF THE REPUBLIC OF CROATIA		56,802	54,800	96.5	53,900	98.4	53,600	99.4
21 CENTRAL STATE OFFICE FOR ADMINISTRATION		1,657	0	x	0	x	0	x
22 CENTRAL STATE OFFICE FOR E-CROATIA		530	535	100.9	521	97.4	518	99.4
23 CENTRAL STATE OFFICE FOR DEVELOPMENT STRATEGY AND COORDINATION OF EU FUNDS		440	190	43.2	145	76.3	52	35.9
24 CENTRAL STATE OFFICE FOR STATE PROPERTY MANAGEMENT		540	12,645	2341.7	5,040	39.9	7,050	139.9
25 MINISTRY OF FINANCE		3,282,052	3,442,370	104.9	3,504,000	101.8	3,567,732	101.8
27 RC – SECURITY AND INTELLIGENCE AGENCY		30,700	24,080	78.4	24,350	101.1	18,850	77.4
30 MINISTRY OF DEFENCE		168,193	37,000	22.0	1,000	2.7	1,200	120.0
40 MINISTRY OF THE INTERIOR		285,982	201,500	70.5	157,450	78.1	66,900	42.5
46 MINISTRY OF THE FAMILY, VETERANS' AFFAIRS AND INTERGENERATIONAL SOLIDARITY		104,120	88,700	85.2	78,900	89.0	74,700	94.7
48 MINISTRY OF FOREIGN AFFAIRS AND EUROPEAN INTEGRATION		16,801	12,350	73.5	12,700	102.8	12,450	98.0
50 MINISTRY OF THE ECONOMY, LABOUR AND ENTREPRENEURSHIP		213,579	153,450	71.8	186,920	121.8	192,400	102.9
55 MINISTRY OF CULTURE		424,446	414,200	97.6	420,500	101.5	426,500	101.4
60 MINISTRY OF AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT		290,511	226,000	77.8	218,300	96.6	224,400	102.8
62 MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT		1,245,822	1,115,500	89.5	1,174,000	105.2	1,206,100	102.7
65 MINISTRY OF THE SEA, TRANSPORT AND INFRASTRUCTURE		1,385,674	1,250,901	90.3	1,331,310	106.4	1,444,512	108.5
75 MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION		181,487	156,800	86.4	195,700	124.8	224,900	114.9
80 MINISTRY OF SCIENCE, EDUCATION AND SPORTS		1,394,926	794,860	57.0	871,731	109.7	881,900	101.2
90 MINISTRY OF TOURISM		179,225	168,101	93.8	171,900	102.3	174,400	101.5
95 MINISTRY OF ADMINISTRATION		2,048	3,930	191.9	3,780	96.2	4,074	107.8
100 MINISTRY OF HEALTH AND SOCIAL WELFARE		562,342	489,500	87.0	556,301	113.6	590,674	106.2
106 CROATIAN ACADEMY OF SCIENCE AND ARTS		5,314	3,950	74.3	4,200	106.3	4,280	101.9
110 MINISTRY OF JUSTICE		80,659	72,490	89.9	156,762	216.3	181,023	115.5
115 DEVELOPMENT AND EMPLOYMENT FUND		68	123	180.4	85	69.1	92	108.2
116 REGIONAL DEVELOPMENT FUND		93,042	92,042	98.9	93,646	101.7	100,850	107.7
120 OMBUDSMAN'S OFFICE		88	43	48.9	46	107.0	49	106.5
121 OMBUDSMAN FOR CHILDREN		92	151	163.7	154	102.0	109	70.8
122 OMBUDSMAN FOR GENDER EQUALITY		84	85	101.2	78	91.8	84	107.7
123 OMBUDSMAN FOR PEOPLE WITH DISABILITIES		208	220	105.8	190	86.4	172	90.5
140 METEOROLOGICAL AND HYDROLOGICAL SERVICE		6,210	5,180	83.4	5,195	100.3	4,411	84.9
150 STATE OFFICE FOR METROLOGY		3,094	2,160	69.8	2,221	102.8	2,403	108.2
151 CROATIAN STANDARDS INSTITUTE		1,153	915	79.4	963	105.2	1,026	106.5
152 CROATIAN ACCREDITATION AGENCY		333	141	42.2	121	86.3	135	111.7
156 STATE INTELLECTUAL PROPERTY OFFICE		759	820	108.1	720	87.9	705	97.8
160 CENTRAL BUREAU OF STATISTICS		4,030	2,630	65.3	6,800	258.6	6,600	97.1
175 CROATIAN HYDROGRAPHIC INSTITUTE		450	400	88.9	380	95.0	350	92.1
180 STATE GEODETIC DIRECTORATE		18,262	15,160	83.0	14,710	97.0	15,811	107.5
185 STATE AUDIT OFFICE		530	940	177.4	731	77.7	810	110.9
196 STATE COMMISSION FOR THE SUPERVISION OF PUBLIC PROCUREMENT PROCEDURES		58	68	117.3	40	58.2	57	144.6
220 CROATIAN MINE ACTION CENTRE		2,768	2,521	91.1	2,621	104.0	2,696	102.9
225 STATE INSPECTOR'S OFFICE		2,344	2,240	95.6	2,430	108.5	2,680	110.3
230 COMMISSION ON RELATIONS WITH RELIGIOUS COMMUNITIES		10	7	70.0	5	71.4	9	180.0
235 CROATIAN INFORMATION AND DOCUMENTATION REFERRAL AGENCY		333	150	45.0	180	120.0	183	101.7
240 OFFICE OF THE NATIONAL SECURITY COUNCIL		1,185	1,370	115.6	1,430	104.4	1,480	103.5
241 OPERATIONAL AND TECHNICAL CENTRE FOR THE SUPERVISION OF TELECOMMUNICATIONS		3,643	2,435	66.8	2,848	117.0	3,280	115.2
242 INSTITUTE FOR INFORMATION SYSTEMS SECURITY		2,361	1,472	62.3	1,350	91.7	1,425	105.6
250 PERSONAL DATA PROTECTION AGENCY		889	696	78.3	598	85.9	700	117.0
255 CROATIAN INSTITUTE FOR RADIATION PROTECTION		2,750	2,460	89.5	1,860	75.6	1,505	80.9
260 STATE INSTITUTE FOR NUCLEAR SAFETY		1,071	1,265	118.1	1,130	89.3	1,096	97.0

Source: Ministry of Finance

Determinants of expenditure of extra-budgetary users for the period 2010 – 2012

Total expenditure of extra-budgetary users will gradually reduce its share in GDP from 1.7% in 2010 to 1.6% in 2012. The most significant category in the total expenditure of extra-budgetary users is material expense that will amount to 0.7% of GDP in the forthcoming period. Expense on the acquisition of nonfinancial assets will record the average share in GDP of 0.4%. Compensation of employees and financial expense will stand at the level of 0.1% of GDP. Likewise, capital grants and other expense will on average amount to 0.2% of GDP during the entire observed period.

Table 16: Key items of expenditure of extra-budgetary users

% of GDP	2008	2009	plan	2010 projection	2011 projection	2012 projection
Total expenditure	2.0	1.7		1.7	1.7	1.6
compensation of employees	0.1	0.1		0.1	0.1	0.1
material expense	1.0	0.8		0.7	0.7	0.7
financial expense	0.1	0.1		0.1	0.1	0.1
capital grants	0.2	0.1		0.1	0.2	0.2
expense for the acquisition of nonfinancial assets	0.4	0.4		0.4	0.4	0.4
other	0.2	0.2		0.2	0.2	0.2

Source: Ministry of Finance

4.4.3. Determinants of expenditure of local and regional self-government units for the period 2010 – 2012

Total expenditure of local and regional self-government units in 2010 and 2011 will remain at the level of 4.8% of GDP, while in 2012 it will decrease by 0.1 percentage points. The key item of local and regional self-government units is material expense that will stand at the average level of 1.5% of GDP. Compensation of employees will remain at the level of 1.0% of GDP, with subsidies and other expense at the average level of 0.3% of GDP. Current donations will stand at the level of 0.4% of GDP, while expense on the acquisition of nonfinancial assets will stand at the level of 1.0% of GDP. Compensations to citizens and households will record the share in GDP of 0.2%, and financial expense and grants the share of 0.1% of GDP.

Table 17: Key items of expenditure of local and regional self-government units

% of GDP	2008	2009 plan	2010 projection	2011 projection	2012 projection
Total expenditure	5.2	4.8	4.8	4.8	4.7
compensation of employees	0.9	1.0	1.0	1.0	1.0
material expense	1.5	1.6	1.5	1.5	1.4
financial expense	0.1	0.1	0.1	0.1	0.1
subsidies	0.4	0.3	0.3	0.3	0.3
grants	0.1	0.1	0.1	0.1	0.1
compensations to citizens and households	0.2	0.2	0.2	0.2	0.2
current donations	0.4	0.4	0.4	0.4	0.4
expense for the acquisition of nonfinancial assets	1.2	1.0	1.0	1.0	1.0
other	0.4	0.3	0.3	0.3	0.3

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

Source: Ministry of Finance

4.5. Consolidated general government in the period 2010 – 2012

In accordance with the expected recovery of the economy and focus of the overall fiscal policy to ensuring the long-term stability, it is expected that the general government deficit will drop from 2.9% of GDP in 2009 to 2.3% of GDP in 2010. The budgetary central government will make the greatest contribution to this as it will reduce its deficit by 0.7 percentage points or 2.8% of GDP in 2009 to 2.1% of GDP in 2010. Such trends are the result of considerable savings made on the expenditure side of the budget and also of the yearly effect of the implementation of legal provisions adopted in July 2009 relating to the revenue side of the budget.

The trend of reducing the general government budget deficit will continue in the next two years. In 2011 the deficit will amount to 2.2% of GDP and 1.4% of GDP in 2012. The fiscal effect of the special tax on salaries, pensions and other income has not been envisaged for 2011 as the Act lays down its application until 31 December 2010. Accordingly, the budgetary central government deficit will be reduced from 2.0% of GDP in 2011 to 1.2% of GDP in 2012. Extra-budgetary users will maintain the level of 0.2% of GDP in the overall medium-term period, while the local units will record only a mild deficit.

Table 18: Consolidated general government budget 2008 – 2012

(000 HRK)	2008	2009	plan	2010 projection	2011 projection	2012 projection
TOTAL REVENUE (6+7)	136,242,190	129,209,248		131,391,799	134,669,694	141,289,827
6 Revenue	134,710,393	128,334,774		130,408,250	133,580,884	140,154,154
7 Revenue from the sale of nonfinancial assets	1,531,797	874,475		983,549	1,088,810	1,135,674
TOTAL EXPENDITURE (3+4)	139,241,444	138,948,260		139,442,740	142,938,564	146,848,538
3 Expense	130,355,989	132,003,632		132,738,598	135,868,580	139,700,431
4 Expense for the acquisition of nonfinancial assets	8,885,456	6,944,628		6,704,142	7,069,984	7,148,107
TOTAL DEFICIT/SURPLUS	-2,999,254	-9,739,012		-8,050,941	-8,268,870	-5,558,711
<i>% of GDP</i>	-0.9	-2.9		-2.3	-2.2	-1.4
FINANCING	2,999,254	9,739,012		8,050,941	8,268,870	5,558,711
8 Income from financial assets and borrowings	14,870,905	23,105,667		30,025,479	21,504,413	17,101,904
5 Expense for financial assets and loan repayment	9,531,656	12,446,326		21,280,386	12,622,174	10,940,621
Change in currency and deposits	2,339,996	920,329		694,152	613,368	602,573

Source: Ministry of Finance

Table 19: Revenue, expenditure and total deficit/surplus of general government in the period 2008 – 2012

(000 HRK)	2008	2009 plan	2010 projection	2011 projection	2012 projection
BUDGETARY CENTRAL GOVERNMENT					
Total revenue	116,076,074	111,210,059	113,052,042	115,514,719	121,242,089
% of GDP	33.9	33.1	32.6	31.3	30.8
Total expenditure	118,583,975	120,537,131	120,385,427	123,080,181	126,049,368
% of GDP	34.7	35.9	34.7	33.3	32.0
Total deficit/surplus	-2,507,901	-9,327,072	-7,333,386	-7,565,462	-4,807,279
% of GDP	-0.7	-2.8	-2.1	-2.0	-1.2
EXTRA-BUDGETARY USERS					
Total revenue	6,505,256	5,336,699	5,476,879	5,881,669	5,843,234
% of GDP	1.9	1.6	1.6	1.6	1.5
Total expenditure	7,009,166	5,748,787	6,049,554	6,452,882	6,459,365
% of GDP	2.0	1.7	1.7	1.7	1.6
Total deficit/surplus	-503,910	-412,088	-572,676	-571,214	-616,130
% of GDP	-0.1	-0.1	-0.2	-0.2	-0.2
LOCAL GOVERNMENT					
Total revenue	17,873,109	16,202,417	16,683,278	17,491,156	18,441,168
% of GDP	5.2	4.8	4.8	4.7	4.7
Total expenditure	17,860,553	16,202,269	16,828,157	17,623,350	18,576,469
% of GDP	5.2	4.8	4.8	4.8	4.7
Total deficit/surplus	12,556	148	-144,879	-132,194	-135,301
% of GDP	0.0	0.0	0.0	0.0	0.0
CONSOLIDATED GENERAL GOVERNMENT					
Total revenue	136,242,190	129,209,248	131,391,799	134,669,694	141,289,827
% of GDP	39.8	38.5	37.8	36.5	35.8
Total expenditure	139,241,444	138,948,260	139,442,740	142,938,564	146,848,538
% of GDP	40.7	41.4	40.1	38.7	37.2
Total deficit/surplus	-2,999,254	-9,739,012	-8,050,941	-8,268,870	-5,558,711
% of GDP	-0.9	-2.9	-2.3	-2.2	-1.4

Source: Ministry of Finance

5. PUBLIC DEBT IN MEDIUM-TERM PERIOD

5.1. Public debt in the period 2010 – 2012

This Chapter describes the institutional framework and the major features of borrowing policy and public debt management of the Republic of Croatia in the observed period. In this context it presents the structure of financing of the overall general government deficit, and the projection of developments and structure of public debt. Public debt sensitivity tests are described at the end of the chapter, which indicate changes in the public debt level in the conditions of considerable changes in the assumptions for some key macroeconomic and fiscal indicators as one of the models of quantifying the risks related to public debt management.

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

The fiscal consolidation process, which commenced in 2004 and successfully continued in the following years, resulted in positive effects on trends in public debt. In the previous period, the financing was mostly focused on domestic sources. If state borrowing through the issue of bonds is analysed, it is evident that in period 2005 – 2009 there had been no issues abroad.

Taking into account the changed conditions on the financial markets, as well as on the domestic market, and foreign bonds maturity in 2009, a part of the financing requirements was realised by issuing a foreign bond in May 2009. After five years of absence from the international financial markets, the Republic of Croatia issued a Eurobond in the amount of EUR 750 million at the price of 99.675% of the nominal sum, with the annual fixed interest rate of 6.5%, falling due in January 2015. With regard to the mentioned changed circumstances on the financial markets as well as alterations in the domestic and global macroeconomic conditions, a part of the total financing requirements in 2009 was settled by using the short-term instruments, primarily syndicated loans from domestic banks and treasury bills.

In the upcoming three-year period the financing requirements of the overall budget deficit and liabilities falling due will be directed to both domestic and foreign financial markets with the main goal of adjusting liabilities falling due according to the amount and date of payment, at the same time creating additional space for the financing of other sectors.

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

Table 20: Financing the total general government deficit in the period 2008 – 2012

(000 HRK)	2008	2009 plan	2010 projection	2011 projection	2012 projection
FINANCING	2.999.254	9.739.012	8.050.941	8.268.870	5.558.711
domestic	6.949.992	6.620.290	-391.213	3.260.971	1.833.886
loans	5.561.440	5.203.417	114.302	1.827.773	751.294
borrowings	7.083.516	8.395.563	10.580.661	2.866.435	4.531.704
repayments	1.522.076	3.192.146	10.466.360	1.038.661	3.780.410
bonds	1.388.552	1.416.873	-505.515	1.433.198	1.082.592
borrowings	4.294.554	1.701.531	2.806.828	3.950.000	4.950.000
repayments	2.906.002	284.658	3.312.343	2.516.802	3.867.408
foreign	-1.166.996	4.623.268	10.493.787	7.015.641	5.729.972
loans	-54.323	1.573.268	3.418.787	603.141	-520.028
borrowings	1.981.903	3.830.188	5.183.757	2.185.162	864.085
repayments	2.036.227	2.256.921	1.764.971	1.582.021	1.384.113
bonds	-1.112.673	3.050.000	7.075.000	6.412.500	6.250.000
borrowings	0	8.000.000	10.800.000	12.000.000	6.250.000
repayments	1.112.673	4.950.000	3.725.000	5.587.500	0
loan acquisition	1.309.153	1.330.866	1.615.563	1.496.040	1.501.540
loan disposals	627.946	623.884	330.809	351.315	352.315
shares and other equity acquisition	645.527	431.735	396.150	401.150	407.150
shares and other equity disposals	882.987	554.500	323.423	151.501	153.800
change in currency and deposits	2.339.996	920.329	694.152	613.369	602.573

Source: Ministry of Finance

The majority of liabilities falling due in the period 2010 – 2012 are liabilities maturing on the basis of syndicated loans from domestic banks totalling EUR 1.63 billion, and four maturity dates for bonds of which two are foreign totalling EUR 1.25 billion, and two domestic bonds of which one is denominated in euro in the amount of 500 million, and the other is denominated in kuna amounting to 3.0 billion.

Table 21: Overview of the bonds of the Republic of Croatia in the period 2010 – 2012

Bond	Date of issue	Amount (in million)	Interest rate	Date of maturity
DOMESTIC BONDS				
Series 08 D-10	08.03.2005.	3.000 HRK	6.75%	08.03.2010.
Series 03 D-12	23.5.2002.	500 EUR	6.88%	23.5.2012.
FOREIGN BONDS				
Euro - EUR V 2010.	24.02.2003.	500 EUR	4.63%	24.02.2010.
Euro - EUR III 2011.	06.03.2001.	750 EUR	6.75%	14.03.2011.

Source: Ministry of Finance

In accordance with the planned financing, in the following period public debt will increase its share in GDP from the estimated level of 32.7% of GDP in 2009 to more than 34% of GDP in

the period 2010 – 2012, with the tendency of decline in the last year of the projection period. Also, certain changes will occur in the levels of foreign and domestic public debt components expressed as a share of GDP resulting from maturity of liabilities in the projection period, and the planned realization of new borrowing on the domestic as well as on the foreign financial market.

Table 22: Projection of development and structure of the public debt in the period 2008 – 2012

% of GDP	2008	2009*	2010*	2011*	2012*
Total deficit/surplus	-0.9	-2.9	-2.3	-2.2	-1.4
Public debt	29.1	32.7	34.3	34.9	34.5
Foreign	8.8	10.4	13.1	14.2	14.7
Domestic	20.2	22.3	21.3	20.7	19.7

Source: Ministry of Finance

5.2. Testing public debt sensitivity trends

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

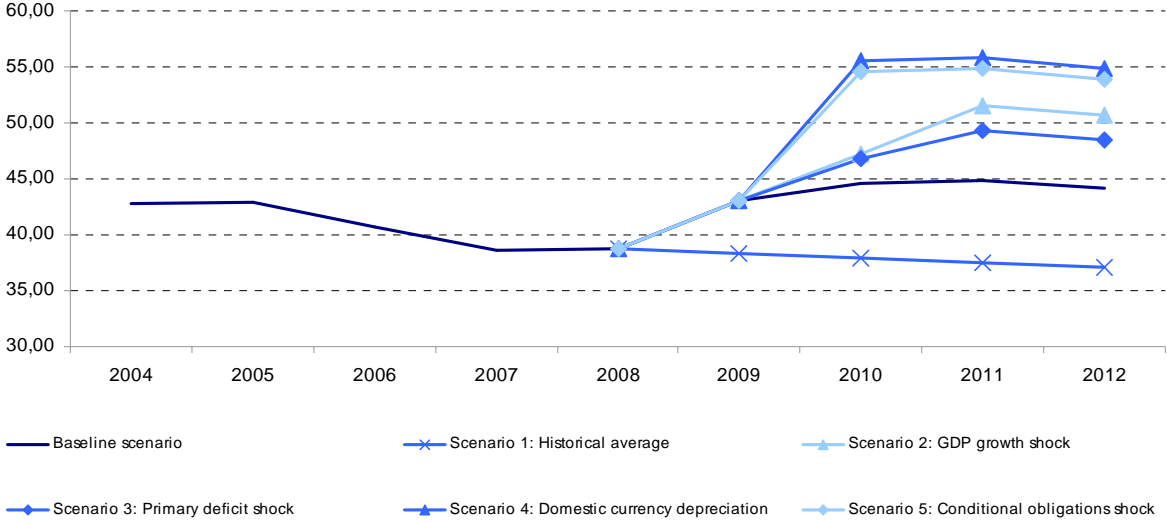
The carried out public debt sensitivity tests show that depreciation of domestic currency, primarily against euro, has the greatest influence on public debt development, i.e. its growth. The reason for this is the fact that a large share of debt is denominated in the foreign currency. This test shows that the arbitrary shock of depreciation of kuna in the amount of 20% increases the amount of public debt to over 55% of GDP in the projection period.

The debt also demonstrates higher sensitivity to changes in conditional obligations (guarantees), which indicates the need to contain their growth and eliminate the need to issue such guarantees, i.e. restructure certain sectors of the economy. Furthermore, public debt demonstrates a highly unfavourable medium-term development with respect to the arbitrary assumption of a decline in real GDP in 2010 and 2011 at the level expected for 2009. In this case, in the medium-term period public debt will increase to more than 50% of GDP. Likewise, public debt shows unfavourable trends in respect to changes of primary deficit since it is the main generator of debt, even more so as the impact of the initial shock subsides slowly and extends until the end of the period concerned.

On the other hand, the tests related to keeping the assumptions or real GDP growth rate, real interest rate and primary balance from 2008 onwards at the historical (average) values, show an entirely different trend than the tests described above. In this case, the trend in debt changes and the share of public debt in GDP is declining. This result differs from the baseline

scenario which is based on the medium-term macroeconomic projections, taking into account current macroeconomic trends and projections of trends in the medium-term period which are considerably altered compared to the historical average.

Chart 13: Development of public debt share in GDP according to various scenarios (in %)



Source: Ministry of Finance

ANNEXES

Annex 1: Budgetary central government 2008 – 2012

	Execution 2008		2009 plan		2010 projection		2011 projection		2012 projection	
	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP
TOTAL REVENUE (6+7)	116,076,074	33.9	111,210,059	33.1	113,052,042	32.6	115,514,719	31.3	121,242,089	30.8
6 Revenue	115,772,655	33.8	110,871,511	33.0	112,803,142	32.5	115,255,019	31.2	120,971,189	30.7
61 Revenues from taxes	66,344,968	19.4	60,346,779	18.0	62,611,070	18.0	62,890,349	17.0	65,738,222	16.7
62 Contributions	40,703,484	11.9	40,771,078	12.2	41,387,040	11.9	43,351,319	11.7	45,904,497	11.6
63 Grants	542,580	0.2	1,043,058	0.3	1,090,929	0.3	1,049,987	0.3	1,086,736	0.3
64 Property income	4,672,074	1.4	5,099,504	1.5	3,778,673	1.1	3,890,129	1.1	4,025,460	1.0
65 Revenues from sale of goods and services	2,939,615	0.9	3,032,829	0.9	3,354,626	1.0	3,477,260	0.9	3,599,834	0.9
66 Other revenue	569,934	0.2	578,262	0.2	580,803	0.2	595,974	0.2	616,439	0.2
7 Revenue from the sale of nonfinancial assets	303,419	0.1	338,549	0.1	248,900	0.1	259,700	0.1	270,900	0.1
71 Revenues from the sale of non-produced assets	41,683	0.0	50,945	0.0	20,000	0.0	21,400	0.0	22,000	0.0
72 Revenues from the sale of produced assets	254,352	0.1	284,910	0.1	228,900	0.1	238,300	0.1	248,900	0.1
74 Revenues from the sale of produced current assets	7,385	0.0	2,694	0.0	0	0.0	0	0.0	0	0.0
TOTAL EXPENDITURE (3+4)	118,583,975	34.7	120,537,131	35.9	120,385,427	34.7	123,080,181	33.3	126,049,368	32.0
3 Expense	115,292,426	33.7	118,041,084	35.2	118,519,720	34.1	121,119,467	32.8	124,106,577	31.5
31 Compensation of employees	21,594,259	6.3	22,164,759	6.6	22,382,770	6.4	22,857,612	6.2	23,678,277	6.0
32 Material expense	8,528,949	2.5	8,516,429	2.5	8,244,339	2.4	8,450,961	2.3	8,585,982	2.2
34 Financial expense	5,347,997	1.6	5,251,802	1.6	6,260,323	1.8	6,491,325	1.8	6,698,622	1.7
35 Subsidies	6,859,512	2.0	6,985,483	2.1	6,159,701	1.8	6,368,714	1.7	6,454,673	1.6
36 Grants	5,716,534	1.7	5,332,940	1.6	5,033,148	1.4	5,276,840	1.4	5,317,160	1.3
37 Compensations to citizens and households based on insurance and other compensations	60,135,609	17.6	63,786,513	19.0	64,531,863	18.6	65,600,586	17.8	67,132,448	17.0
38 Other expense	7,109,566	2.1	6,003,157	1.8	5,907,576	1.7	6,073,429	1.6	6,239,416	1.6
4 Expense for the acquisition of nonfinancial assets	3,291,549	1.0	2,496,048	0.7	1,865,707	0.5	1,960,714	0.5	1,942,791	0.5
41 Expense for the acquisition of non-produced assets	220,764	0.1	168,658	0.1	105,920	0.0	106,058	0.0	106,324	0.0
42 Expense for the acquisition of produced fixed assets	2,799,389	0.8	2,102,327	0.6	1,546,276	0.4	1,609,220	0.4	1,599,965	0.4
43 Expense for the acquisition of precious metals and other deposited valuables	10,126	0.0	4,538	0.0	3,855	0.0	14,315	0.0	4,421	0.0
44 Strategic inventories	86,829	0.0	2,000	0.0	27,000	0.0	30,000	0.0	30,000	0.0
45 Expense for additional investments in nonfinancial assets	174,441	0.1	218,525	0.1	182,656	0.1	201,121	0.1	202,082	0.1
TOTAL DEFICIT(-) / SURPLUS(+)	-2,507,901	-0.7	-9,327,072	-2.8	-7,333,386	-2.1	-7,565,462	-2.0	-4,807,279	-1.2
NET FINANCING	2,507,901	0.7	9,327,072	2.8	7,333,386	2.1	7,565,462	2.0	4,807,279	1.2
CHANGES TO DEPOSIT BALANCE	1,440,588	0.4	0	0.0	0	0.0	0	0.0	0	0.0
8 Income from financial assets and borrowings	12,308,413	3.6	20,471,290	6.1	27,416,816	7.9	19,131,467	5.2	14,783,390	3.7
81 Loan disposals	468,312	0.1	413,484	0.1	145,941	0.0	164,315	0.0	164,315	0.0
82 Securities (other than shares) disposals	3,987,347	1.2	9,551,531	2.8	13,456,828	3.9	15,800,000	4.3	11,050,000	2.8
83 Shares and other equity disposals	686,603	0.2	0	0.0	0	0.0	0	0.0	0	0.0
84 Loan incurrences	7,166,151	2.1	10,506,274	3.1	13,814,047	4.0	3,167,152	0.9	3,569,075	0.9
5 Expenses for financial assets and loan repayments	8,359,924	2.4	11,144,218	3.3	20,083,430	5.8	11,566,005	3.1	9,976,111	2.5
51 Loan acquisition	852,673	0.2	938,346	0.3	1,373,043	0.4	1,276,520	0.3	1,276,520	0.3
53 Shares and other equity acquisition	564,601	0.2	383,335	0.1	358,150	0.1	358,150	0.1	358,150	0.1
54 Loan repayments	2,932,547	0.9	4,597,196	1.4	11,331,212	3.3	1,847,850	0.5	4,495,351	1.1
55 Repayments of securities (other than shares)	4,010,103	1.2	5,225,341	1.6	7,021,026	2.0	8,083,485	2.2	3,846,090	1.0

Source: Ministry of Finance

Annex 2: Extra-budgetary users 2008 – 2012

	Execution 2008		2009 plan		2010 projection		2011 projection		2012 projection	
	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP
TOTAL REVENUE (6+7)	6,505,256	1.9	5,336,699	1.6	5,476,879	1.6	5,881,669	1.6	5,843,234	1.5
6 Revenue	6,324,347	1.8	5,260,789	1.6	5,408,070	1.6	5,813,454	1.6	5,784,419	1.5
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	2,160,253	0.6	1,663,836	0.5	1,934,397	0.6	2,276,465	0.6	2,229,137	0.6
64 Property income	542,219	0.2	654,528	0.2	645,986	0.2	704,305	0.2	690,811	0.2
65 Revenues from sale of goods and services	3,558,690	1.0	2,891,153	0.9	2,803,607	0.8	2,826,292	0.8	2,815,660	0.7
66 Other revenue	63,185	0.0	51,272	0.0	24,079	0.0	6,391	0.0	48,812	0.0
7 Revenue from the sale of nonfinancial assets	180,909	0.1	75,910	0.0	68,809	0.0	68,215	0.0	58,815	0.0
71 Revenues from the sale of non-produced assets	156,213	0.0	48,000	0.0	40,000	0.0	35,000	0.0	30,000	0.0
72 Revenues from the sale of produced assets	24,696	0.0	27,910	0.0	28,809	0.0	33,215	0.0	28,815	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)	7,009,166	2.0	5,748,787	1.7	6,049,554	1.7	6,452,882	1.7	6,459,365	1.6
3 Expense	5,578,677	1.6	4,568,380	1.4	4,603,134	1.3	4,902,704	1.3	5,054,430	1.3
31 Compensation of employees	275,628	0.1	301,461	0.1	308,030	0.1	323,417	0.1	339,761	0.1
32 Material expense	3,482,763	1.0	2,610,479	0.8	2,599,244	0.7	2,712,720	0.7	2,796,992	0.7
34 Financial expense	262,552	0.1	416,991	0.1	508,255	0.1	512,622	0.1	548,946	0.1
35 Subsidies	39,062	0.0	90,180	0.0	20,000	0.0	8,000	0.0	8,000	0.0
36 Grants	273,622	0.1	200,756	0.1	355,960	0.1	387,300	0.1	398,000	0.1
37 Compensations to citizens and households based on insurance and other compensations	704	0.0	2,000	0.0	5,000	0.0	5,000	0.0	5,000	0.0
38 Other expense	1,244,348	0.4	946,512	0.3	806,644	0.2	953,644	0.3	957,730	0.2
4 Expense for the acquisition of nonfinancial assets	1,430,489	0.4	1,180,407	0.4	1,446,420	0.4	1,550,178	0.4	1,404,935	0.4
41 Expense for the acquisition of non-produced assets	298,802	0.1	164,700	0.0	164,900	0.0	142,700	0.0	183,300	0.0
42 Expense for the acquisition of produced fixed assets	1,022,210	0.3	918,506	0.3	1,185,170	0.3	1,309,128	0.4	1,114,635	0.3
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	109,477	0.0	97,201	0.0	96,350	0.0	98,350	0.0	107,000	0.0
TOTAL DEFICIT(-) / SURPLUS(+)	-503,910	-0.1	-412,088	-0.1	-572,676	-0.2	-571,214	-0.2	-616,130	-0.2
NET FINANCING	503,910	0.1	412,088	0.1	572,676	0.2	571,214	0.2	616,130	0.2
CHANGES TO DEPOSIT BALANCE	804,955	0.2	934,124	0.3	694,152	0.2	613,369	0.2	602,573	0.2
8 Income from financial assets and borrowings	1,925,347	0.6	2,140,707	0.6	1,966,570	0.6	1,713,539	0.5	1,629,000	0.4
81 Loan disposals	44,749	0.0	140,000	0.0	41,500	0.0	47,000	0.0	50,000	0.0
82 Securities (other than shares) disposals	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
83 Shares and other equity disposals	173,055	0.1	526,500	0.2	287,923	0.1	113,001	0.0	115,000	0.0
84 Loan incurrences	1,707,542	0.5	1,474,207	0.4	1,637,147	0.5	1,553,538	0.4	1,464,000	0.4
5 Expenses for financial assets and loan repayments	616,482	0.2	794,495	0.2	699,743	0.2	528,957	0.1	410,297	0.1
51 Loan acquisition	334,955	0.1	240,000	0.1	117,000	0.0	88,500	0.0	88,500	0.0
53 Shares and other equity acquisition	17,243	0.0	0	0.0	0	0.0	0	0.0	0	0.0
54 Loan repayments	264,284	0.1	554,495	0.2	582,743	0.2	440,457	0.1	321,797	0.1
55 Repayments of securities (other than shares)	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0

Source: Ministry of Finance

Annex 3: Consolidated central government 2008 – 2012

	Execution 2008		2009 plan		2010 projection		2011 projection		2012 projection	
	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP
TOTAL REVENUE (6+7)	120,440,121	35.2	114,882,923	34.2	116,594,523	33.6	119,119,922	32.3	124,856,187	31.7
6 Revenue	119,955,792	35.1	114,468,464	34.1	116,276,814	33.5	118,792,007	32.2	124,526,472	31.6
61 Revenues from taxes	66,344,968	19.4	60,346,779	18.0	62,611,070	18.0	62,890,349	17.0	65,738,222	16.7
62 Contributions	40,703,484	11.9	40,771,078	12.2	41,387,040	11.9	43,351,319	11.7	45,904,497	11.6
63 Grants	561,624	0.2	1,043,058	0.3	1,090,929	0.3	1,049,987	0.3	1,086,736	0.3
64 Property income	5,214,293	1.5	5,754,032	1.7	4,424,659	1.3	4,594,434	1.2	4,716,271	1.2
65 Revenues from sale of goods and services	6,498,305	1.9	5,923,982	1.8	6,158,233	1.8	6,303,552	1.7	6,415,494	1.6
66 Other revenue	633,119	0.2	629,534	0.2	604,882	0.2	602,365	0.2	665,251	0.2
7 Revenue from the sale of nonfinancial assets	484,329	0.1	414,459	0.1	317,709	0.1	327,915	0.1	329,715	0.1
71 Revenues from the sale of non-produced assets	197,896	0.1	98,945	0.0	60,000	0.0	56,400	0.0	52,000	0.0
72 Revenues from the sale of produced assets	279,047	0.1	312,820	0.1	257,709	0.1	271,515	0.1	277,715	0.1
74 Revenues from the sale of produced current assets	7,385	0.0	2,694	0.0	0	0.0	0	0.0	0	0.0
TOTAL EXPENDITURE (3+4)	123,451,931	36.1	124,622,082	37.1	124,500,584	35.8	127,256,598	34.5	130,279,596	33.0
3 Expense	118,729,894	34.7	120,945,627	36.0	121,188,456	34.9	123,745,706	33.5	126,931,870	32.2
31 Compensation of employees	21,869,886	6.4	22,466,221	6.7	22,690,800	6.5	23,181,030	6.3	24,018,038	6.1
32 Material expense	12,011,711	3.5	11,126,908	3.3	10,843,583	3.1	11,163,681	3.0	11,382,975	2.9
34 Financial expense	5,610,549	1.6	5,668,793	1.7	6,768,578	1.9	7,003,947	1.9	7,247,568	1.8
35 Subsidies	6,898,573	2.0	7,075,663	2.1	6,179,701	1.8	6,376,714	1.7	6,462,673	1.6
36 Grants	3,848,947	1.1	3,869,860	1.2	3,454,711	1.0	3,387,674	0.9	3,486,023	0.9
37 Compensations to citizens and households based on insurance and other compensations	60,136,313	17.6	63,788,513	19.0	64,536,863	18.6	65,605,586	17.8	67,137,448	17.0
38 Other expense	8,353,914	2.4	6,949,689	2.1	6,714,221	1.9	7,027,074	1.9	7,197,146	1.8
4 Expense for the acquisition of nonfinancial assets	4,722,037	1.4	3,676,455	1.1	3,312,128	1.0	3,510,892	1.0	3,347,726	0.8
41 Expense for the acquisition of non-produced assets	519,565	0.2	333,358	0.1	270,820	0.1	248,758	0.1	289,624	0.1
42 Expense for the acquisition of produced fixed assets	3,821,599	1.1	3,020,834	0.9	2,731,447	0.8	2,918,348	0.8	2,714,600	0.7
43 Expense for the acquisition of precious metals and other deposited valuables	10,126	0.0	4,538	0.0	3,855	0.0	14,315	0.0	4,421	0.0
44 Strategic inventories	86,829	0.0	2,000	0.0	27,000	0.0	30,000	0.0	30,000	0.0
45 Expense for additional investments in nonfinancial assets	283,919	0.1	315,726	0.1	279,006	0.1	299,471	0.1	309,082	0.1
TOTAL DEFICIT(-) / SURPLUS(+)	-3,011,810	-0.9	-9,739,160	-2.9	-7,906,061	-2.3	-8,136,676	-2.2	-5,423,409	-1.4
NET FINANCING	3,011,810	0.9	9,739,160	2.9	7,906,061	2.3	8,136,676	2.2	5,423,409	1.4
CHANGES TO DEPOSIT BALANCE	2,245,544	0.7	934,124	0.3	694,152	0.2	613,368	0.2	602,573	0.2
8 Income from financial assets and borrowings	14,233,759	4.2	22,611,997	6.7	29,383,386	8.5	20,845,006	5.6	16,412,390	4.2
81 Loan disposals	513,061	0.1	553,484	0.2	187,441	0.1	211,315	0.1	214,315	0.1
82 Securities (other than shares) disposals	3,987,347	1.2	9,551,531	2.8	13,456,828	3.9	15,800,000	4.3	11,050,000	2.8
83 Shares and other equity disposals	859,658	0.3	526,500	0.2	287,923	0.1	113,001	0.0	115,000	0.0
84 Loan incurrences	8,873,693	2.6	11,980,481	3.6	15,451,194	4.4	4,720,690	1.3	5,033,075	1.3
5 Expenses for financial assets and loan repayments	8,976,406	2.6	11,938,713	3.6	20,783,173	6.0	12,094,961	3.3	10,386,408	2.6
51 Loan acquisition	1,187,628	0.3	1,178,346	0.4	1,490,043	0.4	1,365,020	0.4	1,365,020	0.3
53 Shares and other equity acquisition	581,844	0.2	383,335	0.1	358,150	0.1	358,150	0.1	358,150	0.1
54 Loan repayments	3,196,831	0.9	5,151,691	1.5	11,913,954	3.4	2,288,307	0.6	4,817,148	1.2
55 Repayments of securities (other than shares)	4,010,103	1.2	5,225,341	1.6	7,021,026	2.0	8,083,485	2.2	3,846,090	1.0

Source: Ministry of Finance

Annex 4: Units of local and regional self-government 2008 – 2012

	Execution 2008		2009 plan		2010 projection		2011 projection		2012 projection	
	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP
TOTAL REVENUE (6+7)	17,873,109	5.2	16,202,417	4.8	16,683,278	4.8	17,491,156	4.7	18,441,168	4.7
6 Revenue	16,825,641	4.9	15,742,401	4.7	16,017,438	4.6	16,730,261	4.5	17,635,209	4.5
61 Revenues from taxes	10,079,406	2.9	9,844,228	2.9	10,023,111	2.9	10,518,917	2.8	11,170,182	2.8
62 Contributions	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
63 Grants	2,075,587	0.6	1,883,091	0.6	1,893,001	0.5	1,948,384	0.5	2,014,527	0.5
64 Property income	1,184,248	0.3	1,148,173	0.3	1,170,456	0.3	1,210,567	0.3	1,257,499	0.3
65 Revenues from sale of goods and services	3,398,076	1.0	2,780,022	0.8	2,842,178	0.8	2,959,505	0.8	3,095,233	0.8
66 Other revenue	88,324	0.0	86,887	0.0	88,691	0.0	92,888	0.0	97,768	0.0
7 Revenue from the sale of nonfinancial assets	1,047,469	0.3	460,016	0.1	665,840	0.2	760,895	0.2	805,959	0.2
71 Revenues from the sale of non-produced assets	449,410	0.1	294,000	0.1	435,000	0.1	505,000	0.1	525,000	0.1
72 Revenues from the sale of produced assets	598,059	0.2	166,016	0.0	230,840	0.1	255,895	0.1	280,959	0.1
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)	17,860,553	5.2	16,202,269	4.8	16,828,157	4.8	17,623,350	4.8	18,576,469	4.7
3 Expense	13,697,135	4.0	12,934,095	3.9	13,436,143	3.9	14,064,259	3.8	14,776,088	3.7
31 Compensation of employees	3,225,415	0.9	3,315,010	1.0	3,461,556	1.0	3,618,970	1.0	3,781,734	1.0
32 Material expense	5,214,410	1.5	5,226,275	1.6	5,310,277	1.5	5,400,402	1.5	5,546,526	1.4
34 Financial expense	193,760	0.1	178,585	0.1	201,128	0.1	228,690	0.1	256,312	0.1
35 Subsidies	1,231,477	0.4	959,954	0.3	1,019,023	0.3	1,085,214	0.3	1,154,365	0.3
36 Grants	362,410	0.1	387,779	0.1	325,507	0.1	344,605	0.1	363,521	0.1
37 Compensations to citizens and households based on insurance and other compensations	726,476	0.2	667,852	0.2	737,939	0.2	811,891	0.2	883,377	0.2
38 Other expense	2,743,186	0.8	2,198,640	0.7	2,380,713	0.7	2,574,487	0.7	2,790,253	0.7
4 Expense for the acquisition of nonfinancial assets	4,163,418	1.2	3,268,173	1.0	3,392,014	1.0	3,559,091	1.0	3,800,381	1.0
41 Expense for the acquisition of non-produced assets	333,336	0.1	185,000	0.1	214,666	0.1	239,307	0.1	275,158	0.1
42 Expense for the acquisition of produced fixed assets	3,354,645	1.0	2,679,735	0.8	2,729,344	0.8	2,839,842	0.8	3,006,065	0.8
43 Expense for the acquisition of precious metals and other deposited valuables	183	0.0	220	0.0	220	0.0	220	0.0	220	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	475,253	0.1	403,218	0.1	447,784	0.1	479,722	0.1	518,938	0.1
TOTAL DEFICIT(-) / SURPLUS(+)	12,556	0.0	148	0.0	-144,879	0.0	-132,194	0.0	-135,301	0.0
NET FINANCING CHANGES TO DEPOSIT BALANCE	-12,556	0.0	-148	0.0	144,879	0.0	132,194	0.0	135,301	0.0
8 Income from financial assets and borrowings	637,146	0.2	493,670	0.1	642,093	0.2	659,407	0.2	689,514	0.2
81 Loan disposals	114,885	0.0	70,400	0.0	143,368	0.0	140,000	0.0	138,000	0.0
82 Securities (other than shares) disposals	307,207	0.1	150,000	0.0	150,000	0.0	150,000	0.0	150,000	0.0
83 Shares and other equity disposals	23,328	0.0	28,000	0.0	35,500	0.0	38,500	0.0	38,800	0.0
84 Loan incurrences	191,726	0.1	245,270	0.1	313,224	0.1	330,907	0.1	362,714	0.1
5 Expenses for financial assets and loan repayments	555,250	0.2	507,613	0.2	497,213	0.1	527,213	0.1	554,213	0.1
51 Loan acquisition	121,525	0.0	152,520	0.0	125,520	0.0	131,020	0.0	136,520	0.0
53 Shares and other equity acquisition	63,683	0.0	48,400	0.0	38,000	0.0	43,000	0.0	49,000	0.0
54 Loan repayments	361,471	0.1	297,376	0.1	317,376	0.1	332,376	0.1	347,376	0.1
55 Repayments of securities (other than shares)	8,571	0.0	9,317	0.0	16,317	0.0	20,817	0.0	21,317	0.0

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

Source: Ministry of Finance

Annex 5: Consolidated general government 2008 – 2012

	Execution 2008		2009 plan		2010 projection		2011 projection		2012 projection	
	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP	000 HRK	% of GDP
TOTAL REVENUE (6+7)	136,242,190	39.8	129,209,248	38.5	131,391,799	37.8	134,669,694	36.5	141,289,827	35.8
6 Revenue	134,710,393	39.4	128,334,774	38.3	130,408,250	37.5	133,580,884	36.2	140,154,154	35.6
61 Revenues from taxes	76,424,374	22.3	70,191,007	20.9	72,634,182	20.9	73,409,267	19.9	76,908,405	19.5
62 Contributions	40,703,484	11.9	40,771,078	12.2	41,387,040	11.9	43,351,319	11.7	45,904,497	11.6
63 Grants	566,170	0.2	1,050,058	0.3	1,097,929	0.3	1,056,987	0.3	1,093,736	0.3
64 Property income	6,398,541	1.9	6,902,205	2.1	5,595,114	1.6	5,805,001	1.6	5,973,770	1.5
65 Revenues from sale of goods and services	9,896,381	2.9	8,704,004	2.6	9,000,411	2.6	9,263,057	2.5	9,510,726	2.4
66 Other revenue	721,443	0.2	716,421	0.2	693,573	0.2	695,253	0.2	763,019	0.2
7 Revenue from the sale of nonfinancial assets	1,531,797	0.4	874,475	0.3	983,549	0.3	1,088,810	0.3	1,135,674	0.3
71 Revenues from the sale of non-produced assets	647,306	0.2	392,945	0.1	495,000	0.1	561,400	0.2	577,000	0.1
72 Revenues from the sale of produced assets	877,106	0.3	478,836	0.1	488,549	0.1	527,410	0.1	558,674	0.1
74 Revenues from the sale of produced current assets	7,385	0.0	2,694	0.0	0	0.0	0	0.0	0	0.0
TOTAL EXPENDITURE (3+4)	139,241,444	40.7	138,948,260	41.4	139,442,740	40.1	142,938,564	38.7	146,848,538	37.2
3 Expense	130,355,989	38.1	132,003,632	39.3	132,738,598	38.2	135,868,580	36.8	139,700,431	35.4
31 Compensation of employees	25,095,301	7.3	25,781,231	7.7	26,152,356	7.5	26,800,000	7.3	27,799,772	7.1
32 Material expense	17,226,121	5.0	16,353,183	4.9	16,153,861	4.7	16,564,083	4.5	16,929,500	4.3
34 Financial expense	5,804,309	1.7	5,847,379	1.7	6,969,706	2.0	7,232,638	2.0	7,503,880	1.9
35 Subsidies	8,130,050	2.4	8,035,617	2.4	7,198,724	2.1	7,461,928	2.0	7,617,038	1.9
36 Grants	2,140,317	0.6	2,381,548	0.7	1,894,216	0.5	1,790,894	0.5	1,842,017	0.5
37 Compensations to citizens and households based on insurance and other compensations	60,862,789	17.8	64,456,365	19.2	65,274,802	18.8	66,417,477	18.0	68,020,825	17.3
38 Other expense	11,097,100	3.2	9,148,308	2.7	9,094,934	2.6	9,601,561	2.6	9,987,399	2.5
4 Expense for the acquisition of nonfinancial assets	8,885,456	2.6	6,944,628	2.1	6,704,142	1.9	7,069,984	1.9	7,148,107	1.8
41 Expense for the acquisition of non-produced assets	852,902	0.2	518,358	0.2	485,486	0.1	488,065	0.1	564,782	0.1
42 Expense for the acquisition of produced fixed assets	7,176,244	2.1	5,700,569	1.7	5,460,791	1.6	5,758,190	1.6	5,720,665	1.5
43 Expense for the acquisition of precious metals and other deposited valuables	10,309	0.0	4,758	0.0	4,075	0.0	14,535	0.0	4,641	0.0
44 Strategic inventories	86,829	0.0	2,000	0.0	27,000	0.0	30,000	0.0	30,000	0.0
45 Expense for additional investments in nonfinancial assets	759,172	0.2	718,944	0.2	726,790	0.2	779,193	0.2	828,019	0.2
TOTAL DEFICIT(-) / SURPLUS(+)	-2,999,254	-0.9	-9,739,012	-2.9	-8,050,941	-2.3	-8,268,870	-2.2	-5,558,711	-1.4
NET FINANCING CHANGES TO DEPOSIT BALANCE	2,999,254	0.9	9,739,012	2.9	8,050,941	2.3	8,268,870	2.2	5,558,711	1.4
8 Income from financial assets and borrowings	14,870,905	4.3	23,105,667	6.9	30,025,479	8.6	21,504,413	5.8	17,101,904	4.3
81 Loan disposals	627,946	0.2	623,884	0.2	330,809	0.1	351,315	0.1	352,315	0.1
82 Securities (other than shares) disposals	4,294,554	1.3	9,701,531	2.9	13,606,828	3.9	15,950,000	4.3	11,200,000	2.8
83 Shares and other equity disposals	882,987	0.3	554,500	0.2	323,423	0.1	151,501	0.0	153,800	0.0
84 Loan incurrences	9,065,419	2.6	12,225,751	3.6	15,764,419	4.5	5,051,597	1.4	5,395,789	1.4
5 Expenses for financial assets and loan repayments	9,531,656	2.8	12,446,326	3.7	21,280,386	6.1	12,622,174	3.4	10,940,621	2.8
51 Loan acquisition	1,309,153	0.4	1,330,866	0.4	1,615,563	0.5	1,496,040	0.4	1,501,540	0.4
53 Shares and other equity acquisition	645,527	0.2	431,735	0.1	396,150	0.1	401,150	0.1	407,150	0.1
54 Loan repayments	3,558,302	1.0	5,449,067	1.6	12,231,330	3.5	2,620,682	0.7	5,164,523	1.3
55 Repayments of securities (other than shares)	4,018,674	1.2	5,234,658	1.6	7,037,343	2.0	8,104,302	2.2	3,867,408	1.0

Source: Ministry of Finance